中國教育集團控股有限公司
CHINA EDUCATION GROUP HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability and carrying on business in Hong Kong as “ChinaEdu 中教常春藤”)

Stock Code : 839

Sole Sponsor

BNP PARIBAS

Joint Global Coordinators

BNP PARIBAS

CITIC CLSA Securities

Joint Bookrunners and Joint Lead Managers

BNP PARIBAS

CITIC CLSA Securities

ICBC 工银国际

農銀國際 ABC INTERNATIONAL

建银国际 CCB International

中信建投國際 China Securities International

海通國際 HAITONG

GLOBAL OFFERING

Preparing students for success through

Excellence and **Innovation** in education

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

中教控股
CHINA EDUCATION GROUP

China Education Group Holdings Limited
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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**500,000,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**50,000,000 Shares (subject to reallocation)**
Number of International Offering Shares	:	**450,000,000 Shares (subject to reallocation and the Over-allotment Option)**
Maximum Offer Price	:	**HK$7.02 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	:	**839**

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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, 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 BNP Paribas (on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, 8 December 2017 and, in any event, not later than Saturday, 9 December 2017. The Offer Price will be not more than HK$7.02 and is currently expected to be not less than HK$5.86. If, for any reason, the Offer Price is not agreed by 5:00 p.m. on Saturday, 9 December 2017 between BNP Paribas (on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse immediately.

BNP Paribas (on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this document 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, an announcement will be published in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by BNP Paribas (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".

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". The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure subscribers for, the Hong Kong Offer Shares, are subject to termination by BNP Paribas (on behalf of the Underwriters) if certain events shall occur prior to 8:00 a.m. on Friday, 15 December 2017. Such grounds are set out in the section headed "Underwriting". 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). The Offer Shares are being offered and sold outside the United States in offshore transactions in accordance with Regulation S.

5 December 2017

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 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 Friday, 8 December 2017
Application lists of the Hong Kong Public Offering open[3]	11:45 a.m. on Friday, 8 December 2017
Latest time to lodge **WHITE** and **YELLOW** Application Forms	12:00 noon on Friday, 8 December 2017
Latest time to give **electronic application instructions** to HKSCC[4]	12:00 noon on Friday, 8 December 2017
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 Friday, 8 December 2017
Application lists of the Hong Kong Public Offering close	12:00 noon on Friday, 8 December 2017
Expected Price Determination Date[5]	Friday, 8 December 2017

(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 Offer Shares,

to be published in 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.chinaeducation.hk** on or before[6]	Thursday, 14 December 2017

(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.chinaeducation.hk** (see paragraph entitled "11. Publication of Results" in the section headed "How to Apply for Hong Kong Offer Shares") from. . . . . Thursday, 14 December 2017

(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 the Company's website at **www.chinaeducation.hk**[8] from . . . . .Thursday, 14 December 2017

Results of allocations for the Hong Kong Public Offering will be available at **www.iporesults.com.hk** with a "search by ID" function from . . . . .Thursday, 14 December 2017

Dispatch of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[6] . . . . .Thursday, 14 December 2017

Dispatch of White Form e-Refund payment instructions/refund cheques on or before[9] . . . . .Thursday, 14 December 2017

Dealings in Shares on the Stock Exchange to commence at 9:00 a.m. on . . . . .Friday, 15 December 2017

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 Friday, 8 December 2017, the application lists will not open on that day. See the section headed "How to Apply for Hong Kong Offer Shares – 10. Effect of Bad Weather on the Opening of the Application Lists".

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

(5) The Price Determination Date is expected to be on or around Friday, 8 December 2017, and, in any event, not later than Saturday, 9 December 2017. If, for any reason, the Offer Price is not agreed between BNP Paribas (on behalf of the Underwriters) and our Company by 5:00 p.m. on Saturday, 9 December 2017, the Global Offering will not proceed and will lapse immediately.

(6) Share certificates are expected to be issued on Thursday, 14 December 2017 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 Friday, 15 December 2017. 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.chinaeducation.hk**.

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

(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 Offer Shares" for details relating to the structure of the Global Offering, procedures on the applications for Hong Kong 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 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 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 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 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.

We are an exempted company incorporated in the Cayman Islands with limited liability under the name "China Education Group Holdings Limited 中國教育集團控股有限公司". We were registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance and we carry on business in Hong Kong as "ChinaEdu 中教常春藤" as approved by and registered with the Registrar of Companies in Hong Kong. We are not in any way connected with or related to the company incorporated in Hong Kong named China Education Group Holdings Limited 中國教育集團控股有限公司, or any of its associates.

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 relevant 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".

CONTENTS

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 large scale private higher education group in China, operating a list of well-recognised private higher education institutions. We focus on offering high quality education through innovation. Our founders, Mr. Yu and Mr. Xie, are highly recognised in the PRC private education industry. Mr. Yu was the only representative from the PRC private education industry who attended the 9th National People's Congress in the late 1990s and promoted the promulgation of the Law for Promoting Private Education of the PRC, which laid down a foundation for the rapid development of the private education industry in China. Our founders were also each appointed as a vice chairman of the Chinese Association for Non-Government Education (中國民辦教育協會) and both have extensive experience in private education as well as profound insight into the future development of private higher education institutions.

During the Track Record Period, we operated two private universities, namely Jiangxi University of Technology and Guangdong Baiyun University. The histories of Jiangxi University of Technology and Guangdong Baiyun University can both be traced back to 1999, when they obtained approval from the MOE for their establishments. In 2007, Mr. Yu, Mr. Xie, Jiangxi University of Technology and Guangdong Baiyun University entered into the Original Cooperation Agreement, pursuant to which Mr. Yu and Mr. Xie agreed to exercise joint management and control of Jiangxi University of Technology and Guangdong Baiyun University. On 14 August 2017, we obtained control of Baiyun Technician College, a technical school established by Mr. Xie. As a result, we recognised a significant amount of goodwill and intangible assets that represent a significant portion of the assets on our consolidated balance sheet (see also "–Goodwill and Intangible Assets Arising from Our Obtaining Control of Baiyun Technician College"). Each of the three schools namely, Jiangxi University of Technology, Guangdong Baiyun University and Baiyun Technician College has been recognised as one of the best private education institutions in China with leading rankings in terms of competitive strengths. As of 31 August 2017, the end of the 2016/2017 school year, the aggregate number of students enrolled at our three schools amounted to 75,255. The following table sets forth certain details of our schools.

School/ Location	Student enrolment[(1)]/ Approximate campus size/ Academic structure	Programme offerings	Description
Jiangxi University of Technology located in Nanchang, Jiangxi province	35,982/ 1.3 million sq.m./ 12 colleges and 15 research institutes	35 bachelor's degree programmes and 31 junior college diploma programmes, including automobile service engineering, international economic and trade, computer science and technology	• Ranked No. 1 in terms of overall competitive strengths in the Private University and College Ranking of China (中國民辦院校綜合競爭力排行榜) since 2009[(2)] • The largest private university in China in terms of student enrolment according to the Frost & Sullivan Report • One of the first few private universities in Jiangxi province approved by the MOE

School/ Location	Student enrolment(1)/ Approximate campus size/ Academic structure	Programme offerings	Description
Guangdong Baiyun University located in Guangzhou, Guangdong province	25,741/ 351.1 thousand sq.m./ 16 colleges and six research institutes	45 bachelor's degree programmes and one junior college diploma programme, including mechanical design manufacturing and automation, business administration, fashion design and engineering	• Ranked No. 1 in terms of overall competitive strengths among top 10 private universities and colleges in Guangdong province for ten consecutive years from 2005 to 2014(3) • One of the first few private universities in Guangdong province approved by the MOE
Baiyun Technician College located in Guangzhou, Guangdong province	13,532/ 61.8 thousand sq.m./ Nine academic departments and one research institute	108 vocational education programmes, including interior design, civil engineering, accounting, e-commerce and culinary art	• Ranked No. 1 in terms of educational competitive strengths among technical schools in Guangdong province for seven consecutive years from 2008 to 2014(3) • The largest private technical school in China in terms of student enrolment according to the Frost & Sullivan Report

Notes:

(1) Despite the fact that our financial year ends on 31 December, our school year ends on 31 August. For the purpose of this document, we used 31 August as the cut-off date to present certain business operating data for each school year. Our business operating data presented in this table is based on the internal records of our schools.

(2) Ranked by Research Centre for China Science Evaluation and Evaluation Centre for China Education Quality of Wuhan University in association with nseac.com.

(3) Ranked by Guangdong Provincial Academy of Social Sciences and Guangdong General Survey and Research Centre. So far as our Directors are aware, there is no public disclosure of such ranking from 2015 onwards.

We emphasise the teaching of practical skills and knowledge and focus on workplace simulation training to improve the employability of our graduates. Leveraging our strong relationships with over 400 enterprises and our student-centred career services, our schools stand out among private universities and colleges in China with high graduate employment rate. The Initial Employment Rate of Jiangxi University of Technology in 2016 was approximately 88.1% and the Initial Employment Rate of Guangdong Baiyun University in 2016 was approximately 96.1%, while the Initial Employment Rate of Baiyun Technician College in 2016 was approximately 99.4%. In contrast, China's overall Initial Employment Rate for higher education graduate in 2016 was approximately 77.9%, according to the Frost & Sullivan Report.

During the Track Record Period, we experienced stable growth in our revenue and net profit from continuing operations. Our revenue increased from RMB821.9 million for the year ended 31 December 2014 to RMB846.0 million for the year ended 31 December 2015, and further to RMB861.3 million for the year ended 31 December 2016. Our revenue amounted to RMB405.4 million for the six months ended 30 June 2017. Our net profit from continuing operations increased from RMB309.4 million for the year ended 31 December 2014 to RMB361.9 million for the year ended 31 December 2015, and further to RMB423.4 million for the year ended 31 December 2016, representing a CAGR of 17.0%. Our net profit from continuing operations amounted to RMB193.0 million for the six months ended 30 June 2017.

Leveraging our leading market position in the private higher education industry in China, our extensive school management experience and our advanced group operating model, we believe that we will be able to capitalise on the future growth and consolidation of the fragmented private higher education industry in China.

Our Mission and Educational Philosophy

Our mission is to pioneer excellence and innovation in education ("引領教育卓越與創新") and our fundamental educational philosophy is to prepare students for success through excellence and innovation in education ("以卓越和創新教育引領學生走向成功"). As an educational service provider, we are committed to providing industry-leading higher education to students in the PRC through student-centred teaching strategies and methods. We integrate education, research and application to produce practical and workforce-ready graduates from a broad range of academic programmes prepared to excel in a technologically driven world.

Our Schools

During the Track Record Period, we operated two private universities in the PRC, offering in aggregate 80 bachelor's degree programmes and 32 junior college diploma programmes, covering nine bachelor's degree disciplines and 11 junior college diploma disciplines categorised by the MOE, respectively. All these programmes have been approved by the MOE. According to statistics published by the MOE, in 2016, these nine disciplines and 11 disciplines cover 97.7% undergraduate students and 91.9% junior college students in China, respectively. After the Track Record Period, on 14 August 2017, we obtained control of Baiyun Technician College, which was established by Mr. Xie in 1996. Baiyun Technician College offers 108 vocational education programmes.

Geographically, our schools are either located within the Pan-Yangtze River Delta Economic Zone or the Pan-Pearl River Delta Economic Zone. According to the Frost & Sullivan Report, undergraduate students in these two regions accounted for 33% of the total number of undergraduate students in China in 2016. These two regions also have ample employment opportunities for students. In 2016, approximately 46% of all university graduates with a bachelor's degree in China were employed in these two regions according to the Frost & Sullivan Report.

Our Students

During the Track Record Period, we operated two universities, namely Jiangxi University of Technology and Guangdong Baiyun University. The total number of our students was 61,981 in the 2013/2014 school year, 63,548 in the 2014/2015 school year and 63,367 in the 2015/2016 school year. On 14 August 2017, we obtained control of Baiyun Technician College, after which the total number of our students increased to 75,255 in the 2016/2017 school year. The following table sets forth detailed information regarding the number of students enrolled in Jiangxi University of Technology, Guangdong Baiyun University and Baiyun Technician College in the 2013/2014, 2014/2015, 2015/2016 and 2016/2017 school years.

	Student enrolment*			
	2013/2014	**2014/2015**	**2015/2016**	**2016/2017**
Group	**61,981**(1)	**63,548**(1)	**63,367**(1)	**75,255**(2)
Jiangxi University of Technology	**39,822**	**38,857**	**37,702**	**35,982**
Bachelor's degree programmes	18,904	21,242	21,765	20,288
Junior college diploma programmes	15,597	16,957	15,500	14,397
Continuing education programmes	5,321	658	437	1,297
Guangdong Baiyun University	**22,159**	**24,691**	**25,665**	**25,741**
Bachelor's degree programmes	15,444	17,024	16,918	16,963
Junior college diploma programmes	224	209	195	226
Continuing education programmes	6,491	7,458	8,552	8,552
Baiyun Technician College	**12,944**	**12,820**	**14,016**	**13,532**
Secondary vocational diploma programmes	3,104	3,042	3,132	2,857
Post-secondary vocational diploma programmes	9,307	9,316	10,422	10,241
Technician diploma programmes	533	462	462	434

Notes:

* The student enrolment information during the Track Record Period is based on the internal records of our schools. Since our school year ends on 31 August, for the purpose of this document, we used 31 August as the cut-off date to calculate student enrolment numbers in a school year based on the internal records of our schools.

(1) The total number of our students in the 2013/2014, 2014/2015 and 2015/2016 school years represents the total number of students of Jiangxi University of Technology and Guangdong Baiyun University.

(2) Total number of our students in the 2016/2017 school year represents the total number of students of Jiangxi University of Technology, Guangdong Baiyun University and Baiyun Technician College.

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 and a caring heart towards students' well-being, who are open to innovative teaching methods. As of 31 August 2017, we had 3,520 teachers (including the teachers of Baiyun Technician College, the control of which we obtained in August 2017).

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and differentiate us from our competitors: (i) we are a private higher education group in China operating a list of well-recognised private higher education institutions; (ii) our large scale higher education group in terms of student enrolment allows us to benefit from the synergistic effects; (iii) the combination of our education resources allows us to achieve comprehensive coverage in major offerings and extend our educational advantages; (iv) our schools' strategic geographical locations combined with our leading edge practical curriculum enables us to deliver outstanding graduate employment outcomes; and (v) our highly reputable management team comprised of leaders of the higher education sector drives excellence and innovation in our education business.

OUR STRATEGIES

Our vision is to become a global leading education group providing high quality education services to a significant size of student bodies. To achieve this, we plan to pursue the following business strategies: (i) to develop new school campus to further increase our capacity and student body; (ii) to further enhance the competitiveness of our students and curricula; (iii) to expand our school network through acquisition and business cooperation; (iv) to optimise our pricing strategies and diversify our income sources; and (v) to leverage our extensive experience and reputable school brands to provide management services to other schools.

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:

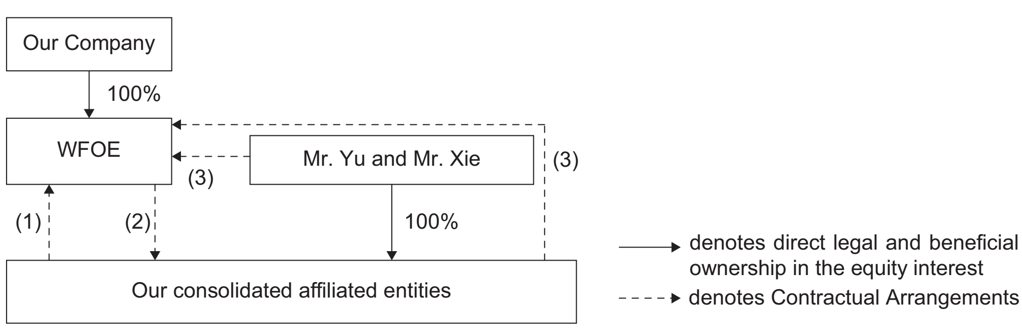
- Our business and results of operations depend on the level of tuition fees and boarding fees we are able to charge and our ability to maintain and raise the level of tuition fees and boarding fees.
- We may expand our school network through acquisitions or cooperation with third party partners and may not be able to successfully execute such expansion strategy.

- On 14 August 2017, we obtained control of Baiyun Technician College and, as a result, recognised a significant amount of goodwill and intangible assets that represent a significant portion of the assets on our consolidated balance sheet. If we determine our goodwill and intangible assets to be impaired, our results of operations and financial condition may be adversely affected.
- We may not be able to successfully increase student enrolment at our schools due to the constraint of our school capacity and approvals from government authorities, such as admission quotas, which may hinder our ability to expand our business.
- We are subject to extensive governmental approvals and compliance requirements for the constructions and development of our schools and in relation to the land and buildings that we own. Some of the properties we use for our operations are not in compliance with applicable laws and regulations in the PRC.

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 our Group's. Accordingly, the term "ownership" or the relevant 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 flow of economic benefits from our consolidated affiliated entities to us under the Contractual Arrangements:



Notes:

(1) Payment of service fees and pledge of receivables by Jiangxi University of Technology and Guangdong Baiyun University.

(2) Management and consultation services.

(3) Entrustment of directors' rights/school sponsors' rights in our PRC Operating Schools; exclusive options to acquire all or part of the sponsor interests in our PRC Operating Schools and equity interests in our Registered School Sponsors; and equity pledges over the equity interest in Lihe Education (the sole school sponsor of Baiyun Technician College). Although there are no equity pledges in relation to Jiangxi University of Technology and Guangdong Baiyun Technician College, we have adopted alternative measures with a view to achieving the same level of protection. See "Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements – Equity Pledge Agreement" for further details.

OUR CONTROLLING SHAREHOLDERS

Immediately after the completion of the Global Offering (assuming that the Over-allotment Option and the options granted under the Share Option Schemes are not exercised and no Shares are granted under the Share Award Scheme), the Controlling Shareholders, who are parties acting in concert pursuant to the Concert Party Agreement (see "History, Reorganisation and Corporate Structure – The Concert Party Agreement"), will be interested in an aggregate of 75% of the issued share capital of our Company. Accordingly, Mr. Yu, Mr, Xie, Blue Sky BVI and White Clouds BVI are acting together as a group of Controlling Shareholders.

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 and Appendix IB. The summary financial data set forth below should be read together with our Consolidated Financial Statements and the related notes, as well as "Financial Information."

Summary of Historical Financial Information of Our Group

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)	*(RMB'000)*
Continuing operations					
Revenue	821,934	846,016	861,289	417,976	405,375
Cost of revenue	(408,683)	(415,897)	(404,577)	(180,028)	(165,108)
Gross profit	413,251	430,119	456,712	237,948	240,267
Profit before taxation	313,362	364,407	425,300	218,694	193,916
Taxation	(3,936)	(2,506)	(1,949)	(1,233)	(903)
Profit for the year/period from continuing operations	309,426	361,901	423,351	217,416	193,013
Discontinued operations					
Profit and (loss) for the year/period from discontinued operations	93	(13,642)	(10,836)	(4,605)	7,407
Profit for the year/period	309,519	348,259	412,515	212,811	200,420
Adjusted Net Profit[(1)]	308,335	356,400	409,232	211,129	195,038

Note:

(1) The Adjusted Net Profit, which is unaudited in nature, represents profit for the year/period from continuing operations excluding the effects of imputed interest income arising from amount due from Directors, imputed interest income arising from an amount due from a related party and the listing expenses. The Adjusted Net Profit is not a measure of performance under IFRS. As a non-IFRS measure, the Adjusted Net Profit is presented because our management believes such information will be helpful for investors in assessing the level of our net profit by eliminating the effects of certain one-off or non-recurring items, namely imputed interest income and listing expenses. The use of the 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. See "Financial Information – Non-IFRS Measure". The following

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

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)	*(RMB'000)*
Profit for the year/period from continuing operations	309,426	361,901	423,351	217,416	193,013
Less:					
Imputed interest income from amounts due from directors	(427)	(3,948)	(11,763)	(5,085)	(6,869)
Imputed interest income from an amount due from a related party	(664)	(1,553)	(2,356)	(1,202)	(1,252)
Add:					
Listing expenses	–	–	–	–	10,146
Adjusted Net Profit	308,335	356,400	409,232	211,129	195,038

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

	Year ended 31 December						Six months ended 30 June			
	2014		2015		2016		2016		2017	
	(RMB'000)	%	*(RMB'000)*	%	*(RMB'000)*	%	*(RMB'000)* (Unaudited)	%	*(RMB'000)*	%
Jiangxi University of Technology	506,081	61.6	497,288	58.8	487,625	56.6	232,366	55.6	220,281	54.3
Guangdong Baiyun University	315,853	38.4	348,728	41.2	373,664	43.4	185,610	44.4	185,094	45.7
Total	821,934	100.0	846,016	100.0	861,289	100.0	417,976	100.0	405,375	100.0

The following table sets forth a breakdown of our gross profit and gross profit margin by school for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2014		2015		2016		2016		2017	
	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin
	(RMB'000)	%	*(RMB'000)*	%	*(RMB'000)*	%	*(RMB'000)* (Unaudited)	%	*(RMB'000)*	%
Jiangxi University of Technology	264,299	52.2	256,690	51.6	258,571	53.0	131,353	56.5	126,857	57.6
Guangdong Baiyun University	148,952	47.2	173,429	49.7	198,141	53.0	106,595	57.4	113,410	61.3
Total	413,251	50.3	430,119	50.8	456,712	53.0	237,948	56.9	240,267	59.3

	As of 31 December			As of 30 June	As of 31 October
	2014	2015	2016	2017	2017*
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)
Current assets	744,188	915,078	1,328,923	1,214,979	1,125,613
Current liabilities	836,965	1,033,843	1,069,885	715,848	1,381,997
Net current assets (liabilities)	(92,777)	(118,765)	259,038	499,131	(256,384)

Note:

* The relevant information as of 31 October 2017 is based on our unaudited management accounts that have not been reviewed, confirmed or audited by our auditors and may differ from the information to be disclosed in the audited or unaudited consolidated financial statements to be published by us. Such information is provided for reference only and not for any other purpose. Investors are advised not to place any reliance on such information but to exercise due caution when dealing in the securities of the Company.

As of 31 October 2017, based on the unaudited management accounts prepared by our Company, we had net current liabilities of approximately RMB256.4 million (unaudited and for reference only) primarily because (i) we obtained control of Baiyun Technician College in August 2017, the consideration of which was financed out of our current assets, and most of the relevant assets recognised, particularly goodwill and intangible assets and property, plant and equipment relating to Baiyun Technician College, were primarily recorded as our non-current assets; and (ii) certain bank borrowing became repayable within one year as of 31 October 2017 as it approached maturity. 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, the expected net proceeds from the Global Offering, unutilised bank facilities (as confirmed by our Directors, as of the Latest Practicable Date, our unutilised banking facilities amounted to approximately RMB258.3 million), and our future capital expenditure in respect of our non-cancellable capital commitments. In addition, as of 31 October 2017, based on the unaudited management accounts prepared by our Company, we had deferred revenue of approximately RMB893.6 million (unaudited and for reference only) recorded as current liabilities, representing approximately 64.7% of our total current liabilities as of 31 October 2017. Such deferred revenue represents prepaid tuition fees and boarding fees collected that had yet to be recognised as revenue. We record tuition fees and boarding fees collected initially as current liabilities and recognise such amounts received as revenue proportionately over the relevant period of the applicable programmes. Therefore, our deferred revenue is generally higher at the beginning of each school year and is not expected to have any material adverse effect on our liquidity. For additional information on our liquidity position, see "Financial Information – Financial Information of Our Group Comprising Two Schools During the Track Record Period – Net Current Assets and Liabilities".

	As of/for the year ended 31 December			As of/for the six months ended 30 June
	2014	2015	2016	2017
Net profit margin	37.6%	42.8%	49.2%	47.6%
Adjusted Net Profit margin	37.5%	42.1%	47.5%	48.1%
Gross profit margin	50.3%	50.8%	53.0%	59.3%
Return on assets	10.7%	10.5%	11.0%	10.4%
Return on equity	17.2%	17.1%	16.8%	14.1%
Current ratio	0.89	0.89	1.24	1.70
Gearing ratio	16.0%	21.7%	17.9%	15.6%

Summary of Historical Financial Information of Baiyun Technician College

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)	*(RMB'000)*
Revenue	151,745	163,778	179,566	88,647	89,762
Cost of revenue	(101,894)	(103,179)	(106,998)	(50,825)	(42,630)
Gross profit	49,851	60,599	72,568	37,822	47,132
Profit for the year/period	10,885	15,962	14,363	15,680	36,265
Adjusted net profit(1)	9,610	13,182	10,561	13,861	34,207

Note:

(1) Adjusted net profit represents profit for the year/period excluding the effects of imputed interest income arising from amount due from Directors. Adjusted net profit is not a measure of performance 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 level of Baiyun Technician College's net profit by eliminating the effect of a non-recurring item, namely imputed interest income. The use of adjusted net profit has material limitations as an analytical tool, as it does not include all items that impact the profit of Baiyun Technician College for the relevant year/period. See "Financial Information – Non-IFRS Measure." The following table reconciles the adjusted net profit for the years presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit for the year/period:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)	*(RMB'000)*
Profit for the year/period	10,885	15,962	14,363	15,680	36,265
Less:					
Imputed interest income from amounts due from related parties	(1,275)	(2,780)	(3,802)	(1,819)	(2,058)
Adjusted net profit	9,610	13,182	10,561	13,861	34,207

	As of 31 December			As of 30 June
	2014	2015	2016	2017
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Current assets	88,040	136,290	261,451	263,214
Current liabilities	197,016	281,886	329,565	287,133
Net current assets (liabilities)	(108,976)	(145,596)	(68,114)	(23,919)

Summary of Pro Forma Financial Information of the Enlarged Group[(1)]

	Year ended 31 December 2016	Six months ended 30 June 2017
	(RMB'000) (Unaudited)	*(RMB'000)* (Unaudited)
Revenue	1,040,855	495,137
Cost of revenue	(519,065)	(211,483)
Gross profit	521,790	283,654
Net profit from continuing operations	432,097	226,469
Profit for the year/period	420,100	233,888

Note:

(1) This table presents the revenue and net profit from continuing operations of the enlarged group based on the unaudited pro forma consolidated financial information of the enlarged group (as if the obtaining of control of Baiyun Technician College by our Group had taken place on 1 January 2016) for the year ended 31 December 2016 and the six months ended 30 June 2017.

Goodwill and Intangible Assets Arising from Our Obtaining Control of Baiyun Technician College

We obtained control in relation to Baiyun Technician College in August 2017. Based on the unaudited pro forma consolidated financial information of the enlarged group (as if the obtaining of control of Baiyun Technician College by our Group had taken place on 1 January 2016) for the year ended 31 December 2016 and the six months ended 30 June 2017, the pro forma goodwill and intangible assets (other than goodwill) of the enlarged group we recorded amounted to RMB344.1 million and RMB229.3 million, respectively, accounting for 26.5% and 17.7% of the pro forma total assets of the enlarged group, respectively. Such goodwill and intangible assets represent a significant portion of the assets on our consolidated balance sheet. The value of such goodwill and intangible assets are based on forecasts involving a number of assumptions made by management. If any of these assumptions does not materialise, or if the performance of our business is not consistent with such assumptions, we may be required to have a significant write-off of our goodwill and intangible assets and record a significant impairment loss, which could in turn adversely affect our results of operations. For more information regarding how we recorded such goodwill and intangible assets and our impairment policy in relation to these goodwill and intangible assets and the relevant risks, please see the sections headed "Risk Factors – Risks relating to our business and our industry – The goodwill and intangible assets arising from obtaining control of Baiyun Technician College represent a significant portion of the assets on our consolidated balance sheet. If we determine our goodwill and intangible assets to be impaired, our results of operations and financial condition may be adversely affected" and "Financial Information – Financial information of Baiyun Technician College – Valuation of Pro Forma Goodwill and Pro Forma Intangible Assets of Baiyun Technician College."

As of 14 August 2017 (the date on which we obtained control of Baiyun Technician College), we recognised approximately RMB324.8 million and RMB249.2 million as the actual fair values of the goodwill and intangible assets, respectively. As the fair values of the assets acquired and liabilities recognised on 14 August 2017 and the relevant deferred tax impact were provisionally determined with reference to a preliminary professional valuation conducted by an independent valuer that has yet to be finalised, the aforementioned fair values are potentially subject to further change.

DIVIDEND POLICY

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. No dividend had been paid or proposed by our Company during the Track Record Period and up to the Latest Practicable Date. 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 relevant laws. Our Board intends to recommend at the relevant shareholder meetings an annual dividend of no less than 30% of our profits available for distribution generated in each financial year beginning from the year ending 31 December 2018. See "Financial Information – Dividend Policy."

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 50,000,000 Offer Shares (subject to reallocation), and (ii) the International Offering of 450,000,000 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 Share Option Schemes 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 Share Option Schemes and any grants under the Share Award Scheme.

RECENT DEVELOPMENTS

In August 2017, we obtained control of Baiyun Technician College. See "History, Reorganisation and Corporate Structure – Obtaining Control of Baiyun Technician College." As a result, Baiyun Technician College will be operated under the structure of our Group with its financial results consolidated into our Group's. See Appendix IB for the financial information of Baiyun Technician College for the financial years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017. After obtaining control of Baiyun Technician College, our student enrolment increased from 63,367 in the 2015/2016 school year to 75,255 in the 2016/2017 school year.

In addition, we started to consolidate the financial results of Baiyun Technician College after we obtained control of it in August 2017. Prior to the obtaining control of Baiyun Technician College by us, Baiyun Technician College had a lower net profit margin than our Group. Therefore, obtaining control of Baiyun Technician College would decrease our overall net profit margin. Furthermore, the adoption of the Contractual Arrangements may also lead to a decrease of our net profit margin going forward. Pursuant to the Contractual Arrangements, WFOE has started to provide technical services and management consultancy to our consolidated affiliated entities since 1 July 2017 and charge service and consultancy fees up to 100% of the economic benefits of each of our consolidated affiliated entities. Such service and consultancy fees received by WFOE will be subject to corporate income tax at a rate of 15% and value added tax at a rate of 6%, which may lead to a decrease of our net profit margin in the future. In particular, our net profit (excluding listing expenses) for the year ending 31 December 2017 may decrease from that for the year ended 31 December 2016 primarily because: (i) we will be subject to a higher tax rate. During the Track Record Period, we were not required to pay any income tax in respect of the tuition fees and boarding fees we received for providing formal academic education. As discussed above, since 1 July 2017, service and consultancy fees received by WFOE will be subject to corporate income tax at a rate of 15% and value added tax at a rate of 6%; and (ii) we obtained control of Baiyun Technician College on 14 August 2017. For the year ending 31 December 2017, according to applicable accounting policies, we will consolidate the profit of Baiyun Technician College during the period from 14 August 2017 to 31 December 2017. We expect that the effect of consolidating the profit of Baiyun Technician College during the period from 14 August 2017 to 31 December 2017 on our net profit (excluding listing expenses) will be outweighed by the effect of a lower level of consultancy fee we received from Baiyun Technician College during the period from 1 January 2017 to 13 August 2017. For the year ended 31 December 2016, such consultancy fee income amounted to approximately RMB47.2 million, whereas during the period from 1 January 2017 to 13 August 2017, such consultancy fee income only amounted to approximately RMB6.8 million. The lower level of consultancy fee received from Baiyun Technician College was primarily because the reputation, enterprise network and academic platform of Baiyun Technician College have become more established, thus requiring less consultancy services, facilitation and cooperation projects from Jiangxi University of Technology. For the year ending 31 December 2018 and onwards, we expect to consolidate the full year profit and loss of Baiyun Technician College.

The Decision on Amending the Law for Promoting Private Education was promulgated on 7 November 2016 and came into force on 1 September 2017. There are uncertainties regarding the interpretation and application of such decision. In particular, it is silent on the specific measures regarding how existing private schools can choose to become for-profit private schools or non-profit private schools. See "Business – The Decision on Amending the Law for Promoting Private Education of the PRC."

We completed our student enrolment for the 2017/2018 school year in October 2017 and enrolled a total of 76,204 students in our three schools. The following table sets forth detailed information on our student enrolment in the 2017/2018 school year.

	Student enrolment*
Group	**76,204**
Jiangxi University of Technology	**36,368**
Bachelor's degree programmes	19,746
Junior college diploma programmes	13,674
Continuing education programmes	2,948
Guangdong Baiyun University	**26,416**
Bachelor's degree programmes	17,800
Junior college diploma programmes	205
Continuing education programmes	8,411
Baiyun Technician College	**13,420**
Secondary vocational diploma programmes	2,824
Post-secondary vocational diploma programmes	10,217
Technician diploma programmes	379

Note:

* The student enrolment information for the 2017/2018 school year is based on our internal records as of 26 October 2017. Such student enrolment information has been filed, where applicable, with relevant provincial and municipal educational government authorities for record.

During the Track Record Period, we had recognised imputed interest income on advances to our Directors under IFRS. For each of the three years ended 31 December 2016 and the six months ended 30 June 2017, our imputed interest income was approximately RMB1.1 million, RMB5.5 million, RMB14.1 million and RMB8.1 million, respectively. As of the Latest Practicable Date, all advances to our Directors had been settled, and we do not expect to continue to recognise imputed interest income on advances to our Directors following the Listing.

Our Directors confirm that, except as stated in this document, since 30 June 2017 (being the date on which the latest audited consolidated financial information of our Group was prepared) and up to the date of this document, there had been no material adverse change in the industry in which we operate or in the financial or trading position of our Group that would materially affect the information shown in our consolidated financial statements included in the Accountants' Report of the Group set forth in Appendix IA.

LISTING EXPENSES

We expect to incur a total of approximately RMB119.4 million of listing expenses (assuming an Offer Price of HK$6.44, being the mid-point of the indicative Offer Price range between HK$5.86 and HK$7.02, and assuming that the Over-allotment Option is not exercised at all) in relation to the Global Offering, of which approximately RMB10.1 million were charged to profit and loss and approximately RMB3.0 million was capitalised during the Track Record Period. For the remaining expenses, we expect to charge approximately RMB29.3 million to our profit or loss and to capitalise approximately RMB77.0 million. Listing expenses represent professional fees and other fees incurred in connection with the Global Offering, including underwriting commissions and trading levy but excluding discretionary incentive bonus. The listing expenses above were the best estimate as of the Latest Practicable Date and were for reference only and the actual amount may differ from this estimate. The listing expenses are non-recurring in nature. The listing expenses will have an adverse effect on our financial performance and results for the year ending 31 December 2017.

OFFERING STATISTICS

	Based on an Offer Price of HK$5.86	Based on an Offer Price of HK$7.02
Market capitalisation of our Shares*(1)	HK$11,720 million	HK$14,040 million
Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share*(2)	HK$2.96 (RMB2.61)	HK$3.24 (RMB2.86)
Unaudited pro forma adjusted consolidated net tangible assets of the enlarged group per Share*(3)	HK$2.63 (RMB2.32)	HK$2.92 (RMB2.57)

Notes:

* Assuming the Over-allotment Option is not exercised at all and without taking into account any Shares which may be issued upon the exercise of any options granted under the Share Option Schemes and any grants under the Share Award Scheme.

(1) The calculation of market capitalisation is based on 2,000,000,000 Shares expected to be in issue following completion of the Share Capital Reorganisation and the Global Offering. This calculation is based on the indicative Offer Prices of HK$5.86 and HK$7.02.

(2) The unaudited pro forma adjusted consolidated net tangible assets of our Group per Share is calculated after making adjustments referred to in "(A) Statement of Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets of the Group" included in Appendix II and on the basis of a total of 2,000,000,000 Shares expected to be in issue following the completion of the Share Capital Reorganisation and the Global Offering. This calculation is based on the indicative Offer Prices of HK$5.86 and HK$7.02.

(3) We obtained control of Baiyun Technician College in August 2017. The unaudited pro forma adjusted consolidated net tangible assets per Share information of the enlarged group was prepared as if our obtaining control of Baiyun Technician College had completed as of 30 June 2017. Such per Share information is calculated after making the adjustments referred to in "(B) Unaudited Pro Forma Financial Information of the Enlarged Group" included in Appendix II and on the basis of a total of 2,000,000,000 Shares expected to be in issue following the completion of the Share Capital Reorganisation and the Global Offering. This calculation is based on the indicative Offer Prices of HK$5.86 and HK$7.02.

The decrease in the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as at 30 June 2017 per Share after taking into account of our obtaining control of Baiyun Technician College was because of the recognition of a significant amount of intangible assets and goodwill that were deducted from the net assets of the enlarged group in the calculation of the net tangible assets of the enlarged group.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$3,078.5 million after deducting underwriting commission and other estimated expenses paid and payable by us in the Global Offering (without deducting any additional discretionary incentive fee), assuming an Offer Price of HK$6.44 per Share, being the mid-point of the indicative Offer Price range of HK$5.86 to HK$7.02 per Share, we intend to use the net proceeds we will receive from this offering for the following purposes:

Use of proceeds	**% of the net proceeds**	**HK$ million**
Acquisition of or cooperation with other universities	59.5%	1,831.3
Developing new campus	26.9%	828.4
Repay certain portion of bank loans	8.0%	246.3
Supplement working capital	2.4%	73.9
Establishing teacher and staff training centre	1.1%	33.9
Research and development	1.1%	33.9
Provision of scholarships	0.5%	15.4
Maintenance and upgrading of existing schools	0.5%	15.4

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$282.7 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$470.9 million, assuming an Offer Price of HK$6.44 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.

LEGAL PROCEEDINGS AND COMPLIANCE

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, (i) we had not experienced any material or systemic non-compliance of applicable laws or regulations, which taken as a whole, in the opinion of our Directors, are likely to have a material adverse effect on our business condition or results of operations; and (ii) we had not experienced any non-compliance of applicable laws or regulations, which taken as a whole, in the opinion of our Directors, reflects negatively on the ability or tendency of our Company, our Directors or our senior management, to operate our business in a compliant manner.

See "Business – Employees" and "Business – Properties" for a description of certain legal matters relating to our compliance with certain employee benefits and property related laws and regulations which our Directors consider would not have a material adverse effect on our operations as a whole for the reasons described therein.

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.

"Adjusted Net Profit"	a non-IFRS measure that eliminates the effect of certain non-cash or one-off items from our profit for the year. See section headed "Financial Information – Non-IFRS Measure"
"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
"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 of Association"	the articles of association of our Company adopted on 29 November 2017 with effect from the Listing Date, as amended from time to time, a summary of which is set out in the section headed "Appendix IV – Summary of the Constitution of the Company and Cayman Islands Company Law"
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Baiyun Technician College"	Guangzhou Baiyun Senior Technical School of Business and Technology (Guangzhou Baiyun Technician College of Business and Technology) (廣州白雲工商高級技工學校 (廣州市白雲工商技師學院)), a technical school that obtained approval from the Guangzhou Municipal People's Government (廣州市人民政府) and the Guangzhou Ministry of Labour (廣東省勞動廳) for its establishment on 9 April 1996 and one of our PRC Operating Schools. We obtained control of Baiyun Technician College in August 2017. See the section headed "History, Reorganisation and Corporate Structure – Obtaining Control of Baiyun Technician College"
"Blue Sky BVI"	Blue Sky Education International Limited (藍天教育國際有限公司), a company incorporated in the BVI with limited liability on 15 May 2017 and a Controlling Shareholder of our Company
"BNP Paribas"	BNP Paribas Securities (Asia) Limited

"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
"BVI China Education Group"	China Education Group Holdings (BVI) Limited (中國教育集團控股(英屬維爾京群島)有限公司), a company incorporated in the BVI with limited liability on 17 May 2017 and a wholly-owned subsidiary of our Company
"Cayman Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
"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
"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
"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 Education Group Holdings Limited (中國教育集團控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 19 May 2017 and carries on business in Hong Kong as "ChinaEdu 中教常春藤"
"Concert Party Agreement"	the agreement dated 29 November 2017 and entered into among the Controlling Shareholders with respect to interests in our Company, details of which are set out in "History, Reorganisation and Corporate Structure – The Concert Party Agreement". Accordingly, Mr. Yu, Mr. Xie, Blue Sky BVI and White Clouds BVI are acting together as a group of Controlling Shareholders
"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, namely Huafang Education, Lihe Education, and our PRC Operating Schools and their respective subsidiaries
"Contractual Arrangements"	the series of contractual arrangements entered into by, among others, the Company, WFOE, Mr. Yu, Mr. Xie, Huafang Education, Lihe Education, our PRC Operating Schools 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. Yu, Mr. Xie, Blue Sky BVI and White Clouds BVI and each of them shall be referred to as a Controlling Shareholder. See the section headed "Relationship with Controlling Shareholders" for further details
"Co-manager"	Pacific Foundation Securities Limited
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Decision on Amending the Law for Promoting Private Education"	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》), which was promulgated by Order No. 55 of the President of the PRC on 7 November 2016 and came into force on 1 September 2017

"Deed of Indemnity"	the deed of indemnity dated 29 November 2017 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
"Dr. Yu"	Dr. Yu Kai (喻愷), an executive Director and the chief executive officer of our Company
"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 **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited, designated by our Company
"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
"Guangdong Baiyun University"	Guangdong Baiyun University (廣東白雲學院), a private regular university formerly known as "Private Baiyun Vocational and Technical College (民辦白雲職業技術學院)" that obtained MOE approval for its establishment on 12 March 1999 and one of our PRC Operating Schools
"Historical Financial Information"	the audited consolidated financial statements of our Group for the financial years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 as included in the section headed "Accountants' Report on Historical Financial Information" in Appendix IA

"HK China Education Group"	China Education Group (Hong Kong) Limited (中國教育集團(香港)有限公司), a company incorporated in Hong Kong with limited liability on 25 May 2017 and a wholly-owned subsidiary of our Company
"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" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Offer Shares"	the 50,000,000 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 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 4 December 2017, relating to the Hong Kong Public Offering, entered into among the Company, the Controlling Shareholders, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-manager and the Hong Kong Underwriters, as further described in the section headed "Underwriting – Underwriting Arrangements and Expenses – The Hong Kong Public Offering"
"Huafang Education"	Ganzhou Huafang Education Consulting Company Limited (贛州市華方教育諮詢有限公司), a company established in the PRC with limited liability on 2 August 2017 and one of our consolidated affiliated entities
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"Independent Third Party(ies)"	any entity(ies) or persons 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, as further described in the section headed "Structure of the Global Offering"
"International Offering Shares"	the 450,000,000 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 in 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 8 December 2017, as further described in the section headed "Underwriting – Underwriting Arrangements and Expenses – International Offering"

"Jiangxi University of Technology"	Jiangxi University of Technology (江西科技學院), a private regular university formerly known as "Private Blue Sky Vocational and Technical College (民辦藍天職業技術學院)" that obtained MOE approval for its establishment on 26 July 1999 and one of our PRC Operating Schools
"Joint Bookrunners"	BNP Paribas, CLSA Limited, ICBC International Capital Limited, ABCI Capital Limited, CCB International Capital Limited, China Securities (International) Corporate Finance Company Limited and Haitong International Securities Company Limited
"Joint Global Coordinators"	BNP Paribas and CLSA Limited
"Joint Lead Managers"	BNP Paribas, CLSA Limited, ICBC International Securities Limited, ABCI Securities Company Limited, CCB International Capital Limited, China Securities (International) Corporate Finance Company Limited and Haitong International Securities Company Limited
"Lanyun Education"	Ganzhou Lanyun Education Consultation Centre (Limited Partnership) (贛州藍雲教育諮詢中心(有限合夥)), a limited partnership established in the PRC on 20 July 2017, and held as to 99% by Mr. Xie and 1% by Mr. Yu
"Latest Practicable Date"	27 November 2017, being the latest practicable date for ascertaining certain information in this document before its publication
"Lihe Education"	Lihe Education Consulting (Ganzhou) Company Limited (禮和教育諮詢(贛州)有限公司), a company established in the PRC with limited liability on 26 July 2017 and one of our consolidated affiliated entities
"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 15 December 2017, 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 which 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 29 November 2017, 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)
"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)
"Mr. Xie"	Mr. Xie Ketao (謝可滔), an executive Director, co-chairman of our Company and a Controlling Shareholder of our Company
"Mr. Yu"	Mr. Yu Guo (于果), an executive Director, co-chairman of our Company and a Controlling Shareholder of our 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 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"
"Offer Share(s)"	the Hong Kong 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

"Over-allotment Option"	the option expected to be granted by our Company to BNP Paribas, exercisable by BNP Paribas for up to 30 days from the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to an additional of 75,000,000 Offer Shares (representing in aggregate 15% of the initial Offer Shares) to, among other things, cover over-allocations in the International Offering, if any, details of which are described in the section headed "Structure of the Global Offering – The International Offering – Over-allotment Option"
"PBOC"	the People's Bank of China (中國人民銀行)
"Post-IPO Share Option Scheme"	the share option scheme conditionally approved and adopted by our Company on 29 November 2017, the principal terms of which are set out in the section headed "Appendix V – Statutory and General Information – D. Share Option Schemes and Share Award Scheme – 3. Post-IPO Share Option Scheme"
"PRC Operating Schools"	Jiangxi University of Technology, Guangdong Baiyun University and Baiyun Technician College
"PRC Tax Consultant"	Jiangxi ZhongHai Certified Tax Agents Limited Corporation (江西中海稅務師事務所有限責任公司), our PRC tax consultant
"Pre-IPO Share Option Scheme"	the share option scheme conditionally approved and adopted by the Board, the principal terms of which are set out in the section headed "Appendix V – Statutory and General Information – D. Share Option Schemes and Share Award Scheme – 1. Pre-IPO Share Option Scheme"
"Price Determination Agreement"	the agreement to be entered into among our Company and BNP Paribas (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 around Friday, 8 December 2017 (Hong Kong time) and in any event no later than 5:00 p.m. on Saturday, 9 December 2017, on which the Offer Price is to be fixed by an agreement between us and BNP Paribas (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

"Registered School Sponsors"	Mr. Yu, Mr. Xie and Lihe Education, and each of them a Registered School Sponsor
"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 (國家外匯管理局)
"SFC"	The Securities and Futures Commission of Hong Kong
"Share Award Scheme"	the share award scheme approved and adopted by the Shareholders on 29 November 2017, the principal terms of which are set out in the section headed "Appendix V – Statutory and General Information – D. Share Option Schemes and Share Award Scheme – 2. Share Award Scheme"
"Share Capital Reorganisation"	the change in the authorised and issued share capital of the Company, details of which are set out in "History, Reorganisation and Corporate Structure – Corporate Reorganisation – 1. Incorporation of Offshore Group Companies – Our Company"
"Shareholder(s)"	holder(s) of our Share(s)
"Share Option Schemes"	the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme
"Shares"	ordinary shares in our Company of par value HK$0.00001 each
"Sole Sponsor"	BNP Paribas
"Stabilisation Manager"	BNP Paribas
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between the Stabilisation Manager and Blue Sky BVI on or about 8 December 2017 pursuant to which Blue Sky BVI agrees to lend in aggregate up to 75,000,000 Shares to the Stabilisation Manager on the terms set out therein
"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 three financial years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017
"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
"University of Science and Technology"	University of Science and Technology, a corporation incorporated in the State of California of the United States on 10 July 2017 and a wholly-owned subsidiary of our Company
"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"	Huajiao Education Technology (Jiangxi) Company Limited (華教教育科技(江西)有限公司), a company established in the PRC with limited liability on 13 June 2017 and an indirectly wholly-owned subsidiary of our Company
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant's name
"White Clouds BVI"	White Clouds Education International Limited (白雲教育國際有限公司), a company incorporated in the BVI with limited liability on 15 May 2017 and a Controlling Shareholder of our Company
"**White Form eIPO**"	the application for Hong Kong 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
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS
"Zhongluotan Land"	a parcel of land located in Zhongluotan Town, Baiyun District, Guangzhou, Guangdong province, the PRC. Guangdong Baiyun University obtained the land use right certificate for the 1st phase of the site with a site area of approximately 188,666 sq.m. in August 2017. See "Business – Our Business Strategies – Develop new school campus to further increase our capacity and student body" for further details of this parcel of land
"%"	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 merely translations from their Chinese names and are for identification purposes. If there is any inconsistency, the Chinese names shall prevail.

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 relevant 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".

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.

"CAGR"	compound annual growth rate
"compulsory education"	grade one to grade nine education, which all citizens in China must receive according to the Compulsory Education Law of the PRC (中華人民共和國義務教育法)
"formal education"	education systems that provide students with the opportunity to earn official certificates from the PRC government
"Gaokao"	also known as the National Entrance Examination for Regular Higher Education Institution (普通高等學校招生全國統一考試), is an academic examination held annually in the PRC. It is a prerequisite for entrance into most higher education institutions at the undergraduate level in the PRC
"GFA"	gross floor area
"high school(s)"	schools that provide education for students in grade 10 through grade 12
"higher education"	an optional final stage of formal learning that occurs after secondary education, which is often delivered at universities, academies, colleges, seminaries and institutes of technologies
"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
"Independent Enrolment for Higher Vocational Education"	independent student enrolment by higher vocational education institutions through which higher vocational education institutions independently determine exam questions, administer examination, examination assessment, conduct interview and enrol students. If students are enrolled through independent enrolment for higher vocational education by higher vocational education institutions, they do not need to take Gaokao

"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
"middle school(s)"	schools that provide education for students from grade seven to grade nine
"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
"post-secondary vocational education diploma programmes"	a type of vocational education programme offered by Baiyun Technician College at post-secondary level. It usually takes three years for high school graduates to complete. These programmes also admit middle school graduates but it usually takes five years for middle school graduates to complete
"private higher education institution"	a PRC private higher education institution (民辦高等教育機構) that is operated by non-governmental entity(ies) or individual(s) where public funding is not a major source of capital and has open admission and enrolment to the public. It is able to offer junior college, undergraduate and graduate courses. Private higher education institutions include private regular university, private junior college and independent college
"private school(s)"	schools which are not run by local, provincial or national governments
"private technical school(s)"	(民辦技工學校) a type of private vocational education institution. Some private technical schools only offer secondary vocational education, while others also offer post-secondary vocational education
"public school(s)"	schools run by local, provincial or national governments
"school year"	the school year for all of our schools, which generally starts on or around 1 September of each calendar year and ends on 31 August of the next calendar year

"secondary vocational education diploma programmes"	a type of vocational education programme offered by Baiyun Technician College at secondary level for middle school graduates. It is the same as high school in terms of education level. However, secondary vocational education programmes place more emphasis on the training of professional skills. Students of these programmes usually have already had a mastery of relevant professional skills upon graduation and are competent for a specific job
"technician diploma programmes"	a type of vocational education programme offered by Baiyun Technician College at post-secondary level. It is similar to post-secondary vocational education diploma programmes but is more advanced than post-secondary vocational education programme

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 schools;
- 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 dividend policy;
- 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".

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.

You should carefully read and consider all of the information in this document including the risks and uncertainties described below before deciding to make any investment in our Shares. Our business, financial condition or results of operations could be materially adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks and uncertainties. As a result you may lose part or all 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

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.

The tuition fees and boarding fees we charge at our schools are among the most significant factors affecting our profitability. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, tuition fees represented 91.2%, 91.7%, 91.3% and 90.8% of our total revenue, respectively, and boarding fees accounted for 6.6%, 6.1%, 6.2% and 6.8% of our revenue, respectively. Our tuition fees and boarding fees are primarily determined based on, among other things, the demand for our educational programmes, the cost of our operations, the geographic markets where we operate our schools, the fees charged by our competitors, our pricing strategy to gain market share and general economic conditions in China and the geographical markets where we operate our schools.

Our tuition fees and boarding fees were historically subject to a fee charge permit system which was cancelled nationwide on 1 January 2016. The governments of Jiangxi and Guangdong provinces subsequently promulgated detailed regulations in 2015 and 2016, respectively, stipulating that after making public announcement, private schools may determine at their own discretion the level of tuition fees and boarding fees. For more details, see the section headed "Regulations – Regulations on Private Education in the PRC." Although regulatory approval on the level of tuition fees and boarding fees is no longer required in Jiangxi and Guangdong provinces, we cannot assure you that other types of regulatory pricing control will not be promulgated in the future. If any other types of regulatory control on the level or types of fees private schools may charge are promulgated in the future, it will directly impact our growth potential.

In addition, even if we can now determine the level of tuition fees and boarding fees at our own discretion, we also cannot assure you that we will be able to maintain or raise the level of tuition fees and boarding fees we charge at our schools in a sustainable manner in the future due to various reasons or even if we are able to maintain or raise the level of tuition fees and boarding fees, we cannot assure you that we will be able to maintain our competitiveness and our ability in attracting students to apply for our schools at such increased level of fee. Our business, financial position and results of operations may be materially and adversely affected if we fail to maintain or raise the level of tuition fees and boarding fees or attract sufficient prospective students.

Furthermore, some of our students may experience financial difficulties in paying tuition fees and boarding fees. If such students are unable to make full payments in a timely manner, we may have to recognise impairment losses on trade receivables, which could have a material and adverse impact on our results of operations and financial condition. For the years ended 31 December 2014, 2015 and 2016, we recognised impairment loss on trade receivables of RMB0.3 million, RMB4.1 million and RMB0.4 million, respectively.

We generate all of our revenue from a limited number of schools in two provinces.

During the Track Record Period, we generated all of our revenue from one school in Jiangxi province, i.e. Jiangxi University of Technology, and one school in Guangdong province, i.e. Guangdong Baiyun University. We further obtained control of Baiyun Technician College, which is also located in Guangdong province, after the Track Record Period on 14 August 2017. If any of our schools experiences an event that materially and negatively affects its student enrolment, tuition fees, school operations or reputation in general, our business, financial condition and results of operations may be materially and adversely affected. Geographically, while we admit students from various provinces, municipalities or autonomous regions in China, a majority of our students are from Jiangxi and Guangdong provinces, as well as neighbouring provinces, municipalities or autonomous regions. If any of the areas in which we operate experiences an event that materially and negatively affects its education industry or our schools, such as an economic downturn, a natural disaster or an outbreak of a contagious disease, or if any governmental authorities of the provinces in which we operate adopt regulations that place additional restrictions or burdens on our schools or on the education industry in general, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may expand our school network through acquisitions or cooperation with third party partners and may not be able to successfully execute such expansion strategy.

One of our growth strategies is to grow our business by acquiring or cooperating with other schools. We believe we face challenges in integrating the business operations and management philosophies of acquired schools. The benefits from future acquisitions depend, to a significant extent, on our ability to effectively integrate the management, operations, technology and personnel of the acquired schools. 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 integrating acquired schools including:

- retaining qualified teaching staff and existing students;
- consolidating educational services offered by the acquired schools;
- compliance with regulatory requirements;
- the acquired schools may have a culture that is adverse to change and not receptive to our education values and methods;
- integrating information technology platforms and administrative infrastructure with minimal disruptions to the existing operations of the acquired schools;

- minimising the diversion of our management's attention from on-going business concerns;
- minimising disruptions to existing student's curricula and ensuring their ability to progress through the education system is not hindered as a result of the acquisition; and
- ensuring and demonstrating to our stakeholders that the new acquisitions will not result in any adverse changes to our established brand image, reputation, teaching quality or standards.

Apart from the obtaining of control of Baiyun Technician College, we do not have prior experience in acquiring schools and 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 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, in which case there may be material adverse effects on our business, financial condition and results of operations. We cannot assure you that we will be able to manage or minimise disruptions to the acquired schools as a result of a change in management. Failure to do so may result in adverse effect on our brand and reputation.

In August 2017, the NDRC, MOFCOM, PBOC and the Ministry of Foreign Affairs (外交部) issued the Opinion on Further Guiding and Regulating Direction of Overseas Investment (關於進一步引導和規範境外投資方向的指導意見) (the "**Opinion**") for the purposes of providing further guidance and regulation on overseas investments. The Opinion sets out, among other things, certain categories of overseas investments that should be "encouraged," "restricted" or "prohibited." We expect the PRC government will implement more concrete measures and step up its efforts in scrutinising and regulating overseas investments going forward. It is uncertain which category our future overseas expansion plans will fall into. We cannot assure you that our future overseas expansion plans will not be adversely affected by the Opinion or the relevant policies and measures implemented by the PRC government. Any PRC regulatory intervention may delay our future overseas expansion plans or render them infeasible, and may therefore have a material adverse effect on our future prospects.

In addition to acquisition, we are also planning to expand our school network and replicate our success by cooperating with third party partners and leveraging our brand and reputation. Through such cooperation, we plan to seek potential third party partners to provide land use rights to the campus sites and build the necessary school facilities that meet our standards while we will provide teaching resources and school management and operation expertise. However, we do not have prior experience in such cooperation and we cannot assure you that we will be able to identify suitable opportunities and execute such strategy effectively. We also cannot assure that we will be able to realise our expected returns from such cooperation. We only operate our business to Jiangxi and Guangdong provinces and may not be able to replicate or adapt our business model in other provinces in the PRC where demographics and regulatory requirements may vary.

If we are not able to execute our expansion strategy effectively, our reputation and student enrolment potential may be negatively affected, which may have a material and adverse effect on our business operations and financial condition.

The goodwill and intangible assets arising from obtaining control of Baiyun Technician College represent a significant portion of the assets on our consolidated balance sheet. If we determine our goodwill and intangible assets to be impaired, our results of operations and financial condition may be adversely affected.

On 14 August 2017, we obtained control of Baiyun Technician College and, as a result, recognised a significant amount of goodwill and intangible assets that represent a significant portion of the assets on our consolidated balance sheet. The trademark of Baiyun Technician College and student roster, representing the secured enrolment in Baiyun Technician College's vocational training programmes, constitute the pro forma intangible assets (other than goodwill) of the enlarged group as of 30 June 2017. Based on the unaudited pro forma consolidated financial information of the enlarged group (as if the obtaining of control of Baiyun Technician College by our Group had taken place on 1 January 2016) for the year ended 31 December 2016 and the six months ended 30 June 2017, the pro forma goodwill and intangible assets (other than goodwill) of the enlarged group amounted to RMB344.1 million and RMB229.3 million, respectively, accounting for 26.5% and 17.7% of the pro forma total assets of the enlarged group, respectively.

The value of goodwill and intangible assets arising from our obtaining control of Baiyun Technician College is based on forecasts, which are in turn based on a number of assumptions. In particular, we have assumed the trademark "白雲技校" owned by Baiyun Technician College has an indefinite economic life and the student roster of Baiyun Technician College has an expected economic life of approximately four years. If any of these assumptions does not materialise, or if the performance of our business is not consistent with such assumptions, we may be required to have a significant write-off of our goodwill and intangible assets and record an impairment loss, which could in turn adversely affect our results of operations.

We will determine whether goodwill and certain intangible assets are impaired at least on an annual basis and there are inherent uncertainties relating to these factors and to our management's judgment in applying these factors to the impairment assessment. We could be required to evaluate the impairment prior to the annual assessment if there are any impairment indicators, including disruptions to the operations of Baiyun Technician College, unexpected significant declines in operating results or a decline in our market capitalisation, any of which could be caused by our failure to successfully manage Baiyun Technician College.

We may also suffer from significant impairment loss even if we determine to slightly amend any assumption used in our impairment testing. For example, according to our sensitivity analysis (see "Financial Information – Financial Information of Baiyun Technician College – Sensitivity Analysis of Assessment of Impairment on Goodwill and Intangible Assets"), a 5% increase in discount rate would result in an expected impairment of approximately RMB40.3 million. We may suffer impairment loss even if the performance of Baiyun Technician College is within the management's expectation, but does not align with market. If we record an impairment loss as a result of these or other factors, our results of operations and financial condition may be adversely affected. Impairment loss could also negatively affect our financial ratios, limit our ability to obtain financing and adversely affect our financial position. Any potential change in the amortisation period of intangible assets could also increase the amortisation expenses charged to our profit or loss following our regular assessment, which could in turn adversely affect our results of operations.

In connection with us obtaining control of Baiyun Technician College, Mr. Xie has provided a profit guarantee in favour of us (see "History, Reorganisation and Corporate Structure – Obtaining Control of Baiyun Technician College"). However, we cannot assure you that the amount we are able to recover under the profit guarantee, if any, will be sufficient to cover any impairment loss we may be required to recognise in connection with the goodwill and intangible assets arising from our obtaining control of Baiyun Technician College.

We may not be able to manage our growth successfully or effectively by expanding our existing operations and increasing our school capacity and utilisation rate, which may hinder our ability to capitalise on new business opportunities.

One of our business strategies is to further increase the capacity and improve the utilisation rate of our existing schools. For more information, see "Business – Our Business Strategies." We may not succeed in expanding our existing school operations due to a number of factors, including failure to do the following:

- increase student enrolment in our existing schools;
- admit all qualified students who would like to enrol in our schools due to the capacity constraints of our school facilities;
- identify cities with sufficient growth potential in which we can establish new schools;
- identify suitable acquisition targets;
- effectively execute our expansion plans;
- acquire or lease suitable land sites in the cities to which we plan to expand our operations;
- obtain 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 operations;
- further promote ourselves in existing markets or effectively market our schools or brand in new markets;
- replicate our successful growth model in new regions or markets;
- effectively integrate any future acquisitions into our Group;
- continue to enhance our course materials or adapt our course materials to changing student needs and teaching methods; and
- achieve the benefits we expect from our expansion.

Our expansion plans and the increase in student enrolment may result in substantially higher demands for resources such as teachers, facilities and management personnel, making more difficult for us to maintain the teaching quality and study environment of our schools and requiring our management to devote significantly more time and resources to manage our operations. To support our growth, we may also need to incur significant expenditures for, among other things, management and staff recruitment, acquisition of other schools, facilities maintenance and expansion, and the construction and operation of new campuses. We may not be able to secure adequate funding to fund our planned operations. See "– We may not be able to secure additional funding to fund our planned operations."

The growth of our business operation is, to a certain extent, limited by demographics. Although we admit students across all provinces, municipalities, and autonomous regions in China, a substantial amount of our students are admitted from the local or neighbouring provinces, municipalities or autonomous regions. Even if we are able to increase capacity at our schools, we cannot assure you that there is sufficient demand from these locations to support our growth. If we fail to successfully expand our existing operations, 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.

We may not be able to successfully increase student enrolment at our schools due to the constraint of our school capacity and approvals from government authorities, such as admission quotas, which may hinder our ability to expand our business.

One of the most significant factors affecting our profitability is the number of students enrolled at our schools. Our student enrolment may be restrained by the capacity of our schools. Our schools' educational facilities are limited in space and size. We may not be able to admit all qualified students who would like to enrol in our schools due to the capacity constraints of our current school facilities. Furthermore, without building additional facilities such as classrooms and dormitories or relocating to another site with more capacity in the local area, we may not be able to effectively expand our capacity at our current campuses. If we fail to expand our capacity as quickly as the demand for our services grows, or if we otherwise fail to grow by acquiring or building additional schools or campuses, we may not be able to admit more potential students, and our results of operations and business prospects could be adversely affected.

Apart from capacity constraints, the number of students our schools are able to admit each school year is set and approved by the relevant PRC education authorities. 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 is subject to the approval of the MOE, while student enrolment for junior college programmes is subject to the approval of the relevant provincial education authorities. With an aim to further promoting equal access to education in different areas in China, 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 年普通高校招生的通知》) instructs universities and colleges to continue to implement the "Support for the Midwest Admissions Programme" and to further increase student enrolment quota in the provinces in the central and western regions of China where the enrolment rate is currently relatively low compared to other more developed regions. However, we cannot assure you that we will be able to successfully increase student enrolment capacity at our schools, which is subject to the approvals of the relevant government authorities and beyond our control.

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 education services in China. The private educational services market began to develop in the early 1990s and has grown significantly due to favourable policies adopted 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, providing private education services for the purpose of seeking reasonable returns was only permitted in China starting from 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.

The development of the private education industry has been accompanied by significant press coverage and public debate concerning the management and operations of private schools and universities. Despite the penetration rate of private higher education as a whole in China has reached 21.9% in 2016, we believe there remains considerable uncertainty as to acceptance of private higher education in the PRC. At the school operation level, we need to compete for quality students and teachers with government-operated education institutions. These institutions in general have traditionally enjoyed better acceptance and preferential government policies than private education institutions in China. Recent education reforms have enabled private education institutions to compete on a more level playing field with government-operated institutions. For further details, see "Regulations – Regulations on Private Education in the PRC." We cannot assure you that further policy reforms will continue to be conducive to the development of private education in the PRC. If the private education business model fails to gain attraction or wide acceptance among the general public in China, especially among students and their parents, or if the regulatory environment otherwise becomes less favourable in the future, we may be unable to grow our business.

We face intense competition from existing players and industry consolidation 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.

According to the Frost & Sullivan Report, although the high barriers to entry deter new competitors from entering the higher education industry in the PRC, there is intense competition from existing market players, particularly those with a sizeable operation and established reputation, and industry consolidation. According to the Frost & Sullivan Report, the higher education industry in the PRC is highly fragmented and is going through a stage of structural adjustment with leading players continuing to develop with the primary strategy of pursuing growth through mergers and acquisitions, and we expect competition among established players in this industry to persist and intensify. As part of our growth strategy, we also plan to add suitable universities, junior colleges and/or technical schools to our school network through acquisition, cooperation or other means (see "Business – Our Business Strategies – Expand our school network through acquisition and business cooperation"). We compete with other market players in the industry, who may have more resources and experience in mergers and acquisitions, for suitable acquisition or cooperation targets. If we are not able to execute such growth strategy effectively due to our limited prior experience in such transactions, limited resources or any other reasons, our growth prospects could be adversely affected. We generally compete with established public and private universities and colleges that offer higher education programmes. We compete with these schools in many aspects, including reputation, innovation, the quality of the programmes and curriculum offerings, expertise and reputation of teachers, the level of tuition fees and boarding fees, as well as school location and condition of facilities.

Our competitors may offer similar or superior curricula, school support 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 to the development and promotion of their schools and respond more quickly than we can to changes in student demands, admissions criteria, market needs or new technologies. In particular, public schools may receive preferential treatments from governmental authorities, such as government subsidies and tax exemptions, and may be able to offer quality educational programmes at lower prices than we do. In addition, the expenditure for PRC public education system continues to increase which we believe may lead to improvements in terms of resources, admission policies and teaching quality and approaches, which may lead to increased competition for us. If public schools relax their admission criteria, offer more diversified curricula or improve their campus facilities, they may become more attractive to students and, as a result, student enrolment in our schools may decrease.

As a result, we may have to reduce tuition fees or boarding fees or increase capital expenditure in response to competition to retain or attract students or pursue new market opportunities. If we are unable to successfully compete for new students, maintain or increase our level of tuition fees and boarding fees, attract and retain competent teachers or other key personnel, enhance the quality of our educational services or control costs of our operations, our business and results of operations may be materially and adversely affected.

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

We rely substantially on our teachers to provide educational services to our students. Our teachers are therefore critical to maintaining the quality of our programmes and curriculum and to upholding our reputation. As of 31 August 2017, we had a team of 3,520 teachers (including the teachers of Baiyun Technician College, the control of which we obtained in August 2017). In order to deliver high quality education consistently, we are required to retain and attract qualified teachers who share our educational philosophy and meet our high standards. Furthermore, the highly technical nature of some of our course offerings require teachers with expertise in the relevant subject areas. However, there is a limited supply of qualified teachers with the necessary experience and expertise to teach our courses. As a result, we may not be able to hire or retain sufficient number of qualified teachers to keep pace with our anticipated growth while maintaining consistent quality of our education programmes across our schools. If we fail to manage our teachers effectively or provide competitive compensation and benefits packages to attract and retain qualified teachers, the quality of our services may deteriorate, and our reputation, business and results of operations may be materially and adversely affected.

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

We provide higher education to our students. Our future success heavily depends on the continuing services of our senior management team and key school management personnel at our schools. If any member of our 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 educators in the private higher education industry in the PRC, including the locations where we operate our schools, is intense and the pool of qualified candidates is very limited. We may have to provide competitive compensation and benefits packages to attract and retain our senior management and key personnel. There is no guarantee that we can recruit and retain experienced senior management members or other qualified school management personnel in the future. In the event we lose their services, or if any member of our senior management team or other key personnel joins our competitor(s) or forms a competing company, our business, financial condition and results of operations could be materially and adversely affected.

Our business is heavily dependent on our reputation and any damage to our reputation would materially and adversely affect our business. Negative publicity concerning our schools or our Group may adversely affect our reputation, business, growth prospect and our ability to recruit qualified teachers and staff.

We are a leading large scale private higher education group in China, operating a list of well-recognised and time-honoured private higher education institutions. We focus on offering high quality education through innovation. We believe that our success heavily depends on the market recognition of the brand and reputation of our schools and our Group. 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 result in diminishing confidence in our brand names.

Numerous factors can potentially impact our reputation, including but not limited to, students' and parents' satisfaction levels with our curricula, teachers and teaching quality, the academic performance achieved by our students, the number of our graduates being able to secure satisfactory employment, accidents on campus, teacher or student scandals, negative press, disruptions to our educational services, failure to pass an inspection by a government education authority, loss of certifications and approvals required for our operation and unaffiliated parties using our brand without adhering to our standards of education. In particular, actions of our students and teachers may negatively affect our reputation. For example, in 2013, certain teachers and students of Jiangxi University of Technology colluded to cheat on the National Higher Education Entrance Examination for Adults. Some of the teachers were investigated and sentenced to imprisonment by the relevant authorities. Although we did not perpetrate this incident, we suffered a certain degree of reputational damage. As a result of the incident, Jiangxi University of Technology was removed from the list of approved entrance examination centres for adults and was disqualified from admitting students for adult higher education for the year of 2014. After the incident, we carried out a series of measures to prevent a recurrence of the incident in the future. For example, we have employed the use of technological equipment and implemented strict rules with a view to countering cheating activities. See the section headed "Business – Internal Control and Risk Management – Internal Control". We are committed to continuously enhancing our ethical education for teachers and students. However, in some cases, it is very difficult for us to discover cheating activities especially when they are conducted in an unprecedented manner. Despite our efforts in countering cheating activities, we cannot guarantee you that similar incidents will not occur in the future. If we are unable to sustain or strengthen our reputation and brand recognition or our reputation is damaged, we may not be able to maintain or increase student enrolment, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our new student enrolment has historically been driven primarily by word-of-mouth referrals. Therefore reputation is extremely important to our schools and our future success. In the meanwhile, we also employ other marketing methods to promote our brand from time to time, such as school websites, promotional materials both online and offline. However, there is no assurance that our marketing efforts will be successful or sufficient in maintaining or further promoting our brand or in helping us to maintain our competitiveness. If we are unable to further enhance our reputation and increase market awareness of our programmes and services, or if we are required to incur excessive marketing and promotional expenses in order to remain competitive, our business, financial condition and results of operations may be materially and adversely affected. There was negative publicity about our schools in the past. We may also be subject to additional negative publicity in the future, which, even if untrue, may damage our brand image and reputation, deter prospective students and teachers from attending or joining our schools and take up excessive time of our management and other resources. As a result, our business, financial condition and results of operations may be materially and adversely affected.

Our graduates' employment rates and average starting salaries may decrease and satisfaction with our schools may otherwise decline.

We position our schools as private higher education institutions that equip graduates with the practical skills desired by employers in industries with significant recruitment demands, which enhances the competitive advantages of our students in the job market as they are able to smoothly transition into the working environment and embark on new tasks after graduation. We believe that, as a result, graduates of our schools have been able to achieve relatively high employment rates, which in turn attracts an increasing number of applications for our schools.

However, we cannot guarantee that our schools will continue to be able to design or modify our curricula to meet the expectations of the students enrolled in our schools, prospective employers or trends in the job market. We might not be able to devote the same amount of resources to training our students, enhancing their practical skills and helping them secure jobs as we did in the past, or our efforts may not be as effective as they used to be. Graduates of our schools may therefore be unable to obtain satisfactory jobs and the employment rates or average starting salaries of our graduates may decrease. In addition to the education offered at our schools, there are also other factors that are beyond our control but may also have influences on employment rates and/or starting salaries, such as general economic condition and the capability of students. Any negative development of our graduates' employment rates and average starting salaries for whatever reasons may harm the reputation of our schools and our new student enrolment, and may therefore have a material and adverse impact on our business, financial condition and results of operations.

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 schools, 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 for our school facilities or supervision of our employees and may therefore be held liable for accidents or injuries suffered by our students or other people at our schools. In addition, if any of our students or teachers is involved in any physical confrontation or 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 reputation risks if our students or employees suffer injuries outside our school campuses. Such incidents may discourage prospective students from applying to or attending our schools. For example, a student at Guangdong Baiyun University and a student at Jiangxi University of Technology committed suicide during the Track Record Period. Although our universities were not liable for these incidents, negative press releases regarding this incident still caused certain negative impact on our universities. Furthermore, although we maintain liability insurance, the insurance coverage may not be adequate to fully protect us from these kinds of claims and liabilities. In addition, we may not be able to obtain liability insurance in the future at reasonable prices or at all. A liability claim against us or any of our employees could adversely affect our reputation and student enrolment and retention. Even if it is unsuccessful, such a claim could create unfavourable publicity, cause us to incur substantial expenses and divert the time and attention of our management, all of which may have material adverse effects on our business, financial condition, results of operations and prospects.

We could be liable and suffer reputational harm if a third-party service provider provides inferior food catering services harming our students, which may have a material adverse effect on our business and reputation.

We outsource part of the meal catering services at our schools to Independent Third Parties which operate canteens on our campuses for our students. While we have internal control over the quality of these service providers, such as conducting due diligence in relation to the requisite licences and qualifications of the providers, it is impracticable for us to monitor the day-to-day operations of our service providers. As such, we cannot assure you that incident caused by poor food quality related issues will not occur in the future and, if we are unable to manage these incidents effectively, we could be exposed to reputational and legal risks as a result of such incidents, which could materially and adversely affect our business and reputation.

We are subject to uncertainties brought by the Amendment of Law for Promoting Private Education of the PRC.

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

The Decision on Amending the Law for Promoting Private Education was recently promulgated and PRC government authorities may further formulate regulations to implement it. It remains uncertain as to whether new regulations could have any material adverse impact on our business. There is also significant uncertainty as to tax or other preferential treatments that our schools can enjoy (as non-profit private schools or for-profit schools which we choose to register) after the Decision on Amending the Law for Promoting Private Education and the relevant regulations come into force. In addition, there are uncertainties regarding the interpretation and enforcement of the Decision on Amending the Law for Promoting Private Education and the relevant regulations by government authorities. Should we fail to fully comply with the Decision on Amending the Law for Promoting Private Education or any relevant regulations as interpreted by the relevant government authorities, we may be subject to administrative fines or penalties or other negative consequences which could materially and adversely affect our brand name and reputation, as well as our business, financial condition and results of operations.

On 30 December 2016, the Implementation Regulations for Classification Registration of Private Schools (《民辦學校分類登記實施細則》) (the "**Classification Registration Rules**") was promulgated by five PRC government authorities, including the MOE. According to the Classification Registration Rules, the existing private schools are required to choose to register either as non-profit or for-profit private schools with competent government authorities. If our schools elect to register as for-profit schools, we are required to (i) undertake financial liquidation, (ii) clarify the ownership of land, school premises and properties we accumulated during our operations, (iii) pay relevant taxes and fees, and (iv) obtain a new private school operation permit and re-register with relevant authorities. As of the Latest Practicable Date, the Classification Registration Rules had not yet come into effect. We are still unable to predict or estimate the potential costs and expenses in choosing and adjusting our structure. We may incur significant administration and financial costs when the Classification Registration Rules come into effect and we are required to complete the re-registration process, which may materially and adversely affect our business, financial condition and results of operations. However, we cannot assure you that the implementation of the relevant rules and regulations by the competent authorities will not deviate from we were given to understand.

We are subject to extensive governmental approvals and compliance requirements for the construction and development of our schools and in relation to the land and buildings that we own. Some of the properties we use for our operations are not in compliance with applicable laws and regulations in the PRC.

For campuses and school facilities constructed and developed for our schools, we are required to obtain various permits, certificates and other approvals from the relevant authorities, including but not limited to land use right certificates, planning permits, construction permits, approvals for passing environmental impact assessments, environmental protection acceptance check, approvals for passing fire control design assessments, approvals for passing fire control acceptance check, registration for passing acceptance inspections upon construction completion, as well as building ownership certificates. If we encounter difficulties in obtaining any required permits, certificates and approvals for the construction and development of our new campuses, the time of new campuses being put into use and our student recruitment for the new campuses may be delayed, which may negatively affect the effectiveness of our growth strategies. In particular, we were allocated the Zhongluotan Land from the relevant government authorities, which is expected to be used for the construction of a new campus of Guangdong Baiyun University. We cannot assure you that we will be able to complete the construction before our expected completion date, which may result in a significant delay in the commencement of operation of the new campus of Guangdong Baiyun University.

Some of the properties we use for our operations are not in compliance with applicable laws and regulations in the PRC. See "Business – Properties" for further details. As of the Latest Practicable Date, we had not (i) obtained land use right certificates for land with an aggregate site area of 28,218.0 sq.m., representing approximately 1.7% of the aggregate site area of all the land owned by us; (ii) obtained building ownership certificates for buildings with an aggregate GFA of 179,982.25 sq,m., representing approximately 21.6% of the aggregate GFA of all the buildings owned and used by us; and (iii) complied with the fire control assessment requirements for buildings with an aggregate GFA of 176,995.65 sq.m., representing approximately 21.3% of the aggregate GFA of all the buildings owned and used by us. As a result, our right to use these properties may be limited or challenged by the relevant government authorities or third parties. The risks in connection with the non-compliance issues concerning these properties generally include the following:

- 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 land administrative authorities may also order us to return the land that is illegally occupied and a fine may be imposed concurrently;

- for the properties of which we have commenced construction without obtaining the certificates for passing fire control design assessments or put into use without obtaining the approvals for passing fire control acceptance check, we may be subject to a fine ranging between RMB30,000 to RMB300,000 and/or suspension of the construction or usage of the relevant properties before the incident is rectified;

- for the properties that we have put into use without passing construction completion inspections, we may be required to make corrections, subject to a fine ranging between 2% to 4% of the total price of the construction contract of the affected premises and liable for compensation of the relevant loss and damage caused;

- for the properties that we have started 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;

- for the properties that we have started construction activities without obtaining the construction permit, we may be required to make corrections within a time limit and be subject to fines between 1% to 2% of the overall construction contract cost; and

- for the properties that have not complied with fire control assessment procedures, we may be subject to the risk of being prohibited from using such properties and a fine between RMB30,000 and RMB300,000 per building.

In particular, the non-compliance issues concerning certain land and buildings used by our Guangdong Baiyun University and Baiyun Technician College involve a considerable GFA relative to the corresponding campus and any regulatory enforcement action may potentially result in material disruptions to our operations at Guangdong Baiyun University or Baiyun Technician College, which may in turn have a material adverse effect on our financial condition. We may be required by the relevant government authorities to cease the use of the relevant buildings, demolish the relevant buildings and/or adopt other corrective measures of similar effect. Although our PRC Legal Adviser is of the view that such risk is remote, we cannot assure you that it will not, in whole or in part, materialise. The relocation plan for the existing operations of the relevant buildings to the new campus to be constructed on the Zhongluotan Land may be materially disruptive to our operations and the learning environment of our students. The relocation plan may also experience significant delay for various reasons that we may have limited or no control over, including any delay in obtaining the relevant certificates and permits required for the construction of the new buildings and facilities to commence, delay in compliance with various inspection and assessment procedures before any school building or facility can be put to use and delay or default by our building contractors. We have limited prior experience in executing and implementing any relocation plan of this scale. As such, we cannot assure you that the relocation plan will be implemented and executed successfully (or at all) as scheduled and that the relocation plan will be an adequate mitigation against the potential risks of non-compliance. We may face regulatory enforcement actions from the relevant government authorities before the implementation of the relocation plan is complete. Construction of the new campus on the Zhongluotan Land involves substantial capital expenditure and we cannot assure you that the actual expenditure will not exceed the budgeted investment amount. See "Business – Our Business Strategies – Develop new school campus to further increase our capacity and student body." Any material deviation from the budgeted expenditure may have a material adverse effect on our financial position and the progress of our relocation plan.

Furthermore, we cannot assure you that any remedial measures in connection with our properties will be implemented as intended, or at all. We cannot assure you that we will not encounter any impediment in re-applying for the relevant certificates, permits or licences. We may also incur substantial costs when implementing such remedial measures, which could adversely affect our financial position. Our remedial measures may also divert management attention and other resources.

Jiangxi University of Technology, Guangdong Baiyun University and Baiyun Technician College had not passed the environmental protection inspection assessment as required under the PRC environmental protection laws and regulations until 2016, 2017 and 2017, respectively, when such non-compliance was rectified. As advised by our PRC Legal Adviser, for construction projects of which we have commenced construction prior to submitting the environmental impact assessments, we may be subject to a fine between 1% to 5% of the overall investment amount for such construction project and be ordered to adopt remedial measures, and for construction projects that we have put into use without passing environmental protection inspection assessment, we may be subject to no more than RMB100,000 in fine and/or temporary suspension of the usage of the relevant construction projects before rectification. Although our PRC Legal Adviser is of the view that the risk of us being penalised by the relevant authorities due to such historical non-compliance is remote given that all construction projects of our schools subsequently passed the relevant assessments, we cannot assure you that the relevant authorities will not interpret, implement and enforce the relevant rules and regulations differently.

In the event that we lose the rights to any of our land and buildings, our use of such land and buildings may become limited, or we may be forced to relocate our schools and incur additional costs, in which case there will be disruptions to our school operations and our business, financial condition and results of operations may be materially and adversely affected. If any of the above risks materialises, our business, financial condition and results of operations may be materially and adversely affected.

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 to fulfil registration and filing requirements in order to conduct and operate our education and related services. For example, to establish and operate a school, we are required to obtain and/or renew, among others, a private school operation permit from the local education bureau (in the case of universities) or the human resources and social security bureau (in the case of technical schools) 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 local civil affairs bureau and local education bureau or human resources and social security bureau. We also need to obtain approvals from the local education authorities (in the case of universities) or the human resources and social security bureau (in the case of technical schools) as to the scale and scope of our student recruitment activities. We had obtained all material requisite permits and completed the necessary filings, renewals and registrations for our schools during the Track Record Period. However, there is no assurance that we will be able to obtain all required permits on a timely basis going forward given the wide discretion the local authorities may have in interpreting, implementing and enforcing the relevant rules and regulations, as well as other factors beyond our control and anticipation.

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

We enjoy certain favourable regulatory treatment, particularly government grants, which are offered primarily for the purpose of promoting the development of private higher education institutions. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, we recorded government grants in the total amount of approximately nil, RMB0.1 million, RMB2.5 million and RMB2.3 million, respectively. See "Financial Information – Financial Information of Our Group Comprising Two Schools during the Track Record Period – Key Components of Our Results of Operations – Other Income" for further details.

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

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

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

We had net current liabilities as of 31 December 2014 and 2015 and 31 October 2017. We may be exposed to liquidation risks, and our business, financial condition and results of operation may be materially and adversely affected as a result.

As of 31 December 2014 and 2015, we had net current liabilities of RMB92.8 million and RMB118.8 million, respectively. We had net current liabilities as of each of these dates primarily because we recognised advanced payments of tuition fees and boarding fees received from students as deferred revenue (which were recorded as current liabilities) and utilised a portion of the cash from such payments to make advances to our Directors (which were recorded as non-current assets as such advances were not repayable within one year) and finance the construction of our school buildings and facilities (which were recorded as non-current assets). As of 31 December 2016 and 30 June 2017, we had net current assets of RMB259.0 million and RMB499.1 million, primarily because of an increase in amounts due from directors that were recorded as current assets as they became repayable within one year. As of 31 October 2017, based on the unaudited management accounts prepared by our Company, we had net current liabilities of approximately RMB256.4 million (unaudited and for reference only) primarily because (i) we obtained control of Baiyun Technician College in August 2017, the consideration of which was financed out of our current assets, and most of the relevant assets recognised, particularly goodwill and intangible assets and property, plant and equipment relating to Baiyun Technician College, were primarily recorded as our non-current assets; and (ii) certain bank borrowing became repayable within one year as of 31 October 2017 as it approached maturity. In view of these circumstances, our Directors have considered our future liquidity and performance and our available sources of finance and 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, the expected net proceeds from the Global Offering, unutilised bank facilities, and our future capital expenditure in respect of our non-cancellable capital commitments. For additional information on our liquidity position, see "Financial Information – Financial Information of Our Group Comprising Two Schools During the Track Record Period – Net Current Assets and Liabilities." We may be exposed to liquidation risks, and our business, financial condition and results of operation may be materially and adversely affected as a result of our net current liability positions.

We cannot assure you that we will always be able to obtain adequate financing to meet our future working capital requirements and we may have net current liabilities in the future. The inability to obtain additional short-term bank loans, loans or other additional financing on a timely basis, on acceptable terms or at all would materially and adversely affect our ability to satisfy our working capital requirements. In addition, we cannot assure you that we will be able to obtain additional working capital to execute our growth strategies, or that future expansion of our school network will not materially and adversely impact the current or future level of working capital. Furthermore, we provide refund to students who withdraw from our schools. For more information, please see the section headed "Business – Our schools – Overview – Tuition Fees and Boarding Fees." Although we have a limited number of students that withdraw from our schools in the past, if an unusually large number of students withdraw from our schools in the future, our financial position may be adversely impacted.

We had negative net operating cash flows for the six months ended 30 June 2016 and 2017.

For the six months ended 30 June 2016 and 2017, we recorded negative net cash flows from operating activities of RMB152.4 million and RMB74.4 million, respectively. Our negative net operating cash flows were primarily attributable to the decreases in deferred revenue of RMB349.9 million and RMB308.2 million for the six months ended 30 June 2016 and 2017, respectively and the increases in trade receivables, deposits, prepayments and other receivables of RMB58.7 million and RMB10.4 million for the six months ended 30 June 2016 and 2017, respectively. We had decreases in deferred revenue because most prepaid tuition fees became recognised as revenue by 30 June of each school year. During the Track Record Period, we funded our capital expenditure primarily with our internal resources and partially with external bank loans and other borrowings. We cannot assure you that we will not experience negative net operating cash flows in the future, and if such situation is not managed properly, it may in turn negatively affect our operations. Our future liquidity, the payment of trade payables, other payables and accruals, as well as the repayment of any potential debt obligations as and when they become due, will primarily depend on our ability to maintain adequate cash inflows from operating activities and possibly proceeds from external financings. If we are unable to maintain adequate cash inflows, we may not be able to meet our payment obligations to support our operations. As a result, our business, financial position, results of operations and prospects may be adversely affected.

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

We have experienced a steady growth in revenue during the Track Record Period. Our historical growth was driven by the increases in the number of students enrolled at our schools 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 schools and maintain and raise tuition fees and boarding fees; (ii) general economic and social conditions in China and in the regions where we operate our schools; (iii) the PRC government regulations or actions pertaining to private higher education; (iv) increased competition; (v) expansion and related costs in a given period; (vi) perception and acceptance of private higher education in China by students and their parents; and (vii) 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 schools we operate due to, among other things, student enrolment quota assigned by the relevant local PRC educational authorities and our limited capacity, and we may not be as successful in carrying out our growth strategies and expansion plans. Execution of our growth strategies and expansion plans may also have an impact on our financial and operating results. In particular, establishing or acquiring new schools is capital intensive and it may take a long time to achieve profitability, if at all.

Pursuant to the exclusive education services agreement between Jiangxi University of Technology and Baiyun Technician College dated 28 December 2007, we had received consulting fee income from Baiyun Technician College during the Track Record Period. See the section headed "History, Reorganisation and Corporate Structure – Inter-School Cooperation." For each of the three years ended 31 December 2016 and the six months ended 30 June 2017, such consultancy income amounted to approximately RMB14.1 million, RMB32.3 million, RMB47.2 million and RMB5.3 million respectively. In August 2017, we obtained control of Baiyun Technician College. See

"History, Reorganisation and Corporate Structure – Obtaining Control of Baiyun Technician College." As a result, Baiyun Technician College will be operated under the structure of our Group with its financial statements consolidated into our Group's. We will no longer receive any consultancy fee income from Baiyun Technician College going forward. Deterioration in the financial performance of Baiyun Technician College may have a negative impact on the Group's position as a whole.

During the Track Record Period, we had made advances to our Directors. These advances were non-trade in nature and non-interest bearing. For each reporting period during the Track Record Period, we had recognised imputed interest income on advances to our Directors under IFRS. However, such imputed interest income is only a hypothetical income under IFRS and had not resulted in actual cash receipts during the Track Record Period. For each of the three years ended 31 December 2016 and the six months ended 30 June 2017, our imputed interest income was approximately RMB1.1 million, RMB5.5 million, RMB14.1 million and RMB8.1 million, respectively. As all the amounts due from our Directors had been settled as of the Latest Practicable Date, we will not continue to recognise imputed interest income on advances to our Directors following the Listing. This may affect our financial position, particularly our net profit. See "Financial Information – Non-IFRS Measure" for our Adjusted Net Profit that illustrates the effect of, among other things, imputed interest income on our net profit.

Our profit for the year ended 31 December 2017 is also expected to be adversely affected by the recognition of non-recurring expenses, including the estimated listing expenses of approximately RMB119.4 million (assuming an Offer Price of HK$6.44, being the mid-point of the indicative Offer Price range between HK$5.86 and HK$7.02, and assuming that the Over-allotment Option is not exercised at all) in relation to the Global Offering. Our Company may not be able to set-off or satisfactorily mitigate the adverse effect caused by these non-recurring items, which may materially and adversely affect our financial performance and results of operations.

We also expect our capital expenditures to increase as Guangdong Baiyun University is planning to construct a new campus on the Zhongluotan Land (See "Business – Our Business Strategies – Develop new school campus to further increase our capacity and student body"), which may result in increases in our depreciation in the coming years. We may also need to obtain additional bank loans and other borrowings to finance the construction of the new campus, which may result in an increase in our finance cost as well. We cannot assure you that we will be able to effectively control such costs and expenses. Failure to do so may materially affect our profitability.

In addition, 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, after our corporate reorganisation (see "History, Reorganisation and Corporate Structure – Corporate Reorganisation"), our WFOE became subject to an enterprise income tax rate of 15% and value added tax of 6% in the PRC. Applicable tax rates may be subject to change in the future. If the applicable enterprise income tax rate and/or value-added tax rate increase in the future, our profitability may be adversely affected.

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 for the entire school year upfront prior to the commencement of the school year, and recognise revenue for the tuition fees and boarding fees proportionately over the relevant period of the applicable school programme. However, our costs and expenses do not necessarily correspond with our recognition of 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 assets held by our schools may not be pledged as collateral in connection with securing bank loans and other borrowings, which reduces our 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 may not be created on properties which are used for public welfare facilities. The buildings or groups of buildings that certain of our schools own and occupy may be deemed as “public welfare facilities” under the Law for Promoting Private Education (2003), which provides that private education is considered in the nature of “public welfare”. Accordingly, educational facilities of schools may not be mortgaged, which to a certain extent limit such schools’ ability to obtain financing to fund their operations. 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 schools and potential lenders, such security interests may not be valid or enforceable under the PRC laws and regulations. In addition, it is possible that a government authority, including any PRC court or administrative authority, may consider the security interests created on 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, which may materially and adversely affect the business operations of the relevant schools and our financial condition.

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

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

We lease several of our school premises and may not be able to control the quality, maintenance and management of these school premises, nor can we ensure we will be able to find suitable premises to replace our existing school premises if our leases are terminated.

Our schools lease a number of properties from certain Independent Third Parties. As of the Latest Practicable Date, our schools leased eight properties for various purposes. See "Business – Properties" for further details. Such school premises and school buildings and facilities were developed and are maintained by our landlords. Accordingly, we are not in a position to effectively control the quality, maintenance and management of such premises, buildings and facilities. In the event that the quality of the school premises, buildings and facilities deteriorates, or if any or all of our landlords fail to properly maintain and renovate such premises, buildings or facilities in a timely manner, or at all, the operations of our schools could be materially and adversely affected. In addition, if any of our landlords terminates the existing lease agreements, refuses to continue to lease the premises to our schools when such lease agreements expire, or increase rent to a level unacceptable to us, we will be forced to relocate to other locations. We may not be able to find suitable premises for such relocation without incurring significant time and costs, or at all. If this occurs, our business, financial condition and results of operations could be materially and adversely affected.

Our legal right to certain leased properties could be challenged by property owners or other third parties.

As of the Latest Practicable Date, we had not been provided with the building ownership certificates by the landlords for three leased properties. In addition, with respect to one of these leased properties with permitted use of "industrial", we are in contravention of such property's permitted use by using it as student dormitories. As advised by our PRC Legal Adviser, the validity of the underlying lease agreements for these leased properties is uncertain and any successful challenge could render such lease agreements void. There is a risk that the landlords from whom we lease such properties may not have the valid building ownership certificates for the premises they lease to us, or otherwise may not have the right to lease such premises to us. According to our PRC Legal Adviser, in the event those landlords do not have valid building ownership certificates, the relevant lease agreements may be deemed invalid or may encounter challenges from property owners or other third parties to the lessor's rights. If any of our leases were terminated or deemed invalid for any reason, we may be forced to relocate the affected premises and incur significant expenses, in which case our business, operations and financial condition may be adversely affected. We may not be able to identify alternative premises for immediate relocation, or at all.

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 with respect to the appraised values of our properties is based on various assumptions, which are subjective and uncertain in nature. The assumptions that Cushman & Wakefield Limited used in the property valuation report include, among others: (i) the transferable land use rights of the properties for their respective terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid, and (ii) the Group has an enforceable title to each of the properties and has free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired land use term as granted.

Certain of the assumptions used by Cushman & Wakefield Limited 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 Cushman & Wakefield Limited.

Unauthorised disclosure 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 to us because proprietary and confidential information, such as names, addresses, and other personal information of our students and teachers, is primarily stored in our computer databases located at each of our schools. If our security measures fail to preserve the confidentiality of such information as a result of actions by third parties, employee error, malfeasance or otherwise, third parties may receive or be able to access such information, which could subject us to liabilities, interrupt our business and adversely impact our reputation. In addition, 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.

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 rights 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 rights without due authorisation. There was no material infringement of our intellectual property rights by third parties in the past. However, we cannot assure you that there will be no material infringement of our intellectual property rights by third parties in the future, and the expenses incurred in protecting our intellectual property rights may be substantial.

The intellectual property rights enforcement by Chinese regulatory authorities is in its early development stage and is subject to significant uncertainty. There is no assurance that we will be able to enforce our intellectual property rights effectively or otherwise prevent unauthorised use of our intellectual property rights by others. We may enforce our intellectual property rights through litigation and other legal proceedings which could result in substantial costs, divert our management's attention and resources and disrupt our business operations. The validity and scope of any claims relating to our intellectual property rights may involve complex legal and factual questions and analyses and, as a result, the outcome may be highly uncertain. Failure to effectively protect our intellectual property rights could harm our brand name and reputation, and materially and adversely affect our business, financial condition and results of operations.

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

We may be exposed to intellectual property right infringement or misappropriation claims by third parties when we develop and use our own educational materials, technology, know-how and brand. As of the Latest Practicable Date, we had not encountered any material intellectual property infringement claims. However, there is no assurance that we will not be subject to third parties' claims of infringement of their proprietary intellectual property rights in the future. Even if we defend ourselves vigorously in such litigations or legal proceedings, there is no assurance that we will prevail in these matters. Participation in such litigations and legal proceedings may also cause us to incur substantial expenses and divert the time and attention of our management. An adverse determination in any such litigations or proceedings could subject us to significant liability to third parties, require us to obtain licences from third parties, pay ongoing royalties, or subject us to injunctions prohibiting the distribution and marketing of our brands or services. In case we lose the ability to use the related materials, contents or technology, the quality of our educational programmes could be adversely affected. 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.

We may grant employees share options and other share-based compensation, which may materially impact our results of operations in the future.

We adopted the Share Option Schemes and Share Award Scheme in November 2017. Pursuant to the Post-IPO Share Option Scheme, we may issue options to subscribe for Shares to our Directors, senior management, employees, consultants and certain external parties for their contribution to our Group and to attract and retain key personnel (see "Appendix V – D. Share Option Schemes and Share Award Scheme – 3. Post-IPO Share Option Scheme"). Pursuant to the Pre-IPO Share Option Scheme, share options to subscribe for an aggregate of 45,500,000 Shares was approved by the Board to be made on the date immediately before the Listing Date (see "Appendix V – D. Share Option Schemes and Share Award Scheme – 1. Pre-IPO Share Option Scheme"). The grant of share options or any issue of award shares would have an adverse impact to our profits. Moreover, any exercise of the share options we have granted or will grant in the future or any issue of award shares will increase the number of our Shares and result in a dilution in the shareholding of our Shareholders in our Company. Any sale of additional Shares acquired upon the exercise of the share options or any issue of award shares may adversely affect the market price of our Shares.

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

PRC laws and regulations require us to pay several statutory social welfare benefits for our employees, including pension insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance and housing provident fund. According to relevant PRC laws and regulations, the amount we are required to contribute for each of our employees should be calculated based on the employee's actual salary level of previous year, and be subject to a minimum and maximum as from time to time prescribed by local authorities.

During the Track Record Period, we had not made the required contributions to the social insurance plans and the housing provident fund for some of our employees in Jiangxi University of Technology and Guangdong Baiyun University. Baiyun Technician College, the control of which we obtained in August 2017, had similar issues during the Track Record Period. For more information, see "Business – Employees."

We cannot assure you that our employees will not complain to the relevant authorities regarding the basis of how we had made the contributions for them, which may in turn result in the relevant authorities ordering us to make supplemental contribution and/or imposing penalties and overdue fines on us, among other things. Such regulatory intervention may adversely affect our financial condition.

Our insurance coverage may not be sufficient.

We maintain certain insurance policies, such as school liability insurance, to safeguard against certain risks and unexpected events. For more details, see "Business – Insurance." However, we cannot assure you that our insurance coverage in terms of amount and scope is sufficient. We are exposed to various risks associated with our business and operations. Such risks include but are not limited to, accidents, fires, explosions or injuries in our schools, 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 generally offer limited business-related insurance products and such products typically command a high premium that may not be justifiable from a cost-benefit perspective. We do not have any business disruption insurance, product liability insurance or key-man life insurance. Accordingly, any business disruption, litigation or legal proceedings or natural disaster, such as epidemics, pandemics or earthquakes, or exit of our key management personnel or joining our competitors, or other events beyond our control could result in substantial costs and the diversion of our resources. Any materialisation of the foregoing risks that we are not adequately covered for, or at all, may adversely affect our business, financial condition and results of operations.

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.

We are a Cayman Islands company and as such we are classified as a foreign enterprise under PRC laws. Foreign investment in the education industry in China is extensively regulated and subject to numerous restrictions. Under the Foreign Investment Industries Guidance Catalogue (as amended in 2017) (《外商投資產業指導目錄》(2017年修訂)), 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 shall be lower than 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 1 March 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 – Foreign Investment in Education in the PRC." In light of these restrictions, we are ineligible to independently operate higher education institutions or control them through holding equity interests.

Our wholly-owned subsidiary WFOE entered into the Contractual Arrangements pursuant to which it is entitled to receive substantially all of the economic benefits from our consolidated affiliated entities. For a description of such Contractual Arrangements, see "Contractual Arrangements." 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 subsidiary or consolidated affiliated entities;
- discontinuing or restricting the operations of any related-party transactions among our PRC subsidiary or consolidated affiliated entities;
- imposing additional conditions or requirements with which we, our PRC subsidiary 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 their economic benefits, we would no longer be able to consolidate such entities, which currently contribute all of our consolidated revenues.

The Draft FIL 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 Draft Foreign Investment Law of the PRC (《中華人民共和國外國投資法(草案徵求意見稿)》), or the "**Draft FIL**". The Draft FIL is intended to replace the current laws and implementing rules governing the foreign investments in China. The Draft FIL 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 foreign investment entity ("**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. According to the negative list published by the PRC government on 28 June 2017 and that became effective on 28 July 2017, the education business that we operate is classified as a "restricted business." In addition, the Draft FIL 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 FIL has been released for consultation purposes, there remain substantial uncertainties regarding its final content, adoption timeline or effective date. Furthermore, several issues have yet to be clarified at the current stage, including, among others, (i) the level of "actual control" required to be qualified as a domestic enterprise and (ii) how existing domestic enterprises that are controlled by foreign investors through contractual arrangements are to be handled. 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 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 us with 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 "Contractual Arrangements." These Contractual Arrangements may not be as effective in providing us with control over our consolidated affiliated entities as equity ownership. Under the current Contractual Arrangements, as a legal matter, if our consolidated affiliated entities or their shareholders fail to perform their respective obligations under these Contractual Arrangements, we cannot direct corporate actions of our consolidated affiliated entities as the direct ownership otherwise could and therefore we may not be able to maintain an effective control over the operations of our consolidated affiliated entities. If we were to lose effective control over our consolidated affiliated entities, we would no longer be able to consolidate their results of operations, which would materially and adversely affect our financial condition and results of operations.

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. Yu and Mr. Xie are the ultimate beneficial owners of our consolidated affiliated entities and their interests may differ from the interests of our Company as a whole. We cannot assure you that when conflicts of interest arise, Mr. Yu and Mr. Xie will act in the best interests of our Company or that such conflicts will be resolved in our favour. In addition, Mr. Yu and Mr. Xie may breach, or cause our consolidated affiliated entities to breach the existing Contractual Arrangements. If we cannot resolve any conflict of interest or dispute between us and Mr. Yu and Mr. Xie, we would have to rely on legal proceedings, which could result in disruption to 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, in which case our results of operations and damage our reputation could be materially and adversely affected.

The sponsor interests in Jiangxi University of Technology held by Mr. Yu and in Guangdong Baiyun University held by Mr. Xie are not capable of being pledged in favour of our WFOE under PRC laws. Our Contractual Arrangements with respect to these universities contain alternative arrangements that may not achieve the level of protection equivalent to typical contractual arrangements with 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 arrangement. Our Jiangxi University of Technology and Guangdong Baiyun University are higher education institutions in the PRC, and the relevant sponsor interests are not capable of being pledged in favour of our WFOE under PRC laws. As a result, we have adopted alternative measures in our Contractual Arrangements, including (i) the pledge of receivables of the universities in favour of our WFOE; (ii) the pledge of proceeds from the sale or transfer of the sponsor interests in Guangdong Baiyun University by Mr. Xie and in Jiangxi University of Technology by Mr. Yu; (iii) the operation of a jointly controlled account for receiving (a) receivables from tuition fees, boarding fees, and other income from the schools and (b) any proceeds from the sale or transfer of the sponsor interests in Guangdong Baiyun University or Jiangxi University of Technology by Mr. Xie or Mr. Yu (as the case may be); (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; (v) obtaining control over the boards of each university through powers of attorney executed by each directors appointed by the school sponsors of the universities; and (vi) 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 universities 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 universities, 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 our WFOE will be able to recover tangible proceeds from the universities 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 legal transfer of the sponsor interests by Mr. Yu or Mr. Xie, who are our Controlling Shareholders and can 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 sponsor interests. Our internal control measures designed with the assistance of an independent internal control consultant 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 universities, particularly on an operational level, and detect improprieties and take actions promptly.

Our exercise of the option to acquire the sponsor interests or equity interests 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 sponsor interests or equity interests in our consolidated affiliated entities. Pursuant to the Contractual Arrangements, WFOE has the exclusive right to require the sponsors or shareholders of our consolidated affiliated entities to transfer their sponsor interests or equity interests in our consolidated affiliated entities, in whole or in part, to WFOE or a third party designated by 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 WFOE to withhold individual 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 school sponsors/shareholders 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 school sponsors/shareholders fails to perform their respective obligations under these Contractual Arrangements, we may incur substantial costs and resources to enforce such arrangements.

The Contractual Arrangements are governed by PRC laws and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts will likely be interpreted in accordance with PRC laws and any disputes will likely 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. If we are unable to enforce these Contractual Arrangements, we may not be able to exert effective control over our consolidated affiliated entities and their shareholders. As a result, our business and operations could be severely disrupted, which could damage our reputation and materially and adversely affect our business, financial condition, results of operations and prospects.

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.

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 technical service and management consultancy agreements we have with our consolidated affiliated entities are not at arm's-length price and adjust any of those entities' income in the form of a transfer pricing adjustment. See "Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements – Exclusive Technical Services and Management Consultancy Agreements" for further details. A transfer pricing adjustment could increase our tax liabilities. In addition, PRC tax authorities may take 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 provide that the arbitral body may award remedies over the equity 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 provide that courts in Hong Kong and the Cayman Islands, among others, 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 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 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 as interim remedies to preserve the assets or equity 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, among others, may grant and/or enforce interim remedies 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 breaches any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our consolidated affiliated entities and conduct our education business could be materially and adversely affected. See "Contractual Arrangements – Operation of the Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements – Dispute Resolution" for details regarding the enforceability of the dispute resolution provisions in the Contractual Arrangements as opined by our PRC Legal Adviser.

We rely on dividend and other payments from WFOE to pay dividends and other cash distributions to our Shareholders and any limitation on the ability of 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 WFOE, our PRC subsidiary. The amount of dividends paid to our Company by WFOE depends solely on the service fees paid to WFOE by our consolidated affiliated entities. However, there are restrictions under PRC laws for the payment of dividends to us by WFOE. For example, relevant PRC laws and regulations permit payments of dividends by WFOE only out of its retained earnings, if any, as determined in accordance with PRC accounting standards and regulations and WFOE shall make up its losses of previous years when conducting outward remittance. Under PRC laws and regulations, 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, 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 WFOE to pay dividends to us and the limitations on the ability of consolidated affiliated entities to pay service fees to WFOE could materially and adversely limit our ability to service any debt obligations we may incur outside of China or pay dividends to holders of our Shares.

Our consolidated affiliated entities may be subject to limitations on their ability to operate private education business or make payments to related parties.

The principal regulations governing private education in China are the Law for Promoting Private Education (《中華人民共和國民辦教育促進法》), which became effective in 2003, was amended in 2013 and was further amended in 2016 (such amendment became effective in September 2017), and the Implementation Rules for the Law for Promoting Private Education (《中華人民共和國民辦教育促進法實施條例》) (the "**Implementation Rules**"). Under these regulations, a private school may elect to be a school that does not require reasonable returns or a school that requires reasonable returns. A private school that does not require reasonable returns cannot distribute dividends to its school sponsors. At the end of each year, a 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. For a private school that requires reasonable returns, this amount is at least 25% of the annual net income of the school. For a private school that does not require reasonable returns, this amount is at least 25% of the annual increase in the net assets of the school, if any. A private school that requires reasonable returns must publicly disclose such election and additional information required under the regulations. A private school should consider factors such as the school's tuition fees, ratio of the funds used for education-related activities to the course fees collected, admission standards and educational quality when determining the percentage of the school's net income that would be distributed to the investors as reasonable returns. Sponsors of all of our schools have elected not to require reasonable returns. Current PRC laws and regulations do not distinguish between the requirements or restrictions on a private school's ability to operate its education business based on its status as a school of which the sponsors require reasonable returns or a school of which the sponsors do not require reasonable returns.

Pursuant to the Decision on Amending the Law for Promoting Private Education, sponsors of private school may choose to establish non-profit or for-profit private schools (with the exception that schools providing compulsory education can only be established as non-profit entities) and will no longer be required to indicate whether they require reasonable returns or not. 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 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 Decision on Amending the Law for Promoting Private Education remains silent on the requirement of the development fund of the non-profit schools or for-profit schools. For further details of the Decision on Amending the Law for Promoting Private Education, see "Regulations."

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 WFOE, which in turn depends on the service fees paid to WFOE from our consolidated affiliated entities. Our PRC Legal Adviser advises us that WFOE's right to receive the service fees from our consolidated affiliated entities does not contravene any PRC laws and regulations. For further details regarding our PRC Legal Adviser's view on the legality of the payment of service fees under the Contractual Arrangements, see "Contractual Arrangements – Legality of the Contractual Arrangements."

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 schools to WFOE, even retrospectively, to the extent that such service fees are tantamount to "reasonable returns" taken by the sponsors of these schools in violation of PRC laws and regulations. As a result, our ability to pay dividends and other cash distributions to our Shareholders may be substantially limited.

If any of our consolidated affiliated entities becomes subject to winding up or liquidation proceedings, we may lose the ability to use and enjoy certain important assets held by our consolidated affiliated entities, which could negatively impact our business and materially and adversely affect our ability to generate revenue.

Our consolidated affiliated entities hold assets that are essential 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 schools. Under the business cooperation agreements, Mr. Yu, Mr. Xie, Huafang Education, Lihe Education, Jiangxi University of Technology, Guangdong Baiyun University, Baiyun Technician College and their subsidiaries may not unilaterally, without our consent, decide to voluntarily liquidate any of 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, financial condition and results of operations.

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 prospects.

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

We cannot predict whether the ongoing evolution of economic condition in China would 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 factors 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.

As an offshore holding company of our PRC subsidiary, we may use the net proceeds from the Global Offering to (i) extend loans to our consolidated affiliated entities; (ii) make additional capital contributions to our PRC subsidiary; (iii) establish new subsidiaries in China and make additional new capital contributions to them; 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.

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, approvals or filings 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, approvals or filings, 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, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies (the "Stock Option Rules") (《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》). 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 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 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, limit 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. Substantially all of our revenue is denominated in Renminbi. Under our current corporate structure, our income is primarily derived from dividend payments from WFOE, our PRC subsidiary. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiary 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, the Renminbi is currently convertible, without prior approval from SAFE, under 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 the SAFE and other PRC regulatory authorities are required to convert Renminbi into foreign currencies and remit 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 we need, we may not be able to pay dividends in Hong Kong dollars or other foreign currencies to our Shareholders. Furthermore, foreign exchange control in respect of the capital account transactions could affect our PRC subsidiary's and consolidated affiliated entities' 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 Hong Kong dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions and China's foreign exchange policies. From 1995 until July 2005, the conversion of the Renminbi into foreign currencies in the PRC, including the Hong Kong dollar and U.S. dollar, has been based on fixed rates set by the PBOC. The PRC government, however, has, with effect from 21 July 2005, reformed the exchange rate regime by moving into a managed floating exchange regime based on market supply and demand with reference to a basket of currencies. 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. Following this announcement, the Renminbi had appreciated from approximately RMB6.83 per U.S. dollar to RMB6.21 per U.S. Dollar as of 15 June 2015. 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 1.62% as compared to the previous day, and further depreciated nearly 1.0% on the next day. On 30 November 2015, the Executive Board of the International Monetary Fund (the "IMF") completed the regular five-year review of the basket of currencies that make up the Special Drawing Right (the "SDR") and decided that with effect from 1 October 2016, Renminbi is determined to be a freely usable currency and will be included in the Special Drawing Right 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 and costs are denominated in Renminbi and most of our financial assets are also denominated in Renminbi. We rely entirely on dividends and other fees paid to us by our PRC subsidiary 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. 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 2.0% 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 fees.

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

Our business and operations in the PRC are governed by the PRC legal system that is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the PRC government has promulgated laws and regulations dealing with economic matters such as foreign investment, corporate 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 diversion of resources and management attention.

As our 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 judgments obtained from non-PRC courts.

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

Almost all 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 within the PRC or to enforce against us or them in the PRC any judgments obtained from non-PRC courts. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the Cayman Islands, the United States, the United Kingdom, Japan and many other developed countries. Therefore, recognition and enforcement in China of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

If we are classified as a PRC "resident enterprise", 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》), or the EIT Law, 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 EIT 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, or the SAT, issued the Notice regarding the Determination of Chinese-Controlled Overseas Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of *De Facto* Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), or the SAT Circular 82, on 22 April 2009. The SAT Circular 82 provides certain specific criteria for determining whether the "*de facto* management body" of a Chinese-controlled offshore incorporated enterprise is located inside China, stating that only a company meeting all the criteria would be deemed having its *de facto* management body within China. One of the criteria is that a company's major assets, accounting books and minutes and files of its board and shareholders' meetings are located or kept in the PRC. In addition, the SAT issued a bulletin on 3 August 2011, effective from 1 September 2011, providing further guidance on the implementation of the SAT Circular 82. This bulletin clarifies matters including residence status determination, post-determination administration and competent tax authorities. Although both the SAT Circular 82 and the bulletin only apply to offshore enterprises controlled by PRC enterprises and there are currently no further detailed rules or precedents applicable to us governing the procedures and specific criteria for determining "*de facto* management body" for companies like ours, the determination criteria set forth in SAT Circular 82 and the bulletin may reflect the SAT's general position on how the "*de facto* management body" test should be applied in determining the tax residency status of offshore enterprises and how the administration measures should be implemented with respect to such enterprises, regardless of whether they are controlled by PRC enterprises or PRC individuals.

As almost 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. 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 EIT Law, foreign corporate shareholders of a PRC resident enterprise will be subject to a 10% (Individual: 20%) 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% (Individual: 20%) 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.

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 conducted interviews with the local tax bureaux in the places where we operate our schools, and they confirmed, among other things, that income from provision of academic qualification education services are 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 bureaux may change their policy, in each such case, we will be subject to PRC enterprise income tax going forward. Pursuant to the Amendment which will come into effect on 1 September 2017, 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. The taxation policies applicable to for-profit private schools after the Decision on Amending the Law for Promoting Private Education taking effect are yet to be introduced. Therefore, the preferential tax treatment of our schools after the Decision on Amending the Law for Promoting Private Education comes into full force 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 further stipulated in the relevant regulations related to the Decision on Amending the Law for Promoting Private Education that are to be introduced. There is no guarantee that the preferential tax treatment that currently applies to our schools will not change after the Decision on Amending the Law for Promoting Private Education comes into effect. In addition, following the execution of the Contractual Arrangements, WFOE will be subject to an income tax rate of 15% and value-added tax of 6% in China.

These preferential tax treatments may be subject to change and we cannot provide any assurance that the preferential tax rate applicable to WFOE will continue to apply in the future, and WFOE may therefore be required to pay a higher rate of income tax in the future. 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、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》) which came into effect on 1 May 2016, formal educational services provided by schools that provide formal education are exempted from the value-added tax. As a result, formal educational services provided by our schools are exempted from the value-added tax. However, 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.

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 regions in which we operate or those generally affecting China. In particular, as we 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 schools, which in turn may materially and adversely affect our financial condition and results of operations. If any of these occurs, our schools 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, and could in turn lead to significant declines in the number of students applying to or enrolled in our schools. If any of these events occur, our business, financial condition and results of operations could be materially and adversely affected.

RISKS RELATING TO THE GLOBAL OFFERING

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

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 BNP Paribas (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 our 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:

- changes 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;
- 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, members of our senior management;
- release or expiry of lock-up or other transfer restrictions on our Shares;
- sale or anticipated sale 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. It is, therefore, possible that our Shares may be subject to changes in price not directly related to our performance.

You will incur immediate and significant dilution and may experience further dilution if we issue additional Shares or other equity securities in the future, including pursuant to the Share Option Schemes and Share Award Scheme.

The Offer Price of the Offer Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, purchasers of the Offer Shares in the Global Offering will experience an immediate dilution in pro forma net tangible asset value. In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of the Offer Shares may experience dilution in the net tangible asset value per share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time. Furthermore, we may issue Shares pursuant to the Share Option Schemes and Share Award Scheme, which would further dilute Shareholders' interests in our Company.

Dividend distributed in the past may not be indicative of our future dividend policy.

During the Track Record Period, we did not declare or distribute any dividends to our equity holders. Any future dividend declaration and distribution by our Company will be at the discretion of our Directors and subject to our Articles of Association and the PRC laws, including (where required) the approvals from our shareholders and our Directors. Our Directors will consider our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors when they determine the distribution of dividend. For details of our dividend policy, see "Financial Information – Dividend." In addition, our future dividend payments will depend upon the availability of dividends received from our subsidiary. See "– Risks relating to our Contractual Arrangements – We rely on dividend and other payments from WFOE to pay dividends and other cash distributions to our Shareholders and any limitation on the ability of WFOE to pay dividends to us would materially and adversely limit our ability to pay dividends to our Shareholders." As a result of the above, we cannot assure you that we will make any dividend payments on our Shares in the future with reference to our historical dividends.

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 to our Shareholders. We plan to use the net proceeds from the Global Offering, including but not limited to acquisition of or cooperation with other universities to supplement our school network and repayment of bank loans. For details, see "Future Plans and Use of Proceeds – 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, whose judgment you must depend on, for the specific uses we will make of the net proceeds from this Global Offering.

Our Controlling Shareholders have significant influence over our Company and their interests may not be aligned with the interests of our other Shareholders.

Immediately following the Global Offering, our ultimate Controlling Shareholders, Mr. Yu and Mr. Xie, who are parties acting in concert, will control in aggregate 75% of our Shares, assuming the Over-allotment Option is not exercised at all and without taking into account any Shares which may be issued upon the exercise of any options granted under the Share Option Schemes and any grants under the Share Award Scheme. Our Controlling Shareholders will, through their voting power at the Shareholders' meetings and its position on the Board, have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional shares or other equity securities, timing and amount of dividend payments, amendment to our Memorandum and Articles of Association and our management. Our Controlling Shareholders may not act in the best interests of our minority Shareholders. In addition, without the consent of our Controlling Shareholders, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as part of a sale of our Company and may significantly reduce the price of our Shares.

We are a Cayman Islands company and, because judicial precedent regarding the rights of shareholders is more limited under the laws of the Cayman Islands 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 the jurisdictions where minority Shareholders may be located. See the section headed "Appendix IV – Summary of the Constitution of the Company and Cayman Islands Company Law."

As a result of all of the above, minority Shareholders may have difficulties in protecting their interests under the laws of the Cayman Islands through actions against our management, Directors or Controlling Shareholders, which may provide different remedies to minority Shareholders when compared to the laws of the jurisdiction such shareholders are located in.

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 markets in the PRC and certain provinces 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 Sole 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 factual information 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 the regions where we operate our schools 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 risk and uncertainties and are subject to change based on various factors 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.

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. The Group's 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 China. 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 Dr. Yu Kai, the chief executive officer and an executive Director of our Company, and Mr. Mok Kwai Pui Bill, the chief financial officer and company secretary of our Company, 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 the 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 our 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, 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 an additional 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 our Company when consulted by our Company 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 would 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, (ii) the annual cap requirement, and (iii) the requirement of limiting the term of the continuing connected transactions set out in Chapter 14A of the Listing Rules for such continuing connected transactions. For further details in this respect, see "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 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 BNP Paribas (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 BNP Paribas (on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, 8 December 2017 and, in any event, not later than Saturday, 9 December 2017 (unless otherwise determined between the parties). If, for whatever reason, the Offer Price is not agreed between BNP Paribas and our Company by 5:00 p.m. on Saturday, 9 December 2017, 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 OFFER SHARES

The application procedures for the Hong Kong Offer Shares are set forth in the section headed "How to Apply for Hong Kong 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 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 which may be issued pursuant to the exercise of the Over-allotment Option and the options granted under the Share Option Schemes, and the Shares which may be granted under the Share Award Scheme).

Dealings in the Shares on the Stock Exchange are expected to commence on Friday, 15 December 2017. 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". Assuming that the Over-allotment Option is exercised in full, the Company may be required to issue and allot up to an aggregate of 575,000,000 Offer Shares.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

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

All necessary arrangements have been made 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 REGISTRAR 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 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 RMB0.84377 to HK$1, the exchange rate prevailing on 27 November 2017 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$7.8087 to US$1, being the noon buying rate as set forth in the H.10 statistical release of the United States Federal Reserve Board on 24 November 2017.

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.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Yu Guo (于果)	Flat 601, Unit 2 159 Ganjiaqian Street Xihu District Nanchang Jiangxi province PRC	Chinese
Mr. Xie Ketao (謝可滔)	1403, Block 1 Yuxiu Ge 3 Yihe Zhong Road Guangzhou Guangdong province PRC	Chinese
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Ms. Xie Shaohua (謝少華)	4/F, Building 1, Street 32 Xiwan Road Guangzhou Guangdong province PRC	Chinese
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Industry Consultant	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. Suite 1014-1018 Tower B 500 Yunjin Road Shanghai PRC
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Principal Place of Business in Hong Kong	17/F, Wheelock House 20 Pedder Street Central Hong Kong
Registered Office in the Cayman Islands	The offices of Walkers Corporate Limited Cayman Corporate Centre 27 Hospital Road George Town Grand Cayman KY1-9008 Cayman Islands
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Company Secretary	Mr. Mok Kwai Pui Bill (莫貴標) *(AICPA, HKICPA)*
Authorised Representatives	Dr. Yu Kai (喻愷) Mr. Mok Kwai Pui Bill (莫貴標)
Audit Committee	Dr. Rui Meng (芮萌) (Chairman) Dr. Gerard A. Postiglione Dr. Wu Kin Bing (鄔健冰)
Remuneration Committee	Dr. Gerard A. Postiglione (Chairman) Dr. Yu Kai (喻愷) Dr. Rui Meng (芮萌)
Nomination Committee	Mr. Yu Guo (于果) (Chairman) Dr. Gerard A. Postiglione Dr. Wu Kin Bing (鄔健冰)
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This section contains certain information, statistics and data which are derived from official government publications and industry sources as well as a commissioned report from Frost & Sullivan, an Independent Third Party (the "Frost & Sullivan Report"). The information from official government publications and the Frost & Sullivan Report may not be consistent with information available from other sources within or outside the PRC and Hong Kong. We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any part has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy.

SOURCES OF INFORMATION

We commissioned Frost & Sullivan, an independent market research consulting firm which is principally engaged in the provision of market research consultancy services, to conduct a detailed analysis of the PRC education market, the private higher education market in Jiangxi, Guangdong and China as a whole and the private technical school market in China and Guangdong.

During the preparation of the Frost & Sullivan Report, Frost & Sullivan performed both primary and secondary research, and obtained knowledge, statistics, information and industry insights on the industry trends of the PRC education market, the private higher education market in Jiangxi, Guangdong and China and the private technical school market in China and Guangdong. Primary research involved discussing the status of the industry with leading industry participants and industry experts. Secondary research involved reviewing annual reports of companies, independent research reports and Frost & Sullivan's proprietary database. The Frost & Sullivan Report was compiled based on the following assumptions: (i) China's economy is likely to maintain steady growth in the next decade; (ii) China's social, economic and political environment is likely to remain stable during the forecast period from 2017 to 2021; and (iii) the market drivers, such as the attention on children's education by the Chinese households, support from the PRC central and local governments, improved investment on private education of the entire Chinese society, and the increase of income and personal wealth, are likely to drive China's private formal higher education market.

Frost & Sullivan is an independent global consulting firm, which was founded in New York in 1961. It offers industry research and market strategies, and provides growth consulting and corporate training. We are contracted to pay a fee of RMB800,000 to Frost & Sullivan in connection with the preparation of the Frost & Sullivan Report. We have extracted certain information from the Frost & Sullivan Report in this section, as well as in the sections headed "Summary," "Risk Factors," "Business," "Financial Information" and elsewhere in this document to provide our potential investors with a more comprehensive presentation of the industries in which we operate. Our Directors confirm to the best of their knowledge, and after making reasonable enquiries, that there have been no adverse changes in the industry since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information set out in this section.

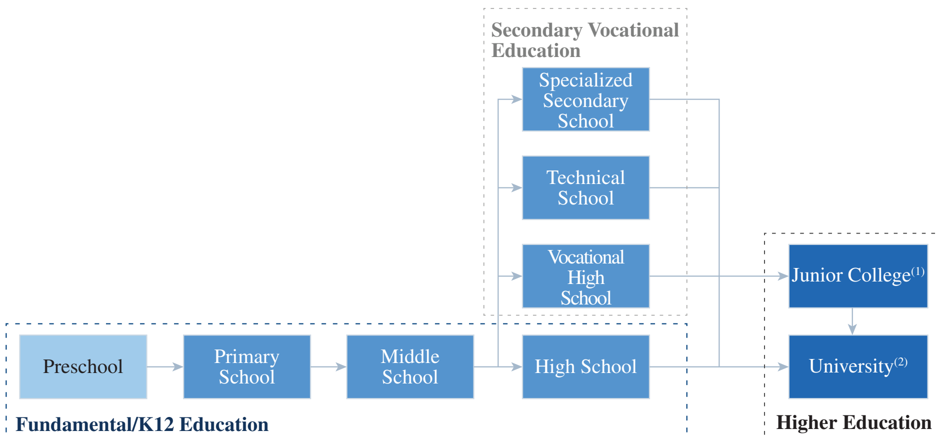
OVERVIEW OF THE EDUCATION INDUSTRY AND HIGHER EDUCATION INDUSTRY IN CHINA

China's regular education system can be generally categorised into formal and informal education. The formal education system provides students with the opportunity to obtain official certificates from the PRC government, whereas the informal education system merely enables students to obtain completion certificates for the training and learning courses they take, which may not be officially recognised 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 provided by either junior college (專科院校) or university (本科院校) granting different diplomas/degrees, while secondary vocational education can be provided by technical school (技工學校), vocational high school (職業高中) and specialised secondary school (中等專業學校).

This section only covers the formal education industry in China. While adult education is also a part of formal education according to the MOE's classification, the discussion of which is not specifically covered in this section. The following diagram illustrates the composition of the PRC formal education system. Our core business covers regular university and technical school operations.

Illustration of China's Formal Education System

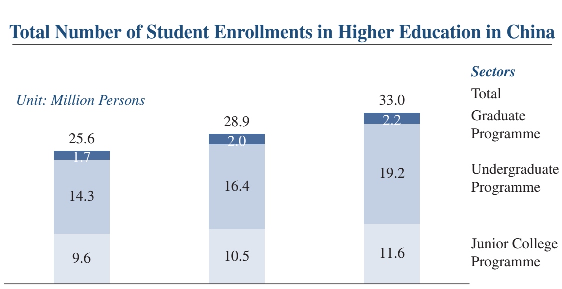


Source: Frost & Sullivan
Notes:

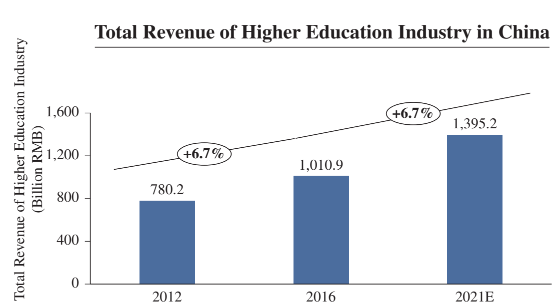
(1) Schools with a school education level of higher vocational college would be considered as junior colleges.

(2) University includes both regular university and independent colleges. Schools with a school education level of undergraduate (where junior college and higher vocational education programmes may also be offered) would be considered as universities.

According to the Frost & Sullivan Report, the higher education industry in China has experienced steady growth over the past five years. According to National Bureau of Statistics of China and the MOE, China's total revenue of higher education industry increased from RMB780.2 billion in 2012 to RMB1,010.9 billion in 2016 and is expected to further increase to RMB1,395.2 billion in 2021. In terms of student enrolment in higher education industry in China, according to the Frost & Sullivan Report, the number of student enrolment steadily increased from 25.6 million in 2012 to 28.9 million in 2016 and is expected to further increase to 33.0 million in 2021.



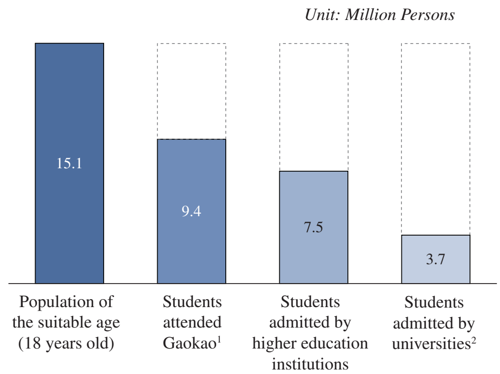
Source: Frost & Sullivan, National Bureau of Statistics of China, MOE



Source: Frost & Sullivan

Despite the increase of student enrolment in higher education in recent years, the higher education admission rates for universities remain relatively low. According to the Frost & Sullivan Report, among the 15.1 million population of suitable age, only 50% of them were admitted by higher education institutions and only 25% of them were admitted by universities. Therefore, we believe the higher education market has a significant growth potential.

Demand Analysis of Higher Education (China), 2016

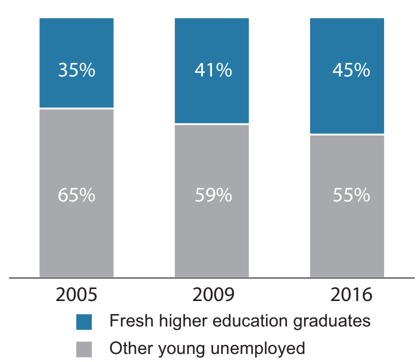


Source: Frost & Sullivan
Notes:

1. The statistics of students attending Gaokao and students admitted by higher education institutions included a small portion of people who are above 18 years old.

2. Given that the official figures have not been published, the number of students admitted by universities is represented by planned enrolment of undergraduate programmes for illustration.

Proportion of Fresh Higher Education Graduates in Overall Young Unemployed



Source: Frost & Sullivan

Moreover, it is becoming more difficult for higher education graduates to secure a job. According to the Frost & Sullivan Report, the proportion of fresh higher education graduates in overall young unemployed grows from 35% in 2005 to 45% in 2016. Markets have increasing demand for graduates with professional skills while most of public universities in China focus on academic research instead of training of practical skills. It is, therefore, expected that there will be an increasing number of universities focussing on applied technology.

China's higher education can be categorised into public higher education and private higher education. Public higher education institutions are established and operated by national or local governments and their major source of funding comes from PRC public expenditure on education, while private higher education institutions are established and operated by non-governmental institutions or individuals and their major source of funding comes from school operations. This public/private dichotomy also applies to China's secondary vocational education. The discussion in this section only covers the private higher education industry and the private technical school industry in which we operate.

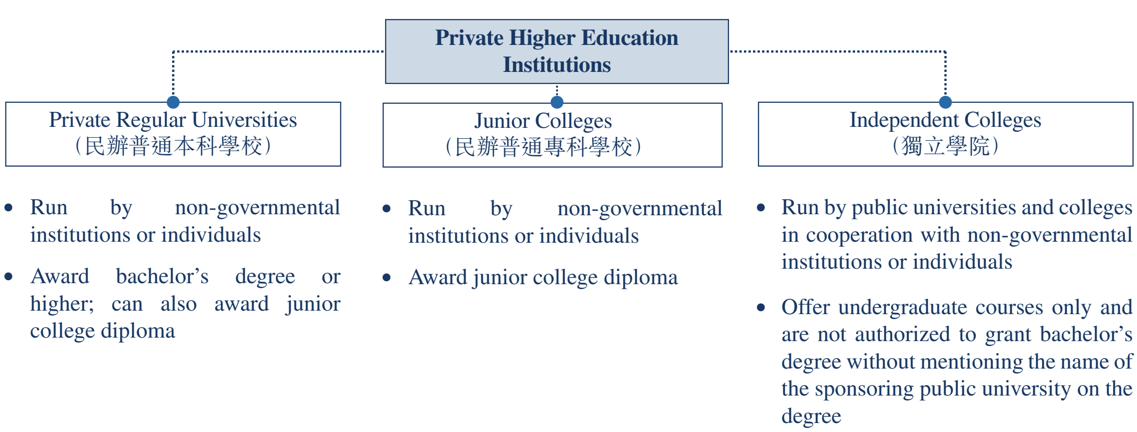
High Barriers to Entry and Competitive Landscape

According to the Frost & Sullivan Report, the higher education industry in China has high barriers to entry that deter new competitors from emerging. Regulatory approvals, time and achievements required to establish brand name and reputation, academic resources such as the availability of experienced school operators, qualified teaching staff and teaching facilities, and high capital requirements to construct school campuses and facilities are among the key barriers to entry. According to the Frost & Sullivan Report, the competitive landscape of the higher education industry in China is generally characterised by intense competition from existing market payers, particularly those with a sizeable operation and established reputation, and industry consolidation. In particular, according to the Frost & Sullivan Report, in 2016, the total number of private higher education institutions in China exceeded 700. Furthermore, private schools also compete with public schools for, among other things, academic resources and student enrolment. In particular, some public schools in China enjoy a strong competitive position on account of their long established history, widely recognised reputation and consistently high rankings among other competitors. It is also expected that the industry trend of consolidation with leading players continuing to develop with the primary strategy of pursuing growth through mergers and acquisitions will further intensify the competition in the industry. According to the Frost & Sullivan Report, the higher education industry in China is fragmented and there is intense competition among major market players for quality acquisition targets.

THE PRIVATE HIGHER EDUCATION INDUSTRY IN CHINA

The private higher education industry in China has experienced rapid growth as it entered the phase of regulated development when the relevant government authorities made great endeavour in completing the regulatory framework for private higher education, according to the Frost & Sullivan Report. Private higher education institutions in China can be divided into three categories, namely private regular universities (民辦普通本科學校), private junior colleges (民辦普通專科學校) and independent colleges (獨立學院).

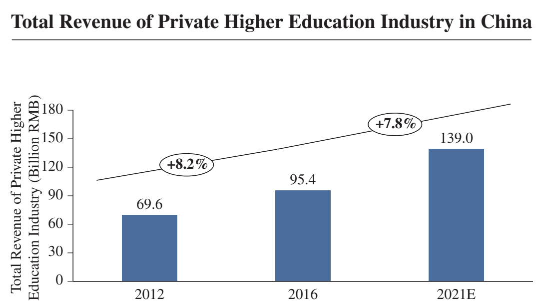
Composition of Private Higher Education Institutions



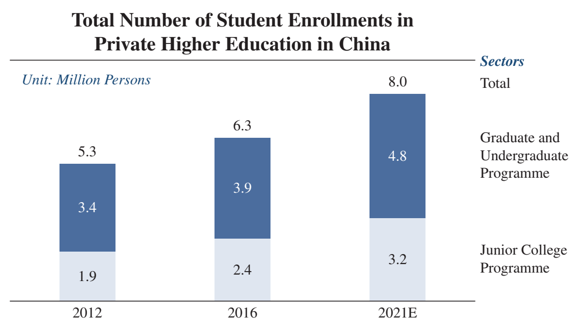
Source: Frost & Sullivan

Market Size and Student Enrolment of the Private Higher Education Industry in China

According to the Frost & Sullivan Report, the total revenue of the private higher education industry has been increasing steadily from RMB69.6 billion in 2012 to RMB95.4 billion in 2016 and is expected to further increase to RMB139.0 billion in 2021. The total number of student enrolment in private higher education in China increased from 5.3 million in 2012 to 6.3 million in 2016 and is expected to further increase to 8.0 million in 2021.



Source: Frost & Sullivan



Source: Frost & Sullivan

The penetration rate of private higher education as a whole in China also increased from 20.8% in 2012 to 21.9% in 2016, indicating that more students have chosen to attend private higher education institutions instead of public ones. Such trend is likely to continue as the penetration rate is expected to reach 24.3% in 2021, according to the Frost & Sullivan Report.

Tuition Fees of the Private Higher Education Industry in China

According to the Frost & Sullivan Report, China's average tuition fees of higher education per student per school year increased from RMB7,280 in 2012 to RMB7,844 in 2016, which correlated to the increase in per capita GDP during the same period. As China's economy continues to develop and per capita GDP continues to increase, China's average tuition fees for higher education is expected to continue to grow. In addition, China's average tuition fees of higher education as a percentage of per capita GDP is 14.5% in 2016, compared to 20.6% in the U.S., indicating that it has room to grow further. In 2016, the average tuition fees of private higher education institutions was approximately RMB11,447, much higher than that of public higher education institutions, which was RMB6,834.

Market Drivers of Private Higher Education in China

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. For example, The National Medium-to-Long Term Educational Reform and Development Plan (2010-2020) (《國家中長期教育改革和發展規劃綱要(2010-2020)》), issued in 2010, set the strategic development plan to encourage financial investment in education and support the development of private education. In 2016, The Decision on Amending the Law for Promoting Private Education (《關於修改<民辦教育促進法>的決定》) was promulgated, which further optimises existing regulatory framework and provides that private schools can choose to register as either for-profit entities or non-profit entities. For more information, see the section headed "Regulation – Regulations on Private Education in the PRC – The Revisions of the Law for Promoting Private Education of the PRC." In the same year, Several Opinions of the State Council on Encouraging Social Power to Set up Education to Promote 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》) was promulgated to further promote the development of private education. For more information, see the section headed "Regulation – Regulations on Private Education in the PRC – Several Opinions on Encouraging Individual Persons or Entities to Conduct Education and Promote the Healthy Development of Private Education";

- ***Increasing resident income and demand for higher education***: With the increase in household income and improvement of living conditions in China, the general public has shown an increasing demand for higher education due to the rising awareness of the importance of education and higher affordability. According to the Frost & Sullivan Report, the per capita annual disposable income of Chinese urban households has increased rapidly from approximately RMB24,565 in 2012 to approximately RMB33,616 in 2016, and is estimated to further increase to approximately RMB49,521 in 2021. Rising disposable income has become a key driver of demand for education. China's per capita consumption expenditure of urban households on education increased from RMB820 in 2012 to RMB1,070 in 2016, and is estimated to further increase to RMB1,487 in 2021, according to the Frost & Sullivan Report. However, public higher education resources are relatively limited, and thus a demand gap has emerged. According to the Frost & Sullivan Report, it is expected that the rapid development of private higher education will fill the gap;

- ***Growing market demand for technical talents***: With continued economic development, the market has an increasing demand for technical talents in all areas. However, there is an increase of student enrolment of public higher education institutions focussing on the teaching of academic theories, a significant lack of skilled and well-trained first-line technicians has been identified; and

- ***Increasing diversification and strengthened education quality***: The quality of private formal higher education is continuously improving with favourable government policy support. Private education that focuses on professional education is also expanding its portfolio and increasing level of specialisation. Such developments are expected to attract more students to consider private formal higher education and drive the growth of the market.

Development Trends of the Private Higher Education Industry in China

According to the Frost & Sullivan Report, the development trends of the private higher education industry in China include the following:

- ***Industry consolidation***: China's higher education market is expected to undergo increasing consolidation as the leading players continue to develop with the primary strategy of pursuing growth through M&A. Such trend is also heightened by stringent legal requirements, large amount of required capital and long preparation period for the establishment of higher education institutions;

- ***Increasing number of private regular universities***: The transformation from independent colleges to private regular universities is likely to be a key development trend supported by private education operators' increasing capability to integrate quality academic resources and capital. This transformation is also supported by the Chinese people's pursuit of higher education degree levels along with the people's increasing personal wealth and spending on education; and

- ***Better match of talent cultivation objective and market demand***: Universities focussing on applied technologies are able to provide training with practical techniques and are therefore better in cultivating technical talents, who are well sought after by employers in China. The PRC government is expected to further increase 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 the operations of higher education institutions are relatively less local market-based than fundamental education. As illustrated in the composition of private higher education institutions, private higher education institutions can be categorised into private regular universities, independent colleges and private junior colleges. Both Jiangxi University of Technology and Guangdong Baiyun University are private regular universities.

According to the Frost & Sullivan Report, in 2016, the total number of private higher education institutions in China reached 742, of which 266 are independent colleges. Independent colleges are jointly established by public universities and individuals or private entities and are affiliated with the sponsoring public universities. They are different from other private higher education institutions in many material aspects: (i) the operation and student admission of independent colleges are under the name of the sponsoring public university; (ii) some independent colleges are located on the campus of their corresponding sponsoring public universities and use the teachers and other teaching resources of their corresponding sponsoring public universities; (iii) when students graduate, degrees awarded bear the name of their corresponding sponsoring public universities; and (iv) independent colleges normally pay a large portion of their tuition fee income to the sponsoring public university for the use of the brand and the resources. For the reasons above, our analysis of the competitive landscape of the private higher education industry in China has excluded independent colleges.

The following table shows the student enrolment number of the top five private higher education service providers in China in 2016. Our Group was the second largest private higher education group in China with approximately 51.9 thousand students enrolled in our private regular universities. According to the Frost & Sullivan Report, the higher education market in China is highly fragmented and only a very limited number of market participants are able to reach an ultra-large-scale of over 50,000 students.

Leading Players in Private Higher Education Market (China) in Terms of Student Enrolment, 2016[(1)]

Rank	Market Players	Number of Student Enrolment (thousand students)
1	Education group A	74.3
2	**Our Group**	51.9
3	Education group B	41.2
4	Education group C	39.1
5	Education group D	35.0

Source: Frost & Sullivan
Note:

(1) As explained above, the ranking has excluded independent colleges.

Entry Barriers for the Private Higher Education Industry in China

According to the Frost & Sullivan Report, the PRC private higher education industry has fairly high entry barriers. Specific entry barriers are set forth below:

- ***Regulatory approvals***: Private school operators in China are required to obtain and maintain a series of approvals, licences and permits and comply with specific registration and filing requirements. The lengthy, complex and uncertain application process has become a natural entry barrier especially for new school operators;

- ***Operational experience and management capability***: Operational and management experience are vital to school operations as well as in achieving economies of scale, which is a significant entry barrier for new entrants;

- ***Brand awareness and source of students***: Students in China have strong preference to attend schools with a long history and well-established reputation, both of which are difficult to achieve in a short period of time and further impose obstacles for new entrants to attract sufficient students;

- ***Availability of land and relevant facilities***: Insufficient land resources, challenged availability of relevant facilities and rising rental costs in certain cities in China are imposing higher capital and time cost requirements for new school establishment and existing schools to establish branches in new locations;

- ***Capital requirements***: Establishment of a new school in China requires large capital investment for the construction of school campuses and facilities as well as other related expenses. Therefore, the ability for school operators to secure sufficient capital is critical; and

- ***Availability of qualified teaching staff***: The structural adjustment of China's higher education industry has exacerbated the shortage of qualified teachers with relevant practical industry experience and know-how, which may inhibit new participants who do not have sufficient access to such resources from entering the market.

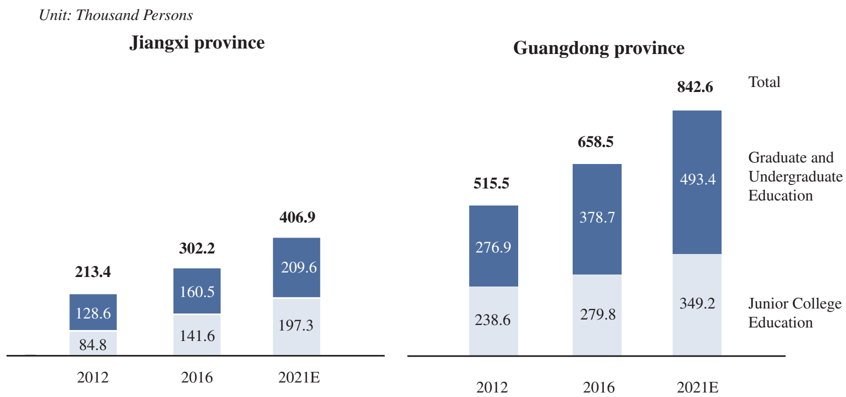
THE PRIVATE HIGHER EDUCATION INDUSTRY IN JIANGXI PROVINCE AND GUANGDONG PROVINCE

Along with the fast development of the private higher education industry in China, according to the Frost & Sullivan Report, the private higher education industry in Jiangxi and Guangdong provinces also experienced rapid growth in the past five years and is expected to continue to grow in the future.

According to the Frost & Sullivan Report, the total revenue of private higher education in Jiangxi province grew from RMB2.5 billion in 2012 to RMB3.4 billion in 2016, and is expected to further increase to RMB4.9 billion in 2021. As to Guangdong province, the revenue of private higher education grew from RMB6.5 billion in 2012 to RMB9.8 billion in 2016, and is expected to further increase to RMB14.8 billion in 2021.

With respect to student enrolment, according to the Frost & Sullivan Report, from 2012 to 2016, the total student enrolment in the private higher education industry in Jiangxi province increased from 213.4 thousand to 302.2 thousand and is expected to continue to grow to 406.9 thousand in 2021. According to the Frost & Sullivan Report, from 2012 to 2016, the total student enrolment in the private higher education industry in Guangdong province increased from 515.5 thousand to 658.5 thousand and is estimated to continue to grow to 842.6 thousand in 2021.

Number of Student Enrolment in Private Higher Education of Jiangxi province and Guangdong province



Source: Frost & Sullivan

The private higher education markets in Jiangxi province and Guangdong province are relatively concentrated. According to the Frost & Sullivan Report, as of 31 December 2016, in terms of student enrolment, Jiangxi University of Technology was the largest private regular university in Jiangxi province and Guangdong Baiyun University was the third largest private regular university in Guangdong province.

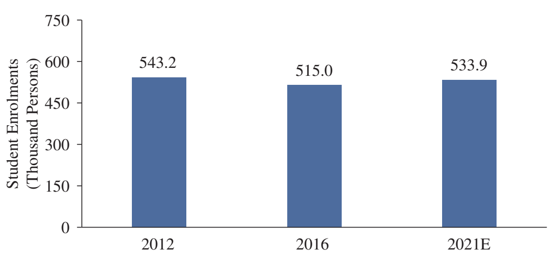
THE PRIVATE TECHNICAL SCHOOL INDUSTRY IN CHINA AND IN GUANGDONG PROVINCE

The private technical school industry in China is competitive, highly fragmented and local market-based. In 2016, there were approximately 400 private technical schools in China with a total student enrolment of approximately 515.0 thousand, according to the Frost & Sullivan Report. Guangdong province has a developed private technical school industry and is in the leading position among all provinces, municipalities, and autonomous regions in China. In 2016, among these 400 private technical schools in China, approximately 40 are located in Guangdong province and these schools enrolled over 10.0% of the total number of student enrolled in all private technical schools in China, according to the Frost & Sullivan Report.

Market Size and Student Enrolment of the Private Technical School Industry in China and in Guangdong Province

According to the Frost & Sullivan Report, the total revenue of the private technical school industry was RMB1,545.7 million in 2016 and is expected to continue to increase to RMB2,105.6 million in 2021. In terms of student enrolment, according to the Frost & Sullivan Report, the total number of student enrolment in the private technical school industry in China was 515.0 thousand in 2016 and is expected to increase to 533.9 thousand in 2021. The following diagrams below illustrate the total revenue generated by and total student enrolment in the private technical school industry in China from 2012 to 2016, and the forecast of revenue and student enrolment in 2021.

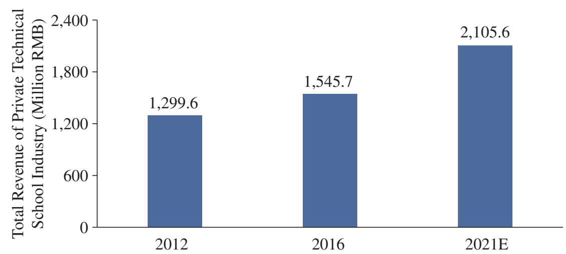
Total Number of Student Enrollment in Private Technical School in China



Source: Frost & Sullivan

Note: only include students enrolled in full-time formal education programmes.

Total Revenue of Private Technical School Industry in China



Source: Frost & Sullivan

According to Frost & Sullivan Report, the total revenue of the private technical school industry in Guangdong province increased from RMB431.4 million in 2012 to RMB708.7 million in 2016 and such revenue is expected to continue to grow to RMB1,298.4 million in 2021. The total number of student enrolment in Guangdong province increased from 51.2 thousand to 51.6 thousand from 2012 to 2016 and such number is expected to further increase to 53.1 thousand in 2021.

Development Trends and Drivers of the Private Technical School Industry in China

According to the Frost & Sullivan Report, the development of the private technical school industry in China is primarily driven by the following factors: (i) the growing demand for technical talents supported by the national "Made in China 2025" plan, (ii) the upgrade of the degree level of vocational education, and (iii) the adoption of school-enterprise cooperation model by private technical schools.

According to the Frost & Sullivan Report, the development trends of the private technical school industry in China mainly include:

- ***Degree level upgrade***: At present, senior technical schools are able to enrol high school graduates and award the senior technician diploma, which is equivalent to the junior college diploma in some provinces, to students after graduation. Senior technicians are more desired by employers in the job market compared to other normal technical workers. It is expected that this trend of degree level upgrade is expected to continue in the future.

- ***Further enhancement of school-enterprise cooperation***: The school-enterprise cooperation not only brings in additional resources to schools' education, but also solves enterprises' difficulties in recruiting qualified employees. This win-win situation indicates that the school-enterprise cooperation is likely to be further enhanced in the future.

- ***Adjusting Talent Cultivation Mode and Curriculum Design to Match Market Demand***: With the restructuring and upgrade of various industries in China, there is a constant evolvement in market demand for technical talents, which requires technical schools to be able to adjust their major offering and curriculum design to match evolving market demand and different skill sets required by different industries.

Competitive Landscape of the Private Technical School Industry in China

The private technical school market in China is competitive, highly fragmented and local market-based. According to the Frost & Sullivan Report, in 2016, there were approximately 400 private technical schools in China with a total student enrolment of approximately 515.0 thousand. Baiyun Technician College was the largest market player according to the Frost & Sullivan Report and enrolled 13.8 thousand students in 2016.

Leading Players in Private Technical School Market in China in Terms of Student Enrolment, 2016

Rank	Market Players	Number of Student Enrolment (thousand students)
1	**Baiyun Technician College**	**13.8**
2	Private Technical School I	12.0
3	Private Technical School II	8.0
4	Private Technical School III	7.0
5	Private Technical School IV	5.5

Source: Frost & Sullivan

Note: only include students enrolled in full-time formal education programmes.

Entry Barriers for the Private Technical School Industry in China

According to the Frost & Sullivan Report, the PRC private technical school industry generally has the following entry barriers:

- ***Capital requirements***: Establishing a new school in China requires large capital investment for the construction of school campuses and facilities as well as other related expenses. Therefore, the ability for school operators to secure sufficient capital is critical;

- ***Sufficient student enrolment***: Technical school is one of the three types of secondary vocational schools. It competes directly with regular specialised secondary school (普通中專) and vocational high school (職業高中) for student enrolment. Being able to enrol sufficient students is one of the key entry barriers to enter into the private technical school industry;

- ***Long-term stable cooperation with enterprises***: School-enterprise cooperation is essential to the cultivation of students in technical schools. Establishment and maintenance of long-term close relationships with enterprises are the key to the success in this industry; and

- ***Availability of qualified teaching staff***: Qualified teachers are commonly regarded as the most critical educational resources and have a direct impact on the quality of the school education. It is difficult for new participants to have sufficient access to such resources.

FOREIGN INVESTMENT IN EDUCATION IN THE PRC

Foreign Investment Industries Guidance in Education Industry

Projects with foreign investment in the PRC are subject to the supervision and administration requirements as provided in the Foreign Investment Industries Guidance Catalogue (Amended in 2017) (《外商投資產業指導目錄》 (2017年修訂)) (the "**Guidance Catalogue**") which was amended and promulgated jointly by the National Development and Reform Commission (the "**NDRC**") and the Ministry of Commerce (the "**MOFCOM**") on 28 June 2017 and became effective on 28 July 2017. Under the Guidance Catalogue, foreign-invested industries are classified into two categories, namely (i) encouraged foreign-invested industries and (ii) foreign-invested industries which are subject to Special Administrative Measures for Access of Foreign Investment (Negative List for Access of Foreign Investments) (the "**Negative List**"). The Negative List is further divided into restricted foreign-invested industries and prohibited foreign-invested industries. Unless otherwise provided in the PRC laws, the industries which are not set out in the Negative List are permitted foreign-invested industries.

Pursuant to the Guidance Catalogue, higher education is a restricted industry for foreign investors, and foreigners are only allowed to invest in higher education in cooperative ways and the domestic party shall play a dominant role in the cooperation, which means the principal or 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.

Regulations on Sino-Foreign Cooperation in operating schools

Sino-foreign cooperation in operating schools is specifically governed by the Regulation on Sino-Foreign Cooperation in Operating Schools of the PRC (《中華人民共和國中外合作辦學條例》) (the "**Sino-Foreign Regulation**"), which was promulgated by the State Council on 1 March 2003 and became effective on 1 September 2003 and was amended on 18 July 2013, 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 Ministry of Education (the "**MOE**") on 2 June 2004 and became effective on 1 July 2004.

The Sino-Foreign Regulation and the Implementing Rules mainly apply to the activities of education institutions established in the PRC cooperatively by foreign education institutions and Chinese education institutions, the students of which are to be recruited primarily among the PRC citizens, and encourage substantive 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, experience in education, and high-quality education ability. Sino-foreign cooperative schools are not permitted, however, to engage in compulsory education and military, police, political and other kinds of education that are of a special nature in the PRC. Any Sino-foreign cooperation school and cooperation programme shall be approved by relevant education authorities and obtain the Permit of Sino-Foreign Cooperation in Operating School. A Sino-foreign cooperation 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 Funds into the Field of Education to Promote Healthy Development of Private Education (Jiaofa [2012] No. 10) (《教育部關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》) (教發[2012] 10號) to encourage private investment and foreign investment in the field of education. According to these opinions, the proportion of foreign capital in a Sino-foreign cooperative education institution shall be less than 50%.

REGULATIONS ON PRIVATE EDUCATION IN THE PRC

Education Law of the PRC

On 18 March 1995, the National People's Congress of the PRC enacted the Education Law of the PRC (《中華人民共和國教育法》) (the "**Education Law**"), which was effective from 1 September 1995, amended on 27 August 2009 and further amended on 27 December 2015. The Education Law sets forth provisions relating to the fundamental education systems of the PRC, including a school education system comprising pre-school education, primary education, secondary education and higher education, a system of nine-year compulsory education, a national education examination system, and a system of education certificates. The Education Law stipulates that the government formulates plans for the development of education, establishes and operates schools and other institutions of education. Furthermore, it provides that in principle, enterprises, social organisations and individuals are encouraged to establish and operate schools and other types of educational institution in accordance with the relevant PRC laws and regulations. Moreover, private schools may be operated for "reasonable returns" as described in more detail below. The Education Law also stipulates that some basic conditions shall be fulfilled for the establishment of a school or any other education institution, and the establishment, modification or termination of a school or any other education institution shall, in accordance with the relevant PRC laws and regulations, undergo examination, verification, approval, registration or filing procedures.

The Education Law was amended (the "**amended Education Law**") by the Standing committee of the PRC National People's Congress (the "**SCNPC**") on 27 December 2015, and became effective on 1 June 2016. The amended Education Law does not include the requirement that no organisation or individual may establish or operate a school or any other educational institution for profit-making purposes, but schools and other educational institutions founded with governmental funds or donated assets are forbidden to be established as for-profit organisations.

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 29 August 1998 and amended on 27 December 2015 and became effective on 1 June 2016, higher education includes education for academic qualifications and education for non-academic qualifications. Higher education institutions refer to universities, independent colleges, and specialised higher education schools, including higher vocational schools and higher education schools for adults. Higher education for academic qualifications include junior college education, undergraduate education and graduate course education. Higher education shall be conducted by higher education institutions and other higher education organisations. The establishment of higher education institutions for undergraduate education and above shall be subject to examination and approval by the administrative department for education under the State Council; and the establishment of higher education institutions for junior college education shall be subject to examination and approval by the people's governments of provinces, autonomous regions and municipalities directly under the PRC central government. 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 PRC central government. Higher education institutions shall be established in accordance with state plans for the development of higher education and in line with the interests of the state and the public. Universities shall mainly conduct undergraduate education and education at a higher level. Specialised higher education schools shall conduct junior college 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 shall, in addition, have better qualified staff for teaching and research, a higher level of teaching and research, as well as a necessary size of the student body, so that they can offer undergraduate 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 3 February 2007, which were amended on 10 November 2015, pursuant to which the conditions for running private 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 private college or university shall, under the private education promotion law and the regulation for the implementation thereof, timely and fully perform the capital contribution obligation. No private college or university may engage in educational and teaching activities in any place other than those specified in the licence for running private education, or establish any branch, rent or lend to others its licence for running private education. The principal of a private college or university shall satisfy the appointment requirements of the state and shall have ten or more years of experience of administration of higher education and shall not be over 70 years old. The term of office of a principal shall be four years in principle.

Regulations on Vocational Education

According to the Vocational Education Law of the PRC (《中華人民共和國職業教育法》) (the "**Vocational Education Law**"), which was promulgated by the SCNPC on 15 May 1996 and came into effect on 1 September 1996, the state encourages institutional organisations, social organisations and other social groups and citizens to operate vocational schools and vocational training institutions according to relevant provisions of the state.

Vocational school education includes primary, secondary and higher vocational school education. Primary and secondary vocational school education shall be conducted respectively by primary and secondary vocational schools. Higher vocational school education shall be conducted by higher vocational schools or by common institutions of higher learning in accordance with the actual needs and conditions. Other schools may implement vocational school education at corresponding levels in accordance with the overall planning by the education administrative department.

The education administrative department, the labour administrative department and other relevant departments of the State Council shall each be responsible for the work relating to vocational education within the scope of their functions and duties as specified by the State Council.

The Administrative Measures for the Sino-foreign Cooperative Education on Vocational Skills Training (《中外合作職業技能培訓辦學管理辦法》) (the "**Sino-foreign Vocational Skills Training Measures**") was promulgated by the Ministry of Labour and Social Security on 26 July 2006 and came into effect on 1 October 2006 and then was amended on 30 April 2015 by the MOHRSS. The Sino-foreign Vocational Skills Training Measures shall apply to the establishment, activities and management of vocational skills training institutions and educational projects initiated by Chinese educational institutions and foreign educational institutions (including vocational skills training institutions) by cooperation. Parties to Sino-foreign cooperation shall conclude a cooperation agreement upon completion of arms' length negotiation for initiating a vocational skills training project of Sino-foreign cooperative education, and the application for the said project shall be subject to the examination and approval by the administrative department of labour and social security of the people's government of the province, autonomous region or municipality directly under the Central Government where the said project is located, and shall be reported to the administrative department of labour and social security under the State Council for filing.

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 (《中華人民共和國民辦教育促進法》) became effective on 1 September 2003 and was amended on 29 June 2013 and on 7 November 2016, 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 needs of the development of the local education, and shall satisfy the requirements in accordance with the Education Law and relevant laws and regulations. The standards for the establishment of private schools shall be executed by reference to those for the establishment of public schools of the same level and category.

Private schools providing academic qualifications education 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 Licence of 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 (the "**MCA**") (中華人民共和國民政部) or its local counterparts as a privately run non-enterprise institution (民辦非企業單位). As of the Latest Practicable Date, each of our schools had obtained the Licence of Operating a Private School and has been registered with the relevant local counterpart of the MCA.

Under the regulations hereinabove, 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. Public schools that provide compulsory education are not permitted to be converted into private schools. The operations of a private school are highly regulated. For example, a private school shall establish its executive council, 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 for the position as provided for in the Teachers Law of the PRC (《中華人民共和國教師法》) and other relevant laws and regulations. There shall be a definite number of full-time teachers in a private school, and for 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 schools provides a diploma or certificate to students. In line with the relevant regulations, all of our courses required for PRC diplomas or certificate 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.

According to the relevant PRC laws and regulations, entities and individuals who establish private schools are commonly referred to as “sponsors” instead of “owners” or “shareholders.” The economic substance of “sponsorship” in respect of private schools is similar to that of ownership with regard to legal, regulatory and tax matters. The main differences between sponsorship and equity ownership can be found in the specific provisions of the laws and regulations applicable to sponsors and owners, as follows:

- Right to receive a return on investment. See the paragraph headed “Sponsor’s Reasonable Returns” below, and

- Right to distribution of residual properties upon termination and liquidation. Under the PRC Company Law (《中華人民共和國公司法》), properties that remain upon termination and liquidation of a company after payment of relevant fees and compensation are to be distributed to its owners. With respect to a school, the Law for Promoting Private Education provides that such distribution be made in accordance with other relevant laws and regulations. However, there have been no other relevant laws and regulations addressing the distribution of residual properties upon termination and liquidation of a private school.

Sponsor’s Reasonable Returns

Private education is treated as a public welfare undertaking under the relevant PRC laws and regulations. Nonetheless, 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. Private schools are divided into three categories, namely: (i) private schools established with donated funds, (ii) private schools with the sponsors of which require reasonable returns, and (iii) private schools with the sponsors of which do not require reasonable returns.

The election to establish a private school the sponsors of which require reasonable returns must be set out in the articles of association of the school. The percentage of the school’s annual net balance that can be distributed as reasonable returns shall be determined by the school’s executive council, board of directors or other form of the decision-making body, taking into consideration the following factors: (i) items and criteria for the school's fees; (ii) the ratio of the school's expenses used for educational activities and improving the educational conditions to the total fees collected; and (iii) the school operation level and educational quality. The relevant information relating to the school's operation level and the quality of education shall be publicly disclosed before the determination of the percentage of the school's annual net balance that can be distributed as reasonable returns. Such information and the decision to distribute reasonable returns shall be filed with the approval authorities within 15 days from the date on which the decision is made. However, none of the current PRC laws and regulations provides any formula or guidelines for determining what constitutes "reasonable returns." In addition, no current PRC laws or regulations set forth any requirements or restrictions on a private school's ability to operate its education business that are differentiated based on such school's status (i.e., whether as a school the sponsor of which requires reasonable returns or a school the sponsor of which does not require reasonable returns). None of our schools have elected to be a school whose sponsor requires reasonable returns.

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 where the 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 the sponsor of which 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.

Private schools the sponsors of which do not require reasonable returns shall be entitled to the same preferential tax treatment as public schools, while the preferential tax treatment policies applicable to private schools the sponsor of which require reasonable returns shall be formulated by the finance authority, taxation authority and other authorities under the State Council. As of the Latest Practicable Date, however, no regulations had been promulgated by such authorities in this regard.

A 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, the sponsor of a private school has the right to exercise ultimate control over the school by becoming the member of and controlling the composition of the school's decision making body. Specifically, the sponsor has control over the private school's constitutional documents and has the right to elect and replace the members of the private school's decision making bodies and therefore controls the private school's business and affairs.

The Revisions of the Law for Promoting Private Education of the PRC

On 7 November 2016, the Decision on Amending the Law for Promoting Private Education of the PRC (Order of the President of the PRC No. 55) was reviewed and passed by the SCNPC and came into effect on 1 September 2017.

In accordance with this decision, as long as the school does not provide compulsory education, school sponsors of the private schools are allowed to register and operate the schools as for-profit private schools or non-profit private schools. School sponsors of for-profit private schools are allowed to derive income from the operation of the school and the balance of running such schools is permitted to be handled in accordance with the PRC Company Law and other relevant laws and administrative regulations. While school sponsors of non-profit private schools are prohibited from deriving income from the operation of the schools, the balance of running such schools shall be only used for the operation of the other non-profit schools. Furthermore, the remaining assets upon liquidation of for-profit private schools are permitted to be handled in accordance with the relevant provisions of the PRC Company Law and that of non-profit private schools shall only be used for the operation of other non-profit schools.

Also pursuant to the Decision on Amending the Law for Promoting Private Education, for-profit private schools are entitled to make their own decisions about the fees collection in accordance with the market condition while the fees collection of non-profit private schools shall be subject to concrete measures to be promulgated by the provincial, autonomous regional or municipal government. In addition, private schools are entitled to preferential tax policies and land policies in accordance with the PRC laws, with the emphasis that non-profit private schools shall enjoy the preferential tax policies and land policies equivalent to those applicable to public schools.

If the school sponsors of private schools established prior to the promulgation date of the Decision on Amending the Law for Promoting Private Education choose to register and operate their schools as non-profit private schools, they shall procure the school to amend its articles of association in accordance with the Decision on Amending the Law for Promoting Private Education and continue the school operation pursuant to such revised articles of association. Furthermore, upon the termination of such non-profit private schools, the government authority may provide compensation or reward to the school sponsors who have made capital contribution to such school from the remaining assets of such schools upon their liquidation and then apply the rest of the assets to the operation of other non-profit private schools. If the school sponsors of private schools established prior to the promulgation date of the Decision on Amending the Law for Promoting Private Education choose to register and operate their schools as for-profit private schools, the schools shall go through some procedures including but without limitation to conducting financial settlement, defining the property right, paying relevant taxes and expenses and making renewed registration, the details of which shall be subject to concrete measures to be promulgated by the provincial, autonomous regional or municipal government.

Several Opinions on Encouraging Individual Persons or Entities to Conduct Education and Promote the Healthy Development of Private Education

According to Several Opinions on Encouraging Individual Persons or Entities to Conduct Education and Promote the Healthy Development of Private Education (Guofa [2016] No. 81) (《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》) (國發[2016] 81號), which was issued by the State Council of PRC on 29 December 2016, innovative institutional mechanisms shall be implemented in the field of private education, including but without limitation to: (i) classification registration and management, which shall be applicable to private schools and the school sponsors of private schools shall, at their own discretion, choose to operate their schools as non-profit private schools or for-profit private schools; (ii) different government support policies, which shall be applicable to private schools.

The people's governments at relevant levels are responsible for formulating and perfecting the support policies for non-profit private schools, including but without limitation to: government subsidies, government procurement services, fund incentives, donation incentives and land allocation. At the same time, the people's governments at relevant levels may support the development of for-profit private schools by way of government procurement services and preferential tax treatments in accordance with the economic and social development needs and the request for public services, and expand financing channels for private schools and encourage and attract private funds to enter into the field of private education. Financial institutions are encouraged to provide loans to private schools with the pledge of the schools' operating profits in the future or intellectual property rights, while individual persons or entities are encouraged to make donations to non-profit private schools.

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

Implementation Regulations on Classification Registration of Private Schools

According to the Implementation Regulations on Classification Registration of Private Schools (《民辦學校分類登記實施細則》) (the "**Classification Registration Rules**"), which was issued jointly by the MOE, the MOHRSS, the MCA, the State Commission Office of Public Sectors Reform and the State Administration for Industry and Commerce and became effective on 30 December 2016, the establishment of private schools is subject to government approval. Private schools approved to be established shall apply for the registration certificate or licence in accordance with the Classification Registration Rules after they are granted with the licence for the school operation by the competent government authorities.

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

The Classification Registration Rules are also applicable to private schools which were established before the promulgation of the Revisions of the Law For Promoting Private Education of the PRC on 7 November 2016 ("**Existing Private Schools**"). If an Existing Private School chooses to register as a non-profit private school, it shall amend its articles of association in accordance with laws, continue its school operation, and complete the new registration formalities. If an Existing Private School chooses to register as a for-profit private school, it shall make financial settlement, clarify the ownership of the schools' lands, buildings and accumulations with the consent of the relevant departments of the people's governments at or below the provincial level, pay relevant taxes and fees, obtain new school permits, carry out their re-registration and continue their school operation. The provincial people's government is responsible for formulating the detailed measures on the alteration registration of the private schools in accordance with national laws and the local situation.

Implementation Regulations for the Supervision and Administration of For-Profit Private Schools

According to the Implementation Regulations for the Supervision and Administration of For-Profit Private Schools (《營利性民辦學校監督管理實施細則》), which was issued jointly by the MOE, the MOHRSS and the State Administration for Industry and Commerce on 30 December 2016, social organisations or individuals are permitted to operate for-profit private universities and private junior colleges and other higher education institutions, but are prohibited from operating for-profit private schools providing compulsory education.

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

For-profit private schools shall establish boards of directors, boards of supervisors (or supervisors), administrative organs, organisations of the Communist Party of China, the employee representatives' assembly as well as labour unions. Secretary of the Communist Party of China shall be a member of the board of directors and a member of the administrative organs of the school, and not less than one-third of the members of the board of supervisors of the school shall be employee representatives.

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

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

The division, merger, termination and other major changes involving for-profit private schools shall be subject to the approval of the boards of directors of the schools, the approval by the relevant government authorities as well as the registration requirements by the industry and commerce departments. The division, merger and termination, as well as the change of name involving for-profit private universities and private junior colleges shall be subject to the approval of the MOE while other alteration matters shall be approved by the relevant provincial governments.

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

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

The Interim Measures for the Management of the Collection of Private Education Fees (《民辦教育收費管理暫行辦法》) (the "**Private Education Fees Collection Measures**") was promulgated by the NDRC, the MOE and the MOHRSS on 2 March 2005. According to the Private Education Fees Collection Measures and the Implementation Rules for the Law for Promoting Private Education, the types and amounts of fees charged by a private school providing academic qualifications education shall be examined by 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. A private school that provides non-academic qualifications education shall file its pricing information with the governmental pricing authority and publicly disclose such information. If a school raises its tuition fee levels without obtaining the proper approval or making the requisite filing with the relevant government pricing authorities, the school would be required to return the additional tuition fees obtained through such raise and become liable for compensation of any losses caused to the students in accordance with relevant PRC laws. All of our schools' Fee Charge Permits were updated for each tuition fee increment and renewed upon their expiry prior to 1 January 2016. From 1 January 2016, pursuant to the Notice on the Cancellation of the Fee Charge Permit System and Strengthening the Supervision in process and afterwards (《國家發展改革委、財政部關於取消收費許可證制度加強事中事後監管的通知》) which was jointly issued by the NDRC and the Ministry of Finance on 9 January 2015, our schools are no longer required to apply for or to renew any Fee Charge Permit.

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

On 16 March 2015, the Jiangxi Provincial Development and Reform Commission, Jiangxi Provincial Education Department and Jiangxi Provincial Department of Human Resources and Social Security jointly issued the Circular on Issues Concerning the

Liberalisation of Pricing of Private Schools (Gan Fagai Shoufei [2015] No.221) (《江西省發展和改革委員會、江西省教育廳、江西省人力資源和社會保障廳關於放開民辦教育收費有關事項的通知》) (贛發改收費[2015] 221號), which provides that the private schools in the self price-setting list in Jiangxi are entitled to determine their own price of the academic education tuition and accommodation fee standard. Private schools in the self price-setting list shall register in the pricing department, make undertakings with regard to education tuition and accommodation fees, and declare the pricing charge publicly.

On 26 October 2015, the Jiangxi Provincial Development and Reform Commission issued the Circular on Issues Concerning the Further Improvement of Liberalisation of Pricing of Private Schools (Gan Fagai Shoufei [2015] No. 1212) (《江西省發展和改革委員會關於進一步完善放開民辦教育收費有關事項的通知》) (贛發改收費[2015] 1212號) (the "Circular 1212"), which provides that the self-price-setting school list and register in the pricing department were abolished from the issued date of the Circular 1212.

On 11 October 2016, the Guangdong Provincial Development and Reform Commission, Guangdong Provincial Education Department and Guangdong Provincial Department of Human Resources and Social Security jointly issued the Circular on Issues Concerning the Cancellation of Record-filing of Academic Education Tuition Fees and Approval of Boarding Fees on Private Schools and Private Secondary Vocational Schools (Yue Fagai Jiage [2016] No. 657) (《關於取消我省民辦高校和民辦中職學校學費備案以及住宿費核准有關問題的通知》) (粵發改價格[2016] 657號), according to which, the record-filing of tuition fees and the approval of boarding fees on private schools and private secondary vocational schools are cancelled. Private schools in Guangdong are entitled to determine their tuition fees and boarding fees on their own after taking into account the market factors, the costs of the school, the conditions of running schools, the social tolerance and school development needs and other factors, and shall declare the fee charge publicly before execution.

Regulations on Safety and Health Protection of Schools

Pursuant to the Food Safety Law of the PRC (《中華人民共和國食品安全法》), which was amended on 24 April 2015 and became effective on 1 October 2015, collective canteens of schools shall obtain the licence in accordance with the laws and strictly abide by the laws, regulations and food safety standards. With regard to order of meals from meal suppliers, orders shall be placed with suppliers which have obtained the food production and trading licences and inspection shall be conducted on the food ordered as required.

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

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

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衛生安全工作的通知》), 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.

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 4 June 1990, schools shall carry out sanitary work. The main tasks of sanitary work include monitoring health conditions of students, getting students to receive health education, helping students develop good health habits, improving health environment and health conditions for teachers, strengthening prevention and treatment of infectious disease and common diseases among students.

According to the Administrative Regulations on Medical Institutions (《醫療機構管理條例》), which were promulgated on 1 September 1994 and were amended on 6 February 2016, and the Implementing Rules for the Administrative Regulations on Medical Institutions (《醫療機構管理條例實施細則》), which became effective on 1 September 1994 and was amended on 1 November 2006, 24 June 2008 and 1 April 2017, where an entity or individual sets up a medical institution, the entity or individual shall go through the examination and approval procedures with the local health administrative department at the county level or above, and may handle other formalities with such relevant departments only after obtaining the approval on the setup of a medical institution. Furthermore, medical institutions shall be registered for practice, and obtain the License for Practising of Medical Institutions. Medical institutions under such regulations include campus hospitals, and thus, the establishment and operation of a campus hospital shall be subject to the regulatory requirements under the Administrative Regulations on Medical Institutions and Implementing Rules for the Administrative Regulations on Medical Institutions.

REGULATIONS ON 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 came into effect from 1 October 2007, educational, medical and health and other public welfare facilities of institutions and social groups with the aim of benefiting the public such as schools, kindergartens, hospitals as prescribed by laws or administrative regulations are not allowed to be mortgaged.

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

REGULATIONS ON LABOUR PROTECTION IN THE PRC

Labours

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 SCNPC on 5 July 1994, came into effect on 1 January 1995 and was amended on 27 August 2009, an employer shall develop and improve its rules and regulations to safeguard the rights of its workers. An employer shall establish and develop labour safety and health systems, stringently implement national protocols and standards on labour safety and health, get workers to receive labour safety and health education, guard against labour accidents and reduce occupational hazards. Labour safety and health facilities must comply with the relevant national standards. An employer must provide workers with the necessary labour protection gear that complies with labour safety and health conditions stipulated under national regulations, as well as provide regular health examination for workers that are engaged in work with occupational hazards. Labourers engaged in special operations must receive specialised training and obtain 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 of the PRC (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on 29 June 2007, amended on 28 December 2012 and came effect on 1 July 2013, coupled with 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 the parties to labour contracts, namely employers and employees, and contain specific provisions relating to terms of labour contracts. Under the Labour Contract Law and the Implementation Regulations on Labour Contract Law, a labour contract 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 agreement upon due negotiations. An employer may legally terminate a labour contract and dismiss its employees after reaching agreement upon due negotiations with its employees or by fulfilling the statutory conditions. Where a labour relationship has already been established without a written labour contract, the written labour contracts shall be entered into within one month from the date on which the employee commences to work.

Social Insurance

The Law on Social Insurance of the PRC (《中華人民共和國社會保險法》), which was promulgated on 28 October 2010 and became effective on 1 July 2011, has established social insurance systems of basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance, and has elaborated in detail the legal obligations and liabilities of employers who do not comply with relevant laws and regulations on social insurance.

According to the Interim 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 authorities or agencies, and shall pay or withhold relevant social insurance premiums for or on behalf of employees.

According to the Interim Measures for Participation in the Social Insurance System by Foreigners Working within the Territory of China (《在中國境內就業的外國人參加社會保險暫行辦法》) (the "**Interim Measures**"), which was promulgated by the MOHRSS on 6 September 2011 and became effective on 15 October 2011, employers who recruit foreigners shall participate in the basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, and maternity leave insurance in accordance with the relevant laws, 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 authorities and agencies shall have the right to oversee and inspect the legal compliance of foreign employees and employers. 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.

Housing Provident Fund

According to the Administrative 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, housing provident fund paid and deposited both by employee themselves and their unit employer shall be owned by the employees.

A unit employer shall undertake registration of payment and deposit of the housing provident fund in the housing provident fund management centre and, upon verification by the housing provident fund management centre, open a housing provident fund account on behalf of its employees in a commissioned bank. Employers shall timely pay and deposit housing provident fund contributions in full amount and late or insufficient payments shall be prohibited. With respect to unit employers who violate the regulations hereinabove and fail to complete housing provident fund payment and deposit registrations or open housing provident fund accounts for their employees, such unit employers shall be ordered by the housing provident fund administration centre to complete such procedures within a designated period. Those who fail to complete their registrations within the designated period shall be subject to a fine from RMB10,000 to RMB50,000. When unit employers are in breach of these regulations and fail to pay deposit housing provident fund contributions in full amount as they fall due, the housing provident fund administration centre shall order such unit employers to pay within a prescribed time limit period, failing which an application may be made to a people's court for compulsory enforcement.

REGULATIONS ON TAXATION IN THE PRC

Enterprise Income Tax ("EIT")

In accordance with the PRC Enterprise Income Tax Law (《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 amended on 24 February 2017, and the Regulation on the Implementation of Enterprise Income Tax Law of the PRC (《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, enterprises are classified as either "resident enterprises" or "non-resident enterprises". Enterprises that are set up in the PRC under the PRC laws, or that are set up in accordance with the law of the foreign country (region) whose actual administration institution is in PRC, shall be considered as "resident enterprises". Enterprises established under the law of the foreign country (region) with "de facto management bodies" outside the PRC, but have set up institutions or establishments in PRC or, without institutions or establishments set up in the PRC, have income originating from PRC, shall be considered as "non-resident enterprises".

A resident enterprise shall pay EIT on its income originating from both inside and outside PRC at an EIT rate of 25%. A non-resident enterprise that has establishments or places of business in the PRC shall pay EIT on its income originating from PRC obtained by such establishments or places of business, and on its income which deriving outside PRC but has actual connection with such establishments or places of business, at the EIT rate of 25%. A non-resident enterprise that does not have an establishment or place of business in the PRC, or it has an establishment or place of business in the PRC but the income has no actual connection with such establishment or place of business, shall pay EIT on its passive income derived from the PRC at a reduced rate EIT of 10%.

According to Notice of the Ministry of Finance and the State Administration of Taxation on Tax Policies Relating to Education (Caishui [2004] No. 39) (《財政部、國家稅務總局關於教育稅收政策的通知》) (財稅[2004] 39號) ("三十九號文") (the "**Circular 39**") and Notice of the Ministry of Finance and the State Administration of Taxation on Issues Concerning Strengthening the Administration over the Collection of Business Tax on Educational Services (Caishui [2006] No. 3) (《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》) (財稅[2006] 3號) ("三號文") (the "**Circular 3**"), public schools are not required to pay EIT on fees they have collected upon approval and have incorporated under the fiscal budget management or the special account management of the funds outside the fiscal budget, and are not required to pay EIT on the financial allocations they have received and special subsidies they have obtained from their administrative departments or institutions at higher levels.

According to the Law of PRC for Promoting Private Education and its implementing 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 State Council.

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 "**Arrangement**") on 21 August 2006 and implemented the Arrangement from 1 January 2007. According to the Arrangement, the 5% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong tax resident, provided that such Hong Kong tax resident directly holds at least 25% of the equity interests in the PRC company. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong tax resident if such Hong Kong tax 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 (Guoshui Han [2009] No. 81) (《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》) (國稅函[2009] 81號), which was promulgated by the State Administration of Taxation of the PRC (the "SAT") and became effective on 20 February 2009, all of the following requirements shall be satisfied before a fiscal resident of the other party to a tax agreement can be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a Chinese resident company: (i) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (ii) the 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 twelve months prior to receipt of the dividends, reach a percentage specified in the tax agreement.

Value-added Tax ("VAT")

According to the Temporary Regulations on Value-added Tax (《中華人民共和國增值稅暫行條例》), which was amended on 10 November 2008 and 6 February 2016 and came into effect on 6 February 2016, and the Detailed Implementing Rules of the Temporary Regulations on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》), which was amended on 28 October 2011 and became effective on 1 November 2011, all taxpayers selling goods, providing processing, repairing or replacement services or importing goods within the PRC shall pay value-added tax. The tax rate of 17% shall be levied on general taxpayers selling or importing various goods; the tax rate of 17% shall be levied on the taxpayers providing processing, repairing or replacement service; the applicable rate for the export of goods by taxpayers shall be nil, unless otherwise stipulated.

Furthermore, according to the Trial Scheme for the Conversion of Business Tax to Value-added Tax (Caishui [2011] No. 110) (《關於印發<營業稅改徵增值稅試點方案>的通知》) (財稅[2011] 110號), which was promulgated by the MOF and the SAT, the State began to launch taxation reforms in a gradual manner with effect from 1 January 2012, whereby the collection of VAT in lieu of business tax items was implemented on a trial basis in regions showing significant radiating effects in economic development and providing outstanding reform examples, beginning with production service industries such as transportation and certain modern service industries.

In accordance with Circular on Comprehensively Promoting the Pilot Programme of the Collection of Value-added Tax in Lieu of Business Tax (Caishui [2016] No. 36) (《關於全面推開營業稅改徵增值稅試點的通知》) (財稅[2016] 36號), which was promulgated on 23 March 2016 and came into effect on 1 May 2016, upon approval of the State Council, the pilot programme of the collection of VAT in lieu of business tax shall be promoted nationwide in a comprehensive manner starting from 1 May 2016, and all business tax payers engaged in the building industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot programme with regard to payment of value-added tax instead of business tax. For general service income, the applicable VAT rate is 6%.

Other Tax Exemptions

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

REGULATIONS ON COMPANIES IN PRC

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 required 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.

REGULATIONS ON FOREIGN EXCHANGE IN THE PRC

The principal regulation governing foreign currency exchange in China is the Administrative Regulations of the PRC on Foreign Exchange (《中華人民共和國外匯管理條例》) (the "**Foreign Exchange Administrative Regulations**"), which was promulgated by the State Council on 29 January 1996, amended on 14 January 1997 and 5 August 2008, and became effective on 5 August 2008. Under Foreign Exchange Administrative Regulations, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but is not freely convertible for capital account items, such as direct investment or engaging in the issuance or trading of negotiable securities or derivatives unless the prior approval by the competent authorities for the administration of foreign exchange is obtained.

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

According to the Circular on the Management of Offshore Investment and Financing and Round Trip Investment By Domestic Residents through Special Purpose Vehicles (Huifa [2014] No. 37) (《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》) (匯發[2014] 37號) (the "**Circular 37**"), which is promulgated and came into effect on 4 July 2014, the SAFE carry out registration management for domestic resident's establishment of special purpose vehicles (each a "**SPV**"). A SPV is defined as "offshore enterprise directly established or indirectly controlled by the domestic resident (including domestic institution and individual resident) with their legally owned assets and equity of the domestic enterprise, or legally owned offshore assets or equity, for the purposes of investment and financing." "Round Trip Investments" refer to "the direct investment activities carried out by a domestic resident directly or indirectly via a SPV, such as 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." Before a domestic resident contributes its legally owned onshore or offshore assets and equity to a SPV, the domestic resident shall conduct foreign exchange registration for offshore investment with the local branch of the SAFE, and in the event of any change of basic information such as the individual shareholder, name, operation term, or if there is a capital increase, decrease, equity transfer or swap, merge, spin-off or other amendment of the material items, the domestic resident shall complete foreign exchange alteration of the registration formality for offshore investment. 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 by him (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》) (匯發[2015] 13號) (Huifa [2015] No. 13), which was promulgated on 13 February 2015, implemented and became effective 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.

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(《關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "**Circular 19**"), which came into effect from 1 June 2015. According to the 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 an 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 as 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, the 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 payment beyond the business scope of the enterprises or payment prohibited by relevant laws and regulations;

2. directly or indirectly used for investment in securities unless otherwise provided by relevant laws and regulations;

3. directly or indirectly used for granting entrusted loans in Renminbi (unless permitted by the scope of business), repaying the inter-enterprise borrowings (including advances by third parties) or repaying bank loans in Renminbi that have been sub-lent to a third party; and

4. paying the 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 (《關於改革和規範資本項目結匯管理政策的通知》, or the "**Circular 16**") on 9 June 2016, which became effective simultaneously. Pursuant to the Circular 16, enterprises registered in the PRC may also convert their foreign debts from foreign currency to Renminbi on self-discretionary basis. The 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 a discretionary basis which applies to all enterprises registered in the PRC. The 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 the 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

Under the Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors in the PRC (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**") which was promulgated on 8 September 2006 and was amended and came into effect on 22 June 2009, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity interests in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity interests 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 by agreement and injects those assets to establish a foreign-invested enterprise. In the case where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company that is related to or connected with it/him, approval from MOFCOM is required.

On 8 October 2016, MOFCOM promulgated Provisional Measures on Administration of Filing for Establishment and Change of Foreign Investment Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) (the "**Measures**") which came into effect on the same date, and was further amended on 30 July 2017. According to the Measures, the merger and acquisition of domestic non-foreign-invested enterprises by foreign investors shall, if not involving special access administrative measures and affiliated mergers and acquisitions, be subject to the record filing measures.

STATUTES AND REGULATIONS ON PRIVATE POSTSECONDARY EDUCATION IN THE STATE OF CALIFORNIA

California Private Postsecondary Education Act

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

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

Pursuant to the California Private Postsecondary Education Act, a private postsecondary educational institution in California must seek approval to operate from the BPPE by demonstrating that the educational institution satisfies the minimum operating standards prescribed by the BPPE under the applicable provisions of the California Private Postsecondary Education Act and regulations promulgated thereunder.

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

Formal application is made to the BPPE for approval to operate a private postsecondary educational institution. After submission of the Application for Approval to Operate ("**Application**") to the BPPE by an educational institution together with the required documentation and fees, the BPPE first reviews the completeness of the Application. After the BPPE is satisfied with the completeness of the Application, the

Application then is put before a BPPE analyst for compliance review. Once the BPPE has completed its review and has determined that the educational institution is in compliance with all of the applicable requirements, the BPPE issues the approval to operate.

In order to be approved by the BPPE, pursuant to the California Private Postsecondary Education Act and applicable regulations, an educational institution offering one or more degrees, if it is not already accredited by an agency recognised by the U.S. Department of Education, must submit an Accreditation Plan for the institution to become fully accredited. Upon its review of the Application and its approval of the Accreditation Plan, the BPPE will issue to the educational institution a Provisional Approval to operate until full accreditation is achieved. During the period of Provisional Approval, the educational institution may not offer more than two degree programmes, and there are other legal requirements and restrictions during this period. Within the first two years of issuance of Provisional Approval, the BPPE will empanel a visiting committee who will make a recommendation regarding the educational institution's progress towards achieving full accreditation, and the institution must provide evidence of accreditation candidacy or pre-accreditation status within two years of the issuance of the Provisional Approval.

The Western Association of Schools and Colleges, Senior Colleges and University Commission ("**WSCUC**") is one of the regional accrediting agencies recognised by the U.S. Department of Education for accreditation and pre-accreditation of senior colleges and universities in (among other regions) California. The accreditation process for the WSCUC typically involves three progressive stages: (i) Eligibility, (ii) Pre-Accreditation or Candidacy, and (iii) Initial Accreditation. An educational institution will be granted a maximum of five years of Eligibility after review by the WSCUC that the educational institution meets the Eligibility Requirements set by the WSCUC. Pre-accreditation or Candidacy is a preliminary affiliation with the WSCUC awarded to an education institution that establishes minimum compliance with the WSCUC Standards of Accreditation and the related Criteria for Review. Full Initial Accreditation is awarded to an educational institution that establishes substantial compliance with the WSCUC's Standards of Accreditation and the related Criteria for Review for a maximum of six years before the next comprehensive accreditation review. The Accreditation Plan submitted to the BPPE is to provide for obtaining full accreditation within five years, but upon timely submission of sufficient evidence that the educational institution is making strong progress towards obtaining full Initial Accreditation, the BPPE will grant a request for an extension for up to an additional two years.

OVERVIEW

We are a leading large scale private higher education group in China, operating a list of well-recognised private higher education institutions. We focus on offering high quality education through innovation. Jiangxi University of Technology has been ranked No.1 in terms of overall competitive strengths in the Private University and College Ranking of China (中國民辦院校綜合競爭力排行榜) since 2009 and Guangdong Baiyun University has been ranked No.1 in terms of competitive strengths among private universities and colleges in Guangdong province by Guangdong Academy of Social Science for ten consecutive years from 2005 to 2014.

The histories of Jiangxi University of Technology and Guangdong Baiyun University can both be traced back to 1999, when they obtained approval from the MOE for their establishments. As confirmed by Mr. Yu, he funded the establishment of Jiangxi University of Technology with his own financial resources accumulated from operating an education business. As confirmed by Mr. Xie, he funded the establishment of Guangdong Baiyun University with his own financial resources accumulated from operating an education business. In 2005, both Jiangxi University of Technology and Guangdong Baiyun University obtained MOE approval to change their school education levels (辦學層次) from higher vocational college (高等職業學校) (considered as junior colleges) to undergraduate (本科) (where junior college (專科) and higher education (高等教育) programmes may also be offered) (considered as universities), and began offering bachelor's degree (學士學位) programmes.

Our founders, Mr. Yu and Mr. Xie have approximately 24 years and 28 years of experience in the Chinese education industry, respectively, and were among the pioneers in the private education sector in China. See the section headed "Directors and Senior Management" for further details of Mr. Yu and Mr. Xie.

In 2007, Mr. Yu, Mr. Xie, Jiangxi University of Technology and Guangdong Baiyun University entered into the Original Cooperation Agreement, pursuant to which Mr. Yu and Mr. Xie agreed to exercise joint management and control of Jiangxi University of Technology and Guangdong Baiyun University. In 2017, our Group entered into the Contractual Arrangements for the purposes of the Reorganisation. As a result, our Company obtained control of Jiangxi University of Technology and Guangdong Baiyun University.

In 2017, our Group expanded and diversified our schools portfolio by obtaining control of Baiyun Technician College from Mr. Xie.

Our Company was registered as a non-Hong Kong company with the Registrar of Companies in Hong Kong under Part 16 of the Companies Ordinance on 2 August 2017. Our Company was registered with the Registrar of Companies for adopting "ChinaEdu" (in English) and "中教常春藤" (in Chinese) on 30 August 2017.

KEY MILESTONES

Year	Event
1999	Jiangxi University of Technology and Guangdong Baiyun University obtained approval from the MOE for their establishments
2003	Guangdong Baiyun University was first ranked No. 1 in terms of competitive strengths among private universities and colleges in Guangdong province by the Guangdong Academy of Social Science
2005	Each of Jiangxi University of Technology and Guangdong Baiyun University obtained MOE approval to change their school education levels (辦學層次) from higher vocational college (高等職業學校) to undergraduate/junior college/higher vocational education (本科、專科、高等職業教育) and became one of the first few private universities in Jiangxi and Guangdong provinces
2007	Mr. Yu, Mr. Xie, Jiangxi University of Technology and Guangdong Baiyun University entered into the Original Cooperation Agreement, pursuant to which Mr. Yu and Mr. Xie agreed to exercise joint management and control of Jiangxi University of Technology and Guangdong Baiyun University
	Jiangxi University of Technology entered into an exclusive service agreement with each of Guangdong Baiyun University and Baiyun Technician College
2009	Jiangxi University of Technology was first ranked No. 1 in terms of overall competitive strengths in the Private University and College Ranking of China
2017	Our Group entered into the Contractual Arrangements for the purposes of the Reorganisation pursuant to which our Company acquired control of Jiangxi University of Technology and Guangdong Baiyun University
	We obtained control of Baiyun Technician College

OUR CONSOLIDATED AFFILIATED ENTITIES

Our Schools

The date of commencement of operation and registered capital as of the Latest Practicable Date of each of our three schools are shown below:

School	Government approval for establishment	Registered capital as of the Latest Practicable Date
University		
Jiangxi University of Technology	July 1999	RMB51,680,000
Guangdong Baiyun University	March 1999	RMB130,000,000
Technical School		
Baiyun Technician College	April 1996	RMB60,000,000

Jiangxi University of Technology (江西科技學院)

Jiangxi University of Technology obtained approval from the MOE on 26 July 1999 for its establishment as a higher vocational college under the laws of the PRC under the name of "Private Blue Sky Vocational and Technical College (民辦藍天職業技術學院)". Mr. Yu has been the sponsor of the school since its establishment. On 28 March 2002, Private Blue Sky Vocational and Technical College changed its name to "Blue Sky Vocational and Technical College (藍天職業技術學院)". On 1 March 2005, as one of the first few private universities in Jiangxi province approved by the MOE, Blue Sky Vocational and Technical College obtained approval from the MOE for its school education level (辦學層次) to be changed from higher vocational college (高等職業學校) (considered as junior colleges) to undergraduate (本科) (where junior college (專科) and higher education (高等教育) programmes may also be offered) (considered as universities) and for its name to be changed to "Jiangxi Blue Sky College (江西藍天學院)". On 28 March 2012, the school changed its name to "Jiangxi University of Technology (江西科技學院)".

Guangdong Baiyun University (廣東白雲學院)

Guangdong Baiyun University obtained approval from the MOE on 12 March 1999 for its establishment as a higher vocational college under the laws of the PRC under the name of "Private Baiyun Vocational and Technical College (民辦白雲職業技術學院)". Mr. Xie has been the sponsor of the school since its establishment. On 26 March 2002, Private Baiyun Vocational and Technical College changed its name to "Guangdong Baiyun Vocational and Technical College (廣東白雲職業技術學院)". On 9 March 2005, as one of the first few private universities in Guangdong province approved by the MOE, Guangdong Baiyun Vocational and Technical College obtained approval from the MOE for its school education level (辦學層次) to be changed from higher vocational college (高等職業學校) (considered as junior colleges) to undergraduate (本科) (where junior college (專科) and higher education (高等教育) programmes may also be offered) (considered as universities) and for its name to be changed to "Guangdong Baiyun University" (廣東白雲學院).

Baiyun Technician College (廣州白雲工商高級技工學校(廣州市白雲工商技師學院))

Baiyun Technician College obtained approvals from the Guangzhou Municipal Peoples Government (廣州市人民政府), the Guangdong Ministry of Labour (廣東省勞動廳) and the Guangzhou Bureau of Labour (廣州市勞動局) on 24 January 1996, 9 April 1996 and 2 May 1996, respectively for its establishment as a technical school under the laws of the PRC under the name "Guangzhou Baiyun Technical School of Business and Technology (廣州白雲工商技工學校)". On 12 June 2003, Baiyun Technician College changed its name to "Guangzhou Baiyun Senior Technical School of Business and Technology (廣州白雲工商高級技工學校)". On 4 March 2005, the school obtained approval for its establishment of Guangzhou Baiyun Technician College of Business and Technology (廣州市白雲工商技師學院) from the Guangdong Province Department of Labour and Social Security (廣東省勞動和社會保障廳). On 25 September 2015, the school was approved by Guangzhou Human Resources and Social Security Department (廣州市人力資源和社會保障局) to change its name to "Guangzhou Baiyun Senior Technical School of Business and Technology (Guangzhou Baiyun Technician College of Business and Technology) (廣州白雲工商高級技工學校(廣州市白雲工商技師學院))".

ORIGINAL COOPERATION AGREEMENT

Historically, the business operations of Jiangxi University of Technology and Guangdong Baiyun University were collectively controlled and managed by Mr. Yu and Mr. Xie through a cooperation agreement as further described below.

On 18 December 2007, Mr. Yu and Mr. Xie, Jiangxi University of Technology (then known as Jiangxi Blue Sky College (江西藍天學院)) and Guangdong Baiyun University entered into a cooperation agreement (the "**Original Cooperation Agreement**"), pursuant to which Mr. Yu and Mr. Xie agreed to exercise joint management and control of Jiangxi University of Technology and Guangdong Baiyun University, including: (a) to collectively control Jiangxi University of Technology and Guangdong Baiyun University through board decision and other necessary administrative measures; (b) to collectively share all investment returns from Jiangxi University of Technology and Guangdong Baiyun University (if any); and (c) to collectively share all distributions to the school sponsors pursuant to the liquidation of Jiangxi University of Technology and Guangdong Baiyun University.

Mr. Yu and Mr. Xie have had a long-standing relationship, and have intended for (i) the transfer of 50% sponsor interest in Jiangxi University of Technology from Mr. Yu to Mr. Xie; and (ii) the transfer of 50% sponsor interest in Guangdong Baiyun University from Mr. Xie to Mr. Yu, in each case subject to further agreement between Mr. Yu and Mr. Xie and approval by the relevant government authorities. The Original Cooperation Agreement provided that, at the request of a party, the other party shall apply to the relevant authority to effect the transfer of sponsor interest in Jiangxi University of Technology or Guangdong Baiyun University (as the case may be) and to use his best endeavours to execute all relevant documents to effect the transfer of the relevant sponsor interest. As of the Latest Practicable Date, no transfer of sponsor interest in Jiangxi University of Technology or Guangdong Baiyun University had been effected.

In addition, pursuant to the Original Cooperation Agreement, Mr. Yu and Mr. Xie agreed that they would act as concert parties and agreed not to make the following decisions without the consent of the other party:

(a) subdivision, consolidation, dissolution or reorganisation of Jiangxi University of Technology and Guangdong Baiyun University;

(b) amending the articles of Jiangxi University of Technology and Guangdong Baiyun University;

(c) establishing development strategies and approving annual plans;

(d) approving operation budgets, audited budgets or final accounts;

(e) allocating and establishing working standards for teaching staff;

(f) establishing internal organisational departments;

(g) selling, transferring or authorising the use or disposal of any assets or rights of Jiangxi University of Technology and Guangdong Baiyun University where the transaction amount is more than RMB1,000,000, or creating any guarantee or security interest over any non-teaching asset of Jiangxi University of Technology and Guangdong Baiyun University for the benefit of a third party;

(h) setting the annual borrowing limit of Jiangxi University of Technology and Guangdong Baiyun University, including any bank borrowings or from other private capital sources;

(i) initiation, settlement, waiver or admission in relation to disputes or claims of more than RMB1,000,000;

(j) application for liquidation, receivership or any similar legal proceedings;

(k) appointing or electing any director of Jiangxi University of Technology and Guangdong Baiyun University, employing or terminating the employment of any president, department head and financial officer;

(l) approving and reviewing the president's working report; or

(m) making any other material decisions in relation to Jiangxi University of Technology and Guangdong Baiyun University.

Our PRC Legal Adviser has advised us that the Original Cooperation Agreement was valid and binding on the parties thereto under the laws and regulations of the PRC.

INTER-SCHOOL COOPERATION

Leveraging the leading position, capability and educational resources of Jiangxi University of Technology, Mr. Yu and Mr. Xie aspired to establish a solid school foundation with a view to developing a network of high quality and sophisticated education institutions in the PRC, with Jiangxi University of Technology positioned as the centre of influence. To develop experience in inter-school cooperation and school management, on 28 December 2007, Jiangxi University of Technology entered into an exclusive education services agreement with each of Guangdong Baiyun University and Baiyun Technician College. Pursuant to such agreements, in return for certain consulting fee, Jiangxi University of Technology supported Guangdong Baiyun University and Baiyun Technician College in the promotion of cooperation opportunities with government organisations, education institutions, education exchange associations and private enterprises on student training and education, courses design and content, guidance on practical learning programmes, student enrolment and employment, and sharing of management know-how and other educational resources. These services were tailored and implemented with a view to enhancing the overall competitiveness of Guangdong Baiyun University and Baiyun Technician College. Jiangxi University of Technology, Guangdong Baiyun University and Baiyun Technician College have since fostered a long term mutually beneficial cooperative relationship. Through such cooperation, we believe that we have acquired the capability to implement comprehensive centralised management functions, through our WFOE and the Contractual Arrangements, across our school network going forward. See "Business – Inter-school Cooperation" for further details.

CORPORATE REORGANISATION

In preparation for the Global Offering and in order to streamline our corporate structure, we undertook the following reorganisation (the "**Reorganisation**"):

1. Incorporation of Offshore Group Companies

Our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 19 May 2017 with an authorised share capital of US$50,000 divided into 50,000 shares with par value of US$1 each. On the same day, Blue Sky BVI acquired one share in our Company at par value and 49 shares were further issued and allotted to Blue Sky BVI as fully-paid at par value; and another 50 shares were issued and allotted to White Clouds BVI as fully-paid at par value.

On 30 August 2017, the authorised share capital of our Company was increased by HK$500,000 divided into 50,000,000,000 Shares of par value HK$0.00001 each. On the same day, our Company allotted and issued 750,000,000 Shares for a subscription price of HK$7,500 to each of Blue Sky BVI and White Clouds BVI. Immediately following the allotment and issue of the 1,500,000,000 Shares, our Company repurchased 50 shares of par value US$1.00 each from each of Blue Sky BVI and White Clouds BVI at a consideration of HK$7,500 which was paid out of the proceeds of the aforesaid subscription. Immediately following the repurchase, the authorised share capital of our Company was reduced by the cancellation of 50,000 shares of par value US$1.00 each and became HK$500,000 divided into 50,000,000,000 Shares.

BVI China Education Group

BVI China Education Group was incorporated as a limited liability company under the laws of the BVI on 17 May 2017 with an authorised share capital of US$50,000 divided into 50,000 shares with par value of US$1 each. On the same day, 100 shares of BVI China Education Group were issued and 50 shares of BVI China Education Group allotted to each of Mr. Yu and Mr. Xie at par value. On 19 May 2017, Mr. Yu and Mr. Xie each transferred all of their shares in BVI China Education Group to our Company for HK$50.

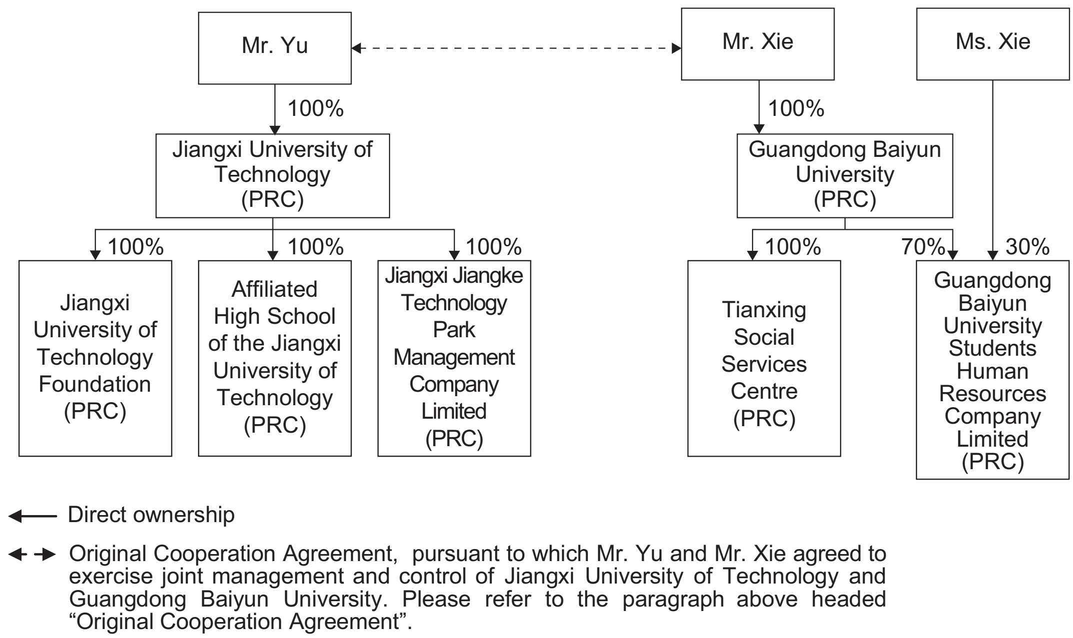
HK China Education Group

HK China Education Group was incorporated as a limited liability company under the laws of Hong Kong on 25 May 2017 with an issued share capital of HK$100 divided into 100 shares. Mr. Yu and Mr. Xie were the founding members with each holding 50 shares. On 25 May 2017, Mr. Yu and Mr. Xie each transferred all of their shares in HK China Education Group to BVI China Education Group for HK$50.

2. Reorganisation in relation to Jiangxi University of Technology and Guangdong Baiyun University

Between April 2017 to June 2017, we undertook the following reorganisation (the "**Onshore Reorganisation**") in relation to Jiangxi University of Technology and Guangdong Baiyun University so as to streamline our corporate structure for the purpose of the Listing.

The following chart shows the Group structure of our consolidated affiliated entities immediately before the Onshore Reorganisation:



Disposal of Tianxing Social Services Centre (天星社會工作服務中心)

On 24 May 2017, Guangdong Baiyun University entered into a change of sponsor interest agreement with Independent Third Parties, who are employees of Guangdong Baiyun University, pursuant to which Guangdong Baiyun University agreed to change its sponsor interest in Tianxing Social Services Centre (天星社會工作服務中心), a private non-enterprise entity engaged in providing practical social services opportunities, for RMB30,000. The consideration was determined after arm's lengths negotiations between the parties taking into account the registered capital of the company and, as confirmed by our Directors, was fully settled on 29 May 2017. We considered that it was commercially beneficial for us to enter into the disposal since Tianxing Social Services Centre was not related to higher education and was not material to our business as a whole. The transfer was completed on 26 June 2017. We recorded a gain of RMB1.0 million from the disposal.

Disposal of Guangdong Baiyun University Students Human Resources Company Limited (廣東白雲大學生人才資源有限公司)

On 19 May 2017, Guangdong Baiyun University entered into equity transfer agreements with Independent Third Parties, pursuant to which Guangdong Baiyun University agreed to sell its 70% equity interest in Guangdong Baiyun University Students Human Resources Company Limited (廣東白雲大學生人才資源有限公司), a company engaged in providing entrepreneurship and career advice to university graduates, for RMB3.5 million. The consideration was determined after arm's lengths negotiations between the parties taking into account the registered capital of the company and, as confirmed by our Directors, was fully settled on 25 August 2017. We considered that it was commercially beneficial for us to enter into the disposal since the company was not related to the provision of higher education and was not material to our business as a whole. As confirmed by our Directors the transfer was completed on 23 May 2017. Our Group recorded a loss of RMB1.1 million from the disposal.

Disposal of Jiangxi Jiangke Technology Park Management Company Limited (江西江科科技園管理有限公司)

On 3 May 2017, Jiangxi University of Technology entered into an equity transfer agreement with two Independent Third Parties, pursuant to which Jiangxi University of Technology agreed to sell its 100% equity interest in Jiangxi Jiangke Technology Park Management Company Limited (江西江科科技園管理有限公司), a company engaged in the technology park management business, for RMB5.8 million. The consideration was determined after arm's lengths negotiations between the parties taking into account the registered capital of the company and, as confirmed by our Directors, was fully settled on 24 May 2017. We considered that it was commercially beneficial for us to enter into the disposal since the company was not related to higher education and were not material to our business as a whole. As confirmed by our Directors, the transfer was completed on 9 May 2017. We recorded a loss of RMB0.3 million from the disposal.

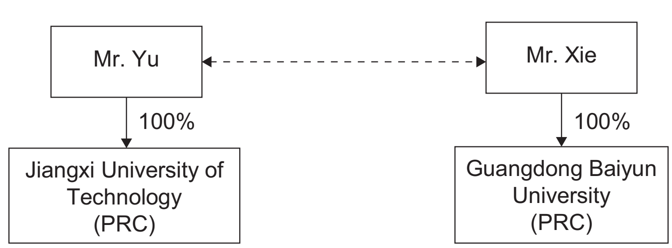
Disposal of the Affiliated High School of the Jiangxi University of Technology (江西科技學院附屬中學)

On 20 April 2017, Jiangxi University of Technology entered into a transfer agreement with an Independent Third Party, a company beneficially owned by a former employee of Jiangxi University of Technology, pursuant to which we assigned the sponsorship licence of the Affiliated High School of the Jiangxi University of Technology (江西科技學院附屬中學) (the "**High School**"), a high school in Jiangxi providing education to students from grades one to 12. Pursuant to the transfer agreement, we agreed to transfer the entire sponsor interest in the High School for RMB26 million, which was determined based on arm's length negotiations taking into account a valuation report prepared by an Independent Third Party and, as confirmed by our Directors, was fully settled on 24 May 2017. We considered that it was commercially beneficial for us to enter into the disposal since the High School was not related to higher education and were not material to our business as a whole. As confirmed by our Directors, the transfer was completed on 27 May 2017. We recorded a gain of RMB15.9 million from the disposal.

Liquidation of the Jiangxi University of Technology Foundation (江西科技學院基金會)

On 10 May 2017, the committee of the Jiangxi University of Technology Foundation (江西科技學院基金會) (the "**Jiangxi Foundation**") resolved to liquidate and cancel the fund. The Jiangxi Foundation was set up to grant scholarships and to help fund business start-ups. We considered that it was commercially beneficial for us to liquidate the Jiangxi Foundation due to its decreasing activity as Jiangxi University of Technology began to take up its functions. The liquidation and cancellation were approved on 6 June 2017. After the liquidation, Jiangxi University of Technology intends to continue to grant scholarships and fund business start-ups by the university itself.

The following chart shows the Group structure of our consolidated affiliated entities immediately after the Onshore Reorganisation:



← Direct ownership

↔ Original Cooperation Agreement, pursuant to which Mr. Yu and Mr. Xie agreed to exercise joint management and control of Jiangxi University of Technology and Guangdong Baiyun University. Please refer to the paragraph headed "Original Cooperation Agreement" above.

Our Controlling Shareholders have entered into the Deed of Indemnity in favour of us to provide indemnities on a joint and several basis in respect of, among other matters, any costs, expenses, claims, liabilities, penalties, losses or damages incurred or suffered by any member of our Group arising from or in connection with any litigation, arbitration, claims (including counter-claims), complaints, demands and/or legal proceedings, whether of criminal, administrative, contractual, tortuous or otherwise nature instituted by or against any member of our Group in relation to the Onshore Reorganisation. For further details of the Deed of Indemnity, see the paragraph headed "E. Other information – 1. Deed of Indemnity" in Appendix V.

3. Establishment of WFOE

On 13 June 2017, WFOE was established in Ganzhou, Jiangxi province the PRC as a wholly-foreign owned enterprise with a registered capital of HK$10 million. WFOE is wholly-owned by HK China Education Group.

According to the municipal government of Ganzhou, WFOE may enjoy certain economic incentives subject to, among other things, fulfilling certain operating parameters.

4. Entry into of the Contractual Arrangements with respect to Jiangxi University of Technology and Guangdong Baiyun University

On 30 June 2017, WFOE and other parties entered into various agreements which constitute the Contractual Arrangements with Mr. Yu, Mr. Xie, Jiangxi University of Technology and Guangdong Baiyun University, under which substantially all economic benefits arising from the business of Jiangxi University of Technology and Guangdong Baiyun University are transferred to WFOE to the extent permitted under the PRC laws and regulations by means of services fees payable by Jiangxi University of Technology and Guangdong Baiyun University to WFOE. See the section headed "Contractual Arrangements" for further details of the Contractual Arrangements.

On the same day, Mr. Yu, Mr. Xie, Jiangxi University of Technology and Guangdong Baiyun University terminated the Original Cooperation Agreement.

INCORPORATION OF UNIVERSITY OF SCIENCE AND TECHNOLOGY IN THE UNITED STATES

University of Science and Technology is a corporation established in the State of California, the United States on 10 July 2017. On 1 August 2017, the bylaws of University of Science and Technology were adopted and Dr. Yu was elected as the president of University of Science and Technology. HK China Education Group subscribed for 10,000 shares of common stock, and is the sole member, of University of Science and Technology.

University of Science and Technology is incorporated for the purpose of undertaking the daily operation and management of our education business in the State of California, the United States. See "Contractual Arrangements – Plan to comply with the Qualification Requirement".

DISPOSAL OF OTHER BUSINESS INTERESTS BY OUR DIRECTORS

As confirmed by Ms. Xie Shaohua (our executive Director and sister of Mr. Xie) and Mr. Xie (our executive Director and a Controlling Shareholder), Ms. Xie Shaohua and the spouse of Mr. Xie had held 70% and 30% equity interest, respectively, in Guangzhou Yuntao Education Technology Company Limited (廣州雲濤教育科技有限公司), a company primarily engaged in the provision of technical services related to education software platforms, until May 2017, when they disposed all of their interests to Independent Third Parties.

As confirmed by Dr. Yu (our executive Director and son of Mr. Yu), he had held 90% equity interest in Jiangxi Lantian Driving Training Centre Company Limited (江西藍天駕駛培訓中心有限公司), a company primarily engaged in the provision of driving training services, until May 2017, when he disposed all of his interest to an Independent Third Party.

OBTAINING CONTROL OF BAIYUN TECHNICIAN COLLEGE

Baiyun Technician College, a technical school, was founded by Mr. Xie in April 1996 and had not been subject to the Original Cooperation Agreement. Baiyun Technician College and Jiangxi University of Technology entered into an exclusive service agreement in December 2007 with a view to leveraging Jiangxi University of Technology's leading education experience and capability to enhance the competitiveness of Baiyun Technician College. Pursuant to the exclusive service agreement, Jiangxi University of Technology had provided Baiyun Technician College with various education consulting and supporting services in return for certain consultancy fee. These services include fostering school-enterprise cooperation opportunities, enriching course design and content, providing guidance on practical learning programmes and sharing of management know-how. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, the consultancy fee amounted to approximately RMB14.1 million, RMB32.3 million, RMB47.2 million and RMB5.3 million, respectively. Please also see the paragraph headed "Inter-school Cooperation" above and "Business – Inter-school Cooperation" for further details of the cooperation.

The BTC Control Arrangements

On 14 August 2017, we obtained control of Baiyun Technician College through a series of contractual agreements (the "**BTC Control Arrangements**"). The BTC Control Arrangements superseded similar arrangements previously entered into on 30 June 2017 and 31 July 2017, respectively, which were terminated and confirmed by the relevant parties to be of no effect since the beginning. Pursuant to such previous arrangements, we paid Mr. Xie (the founder and the then sole school sponsor of Baiyun Technician College) RMB750 million as consideration, with RMB510 million paid on 7 August 2017 and RMB240 million paid on 9 August 2017. Such previous arrangements were superseded with the RMB750 million already paid to Mr. Xie recorded as an amount due from Mr. Xie because the relevant parties contemplated a restructuring of Baiyun Technician College that could achieve, among other things, a transfer of the entire sponsor interest in Baiyun Technician College from Mr. Xie to a corporate entity in preparation for the proposed Listing. Prior to such restructuring, the entire sponsor interest had been held by Mr. Xie. The restructuring involved: (a) the establishment of Huafang Education which was held as to 50% each by Mr. Yu and Mr. Xie; and (b) the transfer of the entire sponsor interest in Baiyun Technician College to Lihe Education, which was in turn held as to 99% by Lanyun Education and as to 1% by Mr. Yu (who held such interest on behalf of Lanyun Education).

Each of Huafang Education and Lihe Education does not have any business activities apart from holding the interest in Baiyun Technician College.

We obtained control of Baiyun Technician College through the BTC Control Arrangements, involving: (a) the purchase of 99% and 1% of equity interest in Lihe Education by Huafang Education from Lanyun Education and Mr. Yu, respectively, for an aggregate consideration of RMB750 million; and (b) the entering into of a series of contractual arrangements to control Huafang Education, Lihe Education and Baiyun Technician College (see "Contractual Arrangements" for further details). The consideration was determined after arm's length negotiations among the parties primarily by reference to a valuation report prepared by an Independent Third Party, the results of the operation and future prospects of Baiyun Technician College, the potential synergy with our existing businesses, and the profit guarantee given by Mr. Xie as more particularly described below. The consideration was fully settled on 14 August 2017 by setting off against the amount due from Mr. Xie of RMB750 million as disclosed above.

In connection with the BTC Control Arrangements, Mr. Xie guaranteed to us that Baiyun Technician College's audited net profit after tax (after adding back the fees payable by Baiyun Technician College to WFOE pursuant to the Contractual Arrangements) (the "**Adjusted Net Profit**") for the year ending 31 December 2018 shall be no less than RMB60 million. If Baiyun Technician College's audited net profit after tax (after adding back the fees payable by Baiyun Technician College to WFOE pursuant to the Contractual Arrangements) for the year ending 31 December 2018 (the "**2018 Actual Adjusted Net Profit**") is less than RMB60 million, Mr. Xie shall compensate WFOE with a cash sum calculated according to the following formula (the "**Compensation Sum**"):

Compensation Sum = (RMB60 million – 2018 Actual Adjusted Net Profit) x 12.5

For the avoidance of doubt, (i) if the 2018 Actual Adjusted Net Profit is negative, the 2018 Actual Adjusted Net Profit used to compute the Compensation Sum shall be "nil"; and (ii) if the 2018 Actual Adjusted Net Profit is higher than RMB60 million, Mr. Xie shall not be obliged to pay any Compensation Sum and the consideration payable by WFOE will not be affected.

The profit guarantee above does not constitute a profit forecast of Baiyun Technician College under Rules 11.16 to 11.19 of the Listing Rules, and the profit guarantee amount should not be regarded in any way as an indication of the projected profit of Baiyun Technician College for the relevant financial year.

Reasons for Obtaining Control of Baiyun Technician College

Our Directors are of the view that obtaining the control of Baiyun Technician College would expand and diversify our schools portfolio and avoid the administrative burden in complying with the continuing connected transactions requirements under the Listing Rules after the Listing. The addition of Baiyun Technician College to our Group represents an important step in our expansion in the PRC higher education market, and our Directors believe that the transaction will complement our Group's existing business and give rise to further synergy through economies of scale (including shared management and operational resources of Baiyun Technician College and Guangdong Baiyun University, as well as the expansion and further leveraging of the "Baiyun" brand name).

Our Directors believe that the terms of the BTC Control Arrangements are fair and reasonable and in the interests of our Company and our Shareholders as a whole because:

Long history of cooperation: as discussed in "History, Reorganisation and Corporate Structure – Inter-School Cooperation", we have had a long history of inter-school cooperation with Baiyun Technician College, pursuant to which we have gained in-depth familiarity with its management and operations. Our Directors believe that it would be our natural next step to obtain control of Baiyun Technician College as an expansion of our school network in line with our growth strategy. Leveraging our long history of cooperation with Baiyun Technician College, our Directors believe that we would be able to achieve an efficient integration of Baiyun Technician College into our existing schools network and realise the synergetic effects. Acquiring other schools with which we had no prior history of cooperation might, on the other hand, require considerably more commitment in resources and time before the synergetic benefits materialise.

Profit guarantee by Mr. Xie: in connection with our obtaining control of Baiyun Technician College, Mr. Xie, founder of Baiyun Technician College and one of our Controlling Shareholders, had provided a profit guarantee in favour of us as more particularly described in "History, Reorganisation and Corporate Structure – Obtaining Control of Baiyun Technician College – The BTC Control Arrangements". We consider that the interests of Mr. Xie and that of ours are aligned in promoting the interests of Baiyun Technician College and our schools as a whole in the long term. In addition to putting us and our Shareholders in an advantageous position from a transaction perspective, we consider that the profit guarantee demonstrates Mr. Xie's strong commitment in the future operating prospects of Baiyun Technician College. Furthermore, we also consider that Mr. Xie is financially capable of honouring the profit guarantee.

Industry demand for private technical schools: we believe there is a growing demand for private technical schools in the PRC particularly in Guangdong province, and obtaining control of Baiyun Technician College, a leading private technical school in the PRC, would provide us with an ideal platform to effectively capitalise on these opportunities. According to Frost & Sullivan, the total revenue of private technical school industry in Guangdong province is expected to grow at a CAGR of 12.9% and reach RMB1,298.4 million from 2016 to 2021.

Industry position of Baiyun Technician College: Baiyun Technician College is a leading school in the private technical school sector and such acquisition is in line with our expansion strategy. According to Frost & Sullivan, Baiyun Technician College is the largest private technical school in the PRC by student enrolment. We believe we would be able to leverage the leading position of Baiyun Technician College to compete effectively with other private technical schools and further elevate our market position as a leading quality education provider.

Synergies with our business: obtaining control of Baiyun Technician College would significantly expand and diversify our educational offerings. We would be able to offer various vocational diploma and technician diploma programmes in addition to the existing bachelor's degree programmes, junior college diploma programmes and continuing education programmes. With Baiyun Technician College integrated into our school network, we would also be able to share resources, including school-enterprise cooperation network, teaching resources and administration, which could optimise the operation efficiency of our schools. Furthermore, being in the same school network, we could establish a channel for graduates of Baiyun Technician College to pursue further studies at our universities, which we believe could synergise our student enrolments.

Comparable companies and transactions: we have analysed the implied value of certain education companies that became listed on the Stock Exchange for the year ended 31 December 2016 and the seven months ended 30 July 2017 (including Wisdom Education International Holdings Company Limited, China YuHua Education Corporation Limited, Minsheng Education Group Company Limited and China New Higher Education Group Limited) based on their initial public offering price and historical financial information and the implied value of certain education companies that were subject to merger and acquisition activities for the year ended 31 December 2016 and the seven months ended 30 July 2017 based on publicly available transaction information. We have calculated the price-to-earnings ratios of these education companies at the time of the relevant transaction. For the purpose of comparison, we have excluded education companies with price-to-earnings multiples of over 50 times as our Directors consider that these are outliers. After excluding such outliers, the education companies we have analysed and compared had a price-to-earnings multiples ranging from approximately 10 times to 38 times, with an average of approximately 21 times. We have also made reference to the valuation report on Baiyun Technician College prepared by Asset Appraisal Limited, an Independent Third Party. Asset Appraisal Limited is a member of the Hong Kong Institute of Surveyors. As confirmed by Asset Appraisal Limited, it has more than 10 years of experience in corporate valuation and advisory services in Hong Kong and the PRC. Our Directors are satisfied that Asset Appraisal Limited has the appropriate credentials to undertake the valuation of Baiyun Technician College. Based on the foregoing, we consider that the relevant consideration involved in obtaining the control of Baiyun Technician College was fair and reasonable.

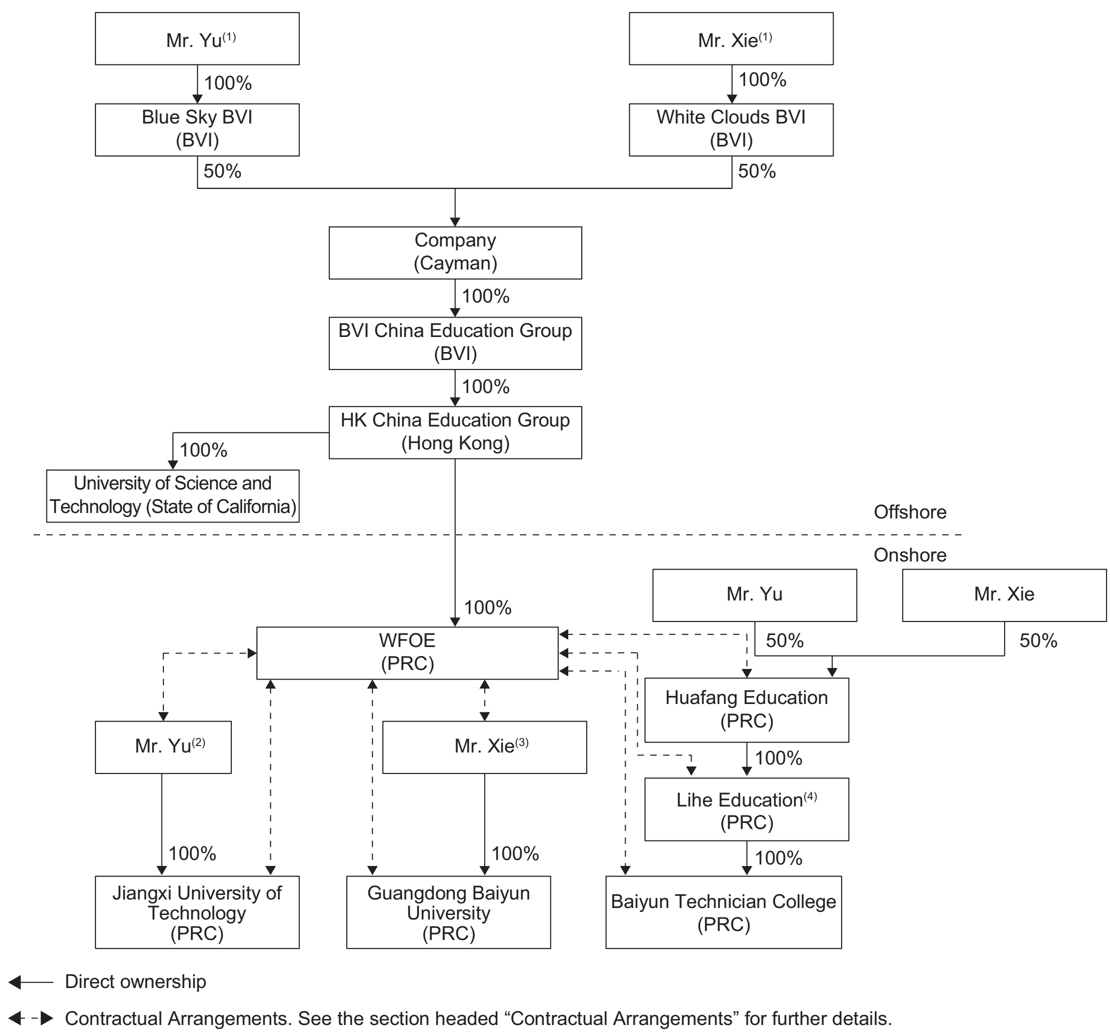
THE CONCERT PARTY AGREEMENT

Immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised, the options granted under the Share Option Schemes are not exercised and no shares are granted under the Share Award Scheme), our Company will be held as to 37.5% by each of Blue Sky BVI (which is wholly owned by Mr. Yu) and White Clouds BVI (which is wholly owned by Mr. Xie). The Controlling Shareholders entered into the Concert Party Agreement to align their shareholding interests in our Company. Pursuant to the Concert Party Agreement, each of the Controlling Shareholders agreed to vote in concert with the other for all operational and other matters at board meetings or shareholders' meetings of our Company (through Mr. Yu, Mr. Xie, Blue Sky BVI or White Clouds BVI, as the case may be).

CORPORATE STRUCTURE

Corporate structure after the Reorganisation, the incorporation of University of Science and Technology and the obtaining of control of Baiyun Technician College but prior to the completion of the Global Offering

The following chart depicts the shareholding and beneficial ownership structure of our Group immediately following the Reorganisation, the incorporation of University of Science and Technology and the obtaining of control of Baiyun Technician College and prior to the completion of the Global Offering:



Notes:

(1) Mr. Yu and Mr. Xie are parties acting in concert and our Controlling Shareholders.

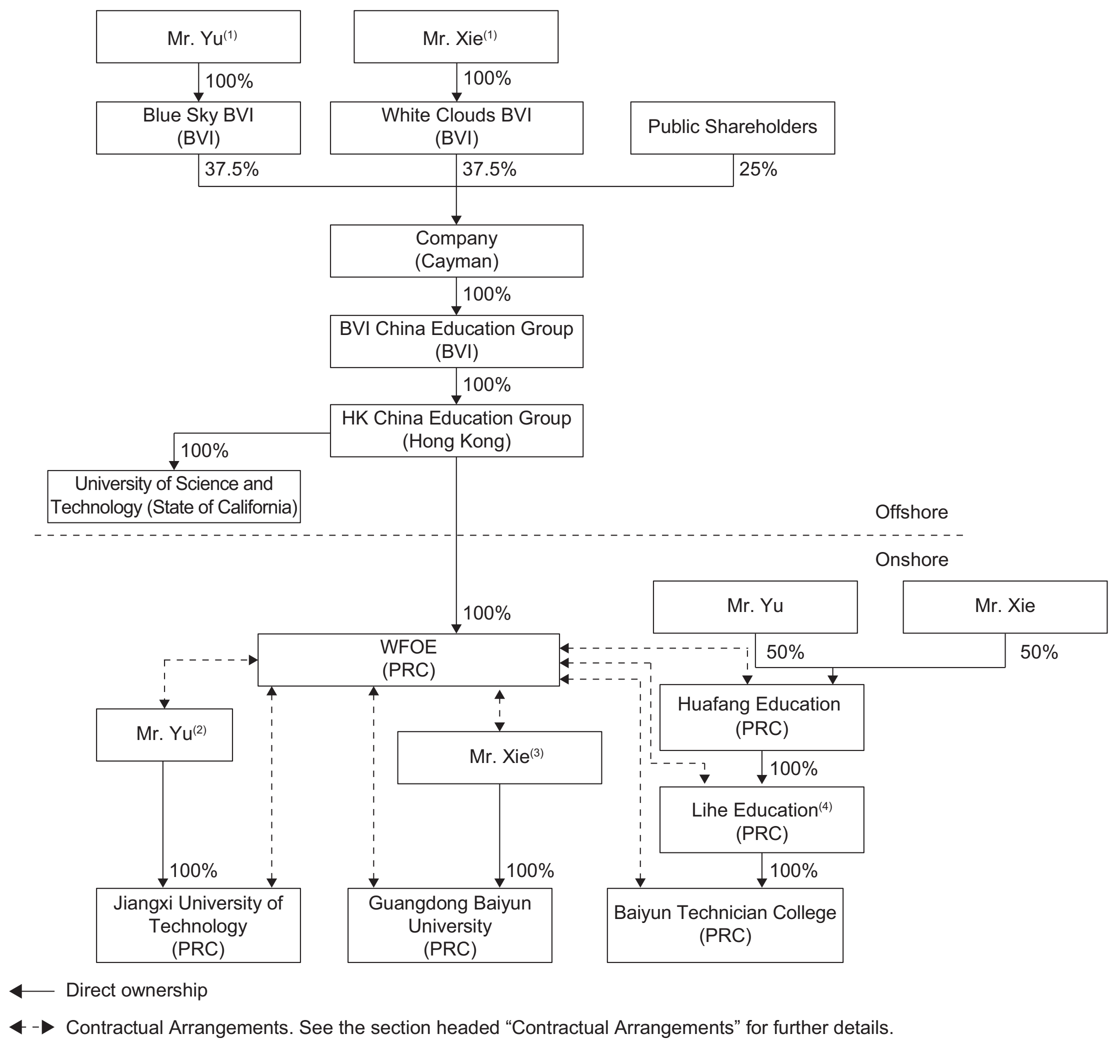
(2) Mr. Yu is the sole sponsor of Jiangxi University of Technology.

(3) Mr. Xie is the sole sponsor of Guangdong Baiyun University.

(4) Lihe Education is the sole sponsor of Baiyun Technician College.

Corporate structure immediately following the completion of the Global Offering

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



Notes:

(1) Mr. Yu and Mr. Xie are parties acting in concert and our Controlling Shareholders.

(2) Mr. Yu is the sole sponsor of Jiangxi University of Technology.

(3) Mr. Xie is the sole sponsor of Guangdong Baiyun University.

(4) Lihe Education is the sole sponsor of Baiyun Technician College.

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投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 branch to local banks where the assets or interests in the domestic entity are located.

As advised by our PRC Legal Adviser, each of Mr. Yu and Mr. Xie completed the registration under Circular 37 on 12 June 2017.

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

PRE-IPO SHARE OPTION SCHEME

We will also grant share options under the Pre-IPO Share Option Scheme. See "Appendix V – D. Share Option Schemes and Share Award Scheme – 1. Pre-IPO Share Option Scheme" for further details.

OVERVIEW

We are a leading large scale private higher education group in China, operating a list of well-recognised private higher education institutions. We focus on offering high quality education through innovation. Our founders, Mr. Yu and Mr. Xie, are highly recognised in the PRC private education industry. Mr. Yu was the only representative from the PRC private education industry who attended the 9th National People's Congress in the late 1990s and promoted the promulgation of the Law for Promoting Private Education of the PRC, which laid down a foundation for the rapid development of the private education industry in China. Our founders were also each appointed as a vice chairman of the Chinese Association for Non-Government Education (中國民辦教育協會) and both have extensive experience in private education as well as profound insight into the future development of private higher education institutions.

During the Track Record Period, we operated two private universities, namely Jiangxi University of Technology and Guangdong Baiyun University. On 14 August 2017, we obtained control of Baiyun Technician College, a technical school established by Mr. Xie. As of 31 August 2017, the end of the 2016/2017 school year, the aggregate number of students enrolled at our three schools amounted to 75,255. We completed our student enrolment for the 2017/2018 school year in October 2017 and enrolled a total of 76,204 students in our three schools. According to the Frost & Sullivan Report, our Group is recognised as one of the leading players in private higher education market in China in terms of student enrolment in 2016. Each of our three schools has been recognised for its top rankings in terms of competitive strengths. The following table sets forth certain details of our schools.

School / Location	Student Enrolment(1)	Description
Jiangxi University of Technology located in Nanchang, Jiangxi province	35,982(2)	• Ranked No. 1 in terms of overall competitive strengths in the Private University and College Ranking of China (中國民辦院校綜合競爭力排行榜) since 2009(4) • The largest private university in China in terms of student enrolment according to the Frost & Sullivan Report; and one of the first few private universities in Jiangxi province approved by the MOE
Guangdong Baiyun University located in Guangzhou, Guangdong province	25,741(3)	• Ranked No. 1 in terms of overall competitive strengths among top 10 private universities and colleges in Guangdong province for ten consecutive years from 2005 to 2014(5) • One of the first few private universities in Guangdong province approved by the MOE
Baiyun Technician College located in Guangzhou, Guangdong province	13,532	• Ranked No. 1 in terms of educational competitive strengths among technical schools in Guangdong province for seven consecutive years from 2008 to 2014(5) • The largest private technical school in China in terms of student enrolment according to the Frost & Sullivan Report

Notes:

(1) Despite the fact that our financial year ends on 31 December, our school year ends on 31 August. For the purpose of this document, we used 31 August as the cut-off date to present our business operating data for each school year. Our business operating data presented in this table is based on the internal records of our schools.

(2) Includes 1,297 students enrolled in our continuing education programmes.

(3) Includes 8,552 students enrolled in our continuing education programmes.

(4) Ranked by Research Centre for China Science Evaluation and Evaluation Centre for China Education Quality of Wuhan University in association with nseac.com. None of the aforesaid organisations that provided our rankings were commissioned by us.

(5) Ranked by Guangdong Provincial Academy of Social Sciences and Guangdong General Survey and Research Centre. So far as our Directors are aware, there is no public disclosure of such ranking from 2015 onwards. None of the aforesaid organisations that provided our rankings were commissioned by us.

We operate at a large student size offering a broad range of programmes and curricula. Our three schools enrolled 75,255 students in the 2016/2017 school year, comprising of 51,874 students of bachelor's degree programmes and junior college diploma programmes, 9,849 continuing education students and 13,532 vocational education students. Our universities offer 80 bachelor's degree programmes and 32 junior college diploma programmes, covering nine bachelor's degree disciplines and 11 junior college diploma disciplines categorised by the MOE, respectively. All these programmes have been approved by the MOE. According to statistics published by the MOE, in 2016, these nine disciplines and 11 disciplines cover 97.7% undergraduate students and 91.9% junior college students in China, respectively.

All our schools are strategically located either in the Pan-Yangtze River Delta Economic Zone or the Pan-Pearl River Delta Economic Zone. According to the Frost & Sullivan Report, undergraduate students in these two regions accounted for 33% of the total number of undergraduate students in China in 2016. Consisting of only eight provinces, municipalities, and autonomous regions, these two economically vibrant regions in China accounted for approximately 43% of the total GDP of China in 2016 and have ample employment opportunities for students, according to the Frost & Sullivan Report. In 2016, approximately 46% of all university graduates with a bachelor's degree in China were employed in these two regions, according to the Frost & Sullivan Report. We believe that the geographical advantage of our schools allow our graduates to directly benefit from the availability of rich employment opportunities.

We emphasise the teaching of practical skills and knowledge and the fostering of innovation and entrepreneurial spirit to improve our graduate employment rate. Leveraging our strong relationships with over 400 enterprises and our exemplary innovation and entrepreneurial education, our schools stand out among private universities and colleges in China with high graduate employment rate. In 2014, 2015 and 2016, the Initial Employment Rate of Jiangxi University of Technology was 88.3%, 88.4%, and 88.1%, respectively, and the Initial Employment Rate of Guangdong Baiyun University was 96.2%, 96.6% and 96.1%, respectively, while the Initial Employment Rate of Baiyun Technician College was appropriately 99.3%, 99.4% and 99.4%, respectively. In contrast, China's overall Initial Employment Rate for higher education graduates was approximately 77.5%, 77.7% and 77.9%, respectively, in the same years, according to Frost & Sullivan Report.

During the Track Record Period, we experienced stable growth in our revenue and net profit from continuing operations. Our revenue increased from RMB821.9 million for the year ended 31 December 2014 to RMB846.0 million for the year ended 31 December 2015, and further to RMB861.3 million for the year ended 31 December 2016. Our revenue amounted to RMB405.4 million for the six months ended 30 June 2017. Our net profit from continuing operations increased from RMB309.4 million for the year ended 31 December 2014 to RMB361.9 million for the year ended 31 December 2015, and further to RMB423.4 million for the year ended 31 December 2016, representing a CAGR of 17.0%. Our net profit from continuing operations amounted to RMB193.0 million for the six months ended 30 June 2017.

Leveraging our leading market position in the private higher education industry in China, our extensive school management experience and our advanced group operating model, we believe that we will be able to capitalise on the future growth and consolidation of the fragmented private higher education industry in China.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and differentiate us from our competitors:

Private higher education group in China operating a list of well-recognised private higher education institutions

We are a leading large scale private higher education group in China, operating a list of well-recognised and time-honoured private higher education institutions. We focus on offering high quality education through innovation. Our two founders, Mr. Yu and Mr. Xie, were among the few pioneers who have been engaged in private education in China since 1993 and 1989, respectively. Mr. Yu was the only representative from the private education industry to attend the 9th National People's Congress in the late 1990s and he promoted the promulgation of the Law for Promoting Private Education of the PRC, which laid down a foundation for the rapid growth of the private education industry in China. In 1999, after accumulating ten years of experience in the private education industry in China, Mr. Xie established Guangdong Baiyun University and has since rapidly amassed a large student base through the cooperation in 2007 with Jiangxi University of Technology, which was established by Mr. Yu in 1999. Our school network was further expanded on 14 August 2017 through the obtaining of control of Baiyun Technician College, which was established by Mr. Xie in 1996. We believe that our founders' rich experience in operating private schools in China has contributed tremendously to our brand awareness and reputation among students, parents and teachers, allowing us to grow over the years.

Jiangxi University of Technology has been ranked No. 1 in terms of the overall competitive strengths in the Private University and College Ranking of China since 2009. Guangdong Baiyun University has been ranked No. 1 in terms of overall competitive strengths among top 10 private universities and colleges in Guangdong province for ten consecutive years from 2005 to 2014. Baiyun Technician College has been ranked No. 1 in terms of educational competitive strength among technical schools in Guangdong province for seven consecutive years from 2008 to 2014. We believe that we are able to stand out among our competitors by virtue of our leading position and extensive experience in the private higher education industry in China.

Both of Jiangxi University of Technology and Guangdong Baiyun University were among the first few private bachelor's degree level universities approved by the MOE in their respective province. As one of the promoters, Guangdong Baiyun University was behind the historical launch of the Association of Universities (Colleges) of Applied Technology (應用技術大學(學院)聯盟) in China and has been a leading force in promoting the communication and cooperation among the member universities. Our three schools offer, in a broad range of popular disciplines, comprehensive bachelor's degree programmes, junior college diploma programmes, continuing education programmes and vocational education programmes. We believe that our bachelor's degree programmes and our reputable vocational programmes fuelled our continuous growth and enable us to have a diverse student body to lower the market risk. We also believe that our large student body shows our schools' popularity among students and reflect the quality and reputation of our education services, granting us competitive edge over our competitors.

Along with the development of our schools, we plan to further expand our school network. As a leading private higher education services provider in China with a view to developing an Ivy-League-like elite private university network in China and abroad, we plan to acquire suitable private universities and colleges, replicate our management system in them, improve their operation efficiency and capitalise on our established brand recognition and proven operating model to drive our growth.

Large scale higher education group in terms of student enrolment, allowing us to benefit from the synergistic effects

As of 31 August 2017, we had a large student body of 75,255 students. We enrol students across all provinces, municipalities and autonomous regions in China. In particular, our Jiangxi University of Technology enrolled 35,982 students as of 31 August 2017 and was the largest private university in China in terms of student enrolment as of the same date, according to the Frost & Sullivan Report. Our Guangdong Baiyun University enrolled 25,741 students as of 31 August 2017. Baiyun Technician College enrolled 13,532 students as of 31 August 2017 and was the largest private technical school in terms of student enrolment in China as of the same date, according to the Frost & Sullivan Report. Through our technical school and well-recognised universities, we are able to offer a variety of education programmes and cater to different academic or vocational needs of our students. We believe our leading position in the private higher education market reflects the market recognition of the high quality of our education as well as confidence of students, parents and governments in our schools.

Our schools have a long history of inter-school cooperation and sharing arrangements in terms of academic affairs, teaching, student recruitments and employment resources, from which we have acquired the capability to implement a comprehensive, efficient and centralised management. Leveraging our experience accumulated over the years, we believe we will be well-positioned to implement the following centralised management functions through our WFOE and the Contractual Arrangements going forward:

- <u>Curriculum development</u>: a centralised curriculum development to coordinate the development and improvement of curricula to reflect the development trend of the higher education industry both in China and internationally;

- <u>Student recruitment</u>: a unified student recruitment and marketing network to be responsible for our student recruitment and marketing across all provinces, municipalities and autonomous regions in China;

- Career services: sharing of employment or internship information and resources among our schools to benefit our students with employment or internship opportunities;

- International courses sharing: international courses offered or to be offered at any of our schools, including through an operating entity of our Group established in the State of California, the United States, namely University of Science and Technology, will accept across-registration by students from all our schools; and

- Teacher training: centralising the teacher development with a view to building up a systematic training to our teachers to enhance their teaching ability and skills.

For the purpose of implementing the above management functions, our WFOE was set up initially with over 30 personnel with various professional backgrounds, including education, legal and compliance, business administration and accounting and finance. We believe that, by leveraging the experience of inter-school cooperation and sharing arrangements, we are well-positioned to develop a centralised management system going forward for more efficient utilisation of resources and implementation of consistent strategies with a view to replicating this scalable business model to the new schools that may be included in our Group in the future.

In addition, we have built an extensive alumni network over our long history of operation. We believe the emotional tie between our alumni and our schools is an invaluable asset conductive to the sustainable development of our schools and our students in the pursuit of excellence.

Combination of our education resources to achieve comprehensive coverage in major offerings and extend our educational advantages

According to the Frost & Sullivan report, the private higher education industry has high entry barriers and early movers in this industry with established brand name could better penetrate the market. We believe that, by integrating the force of our well-recognised schools, we are able to extend our programme offerings, amplify our academic strengths and further enhance our reputation and competitive advantages.

We believe our success largely hinges on the quality of education and major offerings that we provide through our school network. The combination of our universities and technical school allows us to provide higher education degrees covering comprehensive major offerings. As of 31 August 2017, our universities offer 80 bachelor's degree programmes and 32 junior college diploma programmes, covering nine bachelor's degree disciplines and 11 junior college diploma disciplines categorised by the MOE, respectively. All these programmes have been approved by the MOE. According to statistics published by the MOE, in 2016, these nine disciplines and 11 disciplines cover 97.7% undergraduate students and 91.9% junior college students in China, respectively. In addition, through Baiyun Technician College, we also offer 108 vocational education programmes comprised of five technician diploma programmes, 81 post-secondary vocational diploma programmes and 22 secondary vocational diploma programmes.

Furthermore, we have partnered with a number of overseas universities and colleges in the United States, the United Kingdom, Australia and South Korea to offer exchange programmes and joint-education programmes, as the case may be, to our students. These programmes are designed to add a global perspective for our students. As of 31 August 2017, our schools have established cooperative relationships with over 30 universities/educational institutions. For example, Jiangxi University of Technology has cooperated with University of Derby in the United Kingdom to offer joint-education programmes in environmental art design and clothing and costume design. Guangdong Baiyun University has cooperated with Western Sydney University in Australia in bachelor and master degree programmes for students in translation major and commerce major. We also admit international students to diversify our student base. For example, Jiangxi University of Technology cooperated with the Free State in South Africa for South African students to learn Chinese language and culture since 2016. We believe, as the implementation of "One Belt, One Road" strategy proceeds, more foreign students will be interested in studying in China.

Apart from comprehensive major offerings and international education programmes, we believe that our team of experienced and dedicated teachers and research capability has further solidified our brand reputation, enabling us to achieve the full integration of application with research. As of 31 August 2017, approximately 59.6% of our teachers have master's degree or higher, and approximately 9.3% of our teachers have doctoral degrees. A number of our teachers were involved in authoring and publishing text books covering a variety of subjects. For example, in 2015 a textbook on mobile phone programming authored by our teacher was published by Tsinghua University Press, and a guide book on dissertation writing and defence authored by our teacher was published by East China Normal University Press. We believe that our focus on scientific research and innovation differentiates us from other lower ranked private higher education institutions. As of the same date, we had also obtained 1,142 patents in China including 1,110 patents obtained by Jiangxi University of Technology. According to the Frost & Sullivan Report, as of 30 June 2017, Jiangxi University of Technology was the only private higher education institution in Jiangxi that owns the Post-doctoral Innovation Practice Base approved by Jiangxi Provincial Department of Human Resources and Social Security, and was also the only private higher education institution in Jiangxi province that establishes the Provincial Science and Technology Park approved by Jiangxi Provincial Department of Science and Technology.

In order to compete more effectively with public higher education institutions, we have put huge efforts on the innovation of our teaching model. Our teaching activities focus on each student's mastery of practical skills and knowledge to get them ready for their future career. We adopt student-centred teaching methods and offer a number of practical courses to encourage frequent discussion and interaction. In addition to the teaching of theoretical courses, we budget time for our students to practise and intern. We have also developed a series of workplace simulation training programmes to provide students with a simulated working environment. For instance, as of 31 August 2017, Jiangxi University of Technology had established over ten simulation training centres and numerous laboratories on the campus. In view of our focus on the education of applied technology, we believe that double-qualification teachers are of great importance for the realisation of our educational goals. Double-qualification teacher refers to full-time teachers with title of lecturer or above and certain professional qualification or industry experience. As of 31 August 2017, we had 1,195 double-qualification teachers, representing 33.9% of the total number of our teachers. Our schools also emphasise cooperation with relevant enterprises in terms of research and development. For example, Jiangxi University of Technology has established a Provincial-Level Cooperation and Innovation Centre of Automobile Service Engineering and Industry, which was led by Mr. Guo Konghui (郭孔輝), an academician of Chinese Academy of Engineering and China's leading authority in automobile engineering, by partnering with Tsinghua University, Jiangling Motors and Science Academy of Jiangxi Province, and Guangdong Baiyun University has also established cooperation with an enterprise in data science/big data area.

Our schools' strategic geographical locations combined with our leading edge practical curriculum, enabling us to deliver outstanding graduate employment outcomes

The locations of our schools were strategically planned. Our schools are either located in the Pan-Yangtze River Delta Economic Zone or the Pan-Pearl River Delta Economic Zone. According to the Frost & Sullivan Report, undergraduate students in these two regions accounted for 33% of the total number of undergraduate students in China in 2016. Consisting of only eight provinces, municipalities and autonomous regions, these two economically vibrant regions in China accounted for approximately 43% of the total GDP of China in 2016, according to the Frost & Sullivan Report. As a result of favourable economic policies, well-developed infrastructure and rapid urbanisation, these two regions continue to attract domestic and foreign enterprises and create job opportunities for the large inflow of the labour force from other regions. According to the Frost & Sullivan Report, approximately 46% of all university graduates with a bachelor's degree in China were employed in these two regions in 2016.

Our Guangdong Baiyun University and Baiyun Technician College are located in Guangzhou, Guangdong province, one of China's most developed provinces, with a GDP of approximately RMB8.0 trillion in 2016. Guangdong province is among the most preferred locations by college graduates in China for post-graduation employment due to its ample employment opportunities and relatively high starting salaries, according to the Frost & Sullivan Report. Guangzhou has also been reviewed as the best city for commercial activities in mainland China for five times by the *Forbes* magazine, due to its ability to achieve rapid economic development and promote innovations. Guangzhou attracts a number of enterprises, including many tech-companies, to establish presence, which offers abundant employment opportunities for our graduates. Our Jiangxi University of Technology is located in Nanchang, Jiangxi province, which is in the vicinity of Zhejiang province and Guangdong province, which are among the most developed provinces in China with high GDP growth rates, according to the Frost & Sullivan Report. Nanchang, being the capital city of Jiangxi province, was named by *Newsweek* magazine as one of the ten most dynamic cities in the world in 2006. In addition, we have been cultivating the private higher education market in Guangdong province and Jiangxi province and we believe that we have fostered positive relationships with local government and employers of our graduates. We believe our deep understanding of the private higher education market in those regions and our position as a market leader are of great value for our new higher achievement in graduate employment.

We have partnered with a number of enterprises to provide our students with internship and training programmes as well as potential employment opportunities as the case maybe. Built upon our strong relationships with over 400 enterprises, we aim to closely cooperate with them to benefit mutually in terms of production, education and research. Specifically, some of our enterprise partners provide us with equipments and facilities needed in our teaching activities so that our students can have opportunities to practise their skills. In return, we provide our enterprise partners with research and development support and high-quality graduates for their operations, as the case maybe.

We take into account employers' need when designing and developing courses to ensure our students are equipped with the knowledge and skills desired by their prospective employers. In this regard, we have also designed various employer-tailored programmes. The curricula of these programmes are designed taking into account the needs of employers, which in turn, provide teaching support and internship opportunities, as the case may be, for the programme. For example, Baiyun Technician College cooperated with BSH Home Appliances Science (Jiangsu) to establish a "Bosch and Siemens" class in electrical information engineering. Also, Jiangxi University of Technology has cooperated with PPG Paintings Trading (Shanghai), a world leading paints manufacturer, to offer PPG-tailored student cultivation programmes for colourist.

With a view to stimulating graduate employment, our schools provide comprehensive career counselling services for our students. We believe that, due to the emphasis on career services, our schools stand out among private universities and colleges in China as a whole with a high graduate employment rate. In 2014, 2015 and 2016, the Initial Employment Rate of Jiangxi University of Technology was 88.3%, 88.4%, and 88.1%, respectively, and the Initial Employment Rate of Guangdong Baiyun University was 96.2%, 96.6% and 96.1%, respectively, while the Initial Employment Rate of Baiyun Technician College was appropriately 99.3%, 99.4% and 99.4%, respectively. In contrast, China's overall Initial Employment Rate for higher education graduates was approximately 77.5%, 77.7% and 77.9%, respectively, in the same years, according to Frost & Sullivan Report.

We have also established start-up incubators in both Jiangxi University of Technology and Guangdong Baiyun University to provide students with a variety of guidance and opportunities in establishing their own businesses. The business incubator in Jiangxi University of Technology is designed to accommodate up to approximately 200 students to work in its office space, while the business incubator in Guangdong Baiyun University, which is of larger scale, could accommodate up to approximately 800 students. Our incubators also organise various activities, such as start-up training, entrepreneur lectures, investor conferences and exhibitions. During the Track Record Period, ten start-up projects participated by our students were recognised by government authorities as national start-up innovative projects. Our entrepreneurial and innovation education has also been recommended by the National Education Reform Leadership Group of the State Council of the PRC (國務院國家教育改革領導小組) to all provincial educational authorities and central higher education institutions as a successful example.

Highly reputable management team comprised of leaders of the higher education sector to drive excellence and innovation in our education business

Our founders were among the pioneers of the private education industry in China. After accumulating years of experience in the private education industry, our founders and executive Directors, Mr. Yu and Mr. Xie, established Jiangxi University of Technology and Guangdong Baiyun University in 1999, respectively, to provide private higher education services, and have since led us to obtain control of Baiyun Technician College to expand our business coverage into vocational education and training. Our executive Director, Dr. Yu, who has extensive academic and consulting experience in education and has received a Ph.D. in education from the University of Oxford, joined our Group in 2013. Our whole management team, including, among others, Mr. Yu, Mr. Xie and Dr. Yu, have served in our Group for years and have extensive knowledge and experience in managing private universities and vocational school and deep understanding of the PRC and international private higher education industry.

The devotion of our management team to the development of the private education sector in China and our business lies beneath our success, which, in turn, has earned them various recognitions. Both Mr. Yu and Mr. Xie were appointed as the vice chairman of the Chinese Association for Non-Government Education (中國民辦教育協會). Mr. Yu serves as a standing committee member of the People's Congress of Jiangxi Province. Mr. Yu has been awarded the title of National Outstanding Worker (全國先進工作者) by the State Council of the PRC in 2005 and Top Ten Outstanding Youth of China (中國十大傑出青年) by All-China Youth Federation (中華全國青年聯合會), China Youth Development Foundation (中國青少年發展基金會) and ten other media organisations in 2000 and served as a representative of the National People's Congress for 15 years from 1998 to 2013. Mr. Xie has been serving as a representative of People's Congress of Guangdong Province since 2013. Dr. Yu had served as an adviser to the World Bank on various educational matters as well as provided consultations to the Degree Committee of the PRC State Council, the PRC Ministry of Education and Research Office of Government of Jiangxi Province. Dr. Yu has served as a Ph.D. and post-doctorate adviser at Shanghai Jiao Tong University in the field of Economics and Administration of Education since 2014.

We also have a team of seasoned mid-level management, such as school presidents and teachers, who have substantial experience in school management. Some of our mid-level management has joined us since the early stage of their career and were internally promoted to management level. We strive to provide our employees with opportunities to grow with our Company. We have adopted the Share Option Schemes and Share Award Scheme for the purpose of incentivizing high-quality employees and maintaining a stable management team in the long term.

OUR BUSINESS STRATEGIES

Our vision is to become a global leading education group providing high quality education services to a significant size of student bodies. In the short term, we will continue to solidify our position as a renowned large scale private higher education provider by optimising pricing for our school fees and increasing the student base of our existing schools, such as the development of our new campus in Guangzhou. We will also actively seek acquisition and business cooperation opportunities to further expand our existing sizeable school network. In the medium to long term, we will consider diversifying our revenue sources through utilising our large student capacity, such as providing high value-added international programmes, establishing online courses, and expanding our business beyond the PRC. To achieve these goals, we plan to pursue the following business strategies.

Develop new school campus to further increase our capacity and student body

We are currently developing a new school campus for our Guangdong Baiyun University on the Zhongluotan Land. The planned new campus is also located in Baiyun district, Guangzhou. We expect that the construction and commencement of operations of the new campus will take place in phases. We expect that the new campus will be fully developed in or around 2021. Once fully developed, the planned new campus is expected to have a site area of 498,000 sq.m. and accommodate approximately up to 26,000 students. We believe, in the long term, there will be sufficient demand for the planned new campus taking into account: (i) the expected growth in the number of student enrolment in Guangdong Baiyun University in the next five years as we further enhance its competitiveness and course offerings. We believe that our growth strategies, including optimising major offerings, strengthening school-enterprise collaboration and offering diversified international programmes and post-graduate education, implemented at Guangdong Baiyun University will enhance its overall competitiveness and in turn stimulate its student enrolment. See "Business – Our Business Strategies – Further enhance the competitiveness of our students and curricula" below for further details of such strategies. In particular, we will continue to tailor and expand the course offerings, such as bachelor degree programmes, of Guangdong Baiyun University in response to market demand. Guangdong Baiyun University has applied to the relevant education authorities for approval to offer two additional bachelor degree programmes in urban underground engineering (城市地下工程) and radio and television editing and directing (廣播電視編導) in the upcoming 2018/2019 school year. In addition, we intend to develop more comprehensive and modern classrooms, practical training facilities and academic platforms at the new campus of Guangdong Baiyun University with a view to strengthening the university's overall teaching quality and industry reputation and thereby attracting more students; and (ii) according to the Frost & Sullivan Report, from 2012 to 2016, the total student enrolment in the private higher education industry in Guangdong province increased from 515,500 to 658,500 and is estimated to continue to grow to 842,600 in 2021, see the section headed "Industry Overview – The Private Higher Education Industry in Jiangxi Province and Guangdong Province" for further details. Guangdong Baiyun University will also share part of the planned new campus with Baiyun Technician College and provide accommodation for certain students of Baiyun Technician College. We also expect to re-configure the relevant buildings of Guangdong Baiyun University and Baiyun Technician College with a view to improving the living standard of the students by reducing the number of students per room, which will in turn lower the overall student capacity in their existing campuses and generate demand for the new campus.

We have obtained the land use right certificate for the 1st phase of the construction on the Zhongluotan Land with a site area of approximately 188,666 sq.m. and intend to invest up to an aggregate of RMB699.0 million for the construction. We have obtained the construction permit with respect to a construction area of 101,074.6 sq.m. and commenced the 1st phase construction of school buildings and facilities on the Zhongluotan Land. We expect that the 1st phase of the new campus can accommodate approximately up to 10,000 students. Barring unforeseen circumstances, our Directors anticipate the 1st phase of the new campus may commence operations as soon as from the 2018/2019 school year. As of 30 June 2017, we had incurred preliminary costs of RMB92.6 million associated with the development of the new campus, including consultancy fee, design fee, land compensation and the relevant legal fees.

During the Track Record Period, Guangdong Baiyun University had experienced a decreasing growth rate in student enrolment (see "Business – Our Schools – Number of students"). We believe that the growth in student enrolment is in part limited by the capacity and utilisation of the university. Guangdong Baiyun University is able to enrol students with an overall average grade that is generally higher than the provincial average. On this basis, we consider that there is demand for the course offerings at Guangdong Baiyun University. However, primarily due to the limited academic resources and capacity of Guangdong Baiyun University, it is not able to enrol more students that meet its admission criteria for certain of its programmes. We also understand that the admission quota approved by the relevant education authorities is subject to, among other factors, the academic resources (such as classrooms and training facilities) and capacity (such as student dormitories) and utilisation of Guangdong Baiyun University. During the Track Record Period, Guangdong Baiyun University had been operating close to maximum capacity, but its utilisation rate had not reached 100% (see "Business – Our Schools – Capacity and Utilisation") primarily due to the mix of male and female students, as the dormitory buildings of Guangdong Baiyun University are gender specific. Our Directors consider that the current campus of

Guangdong Baiyun University has limited room for significantly expanding its academic resources and capacity to substantiate a significant increase in student enrolment. As a result, there had not been any material increase in the student enrolment of Guangdong Baiyun University during the Track Record Period. Therefore, we believe that a considerable expansion in academic resources and capacity will be conducive to student enrolment. We intend to apply to the relevant education regulatory authorities to increase our admission quota to ensure a stable increase in the utilisation rate of our new campus. We currently intend to apply for an increase of approximately 1,000 admission quota for the 2018/2019 school year. We expect to make such applications to the relevant education authorities in or around December 2017, and based on our experience and barring unforeseen circumstances, our Directors anticipate we will be able to obtain such approvals in or around May 2018.

With respect to our Jiangxi University of Technology, we plan to further promote our continuing education programmes utilising our brand and reputation. Given the high popularity of our school, we believe this provides us with ample room to further increase our student base and improve the utilisation of our educational resources to achieve lower per-student costs and higher potential profits.

Further enhance the competitiveness of our students and curricula

The quality of our education and image of our brand are crucial to our business growth. We intend to continue to enhance our ability to provide quality higher education and maintain our high employment rate. We plan to further solidify our competitive advantages in the private higher education market and maintain our market leading position so as to upgrade our brand to an international education brand name which reflects top recognition in the domestic market and strong competitiveness in the global market.

- *Optimise major offerings*: We plan to further diversify our course offerings in our schools and offer new majors that follow job market trends and cater to market demands, such as majors in industrial automation, high-tech services as well as cloud computation. In 2016 and 2017, in response to market demand, we added new majors such as the internet and new media, the gem and material technology, the robotics engineering, and the data science and big data technology. We plan to introduce a variety of new courses while improving the quality of our existing courses. We will also continue to maintain a team of high-quality teachers and administrative staff.

- *Strengthen school-enterprise collaboration*: We strive to cultivate well-rounded talents in our schools. We expect graduates of our schools to be not only academically prepared but also equipped with essential practical skills. We plan to collaborate thoroughly with more potential employers in industries with significant growth potential and strong hiring demand, in order to offer more job placement training and workshops to our students and launch more internship programmes. We believe our commitment to career services will help us produce job-ready and highly qualified graduates and maintain our high employment rate.

- *Offer diversified international programmes*: In recent years, against the backdrop of globalisation of higher education, Chinese students have shown great interests in overseas learning experience. According to statistics published by the MOE, China has the largest number of students studying abroad and the total number of Chinese students studying abroad reached 544,500 in 2016. We believe this trend offers a valuable opportunity. In response to this trend, we have established cooperations with over 30 universities/educational institutions as of the Latest Practical Date. In addition, we have also established an operating entity in the State of California, the United States, namely University of Science and Technology, through which we plan to offer learner-centred courses to provide life-long learning and employability enhancement opportunities to students and graduates of our schools as well as other schools. Subject to obtaining relevant regulatory approvals, we expect that the operation of University of Science and Technology will commence in early 2019. Going forward, we plan to establish cooperation with more foreign education institutions and expand our international course and degree offerings. More specifically, we look forward to closely cooperating with renowned higher education institutions located in developed countries and regions, such as Western Europe, the United Kingdom, North America and Australia. We also plan to acquire foreign universities or colleges focussing on certain specific fields, such as fashion, engineering, hospitality and business management. By acquiring or collaborating with foreign education institutions, we intend to offer a variety of programmes responding to different needs, from exchange programmes to dual degree. Depending on the number of international courses and/or credits attended by our students, they will be able to obtain certificate, qualification of a specialised field or a dual diploma. We also plan to establish an overseas study counselling office, to provide guidance and counselling services to students who plan to apply for post-graduate programmes at foreign universities. We believe that the offering of international programmes will allow us to upgrade our existing programme offering and provide high value-added learning experience to our students.

- *Offer post-graduate education*: We have established cooperation with certain universities on post-graduate education. We are also applying for approval from the Degrees Committee of the State Council for the authorisation to grant master's degrees. As of the Latest Practical Date, we have not received such approval. If we obtain such approval, our universities will be able to confer master's degrees, which will further enhance our reputation in the private higher education market.

- *Launch online education platform*: We have noticed the trend that an increasing number of students are willing to further their education online and we intend to capitalise on this opportunity. For instance, Jiangxi University of Technology has utilised an online platform for MOOC (Massive Open Online Courses) and integrated such platform into its education operation. We plan to further expand our online education by offering online courses through an operating entity established in the State of California, the United States, namely University of Science and Technology as well as other cooperating overseas schools. With our experience in developing and offering online courses to our students and subject to relevant laws and regulations, we plan to obtain the relevant qualifications and expand our online education offerings to capture the significant growth potential and opportunities in online education market.

We will utilise the existing education resources of our schools, including teachers, managers, administrators and other staff with the relevant capability and experience, to implement this growth strategy. In addition, with a view to achieving centralised implementation of this strategy, we expect to recruit approximately 10 additional staff at our Group level, including domestic course developer and manager, international course development and manager, online platform developer and manager, career services manager and international schools counsellor and coordinator. This strategy represents our on-going efforts to improve the competitiveness of our students and curricula. We currently estimate the initial funding requirement will be approximately RMB12 million for the year 2018, and the subsequent on-going maintenance funding requirement per year will range from RMB2 million to RMB3 million. We expect that these initiatives will gradually materialise within the next three years.

Expand our school network through acquisition and business cooperation

We intend to further expand our school network to extend our geographic coverage and increase our market penetration in the private higher education industry. We plan to add suitable universities, junior colleges and/or technical schools to our school network through acquisition, cooperation or other means.

- *Expansion in China's higher education industry*: Given our extensive experience and recognised reputation in private university management, we intend to acquire suitable private universities or junior colleges and put them on a path of continual improvement and rapid development. We plan to target schools that satisfy one or more of the following criteria:

  (i) *Well-recognised schools with comprehensive competitiveness based on reliable rankings published by the PRC government or reputable third party research institutions.* These well-recognised schools typically would have devoted substantial commitment in educational resources (such as the types of programmes available, school facilities, quality teachers and teachers to students ratio), developed sophisticated educational processes (such as quality of teaching, school experience and support services to students) and proven a good track record of educational efficacy (such as academic achievements and future prospects of students), as the case may be. In particular, we will preferentially consider education institutions that offer bachelor's degree programmes. We believe that such education institutions would better complement our existing portfolio of schools as (a) such education institutions tend to have stronger brands and more ample education resources and (b) the MOE has only granted a limited number of approvals for such education institutions. We will target schools with 6,000 to 20,000 students, with an annual admission of 1,500 to 5,000 students, particularly schools that demonstrate potential growth in its student admission.

  (ii) *Schools with unique competitive edge.* We believe that specialised schools with enhanced coverage of certain subjects will continue to be a key focus for the PRC government's future education policy. In line with our strategy to expand, innovate and develop in this area, we will target schools that offer specialised education programmes (including professional qualifications and certification). Non-exhaustive examples include schools with specialised departments focussing on nursing, medicine, architecture and big-data related engineering.

(iii) *Schools located in regions with large potential student base and vibrant job markets.* This includes provincial capital cities and other major cities in China with developed economies and high potential demands for graduates and quality education.

Based on our market research and analysis, we estimate there are more than 200 education institutions in the PRC that may potentially be our acquisition target. We will target to acquire 51% to 100% equity interest of such education institutions. In terms of financial performance, we will particularly focus on education institutions with a profit after tax close to RMB50 million. Where appropriate, we will also consider raising bank financing and utilise cash flow from operations to support our acquisition activities. For each of our acquisition target, depending on the terms of bank financing (if any), we targets to achieve an estimated payback period from five to seven years and an internal rate of return exceeding 15%. These parameters are preliminary estimations and are subject to change due to, among other things, availability of acquisition targets, market conditions, our operating conditions and commercial negotiations with the sellers.

We believe our successful operating history and our established premium school brands grant us significant competitive advantages in our school network expansion. Given the dispersed market competitive landscape, we believe a considerable number of schools, to improve their education quality and achieve scale of economies, will be willing to join a school network operated by an education group with strong brand name as well as advanced management system. We plan to optimise the management, operations, curriculum and pricing strategy of the acquired schools, helping them to improve. With our extensive operational experience in private university management, we will also consider the feasibility of converting acquired junior colleges into private universities that qualify to offer bachelor's degree programmes. As of the Latest Practicable Date, we had not identified any definitive acquisition target.

- *Expansion in overseas higher education industry*: With the growing demand for overseas higher education among Chinese students, we will explore the possibility of acquiring renowned foreign universities and colleges. To this end, we intend to establish an offshore structure specifically for the purpose of facilitating our overseas expansion and investment activities and to centralise the management of our overseas operations. We intend to identify potential targets that meet the following criteria: (i) located in developed countries and regions, including, among others, Western Europe, the United Kingdom, North America and Australia, and (ii) focus on certain specific fields, such as fashion, engineering, hospitality and business management. We believe that, with the addition of foreign schools to our portfolio and the internationalisation of our educational services, we will be able to offer high value-added education programmes and recruit quality students and teachers from all over the world, which will further enhance our education quality and brand image.

- *Expansion in China's vocational education industry*: Riding on our established experience in running our technical school, we plan to acquire technical schools with great potential in student enrolment growth and quality future development capabilities. We believe our comprehensive major offerings, job-oriented curriculum and close relationship with employers will help each acquired school improve its teaching quality and graduate employment rate, cultivating more qualified professionals to satisfy the demand in the labour market.

We intend to efficiently integrate the newly acquired or joined schools into our school network and implement our centralised management system to improve their operating efficiency, increase their school size, optimise their pricing strategies and improve the profitability of the Group as a whole. We believe that our schools have sufficient talent reserve, including a number of experienced senior or middle level management as well as teachers and administrative staff who are readily available for immediate dispatch to new schools to help us improve the management and teaching capabilities of the new schools within a brief period. Moreover, we believe that our comprehensive major offerings covering a broad range of disciplines and extensive experiences in education programme design and implementation will enable us to efficiently expand discipline coverage of new schools and effectively enhance their education quality. With respect to student recruitment, newly acquired or joined schools could immediately benefit from our broad student recruitment network covering all provinces, municipalities and autonomous regions in China, which, we believe, will improve their student recruitment both qualitatively and quantitatively. In terms of graduate employment, we will share our employment information and resources with all schools under our network. We believe our close relationship with over 400 enterprises will significantly benefit the new acquired or joined schools. Furthermore, we believe that our teaching management system and administrative information system could also be adopted by new schools and could realise online management of teaching affairs, dormitories, student recruitment and tuition payment, among others. We believe the adoption of such systems will improve the management efficiency and lower the operating costs of newly joined schools.

To support our expansion plan, we have a head office in Hong Kong and offices in Shanghai and Shenzhen to identify, assess and evaluate potential targets and implement our strategic investment plan. We have also established a management department to take charge of the post-acquisition integration and management of any acquired schools with our extensive internal support and resources in terms of teaching, student recruitment, employment, procurement, finance and information technology.

We believe we will be able to substantially increase our student enrolments and improve our profitability by adding new universities, junior colleges and vocational schools to our school portfolio and eventually become a global leading education group.

Optimise our pricing strategies and diversify our income sources

The level of tuition fees and boarding fees we charge is a significant factor that affects our profitability. Given our leading position in the private higher education industry in China, our outstanding reputation, our premium education quality and the strong demand for our services, we believe we will be able to optimise our pricing strategies without compromising our competitive edges.

During the Track Record Period, Jiangxi University of Technology raised its tuition fees from RMB11,000-RMB15,000 per year in the 2014/2015 school year to RMB11,000-RMB16,000 per year for certain bachelor's degree programmes in 2015/16 school year, and further raised it to RMB14,000-RMB18,000 in the 2016/17 school year. In addition, Guangdong Baiyun University raised its tuition fees from RMB18,000-RMB25,000 per year to RMB19,000-RMB26,000 per year for certain bachelor's degree programmes in the 2016/2017 school year. We have also been increasing the tuition fees of certain of our junior college diploma programmes.

For the upcoming 2017/2018 school year, Guangdong Baiyun University will raise its tuition fees from RMB19,000-26,000 per year in the 2016/2017 school year to RMB22,000-RMB30,000 per year for certain bachelor's degree programmes, and Jiangxi University of Technology will raise its tuition fees from RMB14,000-RMB18,000 per year in the 2016/2017 school year to RMB15,000-RMB20,000 per year for certain bachelor's degree programmes.

We believe, our growing popularity among prospective students will allow us to further increase our tuition fees in the future. Moreover, once our new campus in Guangzhou commence operation, we will be able to further increase our boarding fees given the better living conditions at the new campus. As advised by our PRC Legal Adviser, according to the relevant local regulations in Jiangxi province and Guangdong province, we retain discretion to adjust the tuition fees charged by our schools, and our schools are only required to make a filing with the relevant authorities regarding proposed tuition fee adjustments but are not subject to any approval requirements or pre-set limits on fee.

Historically, we have engaged Independent Third Parties to provide certain value-added services to our students' school life, such as meal catering services and on-campus entertainment services. To improve the quality of such services and to diversify our source of revenue and other income, we may consider enriching our service offering provided by WOFE to include such value-added services. Currently, we offer exam preparation courses to students to help them prepare for professional qualification exams and standardised tests. We plan to continue offering such services to our students and provide more tailored training programmes to cater for their needs. As our student enrolments and geographic coverage further increase, we expect that our revenue related to value-added services will continue to increase.

Leveraging our extensive experience and reputable school brands to provide management services to other schools

We believe that our long history of successful private school operation in China and the market recognition of our brand have significantly contributed to the success of our business. Maintaining and further utilising our rich experience and strong brand is critical to sustaining our competitive advantages. To achieve better return on assets, greater flexibility and higher scale-driven cost savings, other than expanding through acquisitions, we also seek to expand our school network by providing our management services to other schools. To be more specific, we plan to primarily implement entrusted management business model through cooperating with third party partners and leveraging and utilising our experience and brand. We intend to collaborate with third party partners, including, among others, other domestic schools, local governments and property developers, to operate schools or departments of schools utilising an entrusted management model. Through such cooperation, we expect potential third party partners to provide land use rights, necessary school buildings and facilities, relevant licence and human resources, while we will provide management consulting and supports covering teacher and staff training, curriculum design and implementation, student recruitment and internal control. In return for our management services and brand value, we expect to receive management fees paid by third party partners, subject to adjustments based on education results, student enrolment and profit surplus of the entrusted schools. We believe we will be able to expedite our expansion process efficiently and lower our costs with the entrusted management business model.

While we had not entered into any definitive agreements with any third party as of the Latest Practicable Date, we will continue to explore such potential cooperation opportunities.

OUR MISSION AND EDUCATIONAL PHILOSOPHY

Our mission is to pioneer excellence and innovation in education ("引領教育卓越與創新") and our fundamental educational philosophy is to prepare students for success through excellence and innovation in education ("以卓越和創新教育引領學生走向成功"). As an educational service provider, we are committed to providing industry-leading higher education to students in the PRC through student-centred teaching strategies and methods. We integrate education, research and application to produce practical and workforce-ready graduates from a broad range of academic programmes prepared to excel in a technologically driven world.

OUR SCHOOLS

Overview

During the Track Record Period, we operated two private universities in the PRC. These two universities offer in aggregate 80 bachelor's degree programmes and 32 junior college diploma programmes, covering nine bachelor's degree disciplines and 11 college diploma disciplines categorised by the MOE, respectively. All these programmes have been approved by the MOE. According to statistics published by the MOE, in 2016, these nine disciplines and 11 disciplines cover 97.7% undergraduate students and 91.9% junior college students in China, respectively.

After the Track Record Period, on 14 August 2017, we obtained control of Baiyun Technician College, which was established by Mr. Xie in 1996. Baiyun Technician College offers 108 vocational education programmes, consisting of five technician diploma programmes, 81 post-secondary vocational diploma programmes and 22 secondary vocational diploma programmes. Geographically, our schools are either located within the Pan-Yangtze River Delta Economic Zone or the Pan-Pearl River Delta Economic Zone. According to the Frost & Sullivan Report, undergraduate students in these two regions accounted for 33% of the total number of undergraduate students in China in 2016. Consisting of only eight provinces, municipalities, and autonomous regions, these two economically vibrant regions in China accounted for approximately 43% of the GDP of China in 2016, according to the Frost & Sullivan Report. These two regions have ample employment opportunities for students. In 2016, approximately 46% of all university graduates with a bachelor's degree in China were employed in the Pan-Yangtze River Delta Economic Zone and the Pearl River Delta Economic Zone, according to the Frost & Sullivan Report.

We set forth below some general information about our schools as of 31 August 2017, the end of the 2016/2017 school year.

School	Programme offerings	Approximate campus size	Academic structure
Universities			
Jiangxi University of Technology	35 bachelor's degree programmes and 31 junior college diploma programmes, including automobile service engineering, international economic and trade, civil engineering, materials science and engineering, mechanical engineering, and computer science and technology	1.3 million sq.m.	12 colleges and 15 research institutes

School	Programme offerings	Approximate campus size	Academic structure
Guangdong Baiyun University	45 bachelor's degree programmes and one junior college diploma programme, including mechanical design manufacturing and automation, business administration, electronic information engineering, logistics management, accounting, product design, fashion design and engineering, civil engineering, and Japanese	351.1 thousand sq.m.	16 colleges and six research institutes
Technical school			
Baiyun Technician College	108 vocational education programmes, including interior design, civil engineering, electromechanical integration, computer programming, computer network applications, accounting, e-commerce, culinary art, automotive testing and maintenance, and fashion design and marketing	61.8 thousand sq.m.	Nine academic departments and one research institute

Number of Students

During the Track Record Period, we operated two universities, namely Jiangxi University of Technology and Guangdong Baiyun University. The total number of our students was 61,981 in the 2013/2014 school year, 63,548 in the 2014/2015 school year and 63,367 in the 2015/2016 school year. After the Track Record Period, on 14 August 2017, we obtained control of Baiyun Technician College, after which the total number of our students increased to 75,255 in the 2016/2017 school year. The following table sets forth detailed information regarding the number of students enrolled in Jiangxi University of Technology, Guangdong Baiyun University and Baiyun Technician College in the 2013/2014, 2014/2015, 2015/2016 and 2016/2017 school years:

	Student enrolment			
	2013/2014*	**2014/2015***	**2015/2016***	**2016/2017***
Group	**61,981(1)**	**63,548(1)**	**63,367(1)**	**75,255(2)**
Jiangxi University of Technology(3)	**39,822**	**38,857**	**37,702**	**35,982**
Bachelor's degree programmes	18,904	21,242	21,765	20,288
Junior college diploma programmes	15,597	16,957	15,500	14,397
Continuing education programmes	5,321	658	437	1,297
Guangdong Baiyun University	**22,159**	**24,691**	**25,665**	**25,741**
Bachelor's degree programmes	15,444	17,024	16,918	16,963
Junior college diploma programmes	224	209	195	226
Continuing education programmes	6,491	7,458	8,552	8,552
Baiyun Technician College(4)	**12,944**	**12,820**	**14,016**	**13,532**
Secondary vocational diploma programmes	3,104	3,042	3,132	2,857
Post-secondary vocational diploma programmes	9,307	9,316	10,422	10,241
Technician diploma programmes	533	462	462	434

Notes:

* Despite the fact that our financial year ends on 31 December, our school year ends on 31 August. For the purpose of this document, we used 31 August as the cut-off date to present certain business operating data for each school year. Our business operating data presented in this table is based on the internal records of our schools.

(1) The total number of our students in the 2013/2014, 2014/2015 and 2015/2016 school years represents the total number of students of Jiangxi University of Technology and Guangdong Baiyun University.

(2) Total number of our students in the 2016/2017 school year is the total number represents students of Jiangxi University of Technology, Guangdong Baiyun University and Baiyun Technician College.

(3) The number of students enrolled in Jiangxi University of Technology in the 2014/2015, 2015/2016 and 2016/2017 school years decreased because the school had tightened its admission criteria since the 2014/2015 school year with a view to improving the overall quality of the students. In particular, since the 2014/2015 school year, Jiangxi University of Technology has raised the minimum admission requirement of Gaokao score of various programmes. This resulted in less eligible students (and, in turn, student enrolment) for the relevant programmes. We believe higher quality and better reputation can help us improve the level of fees we can charge per student, which in turn will further increase our profitability and strengthen our reputation in the long term.

(4) We obtained control of Baiyun Technician College after the Track Record Period on 14 August 2017. Baiyun Technician College also offers short-term training education programmes.

Capacity and Utilisation

The programmes we offer can be categorised into regular education programmes and continuing education programmes. Regular education programmes consist of bachelor's degree programmes and junior college diploma programmes offered by Jiangxi University of Technology and Guangdong Baiyun University and three vocational education programmes offered by Baiyun Technician College. In the 2016/2017 school year, 86.9% of our students were regular education programme students, while 13.1% of our students were continuing education programme students. Except during last school year when students do internships outside campus, we generally require our regular education programme students to live in school dormitories. As to continuing education programme students, we do not require them to live in school dormitories.

We believe the number of regular education students our dormitories are designed to accommodate is the most reasonable metric to estimate the capacity for our schools. As to continuing education students, there is no limit for school capacity in general.

We consider that the slight decrease in the overall student enrolment of Jiangxi University of Technology during the relevant school years did not have a significant impact on the utilisation of its teaching facilities, such as classrooms, libraries and laboratories, as most of these resources are utilised by the students on a shared basis.

The following table sets forth the capacity and utilisation rate of each of our schools based on regular education students for the 2013/2014, 2014/2015, 2015/2016 and 2016/2017 school years:

	School capacity(1)				School utilisation rate(2)			
	School year				School year			
	2013/2014*	2014/2015*	2015/2016*	2016/2017*	2013/2014*	2014/2015*	2015/2016*	2016/2017*
Jiangxi University of Technology	36,330	38,751	37,821	38,555	95.0%	98.6%	98.5%	90.0%
Guangdong Baiyun University	15,725	17,308	17,534	18,115	99.6%	99.6%	97.6%	94.9%
Total/weighted average	52,055	56,059	55,355	56,670	96.4%	98.9%	98.2%	91.5%
Baiyun Technician College(3)	13,256	14,653	14,706	14,507	97.7%	87.5%	95.3%	93.3%

Notes:

* Despite the fact that our financial year ends on 31 December, our school year ends on 31 August. For the purpose of this document, we used 31 August as the cut-off date to present certain business operating data for each school year. Our business operating data presented in this table is based on the internal records of our schools.

(1) We generally require our regular education programme students to reside in our school dormitories during their study at our schools except the last school year or when special circumstances arise, such as renovation of our school dormitories, that may require certain of our students to seek off-campus accommodation. To facilitate their off-campus internships, we usually do not require our regular education programme students in their last school year to live in school dormitories. The school capacity is calculated by us internally as the number of beds in student dormitories in each school year plus the number of graduating regular education programme students in each corresponding school year. We do not require continuing education programme students to live in school dormitories and therefore students enrolled in such programmes are not included in the school capacity, nor are included in the calculation of school utilisation rate.

The school capacity of Jiangxi University of Technology in the 2015/2016 school year decreased because certain of our student dormitories were being renovated. During the relevant period, certain of our students sought off-campus accommodation.

(2) The school utilisation rate is calculated by us internally as the number of our regular education programme students in each school year divided by the school capacity for each corresponding school year.

The school utilisation rate of Jiangxi University of Technology in the 2016/2017 school year decreased primarily because there was an increase in school capacity as a result of the construction of two new student dormitory buildings. We expect that the utilisation rate will slightly go up because Jiangxi University of Technology will gradually improve the living standard of the students by trying to accommodate less students per room.

(3) We obtained control of Baiyun Technician College after the Track Record Period on 14 August 2017.

The school utilisation rate of Baiyun Technician College in the school year 2014/2015 decreased primarily as a result of the relatively large number of students in their final school year; as such final year students were not required to reside in the school dormitories.

Our Directors consider that the capacity growth of our schools is primarily subject to our ability to further increase the number of beds in student dormitories and the availability of academic resources to substantiate an increase in student enrolment. Our Directors do not currently have plans to increase the capacity of the current campuses of our schools. Our Directors consider that the current campuses of our schools have limited potential for capacity growth as their layout, configuration and limited space available render it infeasible for the construction of more student dormitories. In view of this, we are currently developing a new school campus for our Guangdong Baiyun University on the Zhongluotan Land, which is expected to increase the capacity of Guangdong Baiyun University and academic resources to accommodate a further increase in student enrolment. We expect that the new campus will be fully developed in or around 2021. Once fully developed, the planned new campus is expected to have a site area of 498,000 sq.m. and accommodate approximately up to 26,000 students. Guangdong Baiyun University will also share part of the planned new campus with Baiyun Technician College and provide accommodation for certain students of Baiyun Technician College. See also “Business – Our Business Strategies – Develop new school campus to further increase our capacity and student body”.

Tuition Fees and Boarding Fees

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, we derived our revenue substantially from the tuition fees and boarding fees from two of our schools, namely Jiangxi University of Technology and Guangdong Baiyun University.

For other fees we charged, see the "Financial Information – Critical Accounting Policies, Judgements and Estimates." We usually require students to pay tuition fees and boarding fees for each school year at the beginning of that school year.

The following table sets forth the listed tuition fees and boarding fees of Jiangxi University of Technology, Guangdong Baiyun University and Baiyun Technician College (the control of which we obtained on 14 August 2017) for the 2013/2014, 2014/2015, 2015/2016 and 2016/2017 school years:

	Listed tuition fees in each school year[1]				Boarding fees in each school year			
	2013/2014	2014/2015	2015/2016	2016/2017	2013/2014	2014/2015	2015/2016	2016/2017
				(RMB)				
Jiangxi University of Technology								
Bachelor's degree programmes	8,000 ~ 14,000	11,000 ~ 15,000	11,000 ~ 16,000	14,000 ~ 18,000	850 ~ 1,200	1,000 ~ 1,200	1,000 ~ 1,300	1,480 ~ 1,680
Junior college diploma programmes	7,000 ~ 7,800	7,300 ~ 7,800	7,300 ~ 8,500	11,300 ~ 12,500	850 ~ 1,200	1,000 ~ 1,200	1,000 ~ 1,300	1,480 ~ 1,680
Continuing education programmes	6,000 ~ 7,800	7,300 ~ 7,800	7,300 ~ 7,800	7,300 ~ 7,800	N/A	N/A	N/A	N/A
Guangdong Baiyun University								
Bachelor's degree programmes	18,000 ~ 25,000	18,000 ~ 25,000	18,000 ~ 25,000	19,000 ~ 26,000	1,500	1,500	1,500	1,500
Junior college diploma programmes	30,000	30,000	30,000	30,000	1,500	1,500	1,500	1,500
Continuing education programmes	3,000 ~ 4,000	3,000 ~ 4,000	3,000 ~ 6,000	3,000 ~ 6,000	N/A	N/A	N/A	N/A
Baiyun Technician College[2]								
Post-secondary vocational diploma programmes	9,800 ~ 10,500	11,500 ~ 12,000	11,500 ~ 12,000	11,500 ~ 12,000	1,500	1,500	1,500	1,500
Secondary vocational diploma programmes	9,800 ~ 10,400	11,000 ~ 11,500	11,000 ~ 11,500	11,000 ~ 11,500	1,500	1,500	1,500	1,500
Technician diploma programmes	11,000	12,500	12,500	12,500	1,500	1,500	1,500	1,500

Notes:

(1) The tuition fees information shown above does not cover the tuition fees of short-term training education programmes offered by Baiyun Technician College, which provide trainings on specific skills or knowledge or preparation for professional certification examinations. For the 2014/2015, 2015/2016 and 2016/2017 school years, the tuition fees of our short-term training education programmes were generally RMB200 – RMB15,960, RMB200 – RMB16,240 and RMB200 – RMB18,000.

(2) We obtained control of Baiyun Technician College after the Track Record Period on 14 August 2017.

Our tuition fees and boarding fees had generally increased during the Track Record Period. We believe this is attributable to, among other things, a growing popularity among prospective students in recent years and outstanding employment rates of our graduates. For the upcoming 2017/2018 school year, Guangdong Baiyun University will raise the level of its tuition fees from RMB19,000 – RMB26,000 per year in the 2016/2017 school year to RMB22,000 – RMB30,000 per year for certain bachelor's degree programmes in the 2017/2018 school year, and Jiangxi University of Technology will raise the level of its tuition fees from RMB14,000 – RMB18,000 per year in the 2016/2017 school year to RMB15,000 – RMB20,000 per year for certain bachelor's degree programmes in the 2017/2018 school year. The increase in boarding fees or tuition fees only applies to new students in the 2017/2018 school year. We increase our tuition fees and boarding fees primarily because we want to provide our students with better educational services, employment opportunities and living standards, all of which require more capital and resources. At the same time, as mentioned above, our schools have, among other things, a growing popularity among prospective students and outstanding employment rates of our schools, which also leave some room for us to increase our tuition fees and boarding fees. We believe we have adopted fee adjustment policies suitable for the efficient operations and rapid development of our schools, and formed a healthy cycle for the development of our schools.

We have tuition fees and boarding fees refund policies in place with respect to students who leave during a school year. Generally speaking, if a student enrols and pays tuition fees and boarding fees but leaves the school before the end of that school year, we will refund the tuition fees and boarding fees for any remaining full academic months, calculated on a 10-academic-month basis. The following tables set forth (i) the number of drop out with respect to student enrolment in each school year; and (ii) the amount of refund with respect to tuition fees and boarding fees collected in each school year.

	Number of drop out with respect to student enrolment in each school year			
	2013/2014*	**2014/2015***	**2015/2016***	**2016/2017***
Jiangxi University of Technology	500	506	231	323
Guangdong Baiyun University	12	13	11	22
Total	512	519	242	345
Baiyun Technician College(1)	236	306	390	294

Notes:

* Despite the fact that our financial year ends on 31 December, our school year ends on 31 August. For the purpose of this document, we used 31 August as the cut-off date to present certain business operating data for each school year. Our business operating data presented in this table is based on the internal records of our schools.

(1) We obtained control of Baiyun Technician College after the Track Record Period on 14 August 2017.

	Refund with respect to tuition fees collected for each school year				Refund with respect to boarding fees collected for each school year			
	2013/2014*	2014/2015*	2015/2016*	2016/2017*	2013/2014*	2014/2015*	2015/2016*	2016/2017*
	(RMB)							
Jiangxi University of Technology	141,797	143,635	84,960	106,072	81,110	25,500	37,130	30,347
Guangdong Baiyun University	181,200	236,700	160,300	341,800	14,400	16,050	12,900	26,250
Total	322,997	380,335	245,260	447,872	95,510	41,550	50,030	56,597
Baiyun Technician College(1)	1,036,992	1,421,170	1,544,780	1,040,755	225,705	286,600	245,250	187,250

Note:

* Despite the fact that our financial year ends on 31 December, our school year ends on 31 August. For the purpose of this document, we used 31 August as the cut-off date to present certain business operating data for each school year. Our business operating data presented in this table is based on the internal records of our schools.

(1) We obtained control of Baiyun Technician College after the Track Record Period on 14 August 2017.

Jiangxi University of Technology

Jiangxi University of Technology obtained approval from the MOE for its establishment in 1999 under the name of Private Blue Sky Vocational and Technical College. In 2005, the school was approved by the MOE to offer bachelor's degree programmes and changed its name to Jiangxi University of Technology in 2012. As approved by the provincial education authorities in 2014, the university was listed as one of the two universities (and the only private university) for the pilot comprehensive education reform in Jiangxi province. The university's fundamental educational objectives are to benefit the nation through education and revitalise China through schooling ("以科教興國為己任,為振興中華而辦學"). After more than 17 years of schooling, the university has cultivated a wide base of graduates for the country. Jiangxi University of Technology has been ranked the first among private universities in China since 2009 by the Research Centre for China Science Evaluation (中國科學評價研究中心) and Evaluation Centre for China Education Quality of Wuhan University in association with nseac.com.

Curriculum and Degrees

Jiangxi University of Technology currently offers 35 bachelor's degree programmes and 31 junior college diploma programmes. All these programmes have been approved by the MOE. It generally takes four years of full-time study for students enrolled in our regular bachelor's degree programmes to complete their degree, while it generally takes three years of full-time study to complete our regular junior college diploma programmes. In addition, Jiangxi University of Technology also offers self-taught bachelor's degree programmes, which are part of our continuing education programmes and have the same duration as bachelor's degree programmes. For the 2016/2017 school year, we had 20,288 students enrolled in our bachelor's degree programmes, 14,397 students enrolled in our junior college diploma programmes, and 1,297 students enrolled in our continuing education programmes.

Jiangxi University of Technology also developed a "two platforms + N modules" talent cultivation system. "Two platforms" refers to public basic education platform and programme-based education platform; "N modules" refers to programme-related core competency modules, i.e. two to three programme-related abilities modules that are compatible with student cultivation plan based on the demands in corresponding industries. The public basic education platform is managed by the university, whereas programme-based education platform and programme-related core competency modules are managed by colleges and can be dynamically adjusted in respond to changes in the market. We believe that this carefully designed talent cultivation system enables us to allocate education resources more efficiently and gives flexibility.

We believe what our students ultimately take away from their education at Jiangxi University of Technology largely depends on the careful planning of our academic programmes. Jiangxi University of Technology takes into account its educational objectives and innovative spirit when designing appropriate course materials. We encourage our teachers to adopt innovative teaching methods and choose the course materials that fit their teaching methods and match the learning potential of the students. While we emphasise theoretical in-class teaching and learning, we also encourage our students to take practical courses or participate in internships to sharpen their practical skills.

Workplace simulation training programmes

We believe that knowledge and skills that can be immediately applied to workplaces after graduation are of great importance for students' future careers. As such, Jiangxi University of Technology has designed and founded the workplace simulation training programmes on the principle of teaching real-world practices so that graduates will enter workforce with experiences on par with what they would gain from years of on-the-job experience. As of 31 August 2017, the university has established over 10 simulation training centres and numerous laboratories in the campus. Among these simulation training centres, three of them, namely the Automobile Technology Centre (汽車技術中心), the Computer Technology Experimental Centre (電腦技術實驗中心) and the Mechanical Basics Experimental Centre (機械基礎實驗中心) are provincial experimental teaching demonstration centres. To ensure that students have sufficient practical training, the university also sets the minimum amount of credits students have to earn for practical training courses. Such minimum credits threshold varies in different programmes, ranging from approximately 25% to over 50% of the total credits a student has to earn to graduate. We believe that the establishment of the workplace simulation training programmes and the cooperation with enterprises provide students with abundant resources to receive practical trainings and get ready for their future work.

School-enterprise cooperation programme

Jiangxi University of Technology carefully selects enterprises with certain strength in various industries and cooperate with them to realise mutual benefit in terms of production, education and research. In order to promote the cooperation within the ecological circle, the university took into account the economic structure of Jiangxi province and established three corresponding research institutes or innovation centre to cooperate with enterprises in different industries, namely the Provincial-Level Cooperation and Innovation Centre of Automobile Engineering and Industry (省級汽車服務工程及產業升級協同創新中心), which was established by integrating the university's strength in automobile majors and mechanical engineering majors to cooperate with enterprise in modern manufacturing industries, the Provincial-Level Regional Economic Research Institute (省級區域發展研究院), and the Provincial-Level Natural Scenery

Research Institute (江西省名山文化藝術創作與傳播研究院). The automobile innovation centre is led by Mr. Guo Konghui, an academician of Chinese Academy of Engineering and China's leading authority in automobile engineering. We believe that, through such cooperation, the university is able to make use of the resources provided by the enterprises in the cultivation of students, while the enterprises are also able to recruit well-qualified students who are equipped with necessary skills desired by them, as well as benefit from the university's research and production capability.

A major type of cooperation with enterprises is joint cultivation of students. For example, Jiangxi University of Technology developed and designed the employer-tailored programme. Under this programme, enterprises communicate with the university about their specific requirements on their prospective employees. Students will take specifically tailored courses so that they can be trained to acquire necessary skills desired by such enterprises. The enterprises also designate relevant representatives to teach certain courses at the university. After certain courses are completed, the enterprises may invite students to do internships at those enterprises. For example, the university cooperated with PPG Paintings Trading (Shanghai) in the joint cultivation of automotive coating colourist for PPG. The joint cultivation emphasises on practical skills required in the industry. While teachers from the university instruct basic courses so that students can acquire basic knowledge and skills, PPG also designates representatives to teach some courses specifically related to PPG and provide guidance to students' practical trainings.

Another type of cooperation is the joint establishment of research platforms and doing joint researches. In general, enterprises provide research equipment and devices, while the university provides spaces for the establishment of research platforms. As of 31 August 2017, among the researches projects carried out, two of them were national level research projects. We consider that students involved in the research process not only can acquire practical knowledge and skills, but also get a deeper understanding on how researches are carried out and relevant methodologies, and we believe that this makes them more attractive to prospective employers than graduates without this experience. We believe that the establishment of these research platforms significantly increased the university's research capacity in applied technology. As of 31 August 2017, the university obtained 1,110 patents and jointly obtained copyright to 99 software. In addition, as of the same date, the university teaching staff and students had published over 3,000 academic papers. We believe our students' participation in scientific research and the publishing of academic papers in journals will increase their competency in the job hunting and future career when competing with students without this experience.

International programmes

In order to provide our students with necessary exposure to various cultures and opportunities to seek education overseas, Jiangxi University of Technology has established cooperation with 12 universities/educational organisations abroad as of 31 August 2017. For example, Jiangxi University of Technology features a project in which students may apply to study at an overseas university after completing certain years of study at Jiangxi University of Technology and meeting certain other requirements. After studying overseas for certain years/semesters and meeting certain requirements of the overseas university, students may be eligible to receive a bachelor's degree or master's degree, as the case may be, of that overseas university. As of the Latest Practicable Date, we had cooperation relationships with more than 30 overseas universities/educational institutions, including the Birmingham City University in the United Kingdom, the University of North Alabama in the United States, the ESC Rennes

School of Business in France, the University of Newcastle in Australia and the Ulsan University in South Korea. In the meantime, Jiangxi University of Technology also admit international students. As of the Latest Practicable Date, Jiangxi University of Technology had admitted 25 international students.

Examinations and Grade Assessment

In addition to written examinations, the university also takes into account students' performance in the courses they take in the whole semester, such as attendance, completion of assignments and class participation. Written examinations are not limited to traditional questions testing students' understanding on certain topics, but also include questions without a standard answer and that require a comprehensive set of skills, such as a case analysis, an invention, a creative solution to a real problem or a research report. The purpose of adopting this assessment mode is to implement a more comprehensive, objective assessment of the university's educational objectives by introducing multi-dimensional performance indicators, as opposed to a simple test of memorisation whether students have acquired certain knowledge.

Career Development

The university believes that career development is an integral part of the education services the university provides to students and of great importance both to the school operation and to students' future career. The university places emphasis on promoting graduate employment and endeavours to help students secure a job. The university provides courses that are aimed to provide students with ideas of and skills for career planning and encourage students to plan their future career as early as possible. In addition, the university has also cooperated with different enterprises to provide our students with potential internships and job opportunities. Moreover, the university also provides a wide range of employment-related services to students and organises various employment-related events, such as job fairs and training opportunities to enhance interview skills. When students approach the career planning committee for counselling services, the officers will offer career advice based on the student's personal interests and preference and fine-tune his or her education and career plans.

Student start-ups supporting programme

In addition to the traditional way to help students with their future employment, the university also encourages students to start their own business. To encourage students to establish their own business and as an important part of the university's entrepreneurial and innovation education, Jiangxi University of Technology established the Innovation Incubator to provide students with an array of guidance and support in turning a business idea into a reality. Jiangxi University of Technology was approved by Jiangxi Provincial Department of Science and Technology and Jiangxi Provincial Department of Education to establish the Provincial Science and Technology Park, being, according to the Frost & Sullivan Report, the only private higher education institution in Jiangxi province in doing so as of 30 June 2017. The Innovation Incubator can accommodate up to approximately 200 students to work there. As an important platform for the university's entrepreneurial and innovation education, in addition to hardware facilities, such as workspace, office equipment, computer servers and other hardware, the Innovation Incubator also from time to time invites entrepreneurial mentors to provide trainings and guidance to students who aspire to start their own business. In 2015, our entrepreneurial and innovation education was recommended by the National Education Reform Leadership Group of the State Council of the PRC to all provincial educational authorities and central higher education institutions in China as a successful example.

We believe that the success of our entrepreneurial and innovation education is not only evidenced by government's recognition, but also the successful experience of our own students. For instance, two of the graduates of Jiangxi University of Technology established their own business after graduation and successfully expanded their business through years of development. Both of them were named by certain media to be a leading university graduate entrepreneur. To express their appreciation to the university's education, both of them established scholarships in Jiangxi University of Technology, one of which is to encourage more students to start their own business.

In 2014, 2015 and 2016, the Initial Employment Rate of Jiangxi University of Technology was 88.3%, 88.4% and 88.1%, respectively. In contrast, China's overall Initial Employment Rate for higher education graduates was approximately 77.5%, 77.7% and 77.9%, respectively, in the same years, according to the Frost & Sullivan Report. We believe we were able to achieve a high employment rate for the university's graduating students primarily because of the carefully tailored academic programmes that we offer, the employment-oriented education approach, and the assistance we provide to our students in identifying potential employment opportunities.

School Facilities

The campus of Jiangxi University of Technology encompasses approximately 1.3 million sq.m. The university has a variety of campus facilities, such as classroom buildings, laboratory buildings, libraries, apartment buildings, track and field, gymnasiums, theatres and restaurants. Various campus facilities and school buildings together with natural landscape constitute a pleasant garden landscape style campus that provides our students with a desirable environment for their school life. School dormitories generally have 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 is generally available on the campus. Banking services, supermarkets, restaurants and canteens, telecommunication services, healthcare services, among others, are also available on the campus.

Guangdong Baiyun University

Guangdong Baiyun University obtained approval from the MOE for its establishment in 1999 under the name of Private Baiyun Vocational and Technical College. In 2005, Guangdong Baiyun University was established on the basis of Guangdong Baiyun Vocational and Technical College as one of the first two private universities that awarded bachelor's degrees in Guangdong province. Guangdong Baiyun University has positioned itself as a university of applied technology. In 2013, as a founding member, Guangdong Baiyun University established, together with other 34 universities or colleges in China, the Association of Universities (Colleges) of Applied Technology (應用技術大學(學院)聯盟) under the guidance of the MOE to respond to the PRC government's educational strategy to cultivate more talents with higher-level education in applied technology to serve the development of China's economy and society.

By adopting the "student-centred" education approach and with the support of the Guangdong Baiyun University's internationalisation and informatization strategy, it is committed to equip graduates with practical skills and capabilities desired by the development of emerging industries in Guangdong province and the strategic upgrade of Guangdong's economy. The ultimate goal of Guangdong Baiyun University is to establish a high-level university of applied technology and serve the social and economic development of Guangdong province.

Curriculum and Degrees

Guangdong Baiyun University has 16 colleges and offers 45 bachelor's degree programmes and one junior college diploma programme. All these programmes have been approved by the MOE. The programmes offered by Guangdong Baiyun University consist of bachelor's degree programmes, junior college diploma programmes, and continuing education programmes. It generally takes four years of full-time study for students enrolled in our regular bachelor's degree programmes to complete their degree, while it generally takes three years of full-time study to complete our regular junior college diploma programmes. Our continuing education programmes consist of adult bachelor's degree programmes and adult junior college diploma programmes, which have the same duration as bachelor's degree programmes and junior college diploma programmes, respectively. For the 2016/2017 school year, we had 16,963 students enrolled in the bachelor's degree programme, 226 students enrolled in the junior college diploma programme and 8,552 students enrolled in the continuing education programmes.

As a university of applied technology, Guangdong Baiyun University offers a broad range of applied technology programmes, including machinery manufacturing and automation, business administration, and art design, which we believe are in demand in Guangdong province. While requiring that all students take core courses in certain foundational skills that are fundamental to their later studies and helpful to their future endeavours, such as mathematics and English, Guangdong Baiyun University also emphasise teaching students practical skills and knowledge that can be immediately applied after graduation by providing a series of practical training and courses. We believe that carefully designed academic programmes and the education students received at Guangdong Baiyun University play a key role in students' future career and life. With 45 programmes offered across a span of applied technology and other industries, we believe Guangdong Baiyun University equips students with hands-on skills that will launch their careers in traditional and emerging industries.

Workplace simulation training programmes

As a university focussing on applied technologies, Guangdong Baiyun University strives to provide students with a simulated work environment so that they can gain knowledge and skills that can be immediately applied to workplaces after graduation and have a seamless transition between school studies and workplaces. To realise such educational goal, Guangdong Baiyun University has established a workplace simulation training platform on its campus based on the principles of building an enterprise-like simulated training environment by cooperating with enterprises and offering designed workplace simulation training courses.

School-enterprise cooperation programmes

Guangdong Baiyun University emphasises school-enterprise cooperation as we believe this education approach can maximise benefit of the university's education objectives. With a view to enhancing, among other things, the school-enterprise cooperation of Guangdong Baiyun University, Guangdong Baiyun University entered into an exclusive service agreement with Jiangxi University of Technology in December 2007. See the section headed "Business – Inter-School Cooperation." Leveraging the education capability and leading position of Jiangxi University of Technology, Jiangxi University of Technology has, over the years, promoted and facilitated a number of successful school-enterprise cooperation for Guangdong Baiyun University. Guangdong Baiyun University maintains a close relationship with certain enterprises and cooperates with them on areas such as joint student cultivation, joint research and development and internship placement and graduate employment, as the case may be.

Joint cultivation of students is an important part of school-enterprise cooperation. The university invites certain employers to review the university student cultivation plan and curriculum/programme design because we believe that employers are more sensitive in anticipating market trend and know better what type of knowledge and skills employers genuinely desire. In addition to reviewing student cultivation plan, the university also cooperated with enterprises and jointly established the employer-tailored programme. The student cultivation plan of this programme is tailored to each enterprises that participates in the programme based on the university's basic student cultivation plan. The university and the enterprises work together to recruit students and teach the relevant courses. The university's teaching staff usually focus on the development of students' fundamental capabilities and the dissemination of professional knowledge and skills, while representatives from the enterprises teach courses specifically related to the enterprises and the industry so that students can acquire specific knowledge and skills that are desired by the enterprises. In addition to joint teaching of courses, internship opportunities may also be available to students to reinforce what they have learned in class. We believe that the programme gives flexibility to the enterprises and students as either party may decide whether to enter into labour contract with each other after graduation.

This platform also aims to build up a dedicated team teaching and research staff and encourage its teaching staff to participate in various research activities to add an extra dimension of experience to their teaching, which we believe will ultimately benefit our students. As of 31 August 2017, the university teaching staff and students had published over 2,200 academic papers.

International programmes

Internationalisation is one of the university's key strategies. By cooperating with universities abroad, Guangdong Baiyun University hopes that advanced education philosophies, standards, and resources of its international partners can be introduced to the university's education. As of 31 August 2017, Guangdong Baiyun University had established cooperation with over 23 universities/educational organisations in different countries.

A principal area of cooperation under these cooperation agreements is degree earning programmes. Generally, students will study at Guangdong Baiyun University for certain semesters and then study at the corresponding overseas university for the remaining semesters after meeting certain other requirements. After students complete their study both in China and overseas, they may be eligible to receive a bachelor's degree from the overseas university or two bachelor's degrees from Guangdong Baiyun University and the overseas university. Upon meeting certain requirements, a master's degree may also be earned.

Examinations and Grade Assessment

Examinations are administered 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 consists of his or her performance in the written examinations and/or coursework assessment. The course work assessments consist of projects and other forms of assessment including students' participation in class discussions, their performance on written papers, homework and tests. The results of their internship evaluations and training and practical examinations also form a significant part of their final grades.

Career Development

We believe that career development is a key part of the university's operation, and high quality graduate employment is of vital importance to the university's future success. To facilitate students' career development, the university provides a wide range of services to students who seek employment or internship opportunities. In addition to providing a platform for students to gather and disseminate employment information, the school also strives to help students to explore the life, work and learning options available to them. When students approach the school for counselling services, the school will offer career advice based on the student's personal interests and career plans. The school also organises, job-search trainings and other employment-related events from time to time to equip our students with the desired skills.

In addition to helping students with their future career, the university also encourages students to try to start their own business. The university established a start-up incubator for the purpose of providing training and education relating to establishing a student start-up. The incubator provides hardware facilities and guidance to students with a view to supporting their business start-ups.

In 2014, 2015 and 2016, the Initial Employment Rate of Guangdong Baiyun University was approximately 96.2%, 96.6% and 96.1%, respectively. In contrast, China's overall Initial Employment Rate for higher education graduate was approximately 77.5%, 77.7% and 77.9%, respectively, in the same years, according to the Frost & Sullivan Report.

School Facilities

The campus of Guangdong Baiyun University encompasses approximately 351.1 thousand sq.m. and has a variety of campus facilities, such as classroom buildings, workplace simulation training studios, laboratories, libraries, restaurants, cafeterias, dormitories, gymnasiums, track and field, and courts (such as basketball, tennis and/or soccer courts). Facilities such as water heaters and air conditioners have been installed in school dormitories. Internet services are also available an the campus. The campus is currently undergoing a series of upgrades and construction to better serve the university's fundamental educational objectives.

To equip ourselves for the continuous development and the growing demand, we decided to expand our school capacity by establishing a new campus located at Zhongluotan town. We have obtained the land use right certificate for the 1st phase of the construction on the Zhongluotan Land with a site area of approximately 188,666 sq.m. We have obtained the construction permit with respect to a construction area of 101,074.6 sq.m. and have commenced the 1st phase construction of school building and facilities on the Zhongluotan Land. Barring unforeseen circumstances, our Directors expect that the construction of the campus will be completed in 2018 and put into operation in the 2018/2019 school year. The construction of the new campus takes into account the university's educational objectives and our actual need for the cultivation of talents and primarily focuses on the construction of practical training and teaching platforms, as well as innovation and entrepreneurship education platform. Our Directors believe that, after the new campus is put into use, the new campus and the existing campus will echo and compliment to each other. Our Directors also expect that the new campus will also accommodate our proposed relocation for certain of our properties as a pre-emptive rectification measure, see "– Properties" for details.

Baiyun Technician College

Baiyun Technician College obtained approval from the Guangzhou Municipal People's Government (廣州市人民政府) and the Guangzhou Ministry of Labour (廣東省勞動廳) for its establishment in 1996 under the name of Guangzhou Baiyun Technical School of Business and Technology. In 2005, the school was approved to be established as Baiyun Technician College by the Labour and Social Security Department of Guangdong Province. Baiyun Technician College adopts a market-oriented educational approach and is committed to cultivating well-rounded technicians with skills and knowledge that are desired by employers in the Pearl River Delta Region. After more than two decades of operations, Baiyun Technician College has cultivated a large number of graduate technicians. On 14 August 2017, we obtained control of Baiyun Technician College.

Curriculum and Professional Qualifications

Baiyun Technician College offers two types of educational programmes, namely vocational education programmes and short-term training education programmes. Vocational education programmes consist of five technician diploma programmes, 81 post-secondary vocational diploma programmes and 22 secondary vocational diploma programmes. For the 2016/2017 school year, Baiyun Technician College has 13,532 students enrolled in vocational education programmes. Short-term training education programmes mainly include training courses with respect to specific professional skills or knowledge or professional qualification examination preparation courses.

Baiyun Technician College invites certain enterprise partners to provide input to the curriculum design and make adjustment to the student cultivation plan. We believe that the participation of enterprises and education experts in curriculum development enables the school to offer flexible educational services that respond quickly to evolving market demand and help the school to realise its educational objective.

Due to the importance of professional qualifications to students' future career, Baiyun Technician College generally requires students enrolled in vocational education programmes to take corresponding professional examinations prior to their graduation from relevant vocational education programmes. As such, these students usually hold relevant professional qualification certificate when they graduate. In addition, Baiyun Technician College also encourages students to take the National Higher Education Entrance Examination for Adults for obtaining a bachelor's degree or a junior college diploma. We believe that the possession of professional certificates or higher degree/diplomas, in addition to their graduation certificates, will facilitate students' employment after their graduation and offer them competitive advantage in the beginning of their career.

School-enterprise cooperation programmes

As a vocational college, school-enterprise cooperation is a key educational strategy for Baiyun Technician College. With a view to enhancing, among other things, the school-enterprise cooperation of Baiyun Technician College, Baiyun Technician College entered into an exclusive service agreement with Jiangxi University of Technology in December 2007. See the section headed "Business – Inter-School Cooperation". Leveraging the education capability and leading position of Jiangxi University of Technology, Jiangxi University of Technology has, over the years, promoted and facilitated a number of successful school-enterprise cooperation for Baiyun Technician College. As of 31 August 2017, Baiyun Technician College has partnered with different enterprises such as BSH Home Appliances Service (Jiangsu) and Hilton Hotel Management Shanghai for the school-enterprise cooperation programmes.

As part of the joint education offered to our students, the college offers a employer-tailored programme. Under this programme, enterprises and the college will jointly select students for the programme, formulate tailored cultivation plan and design curriculum to reflect enterprises' specific requirements, teach courses and practical trainings and assess students' performance. In addition, the college cooperated with different enterprises with a view to providing potential internship placement and graduate employment opportunities. The college encourages students to perform well in their internships so that they can be retained by those enterprises for a permanent job.

Examinations and Grade Assessment

Examinations consist of tests/quizzes/assessments during each semester and a final comprehensive examination. Tests/quizzes/assessments during each semester refer to tests, quizzes or coursework assessments on specific topics or practical skills taught during course instruction in a specific semester, while final comprehensive examination refers to a final examination at the last week of a semester. The final grade a student receives for a particular course generally consists of his or her performance in these examinations/assessments and their class participation.

Career Development

The college places emphasis in assisting students on graduate employment. When students approach the college for counselling services, the staffs will offer tailored career advice based on the student's personal interests and preference and fine-tune his or her learning and career plans. The college also organises various, job-hunting trainings and other employment-related events from time to time. In addition to facilitating students' future career, helping students establish their own business is the other main focus of the college. The college has designed several courses relating to starting a business.

In 2014, 2015 and 2016, the Initial Employment Rate of Baiyun Technician College was approximately 99.3%, 99.4% and 99.4% respectively. In contrast, China's overall Initial Employment Rate for higher education graduate was approximately 77.5%, 77.7% and 77.9%, respectively, in the same years, according to the Frost & Sullivan Report.

School Facilities

Baiyun Technician College has various campus facilities, such as classroom buildings, workplace simulation training studios, laboratories, libraries, student admission and career services hall, multi-media rooms, canteens, student dormitories, gymnasiums, track and field and courts. Internet services can be accessed anywhere on the campus. The college has a dormitory management team to provide necessary services and to guarantee security. Student dormitories are surrounded by a series of recreational facilities so that students can conveniently enjoy a break from their intense study life.

OUR STUDENTS

Overview

We seek creative students who are passionate about applied technology and would like to take advantage of the opportunities we offer for growth in the classroom and in the real world. We admit students from all provinces in China.

Student Admission

Gaokao is the major channel for our universities to enrol students. Graduating high school students nationwide submit applications to several universities of their choice based on the scores they achieved in the Gaokao. Each province in the PRC sets its own standard levels of the Gaokao scores for different academic concentrations, and the universities in each province then evaluate and admit prospective students based on the respective scores and specific aspirations in students' applications, which usually rank universities in several categories with the first choice being the school the student wants to attend the most. Our student recruitment network covers all provinces, municipalities, and autonomous regions in China.

In addition to Gaokao, Jiangxi University of Technology was also approved by the provincial education bureau to admit junior college students through the Independent Enrolment for Higher Vocational Education (高職院校單獨招生). For high school graduates and graduates of secondary vocational schools who choose to apply for a junior college programme in Jiangxi University of Technology, apart from Gaokao, they can choose to take the independent enrolment exam administered by Jiangxi University of Technology.

Apart from the above two student admission channels, we also admit continuing education students mainly through the National Higher Education Entrance Examination for Adults. Similar to Gaokao, students will generally be admitted based on their grade in the National Higher Education Entrance Examination for Adults. See "Risk Factors – Risks Relating to Our Business and Industry – Our business is heavily dependent on our reputation and any damage to our reputation would materially and adversely affect our business. Negative publicity concerning our schools or our Group may adversely affect our reputation, business, growth prospect and our ability to recruit qualified teachers and staff" for further details.

With respect to student admission in relation to our vocational education offered by Baiyun Technician College, the school does not require the applicants to take any specific admission examinations, as the school generally accepts middle school graduates and high school graduates to apply to become enrolled in different programmes offered by Baiyun Technician College.

Our new student enrolment has historically been driven primarily by word-of-mouth referrals. Based on the feedback we received from our students and their parents, we believe they are generally satisfied with the high-quality education we provide and are therefore willing to help us attract more students through referrals. In addition, after decades of operations, we have built a wide base of alumni, who we believe have passionate and genuine emotional connections with our schools. Other than referrals, another major marketing effort is to participate in information sessions organised by provincial level education bureaus. A team of personnel has been designated in each of our schools to be responsible for student recruitment. Prior to Gaokao, these recruitment staff visit certain high schools in selected cities in Jiangxi province and Guangdong province to hold information sessions and recruit students for our schools. We believe that, as a result of our efforts in multiple student recruitment channels and the reputation of our high quality education services, the number of students applying our schools has been higher than the actual number of students we are able to enrol in recent years and the actual grades of the students we enrolled in various provinces were also higher than the minimum grade we may enrol.

OUR TEACHERS

Our Teaching Staff

We believe that our team of experienced and dedicated teachers are crucial to our success. As an operator of private schools, we believe that we can provide better incentives to independently recruit 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 also value the recognition bestowed upon our teachers who have achieved teaching excellence. As of 31 August 2017, we had 3,520 teachers (including the teachers of Baiyun Technician College, the control of which we obtained in August 2017).

As an education group that focuses on applied technology, we believe a team of double-qualification teachers is of great importance in realising our education objectives. Double-qualification teacher refers to full-time teachers with title of lecturer or above and certain professional qualification or industry experience. We consider that these teachers usually have industry experience and have a good command of practical skills and knowledge. As of 31 August 2017, we had 1,195 double-qualification teachers, representing 33.9% of the total number of our teachers. In addition, 97.3% of our teachers as of such date have a bachelor's degree or above, and 59.6% of our teachers have a master's degree or above.

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 usually consider his or her prior teaching experience, academic record, graduation certificate and reference letters as well as his or her performance in the interview. We also conduct background checks on our candidates during the recruiting process. We may also require applicants to teach a live class as part of his or her application process. From time to time we hire qualified teachers laterally from other public and private schools in the PRC.

Teacher Training

We provide our teachers with several types of trainings. Newly hired teachers usually undergo 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 order to give our teachers necessary exposure to the latest development of technologies in various industries, we also invite industry experts to provide trainings to our teachers and at the same time provide certain teachers with the opportunity to work in relevant companies.

Teaching Performance Evaluations

To ensure the quality of the educational services we provide to our students, we periodically conduct teaching performance evaluations. Each of our schools monitors the overall teaching quality from time to time and periodically conducts teaching evaluations to ensure and maintain our teaching standards, which include in-class observations, evaluation of our teachers' class preparation and/or the effectiveness of their classroom instructions. We may take into consideration the performance of each teacher when making decisions regarding their compensation and their career development in our schools.

As a private education institution, we believe we offer compensation to our teachers that is competitive relative to that offered by public schools. Compensation typically includes a base salary and a performance bonus, which is generally based on the teaching quality, performance of the students, work attendance and other factors.

OUR ONLINE EDUCATION PLATFORMS

With a view to providing better education services to our students and foster their better mastery of necessary knowledge and skills, other than traditional class education, our universities have also utilised online education platforms, such as MOOC (Massive Open Online Courses), and integrated such platform into our education. A major function of such online education platform is to allow our students to take certain courses through the internet and have access to various learning materials and resources. We believe our experience in the operation of our online education platform has laid a solid foundation for us in our exploration of other business models in the future as and when appropriate.

INTER-SCHOOL COOPERATION

We have, over the years, leveraged the education capability and leading position of Jiangxi University of Technology to promote inter-school cooperation and our school network. On 28 December 2007, Jiangxi University of Technology entered into an exclusive service agreement with each of Guangdong Baiyun University and Baiyun Technician College. The service agreements focus on enhancing two principal aspects of Guangdong Baiyun University and Baiyun Technician College, namely (i) inter-school cooperation with other education institutions (學校合作); and (ii) school-enterprise cooperation (校企合作). Under the service agreements, Jiangxi University of Technology shall provide each of Guangdong Baiyun University and Baiyun Technician College with opportunities for such cooperation and shall facilitate the fruition of such programmes. In particular, Jiangxi University of Technology shall introduce potential cooperation partners, help facilitate the communications and negotiations with potential cooperation partners, assist in the collection and transmission of related documents and facilitate other related arrangements.

Inter-school cooperation programmes may include the following areas of collaboration:

(i) school curriculum, such as joint curricula, mutual recognition of course credits and joint degrees;

(ii) cultural and academic exchanges, such as joint research programmes, exchange of research data, joint publication of research papers and journal articles, academic symposiums and lectures;

(iii) practical industry learning, such as internship opportunities, working vacation projects and summer camp programmes;

(iv) training, such as language enhancing classes and joint training centres; and

(v) student enrolment, such as mutual promotion of admission opportunities.

School-enterprise cooperation programmes may include the following areas of collaboration:

(i) customised curriculum, such as the development of courses and training materials in accordance with enterprise and industry demands, as well as related admission and curriculum arrangements;

(ii) industry research collaboration, such as enterprise internship opportunities, joint school-enterprise practical centres, joint industry research projects and enterprise commissioned research projects;

(iii) enterprise education support, such as the provision of training courses, facilities, software, hardware, technical guidance and scholarships by the enterprise;

(iv) academic exchanges, such as enterprise exchange programmes for teaching staff and the employment of enterprise employees as part-time teaching staff; and

(v) career support, such as priority in on-campus recruitment and recruitment priority for school graduates.

Pursuant to the exclusive service agreements, a consultancy fee is payable annually to Jiangxi University of Technology. Such consultancy fee is to be mutually determined by the parties primarily with reference to the number of inter-school programmes and/or school-enterprise cooperation programmes facilitated by Jiangxi University of Technology, an assessment on the significance of such opportunities in relation to school reputation and student employment and the resources committed by Jiangxi University of Technology. The annual consultancy fee is determined based on the multiple of (i) the number of cooperation projects undertaken by Jiangxi University of Technology; and (ii) the consultancy fee payable to Jiangxi University of Technology for each cooperation project, which may range from RMB10,000 to RMB2,000,000. The general formula adopted by the parties in determining the consultancy fee for each cooperation project is set out below:

$$\left(\begin{array}{c}\text{Estimated degree}\\ \text{of impact of the}\\ \text{cooperation}\\ \text{project to student}\\ \text{employment}\\ \text{opportunity}\\ \text{(0 to 10)}\end{array} + \begin{array}{c}\text{Estimated degree}\\ \text{of impact of the}\\ \text{cooperation}\\ \text{project to the}\\ \text{reputation of the}\\ \text{school}\\ \text{(1 to 10)}\end{array} \right) \times \begin{array}{c}\text{Estimated degree}\\ \text{of resources}\\ \text{committed by}\\ \text{Jiangxi University}\\ \text{of Technology to}\\ \text{the cooperation}\\ \text{project}\\ \text{(1 to 10)}\end{array} \times \begin{array}{c}\text{Cooperation}\\ \text{project basic fee}\\ \text{of RMB10,000}\end{array}$$

For each of the three years ended 31 December 2016 and the six months ended 30 June 2017, we had received consultancy fees from Baiyun Technician College pursuant to the exclusive service agreement amounting to approximately RMB14.1 million, RMB32.3 million, RMB47.2 million and RMB5.3 million, respectively. We obtained control of Baiyun Technician College in August 2017. See the section headed "History, Reorganisation and Corporate Structure – Obtaining Control of Baiyun Technician College". Going forward, we will no longer receive any consultancy fee income from Baiyun Technician College, and the financial statements of Baiyun Technician College will be consolidated into our Group's.

OUR SCHOOL MANAGEMENT

As disclosed in the sections headed "Business – Inter-School Cooperation" "History, Reorganisation and Corporate Structure – Inter-School Cooperation", our schools have a long history of inter-school cooperation and sharing of arrangements in terms of academic affairs, teaching, student recruitments and employment resources, from which we have acquired the capability to implement a comprehensive, efficient and centralised management function. Leveraging our experience accumulated over the years, we believe we will be well-positioned to implement the following centralised management functions through our WFOE and the Contractual Arrangements going forward:

- Curriculum development: a centralised curriculum development to coordinate the development and improvement of curricula to reflect the development trend of the higher education industry both in China and internationally;

- Student recruitment: a unified student recruitment and marketing network to be responsible for our student recruitment and marketing across all provinces, municipalities and autonomous regions in China;

- Career services: sharing of employment or internship information and resources among our schools to benefit our students with employment or internship opportunities;

- International courses sharing: International courses offered or to be offered at any of our schools, including University of Science and Technology we established in the United States, will accept across-registration by students from all our schools subject to applicable approvals; and

- Teacher training: centralising the teacher development with a view to building up a systematic training to our teachers to enhance their teaching ability and skills.

For the purpose of implementing the above management functions, our WFOE was set up initially with over 30 personnel with various professional backgrounds, including education, legal and compliance, business administration and accounting and finance. We believe that, by leveraging the experience of inter-school cooperation and sharing arrangements, we are well-positioned to develop a centralised management system for more efficient utilisation of resources and implementation of consistent strategies with a view to replicating this scalable business model to the new schools that may be included in our Group going forward.

At school level, each of our schools is managed on a day-to-day basis by its president, who is assisted by several vice presidents responsible for one or more specific aspects of our schools' operations. The board of director of each of our respective schools is responsible for the overall management and decisions on matters that are significant to each of our schools. We believe this management system allows us to maximise the capabilities of our teachers and administrative personnel to enhance the quality of education we provide and promote students' well-being.

In addition, counsellors (輔導員) are appointed to serve as a bridge between students and colleges. Counsellors are students' primary contact for questions and concerns they may encounter in their school life. Apart from providing support and guidance to students, counsellors are also responsible for educating students on the various rules formulated by our schools and colleges. Counsellors also regularly inspect the student dormitories to ensure orderly, safe, clean and healthy living conditions for our students and help students with social and behavioural issues. As of 31 August 2017, we have a team of 184 counsellors in Jiangxi University of Technology, 80 in Guangdong Baiyun University and 31 in Baiyun Technician College.

To promote operational efficiency and to reduce management costs, we place emphasis on the use of automated information systems that cover different aspects of our school management, teaching activities and student affairs. For example, Jiangxi University of Technology accepts payment of tuition fees through online payment platforms. In the 2016/2017 school year, more than 80% of the students in Jiangxi University of Technology effected payment of the tuition fees through the online payment platforms. Our schools also provide students with convenient services through a mobile platform where students may manage their new student enrolment process and be notified of various information relating to their campus life.

CAMPUS SERVICES

We provide a series of campus services to our students. Meal catering services and medical care services are two major services.

Meal Catering Services

We either operate meal catering services by ourselves or cooperate with catering services providers, who are all Independent Third Parties, for such services. In the case of cooperation with Independent Third Parties, we typically enter into cooperation agreements with a term ranging from one year to five years with such catering providers, setting forth the key terms of the cooperation. Under such arrangements, we provide premises required to the catering providers in return for a management fee. We generally expect catering providers to obtain relevant licences and permits required by the applicable laws and regulations. As advised by our PRC Legal Adviser, for the meal catering services provided by ourselves, we have obtained all material licences and permits required by the applicable laws and regulations. To ensure the food quality and safety, the meal catering services committee oversees the meal catering services and regularly inspect the daily operation of the dining halls at each school. For risks associated with meal catering services, see "Risk Factors – Risks Relating to Our Business and Our Industry – We could be liable and suffer reputational harm if a third-party service provider provides inferior food catering services harming our students, which may have a material adverse effect on our business and reputation."

Medical Care Services

We operate medical centres in each of our schools and provide medical care services to our students. As advised by our PRC Legal Adviser, we have obtained all material licences and permits required for operating medical centres by the 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 schools. 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.

THE DECISION ON AMENDING THE LAW FOR PROMOTING PRIVATE EDUCATION OF THE PRC

On 7 November 2016, the Decision on Amending the Law for Promoting Private Education of the PRC was approved by the Standing Committee of the National People's Congress, which became effective on 1 September 2017. It has made certain amendments to the Law for Promoting Private Education. According to the decision, 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. The following table sets forth key differences between a for-profit private school and a non-profit private school under the Decision on Amending the Law for Promoting Private Education:

Item	For-profit private school	Non-profit private school
Receipt of operating profits	Sponsors are allowed to receive operating profits, and the surplus from operations shall be handled in accordance with the provisions of the PRC Company Law and other laws and regulations	Sponsors are not allowed to receive operating profits, and all surplus from operations shall be used for the operation of the school
Licences and registration	Private school operating licences, business licences	Private school operating licences and legal person certificate of private non-enterprise/the legal person certificate of public institution
Fees to be charged	Determined based on school operating costs and market demands, and no prior regulatory approval is required	Determined pursuant to the fee charge regulations to be promulgated by the local governments
Tax treatment	Preferential tax treatment as stipulated by the State	Same preferential tax treatment as public schools
Land	Acquired either through land allocation or land transfer	Acquired through land allocation
Public funding	Public funding in the form of purchase of services, student loans, scholarships, lease or acquisition of unused State-owned assets	Public funding in the form of purchase of services, student loans, scholarships, lease or acquisition of unused State-owned assets, and government grants, incentive funds and donations
Liquidation	Liquidated in accordance with the provisions of the PRC Company Law. Sponsors can obtain the school's remaining assets after the settlement of the school's indebtedness	For schools established before the promulgation of the decision, if there are still remaining school assets after the settlement of school's indebtedness, such assets shall be used continuously for the operation of non-profit school. School sponsor can apply for compensation or rewards which shall be decided based on a number of factors

However, the Decision on Amending the Law for Promoting Private Education is silent on the specific measures regarding how existing private schools can choose to become for-profit private schools or non-profit private schools, which, according to the decision, shall be regulated by the corresponding laws and regulations to be promulgated by the local government authorities. As of the Latest Practicable Date, however, the local government authorities in Guangdong and Jiangxi provinces have not yet promulgated the corresponding detailed laws and regulations regarding the conversion of existing private schools into for-profit private schools or non-profit private schools.

In addition to the Decision on Amending the Law for Promoting Private Education, State-level government authorities also issued certain implementing rules. On 30 December 2016, five State-level government departments, including the MOE, jointly issued the *Implementing Measures on Classification Registration of Private Schools* (《民辦學校分類登記實施細則》) (the "**Classification Registration Rules**") without stipulating any definite time for their effectiveness. The Classification Registration Rules stipulates that if an existing private school chooses to register as a non-profit private school, it shall amend its articles of association in accordance with the relevant laws, continue its school operation and complete the new registration formalities. If an existing private school chooses to register as a for-profit private school, it shall make financial settlement, clarify the ownership of the schools' land, buildings and accumulations with the consent of the relevant departments of the people's governments at or below the provincial level, pay relevant taxes and fees, obtain new school operation licences, apply for re-registration and continue the school operations. The Classification Registration Rules also stipulates that the provincial people's government shall be responsible for formulating the detailed measures on the alteration of the registration of the private schools in accordance with national laws and various applicable local circumstances. There are also other State-level regulations, such as the *Implementing Measures for the Supervision and Administration of For-profit Private Schools* (《營利性民辦學校監督管理實施細則》), which was published on 30 December 2016 and sets forth detailed measures regarding the establishment, modification and termination of a for-profit private school, education and teaching related activities carried out by and financial management of a for-profit private school, and the Notice of the State Administration for Industry and Commerce and the Ministry of Education on the Registration and Administration of the Name of For-Profit Private School 《工商總局、教育部關於營利性民辦學校名稱登記管理有關工作的通知》. For further details, see "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."

As a result of the foregoing analysis, there are uncertainties regarding the interpretation and application of the Decision on Amending the Law for Promoting Private Education with respect to various aspects of the operations of private schools, such as (i) procedures to be undergone for private schools to become for-profit private schools or non-profit private schools, (ii) respective preferential tax treatment which may be enjoyed by for-profit private schools and non-profit private schools, and (iii) extra costs for-profit private schools may incurred. Accordingly, as of the Latest Practicable Date, we were not able to accurately quantify the potential impact on our business operations at the current stage. Due to such uncertainties and the lack of detailed measures promulgated by Jiangxi and Guangdong provinces in relation to the implementation of the Decision on Amending the Law for Promoting Private Education and its related regulations, as of the Latest Practicable Date, the schools of our Group had not yet chosen to register either as a for-profit private school or a non-profit private school under Decision on Amending the Law for Promoting Private Education and Classification Registration Rules. Our PRC Legal Adviser is of the opinion that, since the

Decision on Amending the Law for Promoting Private Education and its related regulations do not specify any clear deadline for existing private schools to carry out such registrations, each of Guangdong Baiyun University, Baiyun Technician College and Jiangxi University of Technology would not violate the Decision on Amending the Law for Promoting Private Education and its related regulations for not choosing the type of registration at the current stage. For risks associated with the Decision on Amending the Law for Promoting Private Education and new regulations in general that may impact our industry and/or our schools, see "Risk Factors – Risks Relating to Our Business and Our Industry."

With a view to understanding the impact of the Decision on Amending the Law for Promoting Private Education on Guangdong Baiyun University, particularly with respect to the renewal process of its private school operating licence, on 31 October 2017 we consulted the Education Department of Guangdong Province (廣東省教育廳) (the competent authority supervising the operations of Guangdong Baiyun University). Guangdong Baiyun University is currently in the process of renewing its private school operating licence that is due to expire in December 2017. During the consultation, we were given to understand that (i) the renewal process of the private school operation licence is similar to past practice; (ii) Guangdong Baiyun University is not required to choose to register as a for-profit private school or a non-profit private school during its licence renewal process; and (iii) the new private school operating licence of Guangdong Baiyun University is expected to be issued in December 2017 provided that the necessary application materials for licence renewal have been submitted.

In addition, we were also advised by the Education Department of Guangdong Province that, since Guangdong Baiyun University is unable to choose the type of registration at the current stage due to the lack of detailed implementation measures in Guangdong province, (i) Guangdong Baiyun University will be deemed as a non-profit private school for the time being; (ii) Guangdong Baiyun University will not be required to make amendments to the school's articles of association; (iii) Guangdong Baiyun University can choose to register either as a for-profit private school or a non-profit private school in accordance with the implementation rules to be promulgated by Guangdong province; and (iv) Guangdong Baiyun University can continue to carry out its existing school operations as usual before the detailed implementation measures are promulgated by government authorities in Guangdong province.

With a view to understanding the impact of the Decision on Amending the Law for Promoting Private Education on Baiyun Technician College, particularly with respect to the renewal process of its private school operating licence, on 14 November 2017, we consulted the Guangzhou Human Resources and Social Security Bureau (廣州市人力資源和社會保障局) (the competent authority supervising the operations of Baiyun Technician College). The private school operating licence of Baiyun Technician College is due to expire in August 2020. During the consultation, we were given to understand that (i) prior to the promulgation of the detailed measures implementing the Decision on Amending the Law for Promoting Private Education by the relevant authorities of Guangdong province, Baiyun Technician College will not be required to choose to register as a for-profit private school or a non-profit private school, and its operations will not be subject to any material change; (ii) it is currently uncertain whether Baiyun Technician College will be required to register as a for-profit private school or a non-profit private school upon renewal of its private school operating licence. If the detailed implementation measures have been promulgated at the time of the licence renewal, the renewal process will be subject to such measures. Otherwise, instructions from the provincial government should be sought; (iii) the ability of Baiyun Technician College to operate as a private school will not generally be affected by not choosing to register as a for-profit private school or a non-profit private school at the current stage; (iv) the requirement to amend the school's articles of association will be subject to the detailed implementation measures, or prior to the promulgation of such measures, the policies of the provincial government and bureaus; and (v) in the event that the detailed implementation measures have not been promulgated at the time Baiyun Technician College renews its private school operating licence, and Baiyun Technician College is unable to register as a for-profit private school or a non-profit private school, its operations shall maintain the status quo.

With a view to understanding the impact of the Decision on Amending the Law for Promoting Private Education on Jiangxi University of Technology, particularly with respect to the renewal process of its private school operating licence, on 13 November 2017, we consulted the Education Department of Jiangxi Province (the competent authority supervising the operations of Jiangxi University of Technology). Jiangxi University of Technology is currently in the process of renewing its private school operating licence that is due to expire in 2018. During the consultation, we were given to understand that (i) prior to the promulgation of the detailed measures implementing the Decision on Amending the Law for Promoting Private Education by the relevant authorities of Jiangxi province, Jiangxi University of Technology will not be required to choose the type of registration; (ii) if Jiangxi University of Technology does not choose the type of registration before the promulgation of such detailed measures, it will be deemed as a non-profit private school, its current school operations will not be affected, and its article of association will not be required to be amended; and (iii) if the renewal of its private school operation licence occurs prior to the promulgation of such detailed measures, the renewal process will be similar to past practice and Jiangxi University of Technology will not be required to choose the type of registration during the renewal process.

With a view to understanding the impact of the Decision on Amending the Law for Promoting Private Education on our schools from the PRC tax perspective, on 13 November 2017 and 14 November 2017, we consulted Guangdong Province Guangzhou Baiyun District Bureau of Local Taxation (廣東省廣州市白雲區地方稅務局) (which, as advised by our PRC Tax Consultant, is the competent tax authority with respect to Guangdong Baiyun University and Baiyun Technician College) and Jiangxi Province Nanchang Qingshan Lake District Bureau of Local Taxation (江西省南昌市青山湖區地方稅務局) (which, as advised by our PRC Tax Consultant, is the competent tax authority with respect to Jiangxi University of Technology), respectively. During the consultations, we were given to understand that (i) the new tax laws and regulations relating to the Decision on Amending the Law for Promoting Private Education were not yet available; (ii) due to the lack of detailed measures implementing the Decision on Amending the Law of Promoting Private Education and the relevant tax laws and regulations, at the current stage, the tax treatment for private schools follows existing tax regulations and practice; and (iii) at the current stage, the non-profit income (非營利性收入) of our schools is still entitled to non-taxable enterprise income tax treatment. On 1 December 2017, our PRC Tax Consultant consulted Guangdong Province Guangzhou Baiyun District Bureau of Local Taxation and Jiangxi Province Nanchang Qingshan Lake District Bureau of Local Taxation. As confirmed by our PRC Tax Consultant, during such consultations, the relevant officials have confirmed our understanding set out above.

We are closely monitoring the development of the regulatory environment in Guangdong and Jiangxi provinces and will select the type of registration after detailed measures are promulgated by the relevant authorities in Guangdong and Jiangxi provinces addressing the uncertainties regarding the interpretation and application of the Decision on Amending the Law for Promoting Private Education and the related regulations.

COMPETITION

The educational services market in China is rapidly evolving, highly fragmented and competitive. We face competition primarily from public schools and other private higher education institutions in China. We also compete directly with public and other private higher education institutions in Jiangxi province and Guangdong province, where we operate our schools. We believe our principal competitive advantages include, among others:

- the reputation of each of our schools;
- our extensive operating experience;
- the effectiveness and completeness of our educational and practical training-focussed programmes;
- the high employment rate of our graduates and the extensiveness of the career planning guidance we provide;
- the scope and quality of our education programmes, services and major offerings;
- the abundance of internship, practice and training opportunities we are able to provide to our students;
- our cooperation with overseas schools to obtain high-quality educational resources;
- overall student experience and satisfaction;
- students' academic performance; and
- our ability to attract and retain highly qualified teachers.

We expect the competition in the private education market to persist and intensify. We believe we are able to compete effectively due to our strong reputation and established programmes. Our large size of student enrolment also enables us to compete effectively by achieving economies of scale. We had over 50,000 students as of 31 August 2017. According to Frost & Sullivan, we are among the few private higher education groups in China with an ultra-large student body of over 50,000. Upon the Listing, we expect that we will become the largest education group listed on the Stock Exchange in terms of student size. However, some of our existing and potential competitors, especially public schools, 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 may 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 from existing players and industry consolidation 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," "Industry Overview – Competitive Landscape of the Private Higher Education Industry in China" and "Industry Overview – Competitive Landscape of the Private Technical School Industry in China" for more information.

CUSTOMERS AND SUPPLIERS

Our customers are primarily 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 December 2014, 2015 and 2016 and the six months ended 30 June 2017.

Our suppliers primarily comprise book suppliers, teaching equipment vendors, human resources services providers, equipment and materials vendors. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, purchases from our five largest suppliers amounted to RMB27.5 million, RMB31.2 million, RMB23.7 million and RMB3.1 million, respectively, which represented 6.7%, 7.5%, 5.9% and 1.9% of our total cost of revenue in the same period. During the same periods, purchases from our largest supplier amounted to RMB11.6 million, RMB8.7 million, RMB7.0 million and RMB0.7 million, respectively, which represented 2.8%, 2.1%, 1.7% and 0.4% of our total cost of revenue in the same period. None of our Directors, their respective close associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, has any interest in any of our five largest suppliers during the Track Record Period and up to the Latest Practicable Date. Guangzhou Yuntao Education Technology Company Limited (廣州雲濤教育科技有限公司), one of our top five suppliers during the year ended 31 December 2016, had been owned as to 70% by Ms. Xie Shaohua (our executive Director) and as to 30% by the spouse of Mr. Xie (our executive Director and a Controlling Shareholder) until May 2017, when they disposed their equity interests to Independent Third Parties.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we owned 1,142 patents, 99 software copyrights, three trademarks and two trademark registration applications in the PRC. In addition, as of the Latest Practicable Date, we had made four trademark registration applications in Hong Kong. As of the Latest Practicable Date, we owned 40 domain names. As of the Latest Practicable Date, we had no copyrights or patents which we consider to be or may be material to our business, results of operations or financial condition. See the section headed "Appendix V – B. Further Information about our Business – 2. Intellectual property rights" for more information.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any intellectual property infringement claims that had any material impact on our Group. See 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" for the risks that we may face in this respect.

We carry on business in Hong Kong under "ChinaEdu 中教常春藤" which is different from our name "China Education Group Holdings Limited 中國教育集團控股有限公司" due to a third-party company having the same name that already exists in the index of company names kept by the Registrar of Companies in Hong Kong. To minimise the possible risks arising from potential trademark infringement and/or passing off claims and any application for interlocutory injunctive relief based on such claims, we have resolved to adopt the following mitigating measures:

(i) We carry on business in Hong Kong under the name "ChinaEdu 中教常春藤" as approved by and registered with the Registrar of Companies in Hong Kong;

(ii) We will adopt measures (such as putting prominent notices on the website of our Company) to ensure that our Company is properly referred to as a Cayman Islands incorporated company carrying on business in Hong Kong as "ChinaEdu 中教常春藤".

For more information, see the section headed "History, Reorganisation and Corporate Structure."

AWARDS AND RECOGNITIONS

We have received numerous 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 have received:

Year	Award/Accreditation	Awarding Organisation(s)	Awarded Entity
2002	Outstanding National Professional Education Institution (全國職業教育先進單位)	MOE, MOHRSS, State Economic and Trade Commission	Jiangxi University of Technology
2002	Outstanding National Professional Education Institution (全國職業教育先進單位)	MOE, MOHRSS, State Economic and Trade Commission	Baiyun Technician College
Ten consecutive years from 2005 to 2014	Ranked No. 1 in terms of overall competitive strengths among top 10 private universities and colleges in Guangdong province (廣東高等教育院校(民辦)競爭力10強第一名)*	Guangdong Provincial Academy of Social Sciences and Guangdong General Survey and Research Centre	Guangdong Baiyun University
2004	National Youth Entrepreneurship Training Base (全國青年創業培訓基地)	Central Committee of the Communist Youth League	Baiyun Technician College
Seven consecutive years from 2008 to 2014	Ranked No. 1 in terms of educational competitive strengths among technical schools in Guangdong province (廣東技工教育競爭力20強第一名)*	Guangdong Provincial Academy of Social Sciences and Guangdong General Survey and Research Centre	Baiyun Technician College
From 2009 to present	Ranked No. 1 in terms of overall competitive strengths in the Private University and College Ranking of China (中國民辦院校綜合競爭力排行榜第一名)	China Scientific Evaluation Research Centre and China Education Quality Evaluation Centre of Wuhan University in association with nseac.com	Jiangxi University of Technology
2009	National Outstanding Organisation in Higher Education Graduates Employment Affairs (全國普通高校畢業生就業工作先進集體)	MOE	Guangdong Baiyun University
2011	National Outstanding Private Enterprise for Employment and Social Security (全國就業與社會保障先進民營企業)	MOHRSS, All-China Federation of Trade Union and All-China Federation of Industry and Commerce	Jiangxi University of Technology
2015	National Outstanding Social Organisation (全國先進社會組織)	Ministry of Civil Affairs	Jiangxi University of Technology

Note:

* So far as our Directors are aware, there is no public disclosure of such ranking from 2015 onwards.

EMPLOYEES

We had 4,104 employees as of 31 December 2014, 4,142 as of 31 December 2015, 3,975 as of 31 December 2016 and 3,784 as of 30 June 2017, respectively. After obtaining control of Baiyun Technician College on 14 August 2017, the number of our employees increased to 4,617. Substantially all of our employees are located in Jiangxi and Guangdong provinces. The following table sets forth the total number of employees by function after the obtaining control of Baiyun Technician College as of 31 August 2017, the end of the 2016/2017 school year:

Function	Number of Employees	% of Total
Executive Directors and senior management	6	0.1%
Teachers(1)	3,520	76.2%
Teaching support staff	119	2.6%
Administrative staff	485	10.5%
Accounting and internal control staff	36	0.8%
Campus security staff	87	1.9%
Other staff(2)	364	7.9%
Total	4,617	100.0%

Notes:

(1) Including 295 teachers who also serve as counsellors and 208 part-time teachers.

(2) Other staff mainly include logistic service staff.

Each of our schools has established a labour union and our employees may join the labour union of their respective school voluntarily. As confirmed by our Directors, during the Track Record Period, we had not experienced any material labour dispute.

As required by the PRC laws and regulations, we are required to participate in the employee social welfare plan administered by local governments. Such plan consists of housing provident fund, pension, medical insurance, social insurance, maternity insurance and unemployment insurance. According to relevant PRC laws and regulations, the amount we are required to contribute for each of our employees under such plan 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.

Our PRC Legal Adviser advises us that (i) for overdue contributions prior to the effectiveness of the Social Insurance Law of the PRC on 1 July 2011, relevant authorities may require us to pay the outstanding amount within a prescribed time limit, and if we fail to make the overdue contributions within such time limit, an additional late payment penalty at daily rate of 0.2% of the outstanding amount may be imposed; and (ii) for overdue contributions after 1 July 2011, relevant authorities may require us to pay, within a prescribed time limit, the outstanding amount with an additional late payment penalty at the daily rate of 0.05%, and if we fail to make the overdue contributions within such time limit, a fine equal to one to three times the outstanding amount may be imposed.

Our PRC Legal Adviser advises us that pursuant to the Regulations on the Management of Provident Fund, an employer shall make full contribution to the housing provident fund on a timely manner and shall not make overdue contribution or inadequate contribution. If an employer does not make such contribution when it is due or makes inadequate contribution to the housing provident fund, the relevant housing provident management centre shall order such employer to make supplemental contributions within stipulated period. If such employer does not make such contributions within the stipulated period, an enforcement application can be made to the people's court.

Jiangxi University of Technology

Social insurance

During the Track Record Period, Jiangxi University of Technology had made contributions to the social insurance plan for its employees based on a standard accepted by the local authorities, instead of the actual salary level of the employees as prescribed by relevant PRC laws and regulations.

Nanchang Social Insurance Management Centre (南昌市社會保險管理中心) issued a certifying letter confirming that it is the competent authority for issuing such letter and even though Jiangxi University of Technology had not made contributions to the social insurance plan based on the actual salary level of its employees, they accepted the basis on which Jiangxi University of Technology had made contributions to the social insurance plan.

In June 2017, our PRC Legal Adviser consulted the Nanchang Social Insurance Management Centre, which confirmed that (i) it did not find any violation of laws and regulations by Jiangxi University of Technology in terms of social insurance registration and the making of contributions; and (ii) it will not impose penalty or compel Jiangxi University of Technology to make supplementary contributions for not making contributions to the social insurance plan based on the actual salary level of its employees.

Our Directors confirm that as of the Latest Practicable Date, Jiangxi University of Technology had never received any written notice from social insurance authorities requiring the university to make contributions within a stipulated time period or make supplementary contributions. We undertake in the event that competent social insurance authorities require Jiangxi University of Technology to make contributions within a stipulated time period or make supplementary contributions and overdue fine, we will ensure the university will duly comply on a timely manner.

Based on the above, our PRC Legal Adviser is of the view that (i) Nanchang Social Insurance Management Centre is the competent authority to issue such certifying letter and to provide such confirmations during the interview, and (ii) the risk of Nanchang Social Insurance Management Centre initiating any actions to compel Jiangxi University of Technology to make supplementary contributions to the social insurance plan and imposing any fine on Jiangxi University of Technology is remote.

Jiangxi University of Technology employs foreign teachers from time to time. As advised by our PRC Legal Adviser, PRC entities are required under the Tentative Measures on Participation in Social Insurance of Foreigners Employed in China (在中國境內就業的外國人參加社會保險暫行辦法) to make social insurance contributions for the foreigners under their employment. As of the Latest Practicable Date, Jiangxi University of Technology did not make social insurance contributions for seven foreign teachers. The aggregate amount of contribution that Jiangxi University of Technology had not made for foreign teachers was less than RMB0.1 million for each of the three years ended 31 December 2016 and the six months ended 30 June 2017, respectively. Although our PRC Legal Adviser advises that there may be consequences of such non-compliance, our Directors do not consider that such non-compliance will have any material adverse effect on our financial position given the small number of foreign teachers involved and the insignificant amounts of social insurance contribution concerned.

Housing provident fund

During the Track Record Period, Jiangxi University of Technology had not made contributions to the housing provident fund for some of its employees, and had not made such contributions based on the actual salary level of the employees as prescribed by relevant PRC laws and regulations.

Nanchang Housing Provident Fund Management Centre (南昌住房公積金管理中心) issued a certifying letter confirming that as of the date of the certifying letter, Jiangxi University of Technology had been in compliance with relevant laws and regulations relating to housing provident fund and had not been subject to any penalty due to any violation of relevant laws and regulations relating to housing provident fund.

In June 2017, our PRC Legal Adviser consulted the Nanchang Bureau of Housing Security and Real Estate Management (南昌市住房保障和房產管理局), which confirmed that (i) as of the date on which the interview was conducted, it had not found any violation of laws and regulations relating to the registration of and the making of contribution to the housing provident fund by Jiangxi University of Technology; and (ii) Jiangxi University of Technology will not be penalised or ordered to make supplementary contributions for not making contributions for certain of its employees or for making contributions based on a standard that is higher than the minimum required even though it was not based on the actual salary level of its employees as prescribed by relevant PRC laws and regulations.

Our Directors confirm that as of the Latest Practicable Date, Jiangxi University of Technology had never received any written notice from the competent housing provident fund authorities ordering the university to make contribution within a stipulated period or make supplementary contributions. We undertake in the event that competent housing provident fund authorities inform Jiangxi University of Technology to make contribution within a stipulated time period or make supplementary contributions and pay overdue fine, we will ensure the university will duly comply on a timely manner.

Based on the above, our PRC Legal Adviser is of the view that (i) Nanchang Housing Provident Fund Management Centre is the competent authority to issue such letter and to make such confirmations, and (ii) the risk of Nanchang Housing Provident Fund Management Centre initiating any actions to compel Jiangxi University of Technology to make supplementary contributions to the housing provident fund and imposing any fine on Jiangxi University of Technology is remote.

Guangdong Baiyun University and Baiyun Technician College

Social insurance

During the Track Record Period, Guangdong Baiyun University and Baiyun Technician College had not made contributions to the social insurance plan for some of their employees, and had not made such contributions based on the actual salary level of the employees as prescribed by relevant PRC laws and regulations.

In August 2017, our PRC Legal Adviser consulted the Guangzhou Human Resources and Social Security Bureau (廣州市人力資源和社會保障局), which confirmed that (i) it did not find violation of PRC laws and regulations in relation to the social insurance by Guangdong Baiyun University and Baiyun Technician College in the past three years; (ii) the percentage of the contributions and the basis for making such contributions by Guangdong Baiyun University and Baiyun Technician College are in compliance with the PRC laws and regulations in relation to the social insurance; (iii) if a relevant complaint is received, it will request Guangdong Baiyun University or Baiyun Technician College (as the case may be) to comply with the applicable requirements, but will unlikely impose any penalty provided that the relevant school proactively adopts remedial measures; and (iv) as of the date of the interview, neither Guangdong Baiyun University nor Baiyun Technician College had been investigated, penalised or ordered to make supplementary contributions due to the entities' violation of PRC laws and regulations in relation to the social insurance.

Guangdong Baiyun University and Baiyun Technician College confirm that (i) in July 2017, they voluntarily adjusted the basis of making contributions to the social insurance plan for the employees, which have since covered all employees and conformed to the standard required by the PRC and local laws and regulations; and (ii) as of the Latest Practicable Date, they had never received any written notice from any competent social insurance authority ordering them to make contributions within any stipulated period or make supplementary contributions. We undertake to make contributions or make supplementary contributions should Guangdong Baiyun University or Baiyun Technician College receive any such request from any competent social insurance authority.

Based on the above, our PRC Legal Adviser is of the view that (i) Guangzhou Human Resources and Social Security Bureau is the competent authority to make such confirmations; and (ii) the risk of Guangzhou Human Resources and Social Security Bureau initiating any actions to compel Guangdong Baiyun University or Baiyun Technician College to make supplemental contributions to the social insurance plan and imposing any fine on Guangdong Baiyun University or Baiyun Technician College is remote.

Guangdong Baiyun University employs foreign teachers from time to time. As advised by our PRC Legal Adviser, PRC enterprises are required under the Tentative Measures on Participation in Social Insurance of Foreigners Employed in China (在中國境內就業的外國人參加社會保險暫行辦法) to make social insurance contributions for the foreigners under their employment. As of the Latest Practicable Date, Guangdong Baiyun University did not make social insurance contributions for eight foreign teachers. The aggregate amount of contribution that Guangdong Baiyun University did not make for foreign teachers was approximately RMB0.2 million, RMB0.2 million, RMB0.1 million and RMB0.1 million for each of the three years ended 31 December 2016 and the six months ended 30 June 2017, respectively. Although our PRC Legal Adviser advises that there may be consequences of such non-compliance, our Directors do not consider that such non-compliance will have any material adverse effect on our financial position given the small number of foreign teachers involved and the insignificant amounts of social insurance contribution concerned.

Housing provident fund

During the Track Record Period, Guangdong Baiyun University and Baiyun Technician College had not made contributions to the housing provident fund for some of their employees, and had not made such contributions based on the actual salary level of the employees as prescribed by relevant laws and regulations.

In August 2017, our PRC Legal Adviser consulted Guangzhou Housing Provident Fund Management Centre (廣州住房公積金管理中心), which confirmed that (i) it did not find violation of PRC laws and regulations in relation to the housing provident fund by Guangdong Baiyun University and Baiyun Technician College in the past three years; (ii) the percentage of the contributions by Guangdong Baiyun University and Baiyun Technician College is in compliance with the PRC laws and regulations in relation to the housing provident fund; (iii) if a relevant complaint is received, it will request Guangdong Baiyun University or Baiyun Technician College (as the case may be) to comply with the applicable requirements, but will unlikely impose any penalty provided that the relevant school proactively adopts remedial measures; and (iv) as of the date of the interview, neither Guangdong Baiyun University nor Baiyun Technician College had been investigated, penalised or ordered to make supplementary contributions due to non-compliance with PRC laws and regulations in relation to the housing provident fund.

Guangdong Baiyun University and Baiyun Technician College confirm that (i) in July 2017, they voluntarily adjusted the basis of making contributions to the housing provident fund for the employees, which have since covered all employees and conformed to the standard required by the PRC and local laws and regulations; and (ii) as of the Latest Practicable Date, they had never received any written notice from any competent housing provident fund authority ordering them to make contributions within any stipulated period or make supplementary contributions. We undertake to make contributions or make supplementary contributions should Guangdong Baiyun University or Baiyun Technician College receive any such request from any competent housing provident fund authority.

Based on the above, our PRC Legal Adviser is of the view that (i) Guangzhou Housing Provident Fund Management Centre is the competent authority to make such confirmations; and (ii) the risk of Guangzhou Housing Provident Fund Management Centre initiating any actions to compel Guangdong Baiyun University or Baiyun Technician College to make supplemental contributions to the housing provident fund and imposing any fine on Guangdong Baiyun University or Baiyun Technician College is remote.

For the reasons outlined above, our Directors are of the view that these non-compliances will not have a material adverse impact on our overall business operations or financial conditions. We have implemented additional internal control measures to ensure our compliance with relevant social insurance and housing provident fund laws and regulations, details of which are set out in "Business – Internal Control and Risk Management – Internal Control."

PROPERTIES

As of the Latest Practicable Date, we (i) owned parcels of land with a total site area of approximately 1.7 million sq.m. and buildings with a total GFA of approximately 919,444.37 sq.m. in the PRC; and (ii) leased properties with a total GFA of approximately 44,686.74 sq.m. from Independent Third Parties. All of these 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 for a valuation report of our owned properties prepared by Cushman & Wakefield Limited.

Owned Properties

Land

The following table sets forth a summary of our land use rights as of the Latest Practicable Date:

No.	Land Use Right Owner	Location	Site Area (sq.m.)	Permitted Use	Expiration Date	Current Status	Land Use Right Certificate
1.	Jiangxi University of Technology	Nanchang, Jiangxi province	796,214.50	Science and education (科教用地)	No expiration date*	Occupied	Obtained
2.	Jiangxi University of Technology	Nanchang, Jiangxi province	293,412.60	Education (教育用地)	No expiration date*	Occupied	Obtained
3.	Jiangxi University of Technology	Nanchang, Jiangxi province	42,985.20	Education (教育用地)	No expiration date*	Occupied	Obtained
4.	Jiangxi University of Technology	Nanchang, Jiangxi province	47,202.00	Education (教育用地)	No expiration date*	Occupied	Obtained
5.	Jiangxi University of Technology	Nanchang, Jiangxi province	93,333.00	Science and education (科教用地)	1 April 2064	Occupied	Obtained
6.	Guangdong Baiyun University	Guangzhou, Guangdong province	115,335.45	Public buildings (公共建築)	No expiration date*	Occupied	Obtained
7.	Guangdong Baiyun University	Guangzhou, Guangdong province	8,000.04	Industrial use (工業用地)	10 January 2058	Occupied	Not obtained[(1)]
8.	Guangdong Baiyun University	Guangzhou, Guangdong province	20,218.00	Commercial residence (商業住宅)	11 August 2063	Occupied	Not in our possession[(2)]
9.	Guangdong Baiyun University	Guangzhou, Guangdong province (The Zhongluotan Land)	188,666.00	Science and education (科教用地)	No expiration date*	Occupied	Obtained[(3)]
10.	Baiyun Technician College†	Guangzhou, Guangdong province	6,187.00	School (學校)	No expiration date*	Occupied	Obtained[(4)]
11.	Baiyun Technician College†	Guangzhou, Guangdong province	23,811.08	School (學校)	No expiration date*	Occupied	Obtained[(4)]
12.	Baiyun Technician College†	Guangzhou, Guangdong province	13,608.42	School (學校)	No expiration date*	Occupied	Obtained[(4)]

Notes:

* We acquired the land use rights of these parcels of land through allocation (劃撥). According to the relevant laws and regulations, land use rights obtained through such means have no expiration date.

† We obtained control of Baiyun Technician College after the Track Record Period on 14 August 2017.

(1) We entered into a land use rights transfer agreement with the local government with respect to this parcel of land. The building situated on this parcel of land is being used by Baiyun Technician College as a student dormitory. As of the Latest Practicable Date, we have not obtained the land use right certificate for this parcel of land because, based on our Directors' understanding, the relevant land resources and planning bureau had yet to approve its use. As advised by our PRC Legal Adviser, there is a legal risk of (i) us being required to return the illegally occupied land; (ii) us being confiscated the buildings and other facilities on the land; and (iii) us being imposed a fine of not more than RMB30 per sq.m.

Our PRC Legal Adviser had an interview with the Bureau of Land Resources and Planning of Baiyun District (白雲區國土資源和規劃局) with respect to this parcel of land. The relevant government official confirmed in the interview that (i) we can re-apply for the land use right certificate; (ii) the government authority currently has no plans to demolish the buildings erected on this parcel of land in the next two to three years while we re-apply for the land use right certificate; and (iii) we may continue to use the buildings on this parcel of land provided we can ensure they are safe. Based on this interview, our PRC Legal Adviser is of the view that the risk of us being required to return this parcel of land is remote.

Our Directors confirm that we are currently in discussions with the relevant parties with a view to applying for the land use right certificate as soon as practicable. Based on our Directors' current understanding of the processes involved, (i) barring unforeseen circumstances, we endeavour to obtain the land use certificate, where practicable, within the next two to three years; and (ii) we expect that the application for the land use right certificate will be primarily administrative and procedural in nature and do not expect to incur substantial costs. We expect that any costs in relation to this application will be funded from our operating cash flow.

We commissioned qualified Independent Third Parties to undertake a fire safety assessment and a seismic resistance assessment on the buildings we use on this parcel of land. The qualified Independent Third Parties were able to issue their respective assessment reports on the basis of their respective independent assessments conducted on the safety level of the relevant buildings. The relevant assessment reports did not identify any material safety issues and concluded the relevant buildings had passed the relevant safety assessments conducted.

Based on the above, our Directors consider that the lack of land use right certificate for this parcel of land would not have any material adverse effect on our operations as a whole. Notwithstanding the above, as a pre-emptive rectification measure we intend to implement a relocation plan for the existing operations of the buildings on this parcel of land. See "– Non-compliance with respect to the land and buildings of Guangdong Baiyun University and Baiyun Technician College" for further details.

(2) We purchased a construction project comprising buildings already erected on this parcel of land from a developer that is an Independent Third Party. As advised by our PRC Legal Adviser, the relevant sale and purchase agreements are legal, valid and binding on the parties. However, as of the Latest Practicable Date, the developer had not effected the transfer of land use right certificate and building ownership certificates to us because our Directors consider that we are not in agreement with respect to the GFA of the relevant buildings that are subject to the sale and purchase, and therefore, the sale and purchase of such land and buildings has yet to be finally completed and we are not in possession of the land use right certificate for this parcel of land and building ownership certificates for the buildings situated on this parcel of land. We currently use the buildings on this parcel of land as dormitories for students and teachers. Our Directors confirm that we are in the process of liaising with the developer with a view to completing the relevant transfer procedures, where practicable. Our Directors consider that this is a contractual matter between the developer and Guangdong Baiyun University and thus, the fact that we are not in possession of the relevant land use right certificate and the building ownership certificates would not result in regulatory intervention that would have a material adverse effect on our operations as a whole.

(3) We have obtained the land use right certificate and construction permit for the 1st phase of the site of the Zhongluotan Land with a site area of approximately 188,666 sq.m. The Zhongluotan Land is integral to the pre-emptive rectification measure that we intend to implement for the existing operations of certain buildings of Guangdong Baiyun University and Baiyun Technician College. We have obtained the construction permit with respect to a construction area of 101,074.6 sq.m. and have commenced the 1st phase construction of school buildings and facilities on the Zhongluotan Land. Barring unforeseen circumstances, our Directors anticipate

campus operations on the Zhongluotan Land to commence as soon as the beginning of the 2018/2019 school year. For more information of our pre-emptive rectification measure, see "– Non-compliance with respect to the land and buildings of Guangdong Baiyun University and Baiyun Technician College".

(4) The land use rights of land nos. 10, 11 and 12 are registered under Guangzhou Baiyun College of Vocational Skills Training (廣州市白雲職業技能培訓學院) ("**College of Vocational Skills Training**"). In April 2004, the Bureau of Civil Affairs of Guangzhou Municipality (廣州市民政局) issued a notice approving the establishment of Baiyun Technician College, and College of Vocational Skills Training would be deregistered with all of its training business and assets to be transferred to Baiyun Technician College. As advised by our PRC Legal Adviser, subject to Baiyun Technician College completing the relevant procedures for transferring the land use right from College of Vocational Skills Training to Baiyun Technician College and obtaining the relevant certificates, Baiyun Technician College may use these parcels of land according to the conditions set out in such certificates. Our Directors consider that this is a procedural matter and would not have any material adverse effect on our use of the relevant parcels of land. Our Directors believe that, based on their current understanding of the processes involved and barring unforeseen circumstances, we may be able to effect the transfer in 2018.

Buildings

As of the Latest Practicable Date, we owned buildings in the PRC with a total gross floor area of approximately 919,444.37 sq.m. All of these buildings have been used for education-related purposes, such as classroom building, dormitory, canteen, clinic and recreational facilities for teachers and students.

Certain buildings owned and used by our schools do not have buildings ownership certificates due to the lack of construction project planning permit (建設工程規劃許可證), construction commencement permit (施工許可證) and acceptance inspection upon completion (竣工驗收) and/or due to having not passed fire control assessment as required under relevant PRC laws and regulations.

As advised by our PRC Legal Adviser, according to the relevant PRC laws and regulations generally,

(i) with respect to failure to obtain the construction project planning permit, (a) in the event that remedial measures can be adopted to eliminate any impact on the government's city planning implementation, we are subject to the risk of being required to adopt such remedial measures within a given time limit and being fined 5% to 10% of the construction costs; or (b) in the event that no remedial measures can be adopted to eliminate such impact on the government's city planning implementation, we are subject to the risk of being ordered to demolish the relevant buildings within a given time limit (or if demolition is not possible, the confiscation of such buildings or the relevant illegal income) and being fined not more than 10% of the construction costs;

(ii) with respect to failure to obtain construction commencement permit, we are subject to the risk of being required to adopt remedial measures within certain time limit and fined 1% to 2% of the contract price of the construction project;

(iii) with respect to failure to conduct acceptance inspection upon completion, we are subject to the risk of being ordered to adopt remedial measures, being fined 2% to 4% of the contract price of the construction project, and being ordered to compensate for any loss incurred; and

(iv) with respect to failure to pass fire control assessment, we are subject to the risk of being prohibited from using these buildings and being fined between RMB30,000 and RMB300,000 per building.

The following table sets forth details of the buildings owned and used by our schools as of the Latest Practicable Date.

	GFA of buildings with building ownership certificate (sq.m.) (A)	GFA of buildings without building ownership certificate (sq.m.) (B)	Total GFA of buildings with and without building ownership certificates (sq.m.) (A + B)	GFA of buildings not having passed fire control assessment (sq.m.)	Environmental protection inspection
Jiangxi University of Technology					
Classroom buildings	168,654.31	0	168,654.31	0	Passed
Dormitories	270,844.51	0	270,844.51	0	
Ancillary facilities	77,944.74	2,821.70	80,766.44	2,821.70	
Total	517,443.56[(1)]	2,821.70[(3)]	520,265.26	2,821.70	
Guangdong Baiyun University					
Classroom buildings	31,775.87	32,327.17	64,103.04	20,591.17	Passed
Dormitories	36,207.78	99,669.15	135,876.93	88,119.15	
Ancillary facilities	18,387.52	260.00	18,647.52	260.00	
Total	86,371.17	132,256.32	218,627.49	108,970.32	
Baiyun Technician College*					
Classroom buildings	31,557.11	24,912.72	56,469.83	56,469.83	Passed
Dormitories	10,615.08	18,053.51	28,668.59	0	
Ancillary facilities	6,795.80	1,938.00	8,733.80	8,733.80	
Total	48,967.99[(2)]	44,904.23	93,872.22	65,203.63	

Notes:

* We obtained control of Baiyun Technician College after the Track Record Period on 14 August 2017.

(1) In addition to these buildings, Jiangxi University of Technology also owns certain buildings with building ownership certificates, including certain classroom buildings with an aggregate GFA of approximately 44,320.40 sq.m. and certain dormitories with an aggregate GFA of approximately 23,388.00 sq.m., which are used by (i) the Affiliated High School of the Jiangxi University of Technology (江西科技學院附屬中學), which we disposed of in May 2017 (see "History, Reorganisation and Corporate Structure – Corporate Reorganisation – 2. Reorganisation in relation to Jiangxi University of Technology and Guangdong Baiyun University – Disposal of the Affiliated High School of the Jiangxi University of Technology (江西科技學院附屬中學)"); or (ii) Jiangxi Lantian Driving Training Centre Company Limited (江西藍天駕駛培訓中心有限公司), which had been held as to 90% by Dr. Yu until May 2017 (see "History, Reorganisation and Corporate Structure – Disposal of other business interests by our Directors"), and its subsidiary.

(2) Similar to the parcels of land used by Baiyun Technician College (see land nos. 10, 11 and 12 in the table under "Land" above), the building ownership of certain buildings with an aggregate GFA of 48,967.99 sq.m. is registered under College of Vocational Skills Training. As advised by our PRC Legal Adviser, subject to Baiyun Technician College completing the relevant procedures for transferring the building ownership from College of Vocational Skills Training to Baiyun Technician College and obtaining the relevant building ownership certificates, Baiyun Technician College may use these buildings according to the conditions set out in such certificates. Our Directors consider that this is a procedural matter and would not have any material adverse effect on our use of the relevant buildings. Our Directors believe that, based on their current understanding of the processes involved and barring unforeseen circumstances, we may be able to effect the transfer in 2018.

(3) In addition to these buildings, Jiangxi University of Technology also owns certain buildings without building ownership certificates, including classroom buildings with an aggregate GFA of 4,234.00 sq.m., dormitories with an aggregate GFA of 5,550.00 sq.m. and ancillary facilities with an aggregate GFA of 9,187.00 sq.m. These buildings are used by the Affiliated High School of the Jiangxi University of Technology (江西科技學院附屬中學), which we disposed of in May 2017. See "History, Reorganisation and Corporate Structure – Corporate Reorganisation – 2. Reorganisation in relation to Jiangxi University of Technology and Guangdong Baiyun University – Disposal of the Affiliated High School of the Jiangxi University of Technology (江西科技學院附屬中學)". Our Directors are of the view that, as these buildings are not used by Jiangxi University of Technology, any regulatory intervention with respect to these buildings would not have any material adverse effect on the operations of Jiangxi University of Technology.

Set out below is a detailed description of the compliance status of the buildings owned and used by our schools.

Compliance Status of the Buildings Owned and Used by Jiangxi University of Technology

Building ownership certificates and fire control assessment

As set out in the table above, Jiangxi University of Technology owns and uses certain buildings with an aggregate GFA of 2,821.70 sq.m. that do not have building ownership certificates and have not passed fire control assessments. As confirmed by our Directors, Jiangxi University of Technology uses such buildings as a logistics office and a clinic.

The logistics office and the clinic occupy an immaterial GFA relative to the campus of Jiangxi University of Technology and we consider that they can be easily re-located to other existing buildings on the campus, if required. As such, our Directors consider that any regulatory intervention concerning these buildings would not have any material adverse impact on our operations as a whole.

In May 2017, the Nanchang High-tech Development Zone Public Security Fire Control Brigade (南昌市高新技術開發區公安消防大隊) issued a letter confirming that Jiangxi University of Technology has been, in recent years, actively engaging in fire safety management, carefully fulfilling the fire safety responsibilities, and cooperating with the fire control brigade to carry out fire hazard investigation work. The letter further confirmed that Jiangxi University of Technology has not been penalised by way of fire control brigade penalties and no fire accidents had happened in recent years. Our PRC Legal Adviser is of the view that with respect to aforementioned logistics office and clinic, (i) Nanchang High-tech Development Zone Public Security Fire Control Brigade is the competent authority for issuing such confirmation letter; and (ii) we are subject to the risk of being prohibited from using such buildings and being imposed a fine between RMB30,000 and RMB300,000 per building.

Environmental protection inspection

Jiangxi University of Technology had not passed the environmental protection inspection assessment as required under the PRC environmental protection laws and regulations until 2016, when such non-compliance was rectified. On the basis that Jiangxi University of Technology has re-complied with the relevant requirements, our PRC Legal Adviser is of the view that the risk of us being penalised by the relevant authorities due to such historical non-compliance is remote.

Compliance Status of the Buildings Owned and Used by Guangdong Baiyun University and Baiyun Technician College

Building ownership certificates

As set out in the table above, we have not obtained building ownership certificate for (i) certain buildings of Guangdong Baiyun University with an aggregate GFA of approximately 132,256.32 sq.m. (out of which a GFA of 34,036.15 sq.m. is used by Baiyun Technician College as student dormitory); and (ii) certain buildings of Baiyun Technician College with an aggregate GFA of approximately 44,904.23 sq.m. (including buildings with an aggregate GFA of 39,494.14 sq.m. that Baiyun Technician College constructed on lands leased from Independent Third Parties).

As confirmed by our Directors, we have not obtained building ownership certificates for these buildings due to the lack of construction project planning permit (建設工程規劃許可證), construction commencement permit (施工許可證) and acceptance inspection upon completion (竣工驗收), which is in turn due to:

(i) with respect to certain student dormitory buildings with a GFA of 28,310.14 sq.m., which we acquired from a developer that is an Independent Third Party (see also note (2) of the table setting forth details of the parcels of land we own), our Directors consider that we are not in agreement with the developer with respect to the GFA subject to the relevant sale and purchase, and therefore, the sale and purchase has yet to be finally completed. As of the Latest Practicable Date, the developer had not effected the transfer of building ownership certificate to us, and thus, we are not in possession of the building ownership certificates for the four buildings situated on this parcel of land. Our Directors consider this as a contractual matter between the developer and Guangdong Baiyun University and thus, the fact that we are not in possession of the relevant building ownership certificates would not result in regulatory intervention that would have a material adverse effect on our operations as a whole;

(ii) with respect to certain buildings with an aggregate GFA of 39,494.14 sq.m. that Baiyun Technician College constructed on the lands leased from Independent Third Parties, we do not have the relevant land use right certificates as we do not own the lands, and our Directors understand that, without such land use right certificates, we are unable to comply with the construction application procedures to obtain the building ownership certificates; and

(iii) with respect to other buildings generally, the management of Guangdong Baiyun University and Baiyun Technician College at the relevant time were unfamiliar with the relevant regulatory requirements and considered that the potential consequences of non-compliance would unlikely materialise if the schools could provide a safe campus environment for the benefit of the students. The management of Guangdong Baiyun University and Baiyun Technician College considered that they had done what was reasonable to ensure the premises were safe for use by the students and teachers and considered that there was no urgency in complying with the relevant requirements, given that the safety of the students and teachers had not been compromised.

Our Directors confirm that we are currently in discussions with the relevant parties with a view to re-complying with the construction application procedures where practicable in order to obtain the relevant building ownership certificates as soon as practicable. Based on our Directors' current understanding of the processes involved, (i) barring unforeseen circumstances, we endeavour to obtain the relevant building ownership certificates of the buildings where practicable within the next two to three years; and (ii) we expect that such re-compliance will be primarily administrative and procedural in nature and do not expect to incur substantial costs. We expect that any costs in relation to such re-compliance will be funded from our operating cash flow.

Our PRC Legal Adviser had interviews with (i) the Bureau of Land Resources and Planning of Baiyun District (白雲區國土資源和規劃局) and the relevant government official did not indicate any immediate intention to demolish the buildings in the next two to three years and confirmed that we may continue to use these buildings provided we can ensure they are safe; and (ii) the Bureau of Housing Construction and Water of Baiyun District (白雲區住房和建設水務局) and the relevant government official confirmed that we may re-apply to the bureau for the relevant certificates and that the bureau would not require us to stop using the buildings or compel the demolition of the buildings.

Based on the interviews, our PRC Legal Adviser is of the view that (i) both the Bureau of Land Resources and Planning of Baiyun District and the Bureau of Housing Construction and Water of Baiyun District are competent authorities for providing such confirmations; (ii) provided we can ensure safety, the risk of us being ordered to adopt remedial measures within a given time limit or demolish the buildings for the lack of construction project planning permit is remote, but the risk of us being fined cannot be eliminated; (iii) the risk of us being ordered to adopt remedial measures within a given time limit for the lack of construction commencement permit is remote, but the risk of us being fined cannot be eliminated; and (iv) the risk of us being ordered to adopt remedial measures for not conducting acceptance inspection upon completion is remote, but the risk of us being fined cannot be eliminated.

Based on our Directors' estimation, the maximum penalty in relation to the lack of building ownership certificates of these buildings is not expected to exceed RMB10 million. Based on the interviews with the relevant authorities as described above, our PRC Legal Advisers are of the view that the risk of us being penalised cannot be eliminated. Our Directors consider that no provision needs to be made in this respect, on the basis that our Controlling Shareholders have provided an indemnity in favour of us with respect to any loss we may suffer in connection with such penalty (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.

We commissioned a qualified Independent Third Party to undertake a seismic resistance assessment on the buildings that do not have building ownership certificates. The qualified Independent Third Party was able to issue its assessment reports on the basis of its independent assessments conducted on the structural safety level of the relevant buildings. The relevant assessment reports did not identify any material safety issues and concluded that the relevant buildings had passed the relevant assessments conducted.

Based on the above, our Directors consider that the lack of building ownership certificate for these buildings would not have any material adverse effect on our operations as a whole. Notwithstanding the above, as a pre-emptive rectification measure, we intend to implement a relocation plan for the existing operations of these buildings. See "– Non-compliance with respect to the land and buildings of Guangdong Baiyun University and Baiyun Technician College" for further details.

Fire control assessment

As set out in the table above, we have not passed fire control assessment for (i) certain buildings of Guangdong Baiyun University with an aggregate GFA of approximately 108,970.32 sq.m. (out of which a GFA of 34,036.15 sq.m. is used by Baiyun Technician College as student dormitory); and (ii) certain buildings of Baiyun Technician College with an aggregate GFA of approximately 65,203.63 sq.m. (including buildings with an aggregate GFA of 39,494.14 sq.m. that Baiyun Technician College constructed on lands leased from Independent Third Parties).

As confirmed by our Directors, we were not able to comply with the fire control assessment requirements for these buildings due to:

(i) with respect to certain student dormitory buildings with a GFA of 28,310.14 sq.m., which we acquired from a developer that is an Independent Third Party (see also note (2) of the table setting forth details of the parcels of land we own), our Directors consider that we are not in agreement with the developer with respect to the GFA subject to the relevant sale and purchase, and therefore, the sale and purchase has yet to be finally completed. As of the Latest Practicable Date, the developer had not effected the transfer of the relevant construction application procedure documents and licences to us. Our Directors understand that, without these documents and licences, we are not able to apply to the relevant government authorities to comply with the fire control assessment requirements;

(ii) with respect to certain buildings with an aggregate GFA of 39,494.14 sq.m. that Baiyun Technician College constructed on the lands leased from Independent Third Parties, we do not have the relevant land use right certificates as we do not own the lands, and our Directors understand that, without such land use right certificates, we are not able to comply with the with the requisite construction application procedures, and without complying with such procedures, as a procedural matter, the relevant government authorities will not proceed to conduct fire control assessments and issue fire safety reports; and

(iii) with respect to other buildings generally, we have not complied with the requisite construction application procedures with the relevant government authorities in the PRC because the management of Guangdong Baiyun University and Baiyun Technician College at the relevant time were unfamiliar with the relevant regulatory requirements and considered that the potential consequences of non-compliance would unlikely materialise if the schools could provide a safe campus environment for the benefit of the students. The management of Guangdong Baiyun University and Baiyun Technician College considered that they had done what was reasonable to ensure the premises are safe for use by the students and teachers and considered that there was no urgency in complying with the relevant requirements, given that the safety of the students and teachers had not been compromised. Our Directors understand that, without complying with such procedures, as a procedural matter, the relevant government authorities will not proceed to conduct fire control assessments and issue fire safety reports.

Our PRC Legal Adviser had an interview with the Fire Control Brigade of Guangzhou Public Security Bureau Baiyun District Branch (廣州市公安局白雲區分局消防大隊). The relevant government official confirmed in the interview that (i) we may re-apply for the fire control inspection procedure provided that the underlying land use right procedures have been re-complied with; (ii) for buildings that cannot be subject to re-compliance of the fire control inspection procedure due to historical reasons, we are required to cooperate with the relevant authorities to ensure fire control measures are adopted properly; and (iii) we will not be prohibited from using such buildings before completing the process of re-applying for the fire control inspection procedure.

With respect to our buildings that cannot be subject to re-compliance with fire control inspection procedure due to historical reasons, in accordance with the interview with the Fire Control Brigade of Guangzhou Public Security Bureau Baiyun District Branch as described above, we have adopted the relevant fire control measures and undertake to cooperate with the relevant government authorities from time to time to ensure fire control measures are adequate and adopted properly. With respect to our buildings that can be subject to re-compliance with fire control inspection procedure, our Directors confirm that we are currently in discussions with the relevant parties with a view to re-complying with fire control inspection procedure as soon as practicable. Based on our Directors' current understanding of the process involved, (i) barring unforeseen circumstances, we endeavour to re-comply with the relevant fire control assessment requirements for the buildings, where practicable, in the next two to three years; and (ii) we expect that such re-compliance with be primarily administrative and procedural in nature and do not expect to incur substantial costs. We expect that any costs in relation to such re-compliance will be funded from our operating cash flow.

Based on the above, our PRC Legal Adviser is of the view that (i) the Fire Control Brigade of Guangzhou Public Security Bureau Baiyun District Branch is the competent authority for making such confirmation; (ii) we are subject to the risk of being fined between RMB30,000 and RMB300,000 per building that has not passed fire control inspection procedure; and (iii) the risk of us being prohibited from using such buildings is remote.

We commissioned a qualified Independent Third Party to undertake a fire safety assessment on the buildings that have not complied with fire control assessment requirements. The qualified Independent Third Party was able to issue its assessment reports on the basis of its independent assessments conducted on the fire safety level of the relevant buildings. The relevant assessment reports did not identify any material safety issues and concluded that the relevant buildings had passed the relevant fire safety assessments conducted.

Based on the above, our Directors consider the fact that these buildings have not passed fire control assessments would not have any material adverse effect on our operations as a whole. Notwithstanding the above, as a pre-emptive rectification measure we intend to implement a relocation plan for the existing operations of these buildings. See "– Non-compliance with respect to the land and buildings of Guangdong Baiyun University and Baiyun Technician College" for further details.

Environmental protection inspection

Guangdong Baiyun University and Baiyun Technician College had not passed the environmental protection inspection assessment as required under the PRC environmental protection laws and regulations until 2017, when such non-compliance was rectified. On the basis that each of Guangdong Baiyun University and Baiyun Technician College has re-complied with the relevant requirements, our PRC Legal Adviser is of the view that the risk of us being penalised by the relevant authorities due to such historical non-compliance is remote.

Leased Properties

As of the Latest Practicable Date, we leased eight properties from Independent Third Parties. All of these properties have been used for education-related purposes.

No.	Lessee	Leased property	Permitted Use of underlying land	Current Use	Lease Term	Validity of Lease Contract	Registration of Lease Contract
1.	Guangdong Baiyun University	One parcel of land with a site area of 3,581.4 sq.m.	Construction use (建設用地)	Basketball court	1 July 2004 to 30 June 2029(4)	Valid and binding	No(5)
2.	Guangdong Baiyun University	One parcel of land with a site area of 5,000 sq.m. and buildings situated on the land with a GFA of 10,243.20 sq.m.	Construction use (建設用地)	Student dormitory	1 August 2007 to 30 July 2032(4)	Uncertain(3)	No(5)
3.	Guangdong Baiyun University	One parcel of land with a site area of 10,292 sq.m. and buildings situated on the land with a GFA of 17,213.48 sq.m.	Industrial use (工業用地)(3)	Student dormitory of Baiyun Technician College(3)	12 years starting from 11 August 2009	Uncertain(3)	No(5)
4.	Baiyun Technician College*	One parcel of land with a site area of 4,905.32 sq.m.(1) and buildings situated on the land with a GFA of 7,354.16 sq.m.	Construction use (建設用地)	Classroom building and administrative building	1 August 2017 to 31 August 2023	Uncertain(3)	No(5)
5.	Baiyun Technician College*	One parcel of land with a site area of 13,270 sq.m.(2)	Construction use (建設用地)	Student dormitory, practical training building, academic exchange centre and gym	1 September 2003 to 31 August 2028(4)	Valid and binding	No(5)

No.	Lessee	Leased property	Permitted Use of underlying land	Current Use	Lease Term	Validity of Lease Contract	Registration of Lease Contract
6.	Baiyun Technician College*	One building with a GFA of 3,325.9 sq.m.	Residence (住宅)	Student dormitory	1 September 2017 to 31 August 2018	Valid and binding	No(5)
7.	Baiyun Technician College*	One building with a GFA of 3,259 sq.m.	Residence (住宅)	Student dormitory	1 September 2016 to 31 August 2018	Valid and binding	No(5)
8.	Baiyun Technician College*	One building with a GFA of 3,291 sq.m.	Residence (住宅)	Student dormitory	1 September 2016 to 31 August 2018	Valid and binding	No(5)

Notes:

* We obtained control of Baiyun Technician College after the Track Record Period on 14 August 2017.

(1) Baiyun Technician College constructed certain buildings with an aggregate GFA of 5,002.63 sq.m. on this parcel of land leased from an Independent Third Party. These buildings are considered our owned properties and the relevant GFA is included in the table under the paragraph headed "– Buildings" above.

(2) Baiyun Technician College constructed certain buildings with an aggregate GFA of 34,491.51 sq.m. on this parcel of land leased from an Independent Third Party. These buildings are considered our owned properties and the relevant GFA is included in the table under the paragraph headed "– Buildings" above.

(3) Leased property no. 3 was leased by Guangdong Baiyun University and used by Baiyun Technician College as student dormitories.

Our PRC Legal Adviser advises us that there is uncertainty with respect to the validity of the lease agreements of leased property no. 2, 3 and 4 due to (i) with respect to leased property no. 2, 3 and 4, failure by the relevant landlords to provide the relevant ownership certificates; and (ii) with respect to leased property no. 3, our use of the relevant land in contravention of permitted use. As a result, the validity of these lease agreements may be subject to challenge, and if successful, we may not be able to continue to use the leased properties. Our Directors consider the leased properties, being mostly student dormitories, are not critical to our operations. Should our use of these buildings be adversely effected, our Directors believe that we will be able to lease alternative premises or relocate to other buildings on the campus of Guangdong Baiyun University or Baiyun Technical College, as the case may be, without significant disruption. Based on the above, our Directors are of the view that the uncertainty with respect to the validity of the lease agreements of the three leased properties would not have any material adverse impact on our operations as a whole.

(4) Our PRC Legal Adviser advises us that for the leased contracts with a lease term longer than 20 years, the lease term of longer than 20 years is invalid under PRC laws and regulations.

(5) The lease agreements our schools have entered into with our landlords were not registered with the relevant PRC government authorities. Our PRC Legal Adviser has advised us that we may be required by the relevant PRC authorities to register the relevant lease agreements within a prescribed time limit. If we fail to do so, we may be subject to fines ranging from RMB1,000 to RMB10,000 for each non-registered lease. However, as of the Latest Practicable Date, we had not been fined by the relevant PRC authorities with respect to these non-registered leases, and our PRC Legal Adviser advises us that the non-registration of such lease agreements would not affect the leases' validity.

For further details on the risks associated with the properties we use for our operations, see the section headed "Risk Factors – Risks Relating to Our Business and Industry – We are subject to extensive governmental approvals and compliance requirements for the construction and development of our schools and in relation to the land and buildings that we own. Some of the properties we use for our operations are not in compliance with applicable laws and regulations in the PRC" and "Risk Factors – Risks Relating to Our Business and Our Industry – We lease several of our school premises and may not be able to control the quality, maintenance and management of these school premises, nor can we ensure we will be able to find suitable premises to replace our existing school premises if our lease are terminated."

Non-compliance with respect to the Land and Buildings of Guangdong Baiyun University and Baiyun Technician College

As disclosed in "-Properties", with respect to our Guangdong Baiyun University and Baiyun Technician College, as of the Latest Practicable Date, (i) we have not obtained land use right certificate for a parcel of land of Guangdong Baiyun University with a site area of 8,000.04 sq.m. (the "**Land Issue**"); (ii) we have not obtained building ownership certificates for certain buildings of Guangdong Baiyun University with an aggregate GFA of approximately 132,256.32 sq.m. (including buildings with an aggregate GFA of 28,310.14 sq.m. that we purchased from an Independent Third Party) and certain buildings of Baiyun Technician College with an aggregate GFA of approximately 44,904.23 sq.m. (the "**Buildings Issue**"); and (iii) we have not complied with fire control assessment requirements for certain buildings of Guangdong Baiyun University with an aggregate GFA of approximately 108,970.32 sq.m. and certain buildings of Baiyun Technician College with an aggregate GFA of approximately 65,203.63 sq.m. (the "**Fire Control Issue**").

Our Directors are of the view that the Land Issue, the Buildings Issue and the Fire Control Issue ultimately relate to the safety standard of our campus environment. This is of particular importance to the safety of our students and teachers. Despite these issues, we are committed to ensuring the safety standard of our campus environment. Our Directors consider that the Land Issue, the Buildings Issue and the Fire Control Issue would not have a material adverse effect on our operations, primarily on account of the following:

(a) our Directors consider that the safety of our students and teachers had not been compromised as the management of Guangdong Baiyun University and Baiyun Technician College considered that they had done what was reasonable to ensure the campuses are safe for the students and teachers; furthermore, our Directors consider that appropriate school liability insurance is in place to cover our students and teachers from certain loss or harm as a result of fire accidents or other incidents taking place the relevant campus;

(b) our Directors confirm that there have not been any material safety incidents directly attributable to the safety of the school buildings and facilities and no regulatory concerns relating to the school buildings and facilities have been raised by any competent authorities;

(c) based on the interviews with the relevant regulators as set out above, we may re-apply for re-compliance of the relevant certificates, permits and fire control assessment procedures and thus, the Land Issue, the Buildings Issue and the Fire Control Issue may be capable of being rectified by us. We intend to re-apply for the relevant certificates, permits and fire control assessment procedures as soon as practicable. Furthermore, based on such interviews, the relevant regulators did not indicate any immediate intention to demolish any of the buildings in the next two to three years and we may continue to use these buildings provided that we can ensure they are safe;

(d) with a view to obtaining independent assurances that the campuses of Guangdong Baiyun University and Baiyun Technician College are safe, we commissioned qualified Independent Third Parties to undertake (i) a fire safety assessment on the buildings that have not complied with fire control assessment requirements; and (ii) a seismic resistance assessment on the buildings that do not have building ownership certificates. The relevant assessment reports did not identify any material safety issues and concluded that the relevant buildings had passed the relevant assessments conducted;

(e) based on the assessment reports in (d) above, our Directors have received assurances that the campuses are safe, and based on the interviews with the relevant regulators and the advice of our PRC Legal Adviser (see Note 1 in the section headed "– Properties – Owned Properties – Land" and Notes 5 and 9 in the section headed "– Properties – Owned Properties – Buildings"), our Directors consider that the risk of any regulatory intervention is minimal; and

(f) our Controlling Shareholders have provided an indemnity in favour of us with respect to any loss our Company may suffer in connection with the Land Issue, the Buildings Issue and the Fire Control Issue (See "E. Other information – 1. Deed of Indemnity" in Appendix V). The indemnity does not cover the costs of the pre-emptive rectification measure as more particularly described below, including the costs of constructing the school buildings and other facilities on the Zhongluotan Land or any corresponding relocating costs.

Notwithstanding the above, as a pre-emptive rectification measure, we intend to implement a relocation plan for the existing operations of the buildings affected by the Land Issue, the Buildings Issue and/or the Fire Control Issue (the "**Relevant Buildings**"). As disclosed in the table in the section headed "– Properties – Owned Properties – Land", in August 2017, we acquired the land use right certificate for the 1st phase of the site of Zhongluotan Land with a site area of 188,666 sq.m., which is expected to be developed into a new campus of Guangdong Baiyun University. Our Directors believe that such relocation will be feasible as the Zhongluotan Land is located in proximity to Guangdong Baiyun University and Baiyun Technician College, and the Zhongluotan Land will provide sufficient capacity to accommodate the expansion of campus and relocation of the existing operations of the Relevant Buildings as we re-comply with the relevant regulatory requirements. Furthermore, our Directors consider that our school buildings and facilities may be constructed and put into operation in a relatively short period of time.

We have obtained the construction permit with respect to a construction area of 101,074.6 sq.m. and commenced the 1st phase construction of school buildings and facilities on the Zhongluotan Land. Barring unforeseen circumstances, our Directors anticipate campus operations on the Zhongluotan Land may commence as soon as from the 2018/2019 school year. See "– Our Business Strategies – Develop new school campus to further increase our capacity and student body" for our investment budget and preliminary costs incurred in relation to the construction of our new campus on the Zhongluotan Land. Barring unforeseen circumstances, upon the anticipated commencement of the new campus in the 2018/2019 school year, we will gradually relocate the existing operations of the Relevant Buildings to the new campus. We estimate that such relocation may be completed within two to three years. We expect to incur relocation costs of not more than RMB2 million, which will be funded from our operating cash flow. We will implement special arrangements, if required, to ensure such relocation would not be overly disruptive to our students and teachers.

Our Directors expect that any relocation will be a temporary measure. Once we have re-complied with the applicable requirements, depending on the then circumstances, we may continue or resume our operations in the Relevant Buildings, as the case may be. As described above, our Directors confirm that we are currently in discussions with the relevant parties with a view to rectifying the non-compliances with respect to the Relevant Buildings where practicable. Based on our Directors' current understanding of the process involved, we endeavour to rectify such non-compliances, to the extent they are capable of being rectified, in the next two to three years. Our Directors expect that the rectification will involve protracted discussions with, and coordination among, various government authorities and time consuming government administrative processes that may not be within our control. In view of the extent of the buildings involved, even though our Directors expect that such rectification will be primarily administrative and procedural in nature, our Directors expect that it may take up two to three years to complete the rectification. We will provide periodic updates in our annual and interim reports after the Listing to inform our Shareholders of our rectification progress. We expect that the rectification will be primarily administrative and procedural in nature and 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 tackle 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 re-complying with the applicable requirements with respect to the Relevant Buildings.

For on-going compliance of matters concerning our land and buildings, we have designated a responsible officer and enhanced the awareness of our managers with respect to compliance with the regulatory requirements relating to building ownership certificates and other requisite certificates or permits. See "– Internal Control and Risk Management" for more details of our internal control measures adopted. We will promptly engage external legal or professional advisers to assist us in complying with the requirements when required. In particular, we will ensure that the Zhongluotan Land and the buildings to be constructed on the Zhongluotan Land will comply with the applicable regulatory requirements in all material respects.

We have designated officers in charge of rectification of the non-compliance, including (i) Mr. Liu Jianfeng (劉劍鋒), the secretary of Communist Party Committee and a vice president of Guangdong Baiyun University, who is in charge of the relocation of the existing operations of the Relevant Buildings; (ii) Mr. Huang Ruohai (黃若海), director of infrastructure construction department of Guangdong Baiyun University, who is in charge of re-compliance of the land and the Relevant Buildings; and (iii) Mr. Mok Kwai Pui Bill (莫貴標), our chief financial officer, who is in charge of on-going compliance.

For reasons set out above, our Directors consider that the non-compliance with respect to the Relevant Buildings is adequately mitigated and would not have a material adverse effect on our operations.

We will disclose the process of relocation of the existing operations of the Relevant Buildings to the Zhongluotan Land and re-compliance of the land and Relevant Buildings in our interim or annual reports as appropriate.

INSURANCE

All of our schools maintain school liability insurance to safeguard against certain risks and unexpected events. Our school liability insurance generally covers harms suffered by our students that (i) arise in the course activities held at the campus of our schools or activities held by our schools; and (ii) are due to the negligence or omission of our schools.

Our Directors believe that our insurance coverage is generally consistent with the industry practice and provides adequate protection for our assets and operations for each school. Nevertheless, we cannot assure you that we will have sufficient insurance coverage for all of our school liabilities that may arise in our business operations. See "Risk Factors – Risks Relating to Our Business and Our Industry – Our insurance coverage may not be sufficient."

LICENCES AND PERMITS

Our PRC Legal Adviser has advised that during the Track Record Period and up to the Latest Practicable Date, save as otherwise disclosed in "– Properties", we had obtained all material licences, permits, approvals and certificates necessary to conduct our business operations from the relevant government authorities in the PRC, and such licences, permits, approvals and certificates remained in full effect for all the schools we operate currently.

For risks and uncertainties associated with our licences, approval and permits, see "Risk Factors – Risks Relating to Our Business and Our Industry – 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."

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

Licence/Permit[1]	Holder	Granting authority	Grant date	Expiry date
Private school operating licence	Jiangxi University of Technology	MOE	2012	2018
Private school operating licence[2]	Guangdong Baiyun University	MOE	1 January 2009	31 December 2017
Private school operating licence	Baiyun Technician College	Guangzhou Human Resources and Social Security Bureau	9 August 2017	8 August 2020
Registration certificate of private non-enterprise entities	Jiangxi University of Technology	Civil Affairs Department of Jiangxi Province	30 May 2016	30 May 2021
Registration certificate of private non-enterprise entities	Guangdong Baiyun University	Civil Affairs Department of Guangdong Province	25 August 2017	24 August 2021

Licence/Permit[1]	Holder	Granting authority	Grant date	Expiry date
Registration certificate of private non-enterprise entities	Baiyun Technician College	Civil Affairs Bureau of Guangzhou	9 August 2016	19 October 2018

Note:

(1) As advised by our PRC Legal Adviser, to maintain each of our private school operating licences, the respective school is required to pass an annual inspection regardless of whether such licence bears an expiry date or not. As of the Latest Practicable Date, each of our schools had passed the latest annual inspection.

(2) With respect to the private school operating licence of Guangdong Baiyun University, our Directors currently do not expect any difficulties in renewing it and expect to complete such renewal in December 2017.

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 schools to handle routine medical situations involving our students. In certain serious and emergency medical situations, we will send our students to local hospitals for treatment. With respect to school safety, we have in place certain school safety and security measures and a team of security staff at each of our schools. As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, we had not experienced any accident, medical situation or safety issue that would have a material adverse effect on us.

We understand that our students may from time to time be subject to various level of stress, arising from both academic and non-academic factors. We are committed to promoting psychological health among our students. Psychological counselling service is available at our schools. For more information, see the section headed "– Campus Services – Medical Care Services."

However, we have limited or no control over undesirable incidents that may take place at our schools. 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."

LEGAL PROCEEDINGS AND COMPLIANCE

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 none of our schools is currently engaged in any material litigation, arbitration or administrative proceeding.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date (i) we had not experienced any material or systemic non-compliance of applicable laws or regulations, which taken as a whole, in the opinion of our Directors, are likely to have a material and adverse effect on our business, financial condition or results of operations; and (ii) we had not experienced any non-compliance of applicable laws or regulations, which taken as a whole, in the opinion of our Directors, reflects negatively on the ability or tendency of our Company, our Directors or our senior management, to operate our business in a compliant manner.

See "Employees" and "Properties" in this section for a description of certain legal matters relating to our compliance with certain employee benefits and property related laws and regulations which our Directors consider would not have a material and adverse effect on our business, financial condition or results of operations for the reasons described in those paragraphs.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

Our Board is responsible for establishing our internal control system and reviewing its effectiveness. We have engaged an independent internal control consultant (the "**Internal Control Consultant**") to conduct an assessment of our internal control system. The internal control consultant has conducted 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 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 misstatement to our consolidated financial information prepared in accordance with IFRS during the Track Record Period as set out in Appendix IA and Appendix IB 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 Company's system of internal control with regard to those actions taken by our Company and reported further commentary in August 2017. As of the Latest Practicable Date, we confirm that there were no material internal control findings outstanding.

We have established an internal control function on the group level and each of our schools has designated the relevant personnel who will be responsible for monitoring our on-going compliance with the relevant PRC laws and regulations that govern our business operations and overseeing the implementation of any necessary measures. In addition, we plan to provide our Directors, senior management (including the principals and vice principals of our schools) and employees involved with continuing training programmes and/or updates regarding the relevant PRC laws and regulations on a regular basis with a view to proactively identifying any concerns and issues relating to potential non-compliance. Our chief financial officer and company secretary, Mr. Mok Kwai Pui Bill, is responsible for ensuring our overall on-going compliance.

With respect to our properties, we have implemented the following internal control measures to ensure our compliance with property laws and regulations:

- before we purchase any properties and enter into any new lease, our Directors and senior management will conduct enhanced due diligence to ensure there are no title issues and legal issues. The enhanced due diligence includes, among others, (i) examining the relevant land use right certificates and building title ownership documents; (ii) verifying such certificates and documents with the land administration authority and building administration authority and confirming the ownership; (iii) checking with building administration authority to ascertain whether any mortgage, charge or other security are attached to the building; and (iv) conducting site visits;

- we will obtain the requisite licences and permits (including but not limited to land use right certificates and building ownership certificates) as and when required by the laws and regulations and follow the requisite procedures relating to construction and work completion of buildings;

- we will seek our PRC Legal Adviser's opinion on the issues relating to title of properties and compliance of property laws and regulations;

- we have established a set of policies and procedures for property purchase and leasing arrangement to enhance our internal approval process; and

- Mr. Mok Kwai Pui Bill, our chief financial officer, will monitor the implementation of the above measures and will check whether there is any non-compliance going forward.

With respect to our employee social security plan, we have implemented the following internal control measures to ensure our compliance with relevant social security laws and regulations:

- the manager of the human resources department of our Group will review the reporting and contributions of social insurance and housing provident fund for the employees of our Group regularly;

- our human resources department will also consult our PRC Legal Adviser, on the requirements under the relevant PRC laws and regulations in relation to social insurance and housing provident fund;

- training on relevant social security and housing provident fund laws and regulations will be arranged for our management from time to time to keep them informed of the latest development in these areas;

- our human resources department will also organise information sessions for our employees and urge them to make contributions/payments in accordance with relevant social security and housing provident fund laws and regulations; and

- the manager of the human resources department will report to Mr. Mok Kwai Pui Bill, our chief financial officer, on the legal and regulatory compliance and provide improvement recommendations when required.

With respect to our on-going compliance generally, we have implemented the following internal control measures to ensure our compliance with applicable laws and regulations and to enhance our internal control:

- internal control system manuals on corporate governance, operations, management, legal matters, finance and auditing setting out the internal approval and review procedures pursuant to which our employees are mandated to comply with;

- supervision and guidance by our audit committee, which is empowered to provide an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group and the relevant audit processes;

- hiring additional personnel to support our continued growth and development including candidates with professional experience and qualifications; and

- engaging external professional advisers (including our Compliance Adviser, as well as legal advisers as to Hong Kong laws, PRC laws and laws of the jurisdiction in which we may expand our operations, and tax advisers) to provide professional advice and guidance to our Group to ensure compliance with applicable laws and regulations. We will also arrange our external professional advisers to provide internal training to our Directors and employees from time to time to ensure our Directors and employees are kept up-to-date with any legal and regulatory developments.

Taking into account the internal control measures implemented by us in connection with the "– Employees" and "– Properties" in this section, the ongoing monitoring and supervision by our Board with the assistance from professional external advisers where required, and the fact that, as confirmed by our Directors, the non-compliance incidents did not involve fraud or dishonesty, our Directors are of the view that our enhanced internal control measures are adequate and effective; the suitability of our Directors is compliant with Rules 3.08 and 3.09 of the Listing Rules; and our Company is suitable for listing under Rule 8.04 of the Listing Rules. Based on (i) a review of the internal control report and other due diligence documents; (ii) discussions with our Directors, the internal control consultant and our PRC Legal Adviser; and (iii) our Directors' confirmation, nothing has come to the attention of the Sole Sponsor that would lead it to cast doubts on the views of our Directors.

In 2013, certain teachers and students of Jiangxi University of Technology colluded to cheat on the National Higher Education Entrance Examination for Adults. Some of the teachers were investigated and sentenced to imprisonment by the relevant authorities. Although we did not perpetrate this incident, we suffered a certain degree of reputational damage. As a result of the incident, Jiangxi University of Technology was removed from the list of approved entrance examination centres for adults and was disqualified from admitting students for adult higher education for the year of 2014.

After becoming aware of the incident, we have stepped up our examination security measures with a view to ensuring the examinations are conducted fairly and properly without malpractice, including:

- *upgrade of examination facilities*: installed digital surveillance systems to monitor and record the conduct of the examinations. In an attempt to prevent students from using high-tech miniaturised gadgets to communicate during exams, we have installed signal blocking devices that disrupt telecommunication. Our metal detectors also assist exam invigilators in detecting if a student is carrying devices that may facilitate cheating. ID card readers enable us to confirm the validity of the students' ID documents and identify impersonators. Dedicated transport vehicles and storage and transfer protocols have been put in place to enhance the secured logistics of examination materials.

- *invigilators and examination staff election*: our invigilators and examination staff are carefully selected. In particular, we prohibit the participation of our invigilators and examination staff who may have a conflict of interest that may interfere with their impartiality in administering the examinations. We adhere to the principle of separation of teaching and examination and prohibit any person having an immediate family relationship with a student taking part in an examination in becoming an invigilator or examination staff for that examination.

- *accountability system*: we have adopted an accountability system that covers the examination process with a view to ensuring every person involved in administering the examinations is aware of their respective tasks and responsibilities. Any dereliction of duty will be investigated and dealt with seriously. We encourage the report of improprieties of our examination staff. We have implemented training on our examination staff, particularly on the examination processes and procedures, professional ethics and awareness of law, risk and responsibilities.

Our Directors consider that the removal of Jiangxi University of Technology from the list of approved entrance examination centres for adults and disqualification from admitting students for adult higher education for the year 2014 did not result in any material adverse impact on our business and financial position as a whole, primarily because: (i) the provision of continuing education programmes to adult students does not contribute substantially to the revenue of Jiangxi University of Technology. For the year ended 31 December 2014, revenue generated from adult students enrolled in continuing education programmes for the 2013/2014 school year only accounted for an insignificant portion of the overall revenue of Jiangxi University of Technology. Therefore, our Directors consider that the financial impact resulting from the disqualification from admitting students for adult higher education in respect of the 2014/2015 school year was relatively limited; (ii) the existing adult students enrolled in continuing education programmes could attend examinations in other examination centres; and (iii) Jiangxi University of Technology's ability to enrol students into its bachelor's degree programmes and junior college programmes was not affected by this incident, and the university was able to increase such number of students for the 2014/2015 school year.

In parallel with the above, we have also enhanced our anti-bribery efforts, and we prohibit our teachers and staff from receiving improper payments and benefits. In particular, scholarships and grants must be genuinely assessed in accordance with the relevant criteria and distributed to the students, and no staff involved is allowed to receive any form of benefits from any student in return for a favourable assessment. We have implemented complaint channels and have designated staff in handling complaints. Our school principals meet with students face-to-face to address any major complaints or concerns the students may have. We also established a task force comprising of principal and head of school departments with a view to understanding, responding and resolving complaints from students.

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 fee 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" for disclosures on various risks we face. In addition, we also face numerous market risks, such as interest rate, credit and liquidity risks that arise in the normal course of our business. For a discussion on these market risks, see the section headed "Financial Information – Quantitative and Qualitative Disclosures about Market Risk."

To properly manage these risks, we have established the following risk management structures and measures:

- our Board is responsible and has the general power to manage the operations of our schools, 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, including school liability insurance; 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.

BACKGROUND TO THE CONTRACTUAL ARRANGEMENTS

We currently conduct our private education business through our consolidated affiliated entities in the PRC as 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 ownership, in addition to imposing a qualification requirement on the foreign owners. Further, government approvals in respect of Sino-foreign 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 relevant 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. 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 EDUCATION INDUSTRY

Higher education

Pursuant to the Foreign Investment Industries Guidance Catalogue (as amended in 2017) (《外商投資產業指導目錄》(2017年修訂)), 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**").

In relation to the interpretation of Sino-foreign cooperation, pursuant to the Sino-Foreign Regulation, the foreign investor in a Sino-foreign school (whether as a kindergarten, high school or higher education institution, a "**Sino-Foreign School**") must be a foreign educational institution with relevant qualification and high quality of education (the "**Qualification Requirement**"). Pursuant to the Sino-foreign Vocational Skills Training Measures, the foreign investor in a Sino-foreign technical school (a "**Sino-Foreign Technical School**") must be a foreign education institution or a foreign vocational skills training institution with relevant qualification and high quality (the "**Qualification Requirement**"). Furthermore, pursuant to the Implementation Opinions, the foreign portion of the total investment in a Sino-Foreign 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.

Our PRC Legal Adviser has advised that the laws and regulations are 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 authority that it meets the Qualification Requirement.

With the assistance of our PRC Legal Adviser, we consulted the Education Department of Jiangxi Province (江西省教育廳) on 6 June 2017, the Education Department of Guangdong Province (廣東省教育廳) on 19 May 2017 and the Human Resources and Social Security Department of Guangdong Province (廣東省人力資源和社會保障廳) on 17 May 2017, being the competent authorities as advised by our PRC Legal Adviser to confirm the matters relating to the Sino-Foreign Schools and Sino-Foreign Technical Schools relevant to us. We were advised by (a) the director of the International Cooperation and Exchange Office (國際合作與交流處) and a researcher of the Development and Planning Office (發展規劃處) of the Education Department of Jiangxi Province; (b) the director of the Policy and Regulation Office (政策法規處) of the Education Department of Guangdong Province and (c) the deputy director of the Vocational Education and Management Office (技工教育管理處) of the Human Resources and Social Security Department of Guangdong Province:

(i) the Foreign Control Restriction and the Foreign Ownership Restriction apply to Sino-Foreign Schools and Sino-Foreign Technical Schools in their regions;

(ii) no implementing measures or specific guidance were promulgated pursuant to the Sino-Foreign Regulation and the Sino-foreign Vocational Skills Training Measures, including the Qualification Requirement, in Jiangxi and Guangdong provinces;

(iii) as a matter of policy, due to the lack of implementing measures or specific guidance on the Sino-Foreign Regulation, and the Sino-foreign Vocational Skills Training Measures including the Qualification Requirement, the relevant authorities will unlikely approve an application to convert the PRC Operating Schools or the schools to be newly established or invested by us into Sino-Foreign Schools or Sino-Foreign Technical Schools; and

(iv) the execution of the Contractual Arrangements does not require approval from them.

Given the policy adopted by the Human Resources and Social Security Department of Guangdong Province and the Education Department of Guangdong and Jiangxi provinces as summarised above, our Directors consider that it is not practicable for us to seek to apply to reorganise any of our schools as a Sino-Foreign School or a Sino-Foreign Technical School.

Notwithstanding the above, we are committed to working towards meeting the Qualification Requirement. We have adopted a specific plan and will continue to expend genuine efforts and financial resources to do so. We will communicate with the relevant authorities on a regular basis following the Listing to keep abreast of any regulatory developments, including whether there will be any change in policy for approving Sino-Foreign Schools and Sino-Foreign Technical Schools in Guangdong and Jiangxi provinces, 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 Education Industry – Circumstances in which we will unwind the Contractual

Arrangements" and "– PRC Laws and Regulations relating to Foreign Ownership in the 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 domestic private college, university or technical school and we do not hold any sponsor interests in, but rather control by way of the Contractual Arrangements with, such college, university or technical school.

As of the Latest Practicable Date, we had not encountered any interference or encumbrance from any government bodies in relation to the Contractual Arrangements. The consolidated financial results of our consolidated affiliated entities, which engage in provision of education service, are consolidated into those of our Group.

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 School and not less than 50% of the governing body of the higher education institution must be appointed by the Chinese investors. Under the Sino-foreign Vocational Skills Training Measures, foreign investment in technical schools in the PRC is required to be in the form of cooperation between domestic educational institutions and foreign educational institutions. As confirmed by the relevant authority, the technical schools are also subject to the Foreign Control Restriction and the Foreign Ownership Restriction.

In the event that the Qualification Requirement is removed or we are able to meet the Qualification Requirement 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), our Company will partially unwind the Contractual Arrangements and directly hold a sponsor or equity interest of less than 50% in the relevant school or corporate entity (as the case may be) (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 School and a Sino-Foreign Technical School up to no more than 50%. However, our Company will not be able to control such school and corporate entities 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 and corporate entities. 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 a sponsor or equity interest of less than 50% in the relevant school or corporate entity (as the case may be) (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 School up to no more than 50%. However, our Company will not be able to control such school or corporate entities 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 Schools and Sino-Foreign Technical 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 each of our schools 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 equity 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 interests in our schools and our Company will fully unwind the Contractual Arrangements and directly hold all sponsor or equity interests in the schools or corporate entities (as the case may be). Our Company will also acquire rights to appoint all members to the board of directors of our 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 options under the Exclusive Call Option Agreements in full to unwind the Contractual Arrangements so that we are able to directly operate our schools without using the Contractual Arrangements.

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 particular, we have taken the following concrete steps to ensure compliance with the Qualification Requirement:

- on 14 June 2017, we entered into a consulting agreement with an independent education consultant with extensive experience and background in private post-secondary education in the State of California, the United States, pursuant to which the consultant shall provide consultation and adviser services in relation to (i) the incorporation of a subsidiary company with a view to providing educational services in California; and (ii) the licensing application to be submitted to the Bureau for Private Post-secondary Education (BPPE) in California; and

- on 10 July 2017, we incorporated an operating entity in the State of California, the United States, namely University of Science and Technology, which is wholly owned by HK China Education Group. University of Science and Technology is expected to be responsible for the daily operation and management of our education businesses in the State of California, the United States. We anticipate that University of Science and Technology will formally commence operations in or around February 2019. We also estimate that an initial investment of USD1,050,000 will be required to establish such operations. We currently anticipate that the institution will initially offer two undergraduate degree programmes, namely, Bachelor of Science in Computer Science (計算機科學學士) and Bachelor of Science in Business Management (商務管理學士).

Our PRC Legal Adviser is of the view that while Sino-foreign Schools are to be jointly established by both foreign and domestic 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 interviews conducted with the Education Department of Guangdong and Jiangxi Provinces and the Human Resources and Social Security Department of Guangdong Province and 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.

For taking the steps mentioned above, we had expended approximately US$30,400 in connection with our plan as of the Latest Practicable Date. Towards the end of 2017, we expect to deploy three management personnel, namely Dr. Yu, Mr. Mok Kwai Pui Bill and Mr. Li Renyi, to develop the university in California. 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 have undertaken to the Stock Exchange that we will:

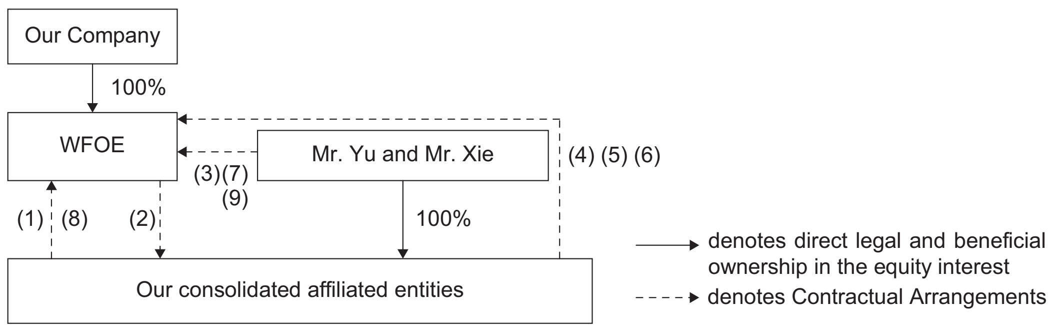
1. under the guidance of our PRC Legal Adviser, continue to keep ourselves updated with regard to all relevant regulatory developments and guidance relating to the Qualification Requirement; and

2. provide periodic updates in our annual and interim reports after 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, 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 business of our consolidated affiliated entities are transferred to WFOE to the extent permitted under the PRC laws and regulations by means of services fees payable by our consolidated affiliated entities to WFOE.

The following simplified diagram illustrates the flow of economic benefits from our schools to us under the Contractual Arrangements:



Notes:

(1) Payment of service fees. See "Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements – Exclusive Technical Services and Management Consultancy Agreements" for details.

(2) Provision of exclusive technical and management consultancy services. See "Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements – Exclusive Technical Services and Management Consultancy Agreements" for details.

(3) Exclusive call options to acquire all or part of our school sponsors' or equity interests in our PRC Operating Schools, Huafang Education or Lihe Education. See "Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements – Exclusive Call Option Agreements" for details.

(4) Entrustment of school sponsors' rights in our PRC Operating Schools. See "Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements – School Sponsors' and Directors' Rights Entrustment Agreements and Shareholders' Rights Entrustment Agreements" and "Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements – Powers of Attorney" for details.

(5) Entrustment of directors' rights in our PRC Operating Schools by directors of our PRC Operating Schools including directors' powers of attorney. See "Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements – School Sponsors' and Directors' Rights Entrustment Agreements and Shareholders' Rights Entrustment Agreements" and "Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements – Powers of Attorney" for details.

(6) Entrustment of shareholders' rights in Huafang Education and Lihe Education including Shareholders' Powers of Attorney. See "Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements – School Sponsors' and Directors' Rights Entrustment Agreements and Shareholders' Rights Entrustment Agreements" and "Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements – Powers of Attorney" for details.

(7) Entrustment of school sponsors' right including School Sponsors' Powers of Attorney. See "Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements – School Sponsors' and Directors' Rights Entrustment Agreements and Shareholders' Rights Entrustment Agreements" and "Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements – Powers of Attorney" for details.

(8) Pledge by Jiangxi University of Technology and Guangdong Baiyun University of their interest in certain receivables and any proceeds from the sale or transfer of the sponsor interests in Guangdong Baiyun University and Jiangxi University of Technology by Mr. Yu and Mr. Xie (as the case may be). See "Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements – Receivables Pledge Agreements" for details.

(9) Pledge of all the equity interests in Lihe Education by Huafang Education and in Huafang Education by Mr. Yu and Mr. Xie. See "Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements – Equity Pledge Agreement" for details.

Summary of the Material Terms of the Contractual Arrangements

A description of each of the specific agreements that comprise the Contractual Arrangements is set out below.

Business Cooperation Agreements

Pursuant to the business cooperation agreements entered into by and between (i) WFOE, Jiangxi University of Technology and Mr. Yu dated 30 June 2017, (ii) WFOE, Guangdong Baiyun University and Mr. Xie dated 30 June 2017 and (iii) WFOE, Baiyun Technician College, Huafang Education, Lihe Education, Mr. Yu and Mr. Xie dated 14 August 2017 (the "**Business Cooperation Agreements**"), WFOE has the exclusive right to provide each of our consolidated affiliated entities technical services, management support services, consulting services, intellectual property licences and other additional services as the parties may mutually agree from time to time, and in return, our PRC Operating Schools and other consolidated affiliated entities shall make payments accordingly. Without WFOE's prior written consent, none of our consolidated affiliated entities and our Registered School Sponsors may accept services which are in competition or contradiction with those covered by the Business Cooperation Agreements from any third party.

To ensure the due performance of the Contractual Arrangements, each of our consolidated affiliated entities agreed to comply, and procure any of its subsidiaries to comply with, and our Registered School Sponsors agreed to procure our consolidated affiliated entities to comply with the obligations as prescribed under the Business Cooperation Agreements set forth as follows:

(a) to carry out its private education operations in a prudent and efficient manner in accordance with good financial and business standards while maintaining the asset value of our PRC Operating Schools and the quality and standard of private education;

(b) to prepare school development plans and annual working plans in accordance with the instructions of WFOE;

(c) to carry out its private education activities and other relevant business under the assistance of WFOE;

(d) to carry out and manage its daily operations and financial management in accordance with the recommendations, advice, principles and other instructions of WFOE;

(e) to execute and act upon the recommendations of WFOE in terms of employment and removal of senior management and staff;

(f) to adopt the advice, guidance and plans given by WFOE in relation to their respective strategic development;

(g) to carry out its business operations and renew and maintain its respective necessary licences;

(h) at the request of WFOE, to provide information relevant to the operation of our PRC Operating Schools, Lihe Education and Huafang Education, and timely notify WFOE any event that led to or may lead to material adverse effect on its business, and to use best efforts to prevent the occurrence of such event and/or to mitigate loss resulting from such event;

(i) at the request of WFOE, to purchase insurance from insurance companies (agreed by WFOE) relating to the assets and businesses of our PRC Operating Schools, Lihe Education and Huafang Education, the amount and category of such insurance shall be consistent with those companies or schools in the same area holding similar properties and assets; and

(j) to deliver all authorising seals (including the school seal and the financial seal) and originals of its registration documents (including but not limited to the school's private non-enterprise unit registration certificate, school permit and articles and association) to WFOE for its custody and management under the Contractual Arrangements.

In addition, pursuant to the Business Cooperation Agreements,

(a) each of Mr. Yu and Mr. Xie undertakes to WFOE that, in the event of death, loss of or restriction on capacity, divorce or other circumstances which may affect the exercise of his direct or indirect sponsor or equity interest in Jiangxi University of Technology, Guangdong Baiyun University and Huafang Education, he shall have made all necessary arrangement and sign all necessary documents such that his respective successor, guardian, spouse, and any other person which may as a result of the above events obtain the sponsor interest or relevant rights shall not prejudice or hinder the enforcement of the Contractual Arrangements;

(b) each of Mr. Yu and Mr. Xie undertakes that, in the event of the dissolution or liquidation of our PRC Operating Schools, Huafang Education and/or Lihe Education, (i) WFOE shall have the right to exercise all school sponsor's/shareholder's right on behalf of the Registered School Sponsor, Huafang Education and/or Lihe Education; (ii) each of Mr. Yu and Mr. Xie shall transfer or procure the transfer of all assets received or receivable in the capacity as school sponsor/shareholder of each of our PRC Operating Schools, Huafang Education and/or Lihe Education as a result of the dissolution or liquidation of our PRC Operating Schools, Huafang Education and/or Lihe Education to WFOE or other persons designated by us at nil consideration, and instruct our PRC Operating Schools, Huafang Education and/or Lihe Education to transfer such assets directly to WFOE; (iii) if consideration is required for such transfer under the then applicable PRC laws, Mr. Yu and/or Mr. Xie shall compensate WFOE or the person as designated by us the amount and guarantee that WFOE or other persons as designated by us does not suffer any loss; and

(c) our PRC Operating Schools, Huafang Education and Lihe Education agreed that, without the prior written consent of WFOE, our PRC Operating Schools, Huafang Education and/or Lihe Education shall not declare or pay to Mr. Yu or Mr. Xie any reasonable return, dividend or other interest or benefit. In the event that Mr. Yu or Mr. Xie receives any reasonable return, dividend or other interest or benefit, he shall unconditionally and without compensation transfer such amount to WFOE.

In order to prevent the leakage of assets and values of our PRC Operating Schools, each of Mr. Yu, Mr. Xie, our PRC Operating Schools, Huafang Education and Lihe Education has undertaken that, without the prior written consent of WFOE or its designated party, Mr. Yu, Mr. Xie, our PRC Operating Schools, Huafang Education and/or Lihe Education shall not conduct or cause to conduct any activity or transaction which may have any actual impact (i) on the assets, business, staff, obligations, rights or operations of our PRC Operating Schools, Huafang Education and/or Lihe Education or (ii) on the ability of Mr. Yu, Mr. Xie, our PRC Operating Schools, Huafang Education and/or Lihe Education to perform the obligations under the Contractual Arrangements. Such activities and transactions include, without limitation:

(a) establishment of any subsidiary or entity by our PRC Operating Schools, Huafang Education and Lihe Education;

(b) conduct of any activity by our PRC Operating Schools, Huafang Education, Lihe Education or their respective subsidiaries which are outside the ordinary course of business or change the mode of operations of our PRC Operating Schools or their respective subsidiaries;

(c) consolidation, subdivision, change of form of corporate organisation, dissolution or liquidation of our PRC Operating Schools, Huafang Education, Lihe Education or their respective subsidiaries;

(d) providing any borrowing, loan or guarantee in respect of any debt to, or obtaining any borrowing and loan from, our PRC Operating Schools, Huafang Education, Lihe Education and/or their respective subsidiaries;

(e) providing any borrowing, loan or guarantee in respect of any debt, or obtaining any borrowing and loan by our PRC Operating Schools, Huafang Education, Lihe Education or their respective subsidiaries to or from any third party, except those arise in the ordinary course of business and provided that the amount of a single item of debt is less than RMB100,000;

(f) change or removal of any director, supervisor or senior manager of our PRC Operating Schools, Huafang Education, Lihe Education or their respective subsidiaries, increase or decrease of their remuneration package, or change of their appointment terms and conditions;

(g) sale, transfer, lending or authorising the use or disposal of any assets or rights of our PRC Operating Schools, Huafang Education, Lihe Education or their respective subsidiaries to any third party other than WFOE or its designated party, or purchase from any third party any assets or rights, except in the ordinary course of business and provided that the amount of a single transaction is less than RMB100,000;

(h) sale of any equity interest or school sponsor rights in our PRC Operating Schools, Huafang Education, Lihe Education or their respective subsidiaries to any third party other than WFOE or its designated party, or of the registered capital or change of the structure of the equity or sponsor interest of our PRC Operating Schools or their respective subsidiaries;

(i) providing security over equity interest and/or sponsor interest in or assets or rights of, or creating encumbrance over equity and/or sponsor interest in or assets of our PRC Operating Schools, Huafang Education, Lihe Education or their respective subsidiaries to third parties other than to WFOE or its designated party;

(j) altering, amending or revoking any permits of our PRC Operating Schools, Huafang Education, Lihe Education or their respective subsidiaries;

(k) amending the articles of association or scope of business of our PRC Operating Schools, Huafang Education, Lihe Education or their respective subsidiaries;

(l) change of any normal business procedures or amendment of any internal procedures and system of our PRC Operating Schools, Huafang Education, Lihe Education or their respective subsidiaries;

(m) entering into any business contracts outside the ordinary course of business except pursuant to the plan or suggestion of WFOE or us;

(n) distribution of dividend, reasonable return or other payments to our PRC Operating Schools, Huafang Education, Lihe Education or their respective subsidiaries;

(o) carrying out any activity which has or may have an adverse effect on the daily operations, business or assets of our PRC Operating Schools, Huafang Education, Lihe Education or their respective subsidiaries or their ability to make any payment to WFOE;

(p) entering into any transaction which has or may have an adverse effect on the transactions contemplated under the Contractual Arrangements; and

(q) transfer of his/its rights and obligations under the Contractual Arrangements to any third party other than WFOE or its designated party, or establishment and commencement of any cooperation or business relationship similar to that under the Contractual Arrangements with any third party by our PRC Operating Schools, Huafang Education, Lihe Education or their respective subsidiaries.

Furthermore, each of Mr. Yu and Mr. Xie undertakes to WFOE that, unless with the prior written consent of WFOE, he shall not (i) directly or indirectly engage, participate in, conduct, acquire or hold any business or activities which compete or may potentially compete with any of our PRC Operating Schools, Huafang Education, Lihe Education and their respective subsidiaries ("**Competing Business**"), (ii) use information obtained from our PRC Operating Schools, Huafang Education, Lihe Education or their respective subsidiaries for the Competing Business, and (iii) obtain any benefit from any Competing Business. Each of Mr. Yu and Mr. Xie further consents and agrees that, in the event that Mr. Yu or Mr. Xie (severally or jointly) directly or indirectly engage, participate in or conduct any Competing Business, WFOE and/or other entities as designated by us shall be granted an option to require the entity engaging in the Competing Business to enter into an arrangement similar to that of the Contractual Arrangements. If WFOE does not exercise such option, Mr. Yu or Mr. Xie shall cease the operation of the Competing Business within a reasonable time.

Exclusive Technical Services and Management Consultancy Agreements

Pursuant to the exclusive technical services and management consultancy agreements entered into by and between (i) WFOE and Jiangxi University of Technology dated 30 June 2017, (ii) WFOE and Guangdong Baiyun University dated 30 June 2017 and (iii) WFOE, Lihe Education, Huafang Education and Baiyun Technician College dated 14 August 2017 (the "**Exclusive Technical Services and Management Consultancy Agreements**"), WFOE has the exclusive right to provide, or designate any third party to provide, technical services to each of our PRC Operating Schools, Lihe Education and Huafang Education, including (a) design, development, update and maintenance of software for computer and mobile devices; (b) design, development, update and maintenance of webpages and websites necessary for the education activities of our PRC Operating Schools, Lihe Education and Huafang Education; (c) design, development, update and maintenance of management information systems necessary for the education activities of our PRC Operating Schools, Lihe Education and Huafang Education; (d) provision of other technical support necessary for the education activities of our PRC Operating Schools, Lihe Education and Huafang Education; (e) provision of technical consulting services; (f) provision of technical training; (g) engaging technical staff to provide on-site technical support; and (h) other technical services reasonably requested by our PRC Operating Schools, Lihe Education and Huafang Education. Without WFOE's prior written consent, none of our consolidated affiliated entities may accept services covered by the Exclusive Technical Services and Management Consultancy Agreements from any third party.

Furthermore, WFOE agreed to provide exclusive management consultancy services to our PRC Operating Schools, Lihe Education and Huafang Education, including (a) design of curriculum; (b) preparation, selection and/or recommendation of course materials; (c) provision of teacher and staff recruitment and training support and services; (d) provision of student recruitment support and services; (e) provision of public relation services; (f) preparation of long term strategic development plans and annual working plans; (g) development of financial management systems and recommendation and optimisation on annual budget; (h) advising on design of internal structures and internal management; (i) provision of management and consultancy training; (j) conduct of market research; (k) preparation of market development plan; (l) building of marketing network; and (m) providing other services reasonably requested by our PRC Operating Schools, Lihe Education and Huafang Education.

As of the Latest Practicable Date, WFOE had over 30 personnel with various professional backgrounds, including education, legal and compliance, business administration and accounting and finance. We will deploy relevant staff to continue providing services to our PRC Operating Schools, Lihe Education and Huafang Education from time to time pursuant to the Exclusive Technical Service and Management Consultancy Agreements.

In consideration of the technical and management consultancy services provided by WFOE, each of our PRC Operating Schools, Lihe Education and Huafang Education agreed to pay WFOE a service fee equal to all of their respective amount of surplus from operations (after deducting all costs, expenses, taxes, losses from the previous year (if required by the law), the legally compulsory development fund of the respective school (if required by the law) and other sums required by the relevant laws and regulations to be reserved or withheld). The compulsory development fund is included as statutory surplus reserve at the Group's level and retained at schools' level. WFOE has the right (but not the obligation) to adjust the amount of such service fee by reference to the actual services provided and the actual business operations and needs of our PRC Operating Schools, Lihe Education and Huafang Education, provided that any adjusted amount shall not exceed the amount mentioned above.

Pursuant to the Exclusive Technical Service and Management Consultancy Agreements, unless otherwise prescribed under the PRC laws and regulations, WFOE shall have exclusive proprietary rights to any technology and intellectual property developed and materials prepared in the course of the provision of research and development, technical support and services by WFOE to our PRC Operating Schools, Lihe Education and Huafang Education, and any intellectual property in the products developed, including any other rights derived thereunder, in the course of performance of obligations under the Exclusive Technical Service and Management Consultancy Agreements and/or any other agreements entered into between WFOE and other parties.

Exclusive Call Option Agreements

Under the exclusive call option agreements entered into by and between (i) WFOE, Jiangxi University of Technology and Mr. Yu dated 30 June 2017, (ii) WFOE, Guangdong Baiyun University and Mr. Xie dated 30 June 2017 and (iii) WFOE, Baiyun Technician College, Mr. Yu, Mr. Xie, Huafang Education and Lihe Education dated 14 August 2017 (the "**Exclusive Call Option Agreements**"), Mr. Yu, Mr. Xie, Lihe Education and Huafang Education have irrevocably granted WFOE or its designated purchaser the right to purchase all or part of the interests in our PRC Operating Schools, Huafang Education or Lihe Education (as the case may be). The purchase price payable by WFOE in respect of the transfer of such sponsor interest upon exercise of the call option shall be the lowest price permitted under the PRC laws and regulations. WFOE or its designated purchaser shall have the right to purchase such proportion of the sponsor interest in our PRC Operating Schools or the equity interests in Huafang Education or Lihe Education as it decides at any time.

In the event that PRC laws and regulations allow WFOE or us to directly hold all or part of the sponsor interest in our PRC Operating Schools or the equity interests in Huafang Education or Lihe Education and operate private education business in the PRC, WFOE shall issue a notice of exercise of the call option as soon as practicable, and the percentage of sponsor interest or equity interest purchased upon exercise of the call option shall not be lower than the maximum percentage then allowed to be held by WFOE or us under PRC laws and regulations.

Each of Mr. Yu and Mr. Xie has further undertaken to WFOE that he:

(a) shall not sell, assign, transfer or otherwise dispose of or create encumbrance over his sponsor interest in any of our PRC Operating Schools, Lihe Education and Huafang Education directly or indirectly without the prior written consent of WFOE;

(b) shall not increase or reduce or agree to the increase or reduction of capital investment as school sponsor of our PRC Operating Schools, Lihe Education and Huafang Education without the prior written consent of WFOE;

(c) shall not agree to or procure any of our PRC Operating Schools, Lihe Education and Huafang Education to divide into or merge with other entities without the prior written consent of WFOE;

(d) shall not dispose of or procure the management of our PRC Operating Schools, Lihe Education and Huafang Education to dispose of any of the assets of our PRC Operating Schools, Lihe Education and Huafang Education without the prior written consent of WFOE, except in the ordinary course of business and provided that the value of assets in relation to each and every disposal shall not exceed RMB100,000;

(e) shall not terminate or procure the management of our PRC Operating Schools, Lihe Education and Huafang Education to terminate any material contract (which includes any agreement under which the amount for each and every termination involved exceeds RMB100,000, the Contractual Arrangements and any agreement of similar nature or content to the Contractual Arrangements) or enter into any other contracts which may contradict such material contracts without the prior written consent of WFOE;

(f) shall not procure any of our PRC Operating Schools, Lihe Education and Huafang Education to enter into any transactions which may have an actual impact on the assets, liabilities, operations, equity structures or other legal rights of our PRC Operating Schools without the prior written consent of WFOE, save for transactions which are in the ordinary course of business of our PRC Operating Schools, Lihe Education and Huafang Education with the amount of each and every transaction involved not more than RMB100,000, or transactions which have been disclosed to WFOE and approved by WFOE;

(g) shall not agree to or procure any of our PRC Operating Schools, Lihe Education and Huafang Education to declare or in substance distribute any distributable reasonable return or agree to such distribution without the prior written consent of WFOE;

(h) shall not agree to or procure any of our PRC Operating Schools to change its mode of operation (辦學模式) or its nature of operation (辦學性質);

(i) shall not agree to or procure any of our PRC Operating Schools, Lihe Education and Huafang Education to amend its articles of association without the prior written consent of WFOE;

(j) shall ensure that any of our PRC Operating Schools, Lihe Education and Huafang Education does not provide or obtain loans or provide any guarantees or otherwise undertake any other action to guarantee, or undertake any material obligations (including obligations under which the amount payable by our PRC Operating Schools, Lihe Education or Huafang Education exceeds RMB100,000, obligations which restrict or hinder the due performance of obligations under the Contractual Arrangements by our PRC Operating Schools, Lihe Education and Huafang Education, obligations which restrict or prohibit the financial or business operations of our PRC Operating Schools, Lihe Education and Huafang Education, or any obligations which may result in change of the structure of the school sponsor's/ shareholder's interest of our PRC Operating Schools) outside its ordinary course of business without the prior written consent of WFOE;

(k) shall use its best endeavours to develop the business of our PRC Operating Schools, Lihe Education and Huafang Education and ensure compliance with laws and regulations by our PRC Operating Schools, Lihe Education and Huafang Education, and shall not take or fail to take any action which may prejudice the assets, goodwill or the effectiveness of operational licences of our PRC Operating Schools, Lihe Education and Huafang Education;

(l) shall, prior to the transfer of his sponsor interest or equity interests in Lihe Education or Huafang Education to WFOE or its designated purchaser and without prejudice to the School Sponsors' and Directors' Rights Entrustment Agreements and Shareholders' Rights Entrustment Agreements, execute all documents necessary for holding and maintaining the ownership of its interest in our PRC Operating Schools, Lihe Education and Huafang Education;

(m) shall sign all documents and take all necessary actions to facilitate transfer of its sponsor interest in our PRC Operating Schools, Lihe Education and Huafang Education to WFOE or its designated purchaser;

(n) shall take all such actions to facilitate our PRC Operating Schools, Lihe Education and Huafang Education in their performance of its obligations under the Exclusive Call Option Agreements if such performance requires any action be taken by the Registered School Sponsor on his part;

(o) shall, in its capacity as a school sponsor/shareholder of our PRC Operating Schools, Lihe Education and Huafang Education and without prejudice to the Contractual Arrangements, procure directors nominated by it to exercise all rights to enable any of our PRC Operating Schools, Lihe Education and Huafang Education to perform its rights and obligations under the Exclusive Call Option Agreements, and shall replace any director or council member who fails to do so; and

(p) in the event that the consideration paid by WFOE or its designated purchaser for the transfer of all or part of the interest in our PRC Operating Schools, Lihe Education or Huafang Education exceeds RMB0, shall pay such excess amount to WFOE or its designated entity.

In order to prevent the flow of the assets and value of our consolidated affiliated entities to their respective school sponsors, pursuant to the Exclusive Call Option Agreements, none of the assets of our PRC Operating Schools, Lihe Education and Huafang Education are to be sold, transferred or otherwise disposed of without the written consent of WFOE. Unless our PRC Operating Schools, Lihe Education and Huafang Education can prove that such transaction (i) occurred in the ordinary course of business and (ii) has a value not exceeding RMB100,000 for a single transaction. In addition, under the Exclusive Call Option Agreements, none of Mr. Yu, Mr. Xie, Lihe Education or Huafang Education may transfer or permit the encumbrance to be created on any of his or its interests in our PRC Operating Schools, Lihe Education and Huafang Education without WFOE's prior written consent.

School Sponsors' and Directors' Rights Entrustment Agreements and Shareholders' Rights Entrustment Agreements

Pursuant to the school sponsors' and directors' rights entrustment agreements entered into by and between (i) WFOE, Mr. Yu and each director of Jiangxi University of Technology dated 30 June 2017, (ii) WFOE, Mr. Xie and each director of Guangdong Baiyun University dated 30 June 2017 and (iii) WFOE, Lihe Education and each director of Baiyun Technician College dated 14 August 2017 (the "**School Sponsors' and Directors' Rights Entrustment Agreements**"), the Registered School Sponsors have irrevocably authorised and entrusted WFOE to exercise all its rights as school sponsor of each of our PRC Operating Schools to the extent permitted by PRC laws. These rights include, but are not limited to: (a) the right to appoint and/or elect directors or council members of the schools; (b) the right to appoint and/or elect supervisors of the schools; (c) the right to access the information relating to the operation and financial situation of the schools; (d) the right to review the resolutions and records of the board of directors and financial statements and reports of the schools; (e) the right to obtain reasonable returns or any returns as school sponsor of the schools in accordance with the laws and the articles of association of each school; (f) the right to acquire residue assets upon winding-up, liquidation, dissolution or cessation of operation of the schools in accordance with the laws; (g) the right to transfer sponsor interest in accordance with the laws; (h) the right to vote as school sponsor upon winding-up, liquidation, dissolution or cessation of operation of the schools in accordance with the laws; (i) the right to handle the legal procedures of registration, approval and licensing of our PRC Operating Schools at the education department, the department of civil affairs or other government departments and (j) other school sponsor's rights pursuant to applicable PRC laws and regulations and the articles of association of each school as amended from time to time. In addition, Lihe Education has also irrevocably authorised and entrusted WFOE to elect Baiyun Technician College to be a for-profit school or a non-profit school.

Pursuant to the School Sponsors' and Directors' Rights Entrustment Agreements, each of the directors of each school (the "**Appointees**") has irrevocably authorised and entrusted WFOE to exercise all his/her rights as directors of our PRC Operating Schools as appointed by the Registered School Sponsors and to the extent permitted by PRC laws. These rights include, but are not limited to: (a) the right to attend meetings of the board of directors as representative of the directors appointed by the Registered School Sponsors; (b) the right to exercise voting rights in respect of all matters discussed and resolved at the board meeting of each of our PRC Operating Schools; (c) the right to propose to convene interim board meetings of each of our PRC Operating Schools; (d) the right to sign all board minutes, board resolutions and other legal documents which the directors appointed by the Registered School Sponsors have authority to sign in his/her capacity as directors of our PRC Operating Schools; (e) the right to instruct the legal representative, financial, business, and administration responsible persons of our PRC Operating Schools to act in accordance with the instruction of WFOE; (f) the right to exercise all other rights and voting rights of directors as prescribed under the articles of association of our PRC Operating Schools; (g) the right to handle the legal procedures of registration, approval and licensing of our PRC Operating Schools at the education department, the department of civil affairs or other government regulatory departments; and (h) other directors' rights pursuant to applicable PRC laws and regulations and the articles of association of our PRC Operating Schools as amended from time to time.

Pursuant to the shareholders' rights entrustment agreements entered into by and between (i) WFOE, Huafang Education, Mr. Yu and Mr. Xie and (ii) WFOE, Lihe Education and Huafang Education (the "**Shareholders' Rights Entrustment Agreements**"), Mr. Yu, Mr. Xie and/or Huafang Education have irrevocably authorised and entrusted WFOE to exercise all his/its rights as shareholders of each of Huafang Education and Lihe Education to the extent permitted by PRC laws. These rights include, but are not limited to: (a) the right to attend shareholders' meetings of Huafang Education and Lihe Education, as the case may be; (b) the right to exercise voting rights in respect of all matters discussed and resolved at the shareholders' meeting of the Huafang Education and Lihe Education, as the case may be; (c) the right to appoint directors or legal representative of the Huafang Education and Lihe Education, as the case may be; (d) the right to propose to convene interim shareholders' meetings of the Huafang Education and Lihe Education, as the case may be; (e) the right to sign all shareholders' resolutions and other legal documents which Mr. Yu, Mr. Xie and Huafang Education have authority to sign in his or its capacity as shareholders of Huafang Education and Lihe Education, as the case may be; (f) the right to instruct the directors and legal representative of the Huafang Education or Lihe Education, to act in accordance with the instruction of WFOE; (g) the right to exercise all other rights and voting rights of shareholders as prescribed under the articles of association of Huafang Education and Lihe Education, as the case may be; (h) the right to handle the legal procedures of registration, approval and licensing of Huafang Education and Lihe Education, as the case may be at the education department, the department of civil affairs or other government departments; and (i) other shareholders' rights pursuant to applicable PRC laws and regulations and the articles of association of Huafang Education and Lihe Education as amended from time to time.

In addition, each of Mr. Yu, Mr. Xie, Lihe Education, Huafang Education and the Appointees has irrevocably agreed that (i) WFOE may delegate its rights under the School Sponsors' and Directors' Rights Entrustment Agreements and the Shareholders' Rights Entrustment Agreements to the directors of WFOE or its designated person, without prior notice to or approval by Mr. Yu, Mr. Xie, Lihe Education, Huafang Education and the Appointees, as the case may be; and (ii) any person as successor of civil rights of WFOE or liquidator by reason of subdivision, merger, liquidation of WFOE or other circumstances shall have authority to replace WFOE to exercise all rights under the School Sponsors' and Directors' Rights Entrustment Agreements and the Shareholders' Rights Entrustment Agreements.

Powers of Attorney

Pursuant to the School Sponsors' Powers of Attorney executed by the Registered School Sponsors in favour of WFOE, each of the Registered School Sponsors authorised and appointed WFOE as its agents to act on its behalf to exercise or delegate the exercise of all its rights as school sponsor of each of our PRC Operating Schools.

WFOE shall have the right to further delegate the rights so delegated to the directors of WFOE or other designated person. The Registered School Sponsors irrevocably agreed that the authorisation and appointment in the School Sponsor's Powers of Attorney shall not be invalid, prejudiced or otherwise adversely affected by reason of the School Sponsors' subdivision, merger, winding up, consolidation, liquidation or other similar events. Each of the School Sponsors' Powers of Attorney shall constitute a part and incorporate terms of the relevant School Sponsors' and Directors' Rights Entrustment Agreement.

Pursuant to the Directors' Powers of Attorney executed by each of the Appointees in favour of WFOE, each of the Appointees authorised and appointed WFOE as his/her agent to act on his/her behalf to exercise or delegate the exercise of all of his/her rights as directors of our PRC Operating Schools.

WFOE shall have the right to further delegate the rights so delegated to the directors of WFOE or other designated person. Each of the Appointees irrevocably agreed that the authorisation and appointment in the Directors' Powers of Attorney shall not be invalid, prejudiced or otherwise adversely affected by reason of his/her loss of or restriction on capacity, death or other similar events. Each of the Directors' Powers of Attorney shall constitute a part of and embody the terms of the relevant School Sponsors' and Directors' Rights Entrustment Agreement.

Pursuant to the Shareholders' Powers of Attorney executed by each of Mr. Yu, Mr. Xie and Huafang Education in favour of WFOE (together with the Schools Sponsors' Powers of Attorney and the Directors' Powers of Attorney, the "**Powers of Attorney**"), each of Mr. Yu, Mr. Xie and Huafang Education authorised and appointed WFOE, as his or its agent to act on his or its behalf to exercise or delegate the exercise of all his or its rights as shareholders of Huafang Education and Lihe Education. Each of the Shareholders' Power of Attorney shall constitute a part of and embody the terms of the relevant Shareholders' Rights Entrustment Agreement.

In addition, the Powers of Attorney specifically provide that the attorney-in-fact is entitled to sign minutes and file documents with the relevant authorities.

Those of our powers to direct the activities of our PRC Operating Schools that most significantly impact the schools' economic performance include:

1. as the attorney-in-fact of school sponsors, we elect all members of the board of directors for each of our PRC Operating Schools, approve the director compensation, review and approve annual budget and vote on all matters that requiring approval from school sponsors;

2. through the control over the boards of directors of our PRC Operating Schools, we appoint all senior management, approve executive compensation and review and approve operating, investing, and financing plans; and

3. through control over the management team, we effectively control the daily operations of our PRC Operating Schools.

Receivables Pledge Agreements

Pursuant to the receivables pledge agreements entered into by and between (i) WFOE, Jiangxi University of Technology and Mr. Yu dated 30 June 2017 and (ii) WFOE, Guangdong Baiyun University and Mr. Xie dated 30 June 2017 (the "**Receivables Pledge Agreements**"), each of Mr. Yu, Mr. Xie, Jiangxi University of Technology and Guangdong Baiyun University unconditionally and irrevocably pledged and granted first priority security interests over all of his or its interest in (i) receivables from the schools' boarding and tuition fees, (ii) rent from the school's properties, (iii) receivables from services provided by the school and (iv) any proceeds from the sale or transfer of the sponsor interests in Guangdong Baiyun University or Jiangxi University of Technology by Mr. Xie or Mr. Yu (as the case may be), together with all related rights thereto to WFOE as security for performance of the Contractual Arrangements and all direct, indirect or consequential damages and foreseeable loss of interest incurred by WFOE as a result of any event of default on the part of Mr. Yu and Mr. Xie or each of Jiangxi University of Technology and Guangdong Baiyun University and all expenses incurred by WFOE as a result of enforcement of the obligations of Mr. Yu and Mr. Xie and/or each of Jiangxi University of Technology and Guangdong Baiyun University under the Contractual Arrangements (the "**Secured Indebtedness**").

Pursuant to the Receivables Pledge Agreements, without the prior written consent of WFOE, Jiangxi University of Technology and Guangdong Baiyun University shall not transfer the receivables or create further pledge or encumbrance over the pledged interest in the receivables. Any unauthorised transfer shall be invalid, and the proceeds of any transfer of the interest in the receivables shall be first used in the payment of the Secured Indebtedness or deposited to such third party as agreed to by WFOE. Mr. Yu and Mr. Xie also waived any pre-emptive rights upon enforcement and agreed to any transfer of the pledged interest pursuant to the relevant Receivables Pledge Agreement.

Any of the following events shall constitute an event of default under the Receivables Pledge Agreements:

(a) Mr. Yu or Mr. Xie commits any breach of any obligations under the Contractual Arrangements;

(b) any representations or warranties or information provided by Mr. Yu, Mr. Xie, Jiangxi University of Technology and Guangdong Baiyun University under the Contractual Arrangements is proved incorrect or misleading; or

(c) any provision in the Contractual Arrangements becomes invalid or incapable of performance due to changes in PRC laws and regulations or promulgation of new laws and regulations in the PRC, and the parties have not agreed on any alternative arrangement.

Upon the occurrence of an event of default as described above, WFOE shall have the right to enforce the Receivables Pledge Agreements by written notice to our PRC Operating Schools in one or more of the following ways:

(a) sell the pledged receivables interest by way of auction or at a discount and have priority in the entitlement to the sales proceeds;

(b) appoint relevant auction parties for the action; and/or

(c) dispose of the pledged receivables interest in other manner subject to applicable laws and regulations.

The pledges under the Receivables Pledge Agreements were registered with the Credit Reference Centre of the People's Bank of China (中國人民銀行徵信中心) on 10 August 2017 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 and became effective on the same day of registration.

Designated Accounts

Pursuant to the account supervision agreements entered into by and between (i) WFOE, Jiangxi University of Technology, Mr. Yu and Nanchang Agriculture Bank Holdings Company Limited Qingshanhu Branch (南昌農村商業銀行股份有限公司青山湖支行) ("**Jiangxi Bank**") dated 15 August 2017, and (ii) WFOE, Guangdong Baiyun University, Mr. Xie and China Construction Bank Holdings Company Limited Guangzhou Baiyun Branch (中國建設銀行股份有限公司廣州白雲支行) ("**Guangdong Bank**") dated 28 August 2017 (the "**Account Supervision Agreements**"): (a) Mr. Yu and Jiangxi University of Technology shall each set up a bank account at Jiangxi Bank; and (b) Guangdong Baiyun University and Mr. Xie shall each set up a bank account at Guangdong Bank (together, the "**Designated Accounts**"), for the purpose of safeguarding the WFOE's interests under the Receivables Pledge Agreements. Mr. Yu, Mr. Xie, Jiangxi University of Technology and Guangdong Baiyun University shall only use the Designated Accounts in the ordinary course of business except otherwise used with WFOE's prior consent. WFOE shall have the right to supervise the daily operation of the Designated Accounts. Any transactions with respect to the Designated Accounts shall require the chops of both WFOE and Jiangxi University of Technology or Guangdong Baiyun University, as the case may be. In the event of default by Mr. Yu, Mr. Xie, Jiangxi University of Technology or Guangdong Baiyun University under the agreements, WFOE shall have the right to deduct the relevant amount from his or its Designated Account.

Each of Mr. Yu, Mr. Xie, Jiangxi University of Technology and Guangdong Baiyun University shall deposit all of his or its proceeds from receivables or the sale or transfer of sponsor interest (as the case may be) subject to the Receivables Pledge Agreements into his or its Designated Account. Under the Account Supervision Agreements, the daily operation of the Designated Accounts shall be under the supervision of Jiangxi Bank and Guangdong Bank (as the case may be) on behalf of WFOE. In addition, WFOE shall also have access to the internet banking functions of the Designated Accounts. Each of Mr. Yu, Mr. Xie, Jiangxi University of Technology and Guangdong Baiyun University shall not (i) change, cancel or open any account to replace the Designated Account, (ii) pledge any interest in the Designated Account in favour of third parties or (iii) use the Designated Account as any guarantee account.

Equity Pledge Agreement

There are no equity pledge arrangements in relation to Jiangxi University of Technology and Guangdong Baiyun University. Nevertheless, there is an equity pledge agreement in relation to Baiyun Technician College. Pursuant to the equity pledge agreement entered into by WFOE, Mr. Yu, Mr. Xie, Huafang Education and Lihe Education dated 14 August 2017 (the "**Equity Pledge Agreement**"), Mr. Yu, Mr. Xie and Huafang Education unconditionally and irrevocably pledged and granted first priority security interests over all of his or its equity interest in Lihe Education and Huafang Education, as the case may be, together with all related rights thereto to WFOE as security for performance of the Contractual Arrangements and all direct, indirect or consequential damages and foreseeable loss of interest incurred by WFOE as a result of any event of default on the part of Mr. Yu, Mr. Xie, Huafang Education, Lihe Education or Baiyun Technician College and all expenses incurred by WFOE as a result of enforcement of the obligations of Mr. Yu, Mr. Xie, Huafang Education, Lihe Education and/or Baiyun Technician College under the Contractual Arrangements (the "**Secured Indebtedness**").

Pursuant to the Equity Pledge Agreement, without the prior written consent of WFOE, Mr. Yu, Mr. Xie, Huafang Education shall not transfer the equity interest or create further pledge or encumbrance over the pledged equity interest. Any unauthorised transfer shall be invalid, and the proceeds of any transfer of the equity interest shall be first used in the payment of the Secured Indebtedness or deposited to such third party as agreed to by WFOE. Mr. Yu, Mr. Xie, Huafang Education also waived any pre-emptive rights upon enforcement and agreed to any transfer of the pledged equity pursuant to the Equity Pledge Agreement.

Any of the following events shall constitute an event of default under the Equity Pledge Agreement:

(a) any of Mr. Yu, Mr. Xie, Huafang Education, Lihe Education or Baiyun Technician College commits any breach of any obligations under the Contractual Arrangements;

(b) any representations or warranties or information provided by any of Mr. Yu, Mr. Xie, Huafang Education, Lihe Education or Baiyun Technician College under the Contractual Arrangements is proved incorrect or misleading; or

(c) any provision in the Contractual Arrangements becomes invalid or incapable of performance due to changes in PRC laws and regulations or promulgation of new laws and regulations in the PRC, and the parties have not agreed on any alternative arrangement.

Upon the occurrence of an event of default as described above, WFOE shall have the right to enforce the Equity Pledge Agreement by written notice to Mr. Yu, Mr. Xie or Huafang Education in one or more of the following ways:

(a) to the extent permitted under PRC laws and regulations, WFOE may request Mr. Yu, Mr. Xie or Huafang Education to transfer all or part of its equity interest in Lihe Education to any entity or individual designated by WFOE at the lowest consideration permissible under the PRC laws and regulations;

(b) sell the pledged equity interest by way of auction or at a discount and have priority in the entitlement to the sales proceeds;

(c) dispose of the pledged equity interest in other manner subject to applicable laws and regulations.

The pledges under the Equity Pledge Agreement were registered with the relevant Market and Quality Supervision Administrations of the PRC on 28 August 2017 and became effective on the same date of the registration of the pledge.

Under the Contractual Arrangements, there is no equity pledge arrangement between WFOE and Mr. Yu and Mr. Xie over the sponsor interest in Jiangxi University of Technology and Guangdong Baiyun University held by Mr. Yu and Mr. Xie. As advised by our PRC Legal Adviser, if we were to make an equity pledge arrangement with our school sponsors where our school sponsors pledge their sponsor interest in each of our Jiangxi University of Technology and Guangdong Baiyun University in favour of us, such arrangement would be unenforceable under PRC laws and regulations given that sponsor interests in schools are not pledgeable under PRC laws and any equity pledge arrangements with respect to our sponsor interests in schools cannot be registered with the relevant PRC regulatory authorities. Furthermore, to the best of the Directors' knowledge, based on the current implementation of applicable laws by the relevant authorities, as a practicable matter, Mr. Yu and Mr. Xie are not able to transfer their sponsor interests to another entity to enable them to pledge the equity interests in such entity to us.

Nevertheless, in addition to the Receivables Pledge Agreements pursuant to which we have been granted a security interest over the principal revenue streams from the Jiangxi University of Technology and Guangdong Baiyun University and proceeds from the sale on transfer of the sponsor interests in Guangdong Baiyun University or Jiangxi University of Technology by Mr. Xie or Mr. Yu (as the case may be) and the Account Supervision Agreements pursuant to which we have oversight and control over the bank accounts of Jiangxi University of Technology and Guangdong Baiyun University, we have implemented various additional measures with a view to securing control over Jiangxi University of Technology and Guangdong Baiyun University at a level no less than that under a contractual arrangement with equity pledge arrangement. 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 school sponsor interest would require: (i) two thirds approval from the school's board of directors; (ii) execution of the transfer documents and adoption of amended school articles with the authorisation seal; and (iii) assets supporting materials and original school registration document with the authorisation seal. Accordingly, our Company will take the following measures to ensure the sponsor interest in our PRC Operating Schools may not be transferred without our consent:

(a) as disclosed above, under the School Sponsors' and Directors' Rights Entrustment Agreements and the various Powers of Attorney, WFOE has the right to further delegate the rights so delegated to itself to other persons. WFOE intends to delegate all of such rights to our independent non-executive Directors who shall act unanimously to exercise oversight over our Company's interests in the consolidated affiliated entities. Accordingly, our Directors consider that WFOE, together with our independent non-executive Directors (the latter acting unanimously), as attorneys-in-fact are effectively entrusted with the control over the composition of the school boards and the exercise of the voting powers of each sponsor appointed board member of each of Jiangxi University of Technology and Guangdong Baiyun University. With such arrangement, our Directors consider that we are effectively in a position to control the votes required for the transfer of the sponsor interest, deal with the sponsor interests as we see fit and prevent any unauthorised transfer. We will provide our independent non-executive Directors with full access to the affairs of our Jiangxi University of Technology and Guangdong Baiyun University with a view to facilitating their oversight. Since our independent non-executive Directors are also the attorneys-in-fact, they have the authority (acting unanimously) to intervene in the matters concerning our Jiangxi University of Technology and Guangdong Baiyun University as and when necessary. We intend to adopt internal control procedures which provide for how WFOE and independent non-executive Directors (the latter acting unanimously) may exercise their authority with respect to various matters concerning Jiangxi University of Technology and Guangdong Baiyun University. In particular, any matters concerning the sponsor interest of Jiangxi University of Technology and Guangdong Baiyun University will require approval from the Company's independent non-executive Directors. Each of our independent non-executive Directors has confirmed that he/she is independent from the influence of Mr. Yu and Mr. Xie and will be able to exercise independent judgment in the best interest of our Company with respect to the sponsor interests in, and any conflicts of interests relating to, Jiangxi University of Technology and

Guangdong Baiyun University, 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

(b) our Directors confirm that we have secured possession of all school seals and chops and the original registration documents of Jiangxi University of Technology and Guangdong Baiyun University, 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 Mr. Yu and Mr. Xie without proper approval. Such measures will include arranging for the company seals of Jiangxi University of Technology and Guangdong Baiyun University and/or Mr. Yu and Mr. Xie 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 under our supervision and authorisation.

Based on the above, our Directors are of the view that the above additional measures allow us to control Jiangxi University of Technology and Guangdong Baiyun University and offer us protection at a level no less than that under contractual arrangements with equity pledge arrangements.

Dispute Resolution

In the event of any dispute with respect to the interpretation or performance of the provisions, each of the Contractual Agreements stipulates that:

(a) any dispute, controversy or claim arising out of or in connection with the performance, interpretation, breach, termination or validity of the Contractual Arrangements shall be resolved through negotiation after one party delivers to the other parties a written negotiation request setting out the specific statements of the disputes or claims;

(b) if the parties are unable to settle the dispute within 30 days of delivery of such written negotiation request, any party shall have the right to refer the dispute to and have the dispute finally resolved by arbitration administered by the China International Economic and Trade Arbitration Commission in Beijing, the PRC under the prevailing effective arbitration rules thereof. The results of the arbitration shall be final and binding on all relevant parties;

(c) the arbitration commission shall have the right to award remedies over the equity interest and property interest and other assets of the Registered School Sponsors and each of our PRC Operating Schools, injunctive relief (for the conduct of business or to compel the transfer of assets), or order the bankruptcy winding up of the Registered School Sponsors or our PRC Operating Schools; and

(d) upon request by any party, the courts of competent jurisdictions shall have the power to grant interim remedies in support of the arbitration pending formation of the arbitral tribunal or in appropriate cases. The courts of PRC, Hong Kong, the Cayman Islands and the place where the principal assets of our Company and our PRC Operating Schools are located shall be considered as having jurisdiction for the above purposes.

In connection with the dispute resolution arrangements as set out in the Contractual Arrangements and the practical consequences, we are advised by our PRC Legal Adviser that:

(a) under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order for the purpose of protecting assets of or sponsor interest in our PRC Operating Schools in case of disputes. As such, these remedies may not be available to our Group under PRC laws;

(b) further, under the PRC laws, courts or judicial authorities in the PRC generally would not award remedies over the assets of our PRC Operating Schools, injunctive relief or winding-up of each of our PRC Operating Schools or the Registered School Sponsors as interim remedies, before there is any final outcome of arbitration;

(c) however, the PRC laws do not disallow the arbitral body to give award of transfer of assets of or a sponsor interest in each of our PRC Operating Schools at the request of arbitration applicant. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support such award of the arbitral body when deciding whether to take enforcement measures;

(d) in addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognisable or enforceable in the PRC; therefore, in the event we are unable to enforce the Contractual Arrangements, we may not be able to exert effective control over each of our PRC Operating Schools, and our ability to conduct our business may be negatively affected; and

(e) even if the above-mentioned provisions may not be enforceable under PRC laws, the remaining provisions of the dispute resolution clauses are legal, valid and binding on the parties to the agreement under the Contractual Arrangements.

As a result of the above, in the event that any of our PRC Operating Schools or the Registered School Sponsors breaches any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our PRC Operating Schools and conduct our business could be materially and adversely affected. See the paragraph headed "Risk Factors – Risks Relating to Our Contractual Arrangements" for details.

Conflicts of Interests

To ensure our effective control over our consolidated affiliated entities, we have implemented measures to protect against the potential conflicts of interest between our Company and the Registered School Sponsors or the shareholders of Huafang Education. Pursuant to the Exclusive Call Option Agreements, the Registered School Sponsors or the shareholders of Huafang Education granted WFOE or its designated third party an exclusive option to purchase part or all of the sponsor interests in our PRC Operating Schools, under circumstances in which WFOE or its designated third party is permitted under PRC laws and regulations to own all or part of the sponsor or equity interests in our PRC Operating Schools and other consolidated affiliated entities. Under the irrevocable Powers of Attorney executed by each of the Registered School Sponsors or the shareholders of Huafang Education, they appointed WFOE, or any person designated by WFOE (excluding Mr. Yu, Mr. Xie or other non-independent persons or persons who may give rise to conflicts of interests) as their respective attorney-in-fact to appoint directors and vote on their behalf on all matters of our PRC Operating Schools requiring school sponsors' approval under their articles of associations and under the relevant PRC laws and regulations.

Furthermore, there are mechanisms in place to protect against the spouses of Mr. Yu and Mr. Xie from exercising any control or influence over the consolidated affiliated entities. Each of the spouses of Mr. Yu and Mr. Xie executed irrevocable undertakings (the "**Spouse's Undertakings**"), pursuant to which:

(a) the spouse has full knowledge of and has consented to the entering into of the Contractual Arrangements by Mr. Yu or Mr. Xie, as the case may be, and in particular, the arrangement as set out in the Contractual Arrangements in relation to the restrictions imposed on the direct or indirect sponsor or equity interest in our PRC Operating Schools or any of Huafang Education and Lihe Education, pledge or transfer the direct or indirect sponsor interest, or the disposal of the direct or indirect sponsor interest;

(b) the spouse has not participated, is not participating and shall not in the future participate in the operation, management, liquidation, dissolution and other matters in relation to our PRC Operating Schools or any of Huafang Education and Lihe Education;

(c) the spouse authorises Mr. Yu or Mr. Xie, as the case may be, or his authorised person to execute all necessary documents and perform all necessary procedures from time to time for and on behalf of the spouse in relation to the spouse's sponsor or equity interest in our PRC Operating Schools or any of Huafang Education and Lihe Education (direct or indirect) in order to safeguard the interest of WFOE under the Contractual Arrangements and give effect to the fundamental purposes thereunder, and confirms and agrees to all such documents and procedures;

(d) any undertaking, confirmation, consent and authorisation under the Spouse's Undertakings shall not be revoked, prejudiced, invalidated or otherwise adversely affected by any increase, decrease, consolidation or other similar events relating to the direct or indirect sponsor or equity interest in our PRC Operating Schools or any of Huafang Education and Lihe Education;

(e) any undertaking, confirmation, consent and authorisation under the Spouse's Undertakings shall not be revoked, prejudiced, invalidated or otherwise adversely affected by death, loss of or restriction on capacity of the spouse, divorce or other similar events; and

(f) all undertakings, confirmations, consents and authorizations under the Spouse's Undertakings shall continue to be valid and binding until otherwise terminated by both WFOE and the spouse in writing.

Each of the Spouse's Undertakings shall have the same term as and embody the terms of the relevant Business Cooperation Agreements.

The Registered School Sponsors and the shareholders of Huafang Education have undertaken that during the period that the Contractual Arrangements remain effective, (i) unless otherwise agreed to by WFOE in writing, 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 which is or may potentially be in competition with the businesses of our consolidated affiliated entities or any of their respective affiliates; and (ii) they will not obtain any benefit from any entities or businesses which are or may potentially be in competition with businesses of our consolidated affiliated entities. 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 between us and the Registered School Sponsors and the shareholders of Huafang Education 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 provide 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, each of our PRC Operating Schools is a separate legal entity 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 which 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 Historical Financial Information and results of operations under the applicable accounting principles, our 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 Agreements, none of the assets of our consolidated affiliated entities are to be sold, transferred or otherwise disposed of without the written consent of our Company. In addition, under the Exclusive Call Option Agreements, none of the Registered School Sponsors may transfer or permit the encumbrance of or allow any guarantee or security to be created on any of his or her equity interests in our PRC Operating Schools without our Company's prior written consent.

In addition, under the Business Cooperation Agreements and the Exclusive Technical Services and Management Consultancy Agreements, 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 constitutional documents of each of our consolidated affiliated entities. WFOE also has the right to appoint the school presidents, financial controllers and other senior managers of our consolidated affiliated entities. WFOE has absolute control over the distribution of reasonable returns or any other amounts to the school sponsors of our consolidated affiliated entities as our consolidated affiliated entities and their Registered School Sponsors have undertaken not to make any distribution without the prior written consent of WFOE. 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 Business Cooperation Agreements, the Exclusive Technical Services and Management Consultancy Agreements and the Exclusive Call Option Agreements, the Registered School Sponsors have undertaken to appoint a committee designated by WFOE 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 pursuant to PRC laws.

Insurance

Our Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

Our Confirmation

Our Directors confirm that, 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 the relevant PRC laws and regulations and that:

1. each of WFOE and our consolidated affiliated entities is a duly incorporated and validly existing company or school, and their respective establishment is valid, effective and complies with the relevant PRC laws, each of the Registered School Sponsors is a natural person or company (as the case may be) with full civil and legal capacity, and each of WFOE, our consolidated affiliated entities and the Registered School Sponsors has obtained all necessary board and sponsor approvals and authorisations 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. Parties to each of the agreements are entitled to execute the agreements and perform their respective obligations thereunder except that the Contractual Arrangements provide that the arbitral body may award remedies over the shares and/or assets of our PRC Operating Entities, injunctive relief and/or winding up of our PRC Operating Entities, and that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal, while under PRC laws, an arbitral body has no power to grant injunctive relief and may not directly issue a provisional or final liquidation order for the purpose of protecting assets of or equity interest in our PRC Operating Entities in case of disputes. In addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognisable or enforceable in China. 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. the parties to each of the Contractual Arrangements are not required to obtain any approvals or authorisations from the PRC governmental authorities, and the Contractual Arrangements do not violate the M&A Rules; and

5. each of the Contractual Arrangements is valid, legal and binding under PRC laws.

Our Directors are of the view that the Contractual Arrangements are narrowly tailored because the Contractual Arrangements are only used to enable us to control our consolidated affiliated entities which engage in the operation of higher education and technical schools where the PRC laws and regulations currently restrict operation of higher education institutions and technical schools to Sino-foreign cooperation, in addition to imposing Qualification Requirements on the foreign owners and withholding government approval in respect of Sino-foreign cooperation which are currently impracticable for us to meet or obtain.

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 should not be regarded as part of the distribution of returns or profits to the sponsors of our schools. As confirmed by our Directors, the Contractual Arrangements were entered into between the relevant parties based on their actual and genuine intentions and the service fees are paid by our consolidated affiliated entities as consideration for obtaining genuine services of substance provided by WFOE. Pursuant to the Contractual Arrangements, 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.

Distribution of earnings of our schools to their respective school sponsor is not permitted under PRC laws and regulations. According to our PRC Legal Adviser, no current PRC laws or regulations expressly restrict or prohibit WFOE's contractual rights to receive service fees from our consolidated affiliated entities for the services rendered under the Contractual Arrangements. Furthermore, as advised by our PRC Legal Adviser, the service fees are generated from the provision of services by WFOE to our consolidated affiliated entities under the Contractual Arrangements and such service fees constitute revenue for WFOE and costs of our consolidated affiliated entities for their business operations as part of the commercial arrangements agreed among the relevant parties to the Contractual Arrangements. Accordingly, the income of WFOE is generated from the provision of services under the Contractual Arrangements, rather than receiving distribution of earnings indirectly from our schools.

On 17 May, 19 May and 6 June 2017, with the assistance of our PRC Legal Adviser, we consulted the responsible officers of the Vocational Education and Management Office (技工教育管理處) of the Human Resources and Social Security Department and the Policy and Regulation Office (人力資源和社會保障廳及政策法規處) of the Education Department of the Guangdong Province and International Cooperation and Exchange Office (國際合作與交流處) and Development and Planning Office (發展規劃處) of the Education Department of Jiangxi Province, respectively. The foregoing departments are the competent authorities as advised by our PRC Legal Adviser to issue such confirmations in respect of the matters relating to the operation and management of the schools. We were advised by the officers that paying services fees to WFOE in return for technical and consultancy services is a normal commercial arrangement of the school and no regulatory approvals are required for the execution of the Contractual Arrangements. During the consultations, none of the officers had indicated that the payment of service fees by the schools to WFOE would be deemed as indirect distribution of earnings to the school sponsor. As advised by our PRC Tax Consultant and based on our consultations with the relevant local tax bureaus (which, as advised by our PRC Tax Consultant, have competent authority over our schools) conducted on 16 November 2017, the payment of service fees by our schools to WFOE should not be deemed as circumvention of the restriction that our schools are not allowed to distribute earnings to their respective school sponsor or tax evasion under relevant PRC laws and regulations. Our PRC Legal Adviser has confirmed that, based on the consultations with the relevant local tax bureaus, it shares the same opinions with our PRC Tax Consultant. On 1 December 2017, our PRC Tax Consultant consulted with the relevant local tax bureaus. As confirmed by our PRC Tax Consultant, during such consultations, the relevant officials have confirmed the aforesaid opinions of our PRC Tax Consultant.

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 may find it difficult or impossible to comply;

4. requiring us 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”.

With a view to understanding the PRC tax implications of the service fees under the Contractual Arrangements, we have sought the following professional opinions and regulatory confirmations:

(i) as advised by our PRC Tax Consultant, the Contractual Arrangements should not be deemed as an illegal means of "tax evasion" under Article 63 of the PRC Administrative Law on Tax Collection, provided that (a) genuine sales/services are rendered under the Contractual Arrangements; (b) the sales/service relationship between the WFOE and our consolidated affiliated entities are supported by proper documentation; (c) the service fees are charged on an arm's length basis with reference to market price; and (d) our schools and WFOE will disclose the related party transactions and report their profits to the relevant tax bureaus. Based on the consultations with the relevant tax bureaus as more particularly set out in (ii) below, our PRC Legal Adviser is in agreement with the aforesaid opinion of our PRC Tax Consultant; and

(ii) with the assistance of our PRC Legal Adviser, on 16 November 2017, we have consulted the Guangdong Province Guangzhou Baiyun District Bureau of Local Taxation (廣東省廣州市白雲區地方稅務局) (the competent tax authority with respect to Guangdong Baiyun University and Baiyun Technician College) and the Jiangxi Province Nanchang Qingshan Lake District Bureau of Local Taxation (江西省南昌市青山湖區地方稅務局) (the competent tax authority with respect to Jiangxi University of Technology) (together, the "**Relevant Local Tax Bureaus**"). During the consultations, the officials confirmed that (a) the payment of certain service fees by our schools to WFOE in return for technical and consultancy services under the Contractual Arrangements is not in violation of any tax related laws and regulations in the PRC; (b) the tax bureaus would not require us to unwind the Contractual Arrangements; and (c) the tax bureaus would not deem the Contractual Arrangements as a means to distribute our schools' earnings to the school sponsor or arrangements intended to achieve tax evasion, provided that the services provided by WFOE to our consolidated affiliated entities are genuine and the relevant service fees are reasonably determined on an arm's length basis with reference to market price. On 1 December 2017, our PRC Tax Consultant consulted the Relevant Local Tax Bureaus. As confirmed by our PRC Tax Consultant, during such consultations, the relevant officials have confirmed the opinions of our PRC Tax Consultant.

Our Directors have confirmed that our Contractual Arrangements are designed and implemented to deliver genuine services of substance to our consolidated affiliated entities and such services are critical to their operations. As of the Latest Practicable Date, WFOE had over 30 personnel with various professional backgrounds, including education, legal and compliance, business administration and accounting and finance. We will deploy relevant staff to continue providing services to our consolidated affiliated entities from time to time pursuant to the Contractual Arrangements. Our Directors consider that the nature of the Contractual Arrangements is consistent with the circumstances set out in the professional opinions and regulatory confirmations above.

Our Directors have also confirmed that the Contractual Arrangements are not intended to evade any tax obligations. As advised by our PRC Tax Consultant, the implementation of the Contractual Arrangements subject our Group, as a whole, to a higher effective tax rate, as the service fees received by WFOE under the Contractual Arrangements are subject to PRC enterprise income tax and value added tax, whereas preferential tax benefits are applicable to the non-profit income (非營利性收入) of our schools. In view of the above, as advised by our PRC Tax Consultant, the service fees under the Contractual Arrangements would not nullify the preferential tax benefits enjoyed by our schools or subject us to additional tax liabilities (other than the PRC enterprise income tax and value added tax applicable to the service fees received by WFOE from our consolidated affiliated entities) or penalties. On 16 November 2017, with a view to obtaining confirmations from the PRC tax authorities in relation to the above, we consulted with the Relevant Local Tax Bureaus (which, as advised by our PRC Tax Consultant, have competent authority over our schools), and during such consultations, the relevant tax officials had confirmed the aforesaid advice of our PRC Tax Consultant. On 1 December 2017, our PRC Tax Consultant consulted the Relevant Local Tax Bureaus. As confirmed by our PRC Tax Consultant, during such consultations, the relevant officials have confirmed the aforesaid advice of our PRC Tax Consultant.

Accounting Aspects of the Contractual Arrangements

Consolidation of Financial Results of our Consolidated Affiliated Entities

Under the Exclusive Technical Services and Management Consultancy Agreements, it was agreed that, in consideration of the services provided by WFOE, each of our consolidated affiliated entities will pay services fees to WFOE. The services fees, subject to WFOE's adjustment, are equal to the total income of our consolidated affiliated entities (net of costs, expenses, taxes, losses incurred for the previous year(s) 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 our 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 our consolidated affiliated entities. Accordingly, WFOE has the ability, at its sole discretion, to extract substantially all of the economic benefit of our consolidated affiliated entities through the Exclusive Management Consultancy and Business Cooperation Agreements.

In addition, under the Exclusive Technical Services and Management Consultancy Agreements, WFOE has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of the consolidated affiliated entities as WFOE's prior written consent is required before any distribution can be made. In the event that the Registered School Sponsors of the consolidated affiliated entities receive any profit distribution or dividend from the consolidated affiliated entities, the Registered School Sponsors must immediately pay or transfer such amount (subject to the relevant tax payment being made under the relevant laws and regulations) to WFOE.

As a result of these Contractual Arrangements, our Company has obtained control of our 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, our 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 the Draft Foreign Investment Law of the PRC (《中華人民共和國外國投資法(草案徵求意見稿)》) (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 as a foreign investment 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", 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.

If an entity is determined to be a FIE, and its investment amount exceeds certain thresholds or its business operation falls within a "negative list", market entry clearance by the authority in charge of foreign investment would be required.

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, multi-level 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 investment amount 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. Yu and Mr. Xie, who are parties acting in concert and are of Chinese nationality, will collectively 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 the options granted under the Share Option Schemes 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.

Pursuant to the Foreign Investment Industries Guidance Catalogue (as amended in 2017) (《外商投資產業指導目錄》(2017年修訂)), the higher education business that we operate falls within the "restricted" category on the "negative list". If the operation of our schools 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 Agreements to acquire the sponsor interests or equity interests in our consolidated affiliated entities and unwind the Contractual Arrangements subject to reapproval by the relevant authorities.

If 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. In that case, we will not be able to operate our schools 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 will no longer be consolidated into our Group's financial results and we would have to derecognise their assets and liabilities according to the applicable accounting standards. An investment loss will be recognised as a result of such derecognition.

Nevertheless, considering that a number of existing entities engaged in the education industry, while 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.

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, we 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 we can maintain control over our consolidated affiliated entities and receive all economic benefits derived from our consolidated affiliated entities, each of Mr. Yu and Mr. Xie 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, each of Mr. Yu and Mr. Xie 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. each of Mr. Yu and Mr. Xie 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. Yu or Mr. Xie 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 one provided by Mr. Yu and Mr. Xie to our Company 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 date of the listing of our Shares on the Stock Exchange and will remain effective until the earlier of the occurrence of the following events: (i) Mr. Yu or Mr. Xie ceasing to be one of our Controlling Shareholders and an actual controller of our Company; (ii) Mr. Yu or Mr. Xie 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, the Company will issue an announcement as soon as practicable.

Taking into account that Mr. Yu or Mr. Xie 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. Yu or Mr. Xie to transfer his interests in our Company.

Based on the view of our PRC Legal Adviser and the aforesaid Undertaking given by Mr. Yu and Mr. Xie, our Directors 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".

Our Company and our Directors will provide periodic updates in the annual and interim reports regarding the status of compliance with the Draft FIL and its accompanying explanatory notes, including the latest relevant regulatory development as well as the plan and progress in acquiring the relevant experience to meet the qualification requirement. See also the section headed "Contractual Arrangements – PRC Laws and Regulations Relating to Foreign Ownership in the Education Industry – Plan to comply with the Qualification Requirement".

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

We have adopted the following measures to ensure our effective operation 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. the Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

3. we 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, the 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 towards the quorum;

2. each of our Directors is aware of his or her fiduciary duties as a Director which 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 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 that competes or may compete with our business and any other conflicts of interest which any such person has or may have with us.

CONTROLLING SHAREHOLDERS

Immediately after the completion of the Global Offering (assuming that the Over-allotment Option and the options granted under the Share Option Schemes are not exercised and no Shares are granted under the Share Award Scheme), the Controlling Shareholders, who are parties acting in concert pursuant to the Concert Party Agreement (see "History, Reorganisation and Corporate Structure – The Concert Party Agreement"), will be interested in an aggregate of 75% of the issued share capital of our Company. Accordingly, Mr. Yu, Mr, Xie, Blue Sky BVI and White Clouds BVI are acting together as a group of Controlling Shareholders.

Mr. Yu and Mr. Xie are both our executive Directors. For further background of Mr. Yu and Mr. Xie, see "Directors and Senior Management".

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.

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 close associates after the Listing.

Management Independence

Our Board comprises four executive Directors and three independent non-executive Directors. Mr. Yu and Mr. Xie, our Controlling Shareholders, are two of our executive Directors.

Each of our Directors is aware of his fiduciary duties as a director of our Company which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted towards the quorum. In addition, we have an independent senior management team to carry out the business decisions of our Group independently.

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 and their close associates. We also have independent access to our customers and suppliers and an independent management team to operate our business.

Although during the Track Record Period, there had been transactions between us and our related parties, details of which are set out in the section headed "Financial Information – Related Party Transactions" and Note 37 to the Accountants' Report set out in Appendix IA, our Directors have confirmed that these related party transactions were conducted on normal commercial terms or better from the standpoint of our Company. In particular, some of these transactions were conducted with a view to promoting the welfare of our students, which align with the interests of our Company and our Shareholders as a whole. We intend to continue our cooperation going forward. None of the historical related party transactions with connected persons (as defined in the Listing Rules) are expected to continue after the Listing.

Accordingly, our Directors are satisfied that we will be able to function and operate independently from our Controlling Shareholders and their respective close associates.

Financial Independence

We have an independent internal control and accounting system. 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 and their respective close associates.

During the Track Record Period, our Group had certain non-trade related amounts due to/from our Controlling Shareholders or their respective close associates, see "Financial Information – Related Party Transactions" and Note 27 of the Accountants' Report set out in Appendix IA for further details. As of the Latest Practicable Date, (i) all non-trade related amounts due from our Controlling Shareholders or their respective close associates had been settled; and (ii) we had certain amounts due to Dr. Yu relating to, among other things, our Listing expenses that we expect to be fully settled upon the Listing.

We have sufficient capital to operate our business independently, and have adequate internal resources and a strong credit profile to support its daily operations. There will be no financial assistance, security and/or guarantee provided by our Controlling Shareholders or their respective close associates in our favour or vice versa (as the case may be) upon the Listing. We have engaged an independent internal control consultant to assist us in putting in place controls in relation to transactions with connected persons and their associates to ensure that any advances to or from such persons are in compliance with the Listing Rules.

Having considered that our future operations are not expected to be financed by our Controlling Shareholders or their respective close associates, we believe we are financially independent of our Controlling Shareholders and their respective close associates.

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 associates will not vote on the relevant resolutions;

(b) we have established internal control mechanisms to identify connected transactions. Upon the Listing, if we enter 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 our 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) we will disclose decisions on matters reviewed by the independent non-executive Directors either in our 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 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 us and our Controlling Shareholders, and to protect our minority Shareholders' interests after the Listing.

CONTINUING CONNECTED TRANSACTIONS

We have entered into a number of continuing agreements and arrangements with our connected persons in our ordinary and usual course of business. Upon the Listing, 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 December (in RMB) 2017	(in RMB) 2018	(in RMB) 2019
Exempt continuing connected transactions					
Fanyu Dental Cooperation Agreements	14A.76		N/A*	N/A*	N/A*
Non-exempt continuing connected transactions					
Contractual Arrangements	14A.34, 14A.35, 14A.36, 14A.49, 14A.52, 14A.53 to 59 and 14A.71	Requirements as to announcement, circular, shareholders approval, annual cap, and terms not more than three years	N/A	N/A	N/A

Note:

* As it is expected that the applicable percentage ratios for the Fanyu Dental Cooperation Agreement will not exceed 0.1%, the Fanyu Dental Cooperation Agreement will be fully exempt and therefore, there will not be any proposed annual caps in respect of the years ending 31 December 2017, 2018 and 2019.

EXEMPT CONTINUING CONNECTED TRANSACTION

Fanyu Dental Cooperation Agreement

On 10 June 2017 and 13 June 2017, Guangzhou Fanyu Dental Technology Company Limited ("**Fanyu Dental**") (廣州泛宇醫療科技有限公司), an associate of Mr. Xie, entered into a cooperation agreement with each of Baiyun Technician College and Guangdong Baiyun University, respectively (together the "**Fanyu Dental Cooperation Agreements**"). Pursuant to the Fanyu Dental Cooperation Agreements, Baiyun Technician and Guangdong Baiyun University shall each jointly establish a research centre and develop school-enterprise cooperative courses in relation to dental technology and other related technologies in material sciences and electronic engineering with Fanyu Dental. The term of the agreement with Baiyun Technician College shall last until 12 June 2020, and no fee is payable under the agreement. The term of the agreement with Guangdong Baiyun University shall be five years from the date of the agreement, and Fanyu Dental shall also pay an annual management fee of RMB219,216 for the use of certain facilities and resources of Guangdong Baiyun University.

Our Directors currently expect that each of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules will not exceed 0.1%. Pursuant to Rule 14A.76(1) of the Listing Rules, the transaction will be fully exempt from all disclosure, annual review and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Our Directors consider that the Fanyu Dental Cooperation Agreements represent an important school-enterprise cooperation for Guangdong Baiyun University and Baiyun Technician College, expanding the teaching capability, enhancing the learning environment and providing an invaluable opportunity for students to train for a career in dentistry and other related subjects (such as material sciences). Our Directors consider that such cooperation is mutually beneficial to both our schools and Fanyu Dental. As in the case of other school-enterprise collaboration of a similar nature, the agreement between Baiyun Technician College and Fanyu Dental does not involve fees payable by either the school or the enterprise. The annual management fee payable under the agreement with Guangdong Baiyun University is for the use of certain facilities and resources of Guangdong Baiyun University by Fanyu Dental. Accordingly, our Directors (including our independent non-executive Directors) confirm that the Fanyu Dental Cooperation Agreements are entered into on normal commercial terms and in the interests of our Shareholders as a whole.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

Background

As disclosed in the section headed "Contractual Arrangements", due to regulatory restrictions on foreign ownership in our schools 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 which are held directly or indirectly by Mr. Yu and Mr. Xie. 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 us, Mr. Yu, Mr. Xie, WFOE 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 sponsor interests in our PRC Operating Schools when and to the extent permitted by PRC laws.

The Contractual Arrangements consist of various types of documents. See the section headed "Contractual Arrangements" for the details of these documents.

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 relationships
Mr. Yu	Mr. Yu is an executive Director and a substantial shareholder of our Company, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules
Mr. Xie	Mr. Xie is an executive Director and a substantial shareholder of our Company, 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 organisational structure and business, that such transactions have been and will be entered into in our ordinary and usual course of business, 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 any of our Schools and any member of our Group ("**New Intergroup Agreements**" and each of them, a "**New Intergroup Agreement**") technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that we are placed in a special situation in relation to relying on the Contractual Arrangements to operate a substantial portion of our business, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to us 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, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange subject 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 our consolidated affiliated entities through (i) our options (if and when so allowed under the applicable PRC laws) to acquire, all or part of the entire equity interests or sponsor interests (as the case may be) in our 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 our consolidated affiliated entities is substantially retained by us, 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 right to control the management and operation of, as well as, in substance, all of the voting rights of our 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 ours which we 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

We 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 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 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 our consolidated affiliated entities has been substantially retained by the WFOE, (ii) no dividends or other distributions have been made by our consolidated affiliated entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to us, and (iii) any new contracts entered into, renewed or reproduced between us and our consolidated affiliated entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous to our Shareholders, so far as we are 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 us.

- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", our 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 us (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.

- Our consolidated affiliated entities will undertake that, for so long as the Shares are listed on the Stock Exchange, our consolidated affiliated entities will provide our 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. In addition, we have also applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver pursuant to Rule 14A.105 of the Listing Rules 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 in any New Intergroup Agreements, (ii) the requirement of setting an annual cap for the fees payable by/to any member of our Group to/from our consolidated affiliated entities under any New Intergroup Agreements, and (iii) the requirement of limiting the term of any New Intergroup Agreement to three years or less, for so long as Shares are listed on the Stock Exchange subject to the condition that the Contractual Arrangements subsist and that our consolidated affiliated entities will continue to 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, our 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. We will comply with the applicable requirements under the Listing Rules, and will immediately inform the Stock Exchange of any changes to these continuing connected transactions.

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 the transactions contemplated under the Contractual Arrangements have been and will be entered into in the ordinary and usual course of business of our Group, are fundamental to our Group's legal structure and business operations and on normal commercial terms or better that are fair and reasonable and in the interests of our Company and the Shareholders as a whole. Based on the above, the Sole Sponsor is of the view that 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 consolidate 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 consists of four executive Directors and three independent non-executive Directors:

Name	Age	Position	Date of joining our Group	Effective date of appointment as a Director	Roles and responsibilities	Relationship with other Director(s) or senior management
Mr. Yu Guo (于果)	55	Executive Director and co-chairman of our Company	January 1994	19 May 2017	Strategic development, overall operational management and major decision making	Mr. Yu is the father of Dr. Yu.
Mr. Xie Ketao (謝可滔)	53	Executive Director and co-chairman of our Company	December 1989	19 May 2017	Strategic development, overall operational management and major decision making	Mr. Xie is the brother of Ms. Xie.
Dr. Yu Kai (喻愷)	32	Executive Director and chief executive officer	October 2013	28 August 2017	Strategic development and daily management	Dr. Yu is the son of Mr. Yu.
Ms. Xie Shaohua (謝少華)	54	Executive Director	February 1991	28 August 2017	Strategic development and daily management	Ms. Xie is the sister of Mr. Xie.
Dr. Gerard A. Postiglione	66	Independent non-executive Director	Date of this document	Date of this document	Supervising and providing independent judgment to our Board	N/A
Dr. Rui Meng (芮萌)	50	Independent non-executive Director	Date of this document	Date of this document	Supervising and providing independent judgment to our Board	N/A
Dr. Wu Kin Bing (鄔健冰)	66	Independent non-executive Director	Date of this document	Date of this document	Supervising and providing independent judgment to our Board	N/A

Executive Directors

Mr. Yu Guo (于果) was first appointed as a Director in May 2017. He was redesignated as an executive Director in August 2017 and appointed as the co-chairman of our Company in November 2017.

Mr. Yu has 24 years of experience in the education industry. Mr. Yu was the founder of Jiangxi University of Technology and is the chairman of the board of directors of Jiangxi University of Technology. As chairman of the board of directors of Jiangxi University of Technology, Mr. Yu is responsible for overseeing the daily operation and management of Jiangxi University of Technology. Through the Original Cooperation Agreement, Mr. Yu, together with Mr. Xie, also participated in the strategic development of Guangdong Baiyun University.

Mr. Yu is actively engaged in the educational and civil affairs in the PRC. The following table shows key positions held by Mr. Yu:

Period	Association	Position
March 1998 to March 2003	Ninth National People's Congress (第九屆全國人民代表大會)	Representative
July 2002 to present	Jiangxi Federation of Industry and Commerce (江西省工商業聯合會)	Vice Chairman
March 2003 to March 2008	Tenth National People's Congress (第十屆全國人民代表大會)	Representative
March 2008 to March 2013	Eleventh National People's Congress (第十一屆全國人民代表大會)	Representative
January 2008 to present	China Association for Private Education (中國民辦教育協會)	Vice Chairman
March 2013 to present	Twelfth Jiangxi People's Congress (第十二屆江西省人民代表大會)	Member of the Standing Committee
March 2013 to present	Jiangxi Youth Federation (江西省青年聯合會)	Honorary Chairman

The contribution of Mr. Yu to the development of education in the PRC has been widely recognised. The following table shows key awards received by Mr. Yu:

Date	Awards	Awarding Authority
November 1998	National Glorious Industry Career Award (中國光彩事業獎)	China Society for Promotion of the Guangcai Programme (中國光彩事業促進會)
November 2000	China's Top Ten Outstanding Young Persons (中國十大傑出青年)	All-China Youth Federation (中華全國青年聯合會), China Youth Development Foundation (中國青少年發展基金會) and ten other media organisations
September 2004	National Outstanding Education Worker Award (全國優秀教育工作者)	MOE
April 2005	National Outstanding Worker Award (全國先進工作者)	State Council of the PRC
January 2007	National Award for Outstanding Non-Public Economic Establisher of Business in Communism with Chinese Characteristics (全國非公有制經濟人士優秀中國特色社會主義事業建設者)	All-China Federation of Industry and Commerce (中華全國工商業聯合會)

Mr. Yu has served as a director of Jiangxi Fashion TV Shopping Co., Ltd. (江西風尚電視購物股份有限公司), a company listed on the New OTC Market of the National Equities Exchange and Quotations (stock code: 834446) since August 2012, and China Science & Merchants Investment Management Group (中科招商投資管理集團股份有限公司), a company listed on the New OTC Market of the National Equities Exchange and Quotations (stock code: 832168) since September 2014.

Mr. Yu graduated from the Master's programme in Business and Economics at the Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in November 1998. Mr. Yu completed the China Europe International Business School-Harvard Business School-IESE Business School Global CEO Programme for China in June 2006. Mr. Yu is the father of Dr. Yu.

Mr. Xie Ketao (謝可滔) was first appointed as a Director in May 2017. He was redesignated as an executive Director in August 2017 and appointed as the co-chairman of our Company in November 2017.

Mr. Xie has 28 years of experience in the education industry. Mr. Xie was the founder of Guangdong Baiyun University and Baiyun Technician College and is the chairman of the board of directors of both schools. As chairman of the board of directors of both Guangdong Baiyun University and Baiyun Technician College, Mr. Xie is responsible for overseeing the daily operation and management of both schools. Through the Original Cooperation Agreement, Mr. Xie, together with Mr. Yu, also participated in the strategic development of Guangdong Baiyun University.

Mr. Xie is actively engaged in the educational and civil affairs in the PRC. The following table shows key positions held by Mr. Xie:

Period	**Association**	**Position**
February 2003 to January 2008	Ninth Guangdong Province Committee of the Chinese People's Political Consultative Conference (第九屆廣東省中國人民政治協商會議委員會)	Committee Member
August 2004 to July 2008	Guangzhou Vocational Technical Education Research Committee (廣州市職業技能教學研究會)	Vice Chairman (last position)
January 2008 to January 2013	Tenth Guangdong Province Committee of the Chinese People's Political Consultative Conference (第十屆廣東省中國人民政治協商會議委員會)	Committee Member
January 2010	Guangzhou Youth Entrepreneur Association (廣州青年企業家協會)	Honorary Chairman
May 2008 to November 2016	China Association for Private Education (中國民辦教育協會)	Vice Chairman
January 2013 to present	Twelfth Guangdong People's Congress (廣東省第十二屆人民代表大會)	Representative

The contribution of Mr. Xie to the development of education in the PRC has been widely recognised. The following table shows key awards received by Mr. Xie:

Date	Awards	Awarding Authority
May 1999	Sixth Guangzhou Municipal Ten Outstanding Youth (第六屆廣州市十佳青年)	Guangzhou Municipal People's Government (廣州市人民政府)
December 2007	Outstanding Contribution Award to Chairmen in Private Schools (民辦學校董事長突出貢獻獎)	Guangdong Provincial Association for the Education Promotion (廣東省教育促進會)
December 2008	Individual Award for Outstanding Contribution for Guangdong Province Private Education (廣東省民辦教育傑出貢獻人物)	Southern Metropolis Daily (南方都市報)
June 2011	China Private Higher Education Outstanding Individuals (中國民辦高等教育先進個人)	China Association For Private Education (中國民辦教育協會)
September 2015	Guangdong Contemporary Private Education Sponsor Excellent Contribution Award (廣東當代民辦教育舉辦人突出貢獻獎)	Guangdong Society of Education (廣東教育學會), Guangdong Education Foundation (廣東省教育基金會) and Guangdong Provincial Institute of Contemporary Private Education Management (廣東省當代民辦教育管理研究院)

Mr. Xie has served as a supervisor of China Science & Merchants Investment Management Group (中科招商投資管理集團股份有限公司), a company listed on the New OTC Market of the National Equities Exchange and Quotations (stock code: 832168) since September 2014.

Mr. Xie graduated from the Master's programme in Vocational and Technical Education at the East China Normal University (華東師範大學) in February 1999. Mr. Xie has also been a National Ministry of Labour and Social Security (中華人民共和國勞動和社會保障部) accredited Senior Vocational Counsellor (高級職業指導師) since March 2002. Mr. Xie is the brother of Ms. Xie.

Dr. Yu Kai (喻愷) was first appointed as an executive Director and the chief executive officer of our Company in August 2017.

Dr. Yu has more than 7 years of experience in the education industry, and has been a director of Jiangxi University of Technology since October 2013. Dr. Yu was the executive director of the Centre for the Study of Graduate Education of the Shanghai Jiao Tong University Graduate School of Education from November 2009 to June 2017. Dr. Yu has also been a PhD Adviser at Shanghai Jiao Tong University in the field of Economics and Administration of Education since August 2014, and a Post-doctorate Adviser since October 2014.

Dr. Yu served as an educational consultant to the World Bank from April 2010 to June 2010 and from December 2010 to April 2011. He also provided research services to the MOE Higher Education Department (from September 2010 to May 2011), the Degrees Commission of the State Council of the PRC (in September 2013), the MOE Degree Management and Graduate Education Department (from March 2015 to June 2015) and the Research Office of the Jiangxi People's Government (since November 2016). Dr. Yu has authored ten books and 35 journal articles covering topics ranging from policy, learning, financing, and investment in education. Dr. Yu served as a reviewer of textbooks for Cambridge University Press in October 2016.

The following table shows the awards received by Dr. Yu:

Date	Awards	Awarding Authority
June 2010	Shanghai Municipal Pujiang Talent Award (上海市浦江人才)	Shanghai Municipal Human Resources and Social Security Bureau (上海市人力資源和社會保障局) and Shanghai Municipal Science and Technology Commission (上海市科學技術委員會)
December 2010	Outstanding Research and Consultation Report in Philosophy and Social Sciences Award (教育部高校哲學社會科學研究優秀諮詢報告)	MOE Department of Social Sciences (教育部社會科學司)
December 2010	Shanghai Municipal Outstanding Achievement in Philosophy and Social Sciences Award Second Class Award for Papers (上海市哲學社會科學優秀成果獎論文類二等獎)	Shanghai Municipal Award Selection Committee for Outstanding Achievement in Philosophy and Social Sciences (上海市哲學社會科學優秀成果評獎委員會)

Date	Awards	Awarding Authority
September 2011	National Outstanding Achievement in Educational Sciences Research Award Second Class Award (全國教育科學研究優秀成果獎二等獎)	MOE
December 2012	Elected to join the New Century Outstanding Talent Support Plan (入選教育部新世紀優秀人才支持計劃)	MOE
December 2014	Jiangxi Provincial Outstanding Achievement in Teaching Award First Class Award (江西省教學成果獎一等獎)	Jiangxi Provincial Department of Education
November 2015	Jiangxi Provincial Outstanding Achievement in Educational Sciences Award First Class Award (江西省教育科學優秀成果獎一等獎)	Jiangxi Provincial Department of Education

Dr. Yu has not held any directorship roles in any listed companies in the last three years.

Dr. Yu received his Bachelor of Engineering degree in Computer Science (First Class Honours) from the Queen's University of Belfast, his Master of Science degree in Educational Studies from the University of Oxford and his Doctor of Philosophy degree in Educational Studies from the University of Oxford in July 2005, November 2006 and September 2009, respectively. Dr. Yu also received his Master of Business Administration degree in Finance from the China Europe International Business School in November 2016. Dr. Yu is the son of Mr. Yu.

Ms. Xie Shaohua (謝少華) was first appointed as an executive Director in August 2017.

Ms. Xie has more than 20 years of experience in the education industry. Ms. Xie has been the vice chairman of the Board of both Guangdong Baiyun University (since 2004) and Baiyun Technician College (since April 2014), and is responsible for overseeing the daily operation of both schools. Ms. Xie is also the vice principal of Guangdong Baiyun University, and is responsible for the school's daily management and the execution of the relevant development strategies.

The following table shows key positions held by Ms. Xie:

Period	Association	Position
April 2003 to October 2006	Seventh to Ninth Guangzhou Baiyun Committee of the Chinese People's Political Consultative Conference (廣州市白雲區第七－九屆政協委員會)	Member
January 2012 to January 2017	Twelfth Guangdong Committee of the Chinese People's Political Consultative Conference (廣州市第十二屆政協委員會)	Member

The following table shows key awards received by Ms. Xie:

Date	Awards	Awarding Authority
September 1996	Excellent Educator of Guangzhou City Award (廣州市優秀教師)	Guangzhou Municipal Education Commission (廣州市教育委員會) and Guangzhou Education Foundation (廣州市教育基金會)
March 2008	Guangzhou Municipal Female Employee Excellence Achievement (廣州市女職工建功立業標兵)	Guangzhou Federation of Trade Unions (廣州市總工會)
August 2012	Award for honouring more than 20 years of services in technical education and vocational training in Guangzhou (從事廣州技工教育與職業培訓工作20年以上)	Guangzhou Human Resources and Social Security Bureau (廣州市人力資源和社會保障局)

Ms. Xie has not held any directorship roles in any listed companies in the last three years.

Ms. Xie graduated from the Master's programme in Vocational and Technical Education at the East China Normal University (華東師範大學) in February 1999 and received her College Diploma in Chinese Language and Literature from the Guangzhou Amateur University (廣州業餘大學) in July 1991. Ms. Xie is the sister of Mr. Xie.

Independent Non-executive Directors

Dr. Gerard A. Postiglione was appointed as an independent non-executive Director, the chairman of the remuneration committee, a member of the audit committee and a member of the nomination committee of our Board in August 2017, taking effect on the date of this document. Dr. Postiglione is primarily responsible for supervising and providing independent judgment to our Board.

Dr. Postiglione has been an Honorary Professor of The University of Hong Kong Faculty of Education since July 2017. Dr. Postiglione served as Professor, Chair of Higher Education of The University of Hong Kong Faculty of Education from June 2015 to June 2017, Associate Dean of Research of The University of Hong Kong Faculty of Education from December 2013 to July 2016, and was Director of the Wah Ching Centre for Research on Education in China, The University of Hong Kong from July 2002 to March 2005.

Dr. Postiglione served as a Consultant on higher education to the Asian Development Bank from December 2010 to March 2011, and was a visiting fellow at Yale University in September 2003. Dr. Postiglione's academic books include *Crossing Borders in East Asian Higher Education*, *Asian Higher Education*, *Education and Social Change in China* and *Mass Higher Education Development in East Asia*.

Dr. Postiglione has not held any directorship roles in any listed companies in the last three years.

Dr. Postiglione received his Bachelor of Science degree and his Doctor of Philosophy Degree from the State University of New York in December 1972 and May 1980, respectively.

Dr. Rui Meng (芮萌) was appointed as an independent non-executive Director, the chairman of the audit committee and a member of the remuneration committee of our Board in August 2017, taking effect on the date of this document. Dr. Rui is primarily responsible for supervising and providing independent judgment to our Board.

Dr. Rui has been Professor of Finance and Accounting at China Europe International Business School since January 2012, and has held the title of Zhongkun Group Chair in Finance at China Europe International Business School since October 2015.

Dr. Rui has been professionally designated as a Certified Financial Analyst (CFA) by the Association for Investment Management and Research since September 2000 and a Financial Risk Manager (FRM) by the Global Association of Risk Professionals since April 2010.

Dr. Rui currently serves as an independent director and chairman of the audit committee of Midea Group Co., Ltd. (美的集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000333) (since September 2015), an independent director and a member of the audit committee of COSCO Shipping Energy Transportation Co., Ltd. (中遠海運能源運輸股份有限公司), a company listed on both the Stock Exchange (stock code: 1138) and Shanghai Stock Exchange (stock code: 600026) (since June 2015), an independent director and the chairman of the audit committee of Shanghai Winner Information Technology Co., Inc. (上海匯納信息科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300609) (since November 2014) and an independent director of Shang Gong Group Co., Ltd. (上工申貝(集團)股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600843) (since April 2017).

Dr. Rui received a Bachelor of Economics degree in International Economics from the Institute of International Relations in Beijing, a Master of Science degree in Economics from Oklahoma State University as well as a Master of Business Administration degree and a Doctor of Philosophy degree in Business Administration from the University of Houston in July 1990, May 1993, December 1996 and August 1997, respectively.

Dr. Rui is the Director who has the appropriate professional accounting or related financial management expertise and confirms that he has gained such expertise required under Rule 3.10(2) of the Listing Rules through his experiences, including the following:

- lecturing on accounting, auditing and financial management related courses as Professor of Finance and Accounting at China Europe International Business School;

- conducting financial and accounting research and publishing in academic journals including *Review of Accounting Studies*, *Journal of Financial Economics*, *Journal of Banking & Finance*, *The Financial Review*, *The Journal of Financial Research*, *Journal of Financial and Quantitative Analysis*, *Review of Quantitative Finance and Accounting, The International Journal of Accounting, Academy of Management Journal, Journal of Accounting and Public Policy, Asia-Pacific Journal of Financial Studies, Journal of Empirical Finance, Journal of Multinational Financial Management,* and *International Journal of Accounting, Auditing and Performance Evaluation*;

- acting as a former Member of the Panel of Examiners of the Securities Industry Examination of the Stock Exchange in June 2000;

- acting as a former Visiting Research Fellow at Hong Kong Institute for Monetary Research from May 2007 to October 2007; and

- acting as the chairman or otherwise participate in the audit committees of the listed companies mentioned above.

Dr. Wu Kin Bing (鄔健冰) was appointed as independent non-executive Director, a member of the audit committee and a member of the nomination committee of our Board in August 2017, taking effect on the date of this document. Dr. Wu is primarily responsible for supervising and providing independent judgment to our Board.

Dr. Wu was Lead Education Specialist at the World Bank from September 1994 to October 2012. In her capacity as Lead Education Specialist, Dr. Wu led in educational policy analysis, lending appraisal, and project supervision in East Asia, South Asia and Latin America and Caribbean Region. She had worked on all subsectors of education, from early childhood development, to primary, secondary and tertiary education. Her World Bank and academic publications have dealt with the finance and efficiency of the education systems and public policies towards education.

Dr. Wu has also been a founding member of the UNICEF USA Northwest Regional Board since January 2014, where she is responsible for fundraising, education, and advocacy for UNICEF's work for children around the world. She was an editor for the *Harvard Educational Review* in May 1989.

Dr. Wu has not held any directorship roles in any listed companies in the last three years.

Dr. Wu received her Bachelor of Arts degree, Master of Science degree and Master of Arts degree from Indiana University in August 1972, August 1974, and May 1976, respectively, and her Doctor of Education degree from Harvard University in November 1995.

SENIOR MANAGEMENT

The following table provides information about members of our senior management:

Name	Age	Position	Date of joining our Group	Roles and responsibilities	Relationship with other Director(s) or senior management
Mr. Mok Kwai Pui Bill (莫貴標)	56	Chief financial officer	16 May 2017	Overseeing financial operations	N/A
Mr. Li Renyi (李仁毅)	32	Vice president for strategic investments	1 May 2017	Overseeing strategic investments	N/A

Mr. Mok Kwai Pui Bill (莫貴標) joined our Group and was appointed as our chief financial officer in May 2017. He is responsible for overseeing our financial affairs.

Mr. Mok has 28 years' experience in accounting, finance and banking in Hong Kong and Mainland China with specific expertise in managing financial and accounting operations, fund raising, investor relations and executing corporate strategy. Before joining our Group, he was the chief financial officer of Fortune Oil PLC from November 2011 to May 2017, a company then listed on the London Stock Exchange (stock code: FTO.L) and voluntarily delisted in March 2015. Mr. Mok was also the chief financial officer of Far East Consortium International Limited from April 2004 to October 2010, a company listed on the Stock Exchange (stock code: 0035)

Mr. Mok has served as an independent non-executive director of Grand Ming Group Holdings Limited, a company listed on the Stock Exchange (stock code: 1271) since July 2013 and of PF Group Holdings Limited, another company listed on the Stock Exchange (stock code: 8221) since December 2016. Mr. Mok also served as an executive director from January 2007 to November 2011 and a non-executive director from November 2011 to August 2012 of Dorsett Hospitality International Limited (formerly known as Kosmopolito Hotels International Limited), a company formerly listed on the Stock Exchange (stock code: 2266) and which was privatised in October 2015.

Mr. Mok received his Bachelor of Arts Degree in Business Administration from the University of Washington in the United States and a Master Degree in Business Administration from the Seattle University in the United States in June 1984 and December 1987, respectively. Mr. Mok has been a member of the American Institute of Certified Public Accountants and a member of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) since July 1993 and September 1994, respectively.

Mr. Li Renyi (李仁毅) joined our Group and was appointed as vice president for strategic investments in May 2017. He is responsible for overseeing our strategic investments.

Mr. Li has nine years experience in investment. Before joining our Group, Mr. Li worked at Prax Capital (普凱投資), a private equity firm, from June 2013 to April 2017 where he held various positions including vice president of investments, senior manager of investments and manager of investments. Mr. Li also worked as an investment manager at Shenzhen Oriental Fortune Capital Co., Ltd. (深圳市東方富海投資管理股份有限公司), a venture capital firm, from March 2012 to May 2013 and at China Renaissance (華興資本), a financial services provider, from June 2008 to May 2011 where he was financing manager and analyst.

Mr. Li received his Bachelor of Engineering degree in Information Security from Shanghai Jiao Tong University in 2008. Mr. Li has completed the Master of Business Administration in Finance programme at China Europe International Business School and is expected to receive the degree in October 2017. Mr. Li has passed the Fund Practitioner Qualification Examinations (基金從業資格考試) held by the Asset Management Association of China (中國證券投資基金業協會) in July 2016.

COMPANY SECRETARY

Mr. Mok Kwai Pui Bill (莫貴標) was appointed as our company secretary in August 2017. He is also our senior management. See the paragraph above in this section for details of his qualifications.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

Each of the executive Directors has entered into a service contract with us with effect for a term commencing from the date of his appointment/redesignation as an executive Director which shall 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). The term of each of the service contracts shall end when the service contract is terminated in accordance with the terms and conditions or by either party giving to the other not less than three months' prior notice in writing.

Each of our independent non-executive Directors has entered into an appointment letter with us for an initial period of three years from the date of this document and conditional upon listing of the Shares on the Stock Exchange or until the third annual general meeting of the Company since the Listing Date (whichever is sooner) which may be terminated in accordance with the terms and conditions of the appointment letter or by either party by serving on the other party a prior written notice of not less than three months. Under these appointment letters, each of them will receive an annual director's fee of HK$280,000.

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 December 2014, 2015 and 2016 were RMB2.31 million, RMB2.34 million and RMB3.34 million, respectively. Further information on the remuneration of each Director during the Track Record Period is set out in note 12 to the Accountants' Report as 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.

Each of our Directors will be entitled to an annual director's fee effective from the Listing Date (see the section headed "Statutory and General Information – C. Further Information about our Directors – 1. Particulars of Directors' service contracts and appointment letters"). 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 December 2017 is expected to be approximately RMB1.6 million.

The five highest paid individuals of our Group for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 included two, two, two 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 December 2014, 2015 and 2016 and the six months ended 30 June 2017, the aggregate amount of fees, salaries, allowances and retirement benefits scheme contributions we paid to the remaining three, three, three and two highest paid individuals who are neither Directors nor chief executives of our Group were RMB1.6 million, RMB1.5 million, RMB2.3 million and RMB0.9 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. Postiglione, Dr. Rui and Dr. Wu. Dr. Rui 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 is also responsible for determining the vesting of the options granted under the Pre-IPO Share Option Scheme. See "D. Share Option Schemes and Share Award Scheme – 1. Pre-IPO Share Option Scheme – (d) Vesting Period" in Appendix V. The remuneration committee comprises one executive Director and two independent non-executive Directors namely, Dr. Yu, Dr. Postiglione and Dr. Rui. Dr. Postiglione 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 Director and two independent non-executive Directors namely, Mr. Yu, Dr. Postiglione and Dr. Wu. Mr. Yu 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. The 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.

CORPORATE GOVERNANCE CODE

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. To accomplish this, we will comply with the Corporate Governance Code after the Listing.

SUBSTANTIAL SHAREHOLDERS

To the best knowledge of our Directors, the following persons will, immediately after the completion of the Global Offering, have an interest or short position in the Shares or underlying shares which are required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the general meetings of our Company:

Name	Capacity/ Nature of Interest	Number of Shares held after the completion of the Global Offering	Approximate percentage of shareholding in the total issued share capital of our Company immediately after the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued pursuant to the exercise of share options granted under the Share Option Schemes and grants under the Share Award Scheme)	Approximate percentage of shareholding in the total issued share capital of our Company immediately after the Global Offering (assuming the Over-allotment Option is fully exercised and without taking into account any Shares to be issued pursuant to the exercise of share options granted under the Share Option Schemes and grants under the Share Award Scheme)
Mr. Yu[(1)]	Interest of a party to an agreement regarding interest in the Company	1,520,000,000	76.0%	73.3%
Mr. Xie[(1)]	Interest of a party to an agreement regarding interest in the Company	1,520,000,000	76.0%	73.3%
Blue Sky BVI[(1)]	Interest of a party to an agreement regarding interest in the Company	1,520,000,000	76.0%	73.3%
White Clouds BVI[(1)]	Interest of a party to an agreement regarding interest in the Company	1,520,000,000	76.0%	73.3%

Notes:

(1) Immediately following completion of the Global Offering (assuming the options granted under the Share Option Schemes are not exercised and no shares are granted under the Share Award Scheme), our Company will be held as to 37.5% (assuming the Over-allotment Option is not exercised) or 36.1% (assuming the Over-allotment Option is exercised) by each of Blue Sky BVI (which is wholly owned by Mr. Yu) and White Clouds BVI (which is wholly owned by Mr. Xie). Separately, each of Mr. Yu and Mr. Xie will be entitled to receive up to 10,000,000 Shares pursuant to the exercise of options granted to him under the Pre-IPO Share Option Scheme, subject to the conditions (including the vesting conditions) of those options. Mr. Yu, Mr. Xie, Blue Sky BVI and White Clouds BVI entered into the Concert Party Agreement to align their shareholding interests in our Company. Pursuant to the Concert Party Agreement, Mr. Yu, Mr. Xie, Blue Sky BVI and White Clouds BVI agreed to vote in concert with each other for all operational and other matters at board meetings or shareholders' meetings of our Company (through himself, Blue Sky BVI or White Clouds BVI, as the case may be). The details of the Concert Party Agreement are set out in the section headed "History, Reorganisation and Corporate Structure – The Concert Party Agreement".

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements with the following investors (the "**Cornerstone Investors**" and each a "**Cornerstone Investor**"), who agreed to subscribe at the Offer Price for such number of Shares with certain investment amount (the "**Cornerstone Placing**").

Assuming the Offer Price of HK$5.86 (being the low-end of the Offer Price range set out in this Prospectus), the total number of Shares to be subscribed for under the Cornerstone Placing would be 159,498,000 Shares (calculated based on the rate of US$1.000 to HK$7.8087 for illustrative purposes only), representing approximately 31.90% of the Offer Shares and approximately 7.98% of the total Shares in issue immediately upon completion the Global Offering, assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Option Schemes or the Share Award Scheme.

Assuming the Offer Price of HK$6.44 (being the mid-point of the Offer Price range set out in this Prospectus), the total number of Shares to be subscribed for under the Cornerstone Placing would be 145,134,000 Shares (calculated based on the rate of US$1.000 to HK$7.8087 for illustrative purposes only), representing approximately 29.03% of the Offer Shares and approximately 7.26% of the total Shares in issue immediately upon completion the Global Offering, assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Option Schemes or the Share Award Scheme.

Assuming the Offer Price of HK$7.02 (being the high-end of the Offer Price range set out in this Prospectus), the total number of Shares to be subscribed for under the Cornerstone Placing would be 133,144,000 Shares (calculated based on the rate of US$1.000 to HK$7.8087 for illustrative purposes only), representing approximately 26.63% of the Offer Shares and approximately 6.66% of the total Shares in issue immediately upon completion the Global Offering, assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Option Schemes or the Share Award Scheme.

The Cornerstone Placing forms part of the International Offering. The Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in "Structure of the Global Offering – The Hong Kong Public Offering – Reallocation".

Each of the Cornerstone Investors and their respective ultimate beneficial owners is an independent third party of our Company and is independent from each other. The Shares to be subscribed for by the Cornerstone Investors will be counted towards the public float of our Company and will rank *pari passu* with the Shares then in issue and to be listed on the Stock Exchange. Other than the subscription pursuant to the cornerstone investment agreements, the Cornerstone Investors have agreed not to subscribe for any Offer Shares under the Global Offering. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any Board representation in our Company, nor will any of them become a substantial shareholder, connected person or close associate of our Company.

THE CORNERSTONE INVESTORS

International Finance Corporation

International Finance Corporation ("**IFC**") has agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot), which may be purchased with an aggregate amount of US$30 million (the HK$ equivalent of which is to be calculated based on the closing middle point spot rate as quoted by The Hongkong and Shanghai Banking Corporation Limited on the business day immediately prior to the Price Determination Date) at the Offer Price (inclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% and certain expenses in connection with the payment of the subscription price).

Assuming the Offer Price of HK$5.86 (being the low-end of the Offer Price range set out in this Prospectus), the total number of Shares to be subscribed for by IFC will be 39,572,000 Shares (rounded down to the nearest whole board lot and calculated based on the conversion of IFC's investment amount made in US$ being converted at the rate of US$1.000 to HK$7.8087 for illustrative purposes only), representing approximately 7.91% of the Offer Shares and approximately 1.98% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Option Schemes or the Share Award Scheme.

Assuming the Offer Price of HK$6.44 (being the mid-point of the Offer Price range set out in this Prospectus), the total number of Shares to be subscribed for by IFC will be 36,008,000 Shares (rounded down to the nearest whole board lot and calculated based on the conversion of IFC's investment amount made in US$ being converted at the rate of US$1.000 to HK$7.8087 for illustrative purposes only), representing approximately 7.20% of the Offer Shares and approximately 1.80% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Option Schemes or the Share Award Scheme.

Assuming the Offer Price of HK$7.02 (being the high-end of the Offer Price range set out in this Prospectus), the total number of Shares to be subscribed for by IFC will be 33,033,000 Shares (rounded down to the nearest whole board lot and calculated based on the conversion of IFC's investment amount made in US$ being converted at the rate of US$1.000 to HK$7.8087 for illustrative purposes only), representing approximately 6.61% of the Offer Shares and approximately 1.65% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Option Schemes or the Share Award Scheme.

IFC is a member of the World Bank Group and is established by its Articles of Agreement among 184 member countries, including the PRC. IFC fosters sustainable economic growth in developing countries by financing private sector investment, mobilising capital in the international financial markets, and providing advisory services to businesses and governments. Since 1985, IFC has financed more than 200 projects in China to support sustainable private sector development in a wide range of industries including health & education, services, agriculture, manufacturing, banking and financial market, infrastructure, and private equity funds.

Our Company and IFC entered into a policy agreement (the "**Policy Agreement**") on 2 December 2017 (Hong Kong time) whereby we agree to adopt certain corporate governance and reporting measures, namely (i) not to engage in certain sanctionable practices; (ii) complying with IFC's environmental and social Performance Standards and the World Bank Group Environmental, Health, and Safety General Guidelines, which are international standards adopted by many companies worldwide; (iii) not to enter into any transaction or engage in any activity prohibited by any resolution of the United Nations Security Council under Chapter VII of the United Nations Charter; (iv) maintaining adequate insurance policies; (v) not to conduct business with shell banks and (vi) report to IFC on the Company's compliance with the above requirements. Under the Policy Agreement, IFC will not have any special right after the Listing but the Company will have contractual obligations to comply with the requirements of the Policy Agreement including the above requirements. Further details of these corporate governance measures are set out below:

(a) Sanctionable Practices

We will not undertake sanctionable practices (including corrupt, fraudulent, coercive and obstructive practices).

(b) Environmental and Social Policy

We will collect data to monitor our environmental and social status, review and report on our environmental and social policy which covers the status of our compliance with IFC Performance Standards and applicable local environmental, social, labour, safety, security and health legislation and standards and measures taken to remedy any non-compliance. We agree to achieve, as a minimum, the standards set out in IFC's environmental and social policies and Performance Standards, and the World Bank Group Environmental, Health, and Safety General Guidelines. Such requirements define approaches for managing business operations and investment projects and include Performance Standards in areas such as environmental and social management system, labour and working conditions, land acquisition and involuntary resettlement, and life and fire safety. We have agreed to implement an action plan to adopt measures to enable our operations to be conducted in compliance with the IFC Performance Standards. We will also comply with applicable environmental, social, labour, health, security and safety legislations and guidelines and standards in countries where we operate.

(c) UN Security Council Resolutions

We will not enter into any transaction or engage in any activity prohibited by any resolution of the United Nations Security Council under Chapter VII of the United Nations Charter.

(d) Shell Banks

We will not conduct business or enter into any transaction with, or transmit any funds through any banks incorporated in a jurisdiction in which it has no physical presence and which is not controlled, directly or indirectly, by a regulated bank or a regulated financial group.

(e) Insurance

We will insure and keep insured our Company's assets and businesses which can be insured.

(f) IFC Exclusion List

We will not engage in any of the activities on the IFC Exclusion List (published at http://www.ifc.org/exclusionlist), including production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans; production or trade in weapons and munitions, certain alcoholic beverages, tobacco, certain radioactive materials and certain unbonded asbestos fibres; gambling, casinos and equivalent enterprises; and certain types of drift net fishing in the marine environment.

Under the Policy Agreement, the Company has also granted IFC with rights to access its operating facilities, books and records except for non-public inside information, and employees, agents, contractors and subcontractors of the Company. Such access rights are primarily intended for IFC's monitoring of the Company's compliance with the undertakings in the Policy Agreement and if any information required to be disclosed to IFC or permitted to be accessed by IFC under the Policy Agreement constitutes non-public inside information, the Company will as soon as reasonably practicable disclose such information to both IFC and the public and/or its shareholders for the purpose of ensuring equal dissemination of information in accordance with, and as required by, applicable laws and regulations. IFC has also acknowledged in the Policy Agreement that, if IFC knows that it is, through its access to the Company's information upon the exercise of its access rights, in possession of any information which constitutes non-public inside information of the Company for the purpose of the relevant requirements under the SFO, IFC will comply with the relevant requirements under the SFO in relation to its dealings in the Shares.

GIC Private Limited

GIC Private Limited ("**GIC**") has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased for an aggregate amount of US$35 million at the Offer Price.

Assuming the Offer Price of HK$5.86 (being the low-end of the Offer Price range set out in this Prospectus), the total number of Shares to be subscribed for by GIC will be 46,638,000 Shares (rounded down to the nearest whole board lot), representing approximately 9.33% of the Offer Shares and approximately 2.33% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Option Schemes or the Share Award Scheme.

Assuming the Offer Price of HK$6.44 (being the mid-point of the Offer Price range set out in this Prospectus), the total number of Shares to be subscribed for by GIC will be 42,438,000 Shares (rounded down to the nearest whole board lot), representing approximately 8.49% of the Offer Shares and approximately 2.12% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Option Schemes or the Share Award Scheme.

Assuming the Offer Price of HK$7.02 (being the high-end of the Offer Price range set out in this Prospectus), the total number of Shares to be subscribed for by GIC will be 38,932,000 Shares (rounded down to the nearest whole board lot), representing approximately 7.79% of the Offer Shares and approximately 1.95% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Option Schemes or the Share Award Scheme.

GIC is a global investment management company established in 1981 to manage Singapore's foreign reserves. GIC invests internationally in equities, fixed income, foreign exchange, commodities, money markets, alternative investments, real estate and private equity. With its current portfolio size of more than US$100 billion, GIC is amongst the world's largest fund management companies.

Value Partners Hong Kong Limited

Value Partners Hong Kong Limited ("**Value Partners**") has agreed to procure investment funds or managed accounts that it or its subsidiary manages or advises ("**Value Partners Investment Funds**") to subscribe for, or failing which, Value Partners itself shall subscribe for, such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased for an aggregate amount of US$20 million at the Offer Price.

Assuming the Offer Price of HK$5.86 (being the low-end of the Offer Price range set out in this Prospectus), the total number of Shares to be subscribed for by Value Partners Investment Funds or Value Partners (as applicable) will be 26,650,000 Shares (rounded down to the nearest whole board lot), representing approximately 5.33% of the Offer Shares and approximately 1.33% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Option Schemes or the Share Award Scheme.

Assuming the Offer Price of HK$6.44 (being the mid-point of the Offer Price range set out in this Prospectus), the total number of Shares to be subscribed for by Value Partners Investment Funds or Value Partners (as applicable) will be 24,250,000 Shares (rounded down to the nearest whole board lot), representing approximately 4.85% of the Offer Shares and approximately 1.21% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Option Schemes or the Share Award Scheme.

Assuming the Offer Price of HK$7.02 (being the high-end of the Offer Price range set out in this Prospectus), the total number of Shares to be subscribed for by Value Partners Investment Funds or Value Partners (as applicable) will be 22,247,000 Shares (rounded down to the nearest whole board lot), representing approximately 4.45% of the Offer Shares and approximately 1.11% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Option Schemes or the Share Award Scheme.

Value Partners (together with other subsidiaries under Value Partners Group Limited, "**Value Partners Group**") was established in 1999. It acts as investment manager or investment advisor to certain investment funds. It is a wholly-owned subsidiary of Value Partners Group Limited, a company listed on the Stock Exchange (stock code: 806). Value Partners Group is one of Asia's largest independent asset management firms headquartered in Hong Kong. Value Partners Group manages absolute return long-biased funds, long-short hedge funds, exchange-traded funds, quantitative funds, as well as fixed income products for institutional and individual clients in Asia Pacific, Europe and the United States.

Greenwoods Asset Management Limited

Greenwoods Asset Management Limited ("**Greenwoods**") has agreed to subscribe for (or to procure its other wholly-owned subsidiary pursuant to the terms and condition of the underlying cornerstone agreement to subscribe for) such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased for an aggregate amount of US$35 million at the Offer Price.

Assuming the Offer Price of HK$5.86 (being the low-end of the Offer Price range set out in this Prospectus), the total number of Shares to be subscribed for by Greenwoods will be 46,638,000 Shares (rounded down to the nearest whole board lot), representing approximately 9.33% of the Offer Shares and approximately 2.33% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Option Schemes or the Share Award Scheme.

Assuming the Offer Price of HK$6.44 (being the mid-point of the Offer Price range set out in this Prospectus), the total number of Shares to be subscribed for by Greenwoods will be 42,438,000 Shares (rounded down to the nearest whole board lot), representing approximately 8.49% of the Offer Shares and approximately 2.12% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Option Schemes or the Share Award Scheme.

Assuming the Offer Price of HK$7.02 (being the high-end of the Offer Price range set out in this Prospectus), the total number of Shares to be subscribed for by Greenwoods will be 38,932,000 Shares (rounded down to the nearest whole board lot), representing approximately 7.79% of the Offer Shares and approximately 1.95% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Option Schemes or the Share Award Scheme.

Greenwoods is an exempted company incorporated in the Cayman Islands with limited liability. Greenwoods is an investment management company specialised in fund management.

CONDITIONS PRECEDENT

The subscription obligation of each of the Cornerstone Investors is subject to, among other things, the following conditions precedent:

(a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been entered into, become effective and having become unconditional and not having been terminated by no later than the time and date as respectively specified in the Hong Kong Underwriting Agreement and the International Underwriting Agreement;

(b) the Offer Price having been agreed upon between the Company and BNP Paribas (for itself and on behalf of the Underwriters);

(c) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering and that such approval or permission not having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(d) no laws having been enacted or promulgated by any governmental authority (as defined in the respective cornerstone agreements) which prohibit the consummation of the transactions contemplated under the Global Offering or hereunder and there being no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of the transactions contemplated under the Global Offering or under the respective cornerstone investment agreement; and

(e) the respective representations, warranties, acknowledgements, undertakings and confirmations of the relevant Cornerstone Investor and, as the case may be, the Company are (as of the date of the respective cornerstone investment agreement) and will be (as of the closing date) accurate and true in all material respects and not misleading and that there is no material breach of the respective cornerstone investment agreement on the part of the relevant Cornerstone Investor and, as the case may be, the Company.

In addition, the subscription obligation in relation to the Cornerstone Placing with IFC is also subject to the additional condition precedent that the final Offer Price is fixed at a price no more than HK$7.02 per Share excluding brokerage, SFC transaction levy and Stock Exchange trading fee.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors (in the case of Value Partners, for itself and on behalf of Value Partners Investment Funds) has agreed that, unless it has obtained prior written consent of each of the Company and BNP Paribas, it will not at any time during the period of six months following the Listing Date dispose of (as defined in the respective cornerstone investment agreement) any of the Shares to be subscribed pursuant to the respective cornerstone investment agreement.

Each of IFC, GIC, Value Partners (including Value Partners Investment Funds) and Greenwoods, may transfer the Shares so subscribed in certain limited circumstances, such as transfer to (i) (in the case of IFC, GIC and Greenwoods) its direct or indirect wholly-owned subsidiary or (ii) (in the case of Value Partners or Value Partners Investment Funds) its subsidiaries or other investment funds or managed accounts that Value Partners or its subsidiary manages or advises, provided that such transferee agrees to be subject to the restrictions on disposals imposed on such Cornerstone Investor.

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:

(a) If the Over-allotment Option is not exercised:

Number of Shares	Description of Shares	Aggregate nominal value of Shares	% of the issued share capital
		(HK$)	
1,500,000,000	Shares in issue as of the date of this document	15,000	75%
500,000,000	Shares to be issued under the Global Offering	5,000	25%
2,000,000,000	Shares in total	20,000	100%

(b) If the Over-allotment Option is fully exercised:

Number of Shares	Description of Shares	Aggregate nominal value of Shares	% of the issued share capital
		(HK$)	
1,500,000,000	Shares in issue as of the date of this document	15,000	72.29%
575,000,000	Shares to be issued under the Global Offering (including all the Shares that are to be issued pursuant to the full exercise of the Over-allotment Option)	5,750	27.71%
2,075,000,000	Shares in total	20,750	100%

ASSUMPTIONS

The above tables assume that (i) the Global Offering becomes unconditional and Shares are issued pursuant to the Global Offering and (ii) any options granted under the Share Option Schemes are not exercised and no Shares are granted under the Share Award Scheme. The above tables also do not take into account any Shares which 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 share 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 "Summary of the Constitution of the Company and Cayman Islands Company Law – 2. Articles of Association – (a) Shares – (iii) Alteration of capital" in Appendix IV for further details.

SHARE OPTION SCHEMES AND SHARE AWARD SCHEME

We adopted the Share Option Schemes and the Share Award Scheme. See the section headed "Statutory and General Information – D. Share Option Schemes and Share Award Scheme" in Appendix V for further details of the Share Option Schemes and the Share Award Scheme.

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 which may be issued pursuant to the exercise of the Over-allotment Option and the options granted under the Share Option Schemes 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 "Statutory and General Information – A. Further Information about our Company, Subsidiaries and Consolidated Affiliated Entities – 4. Resolutions of the Shareholders of our Company dated 29 November 2017" 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 which may be issued pursuant to the exercise of the Over-allotment Option and the options granted under the Share Option Schemes, and Shares that may be granted 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;

- 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.

Your attention should be drawn to the fact that the obtaining of control of Baiyun Technician College by our Group was completed in August 2017 after the Track Record Period, and therefore the operation results and financial position of Baiyun Technician College during the Track Record Period were not consolidated into the operation results 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 Baiyun Technician College. For discussion and analysis of financial information of Baiyun Technician College, see the subsection headed "– Financial Information of Baiyun Technician College."

You should read the following discussion and analysis with the audited consolidated financial information of our Group, including the notes thereto, included in the Accountants' Report in Appendix IA, and the audited consolidated financial information of Baiyun Technician College, including the notes thereto, included in the Accountants' Report in Appendix IB. The consolidated financial information of our Group and the consolidated financial information of Baiyun Technician College have been prepared in accordance with the 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."

For the purpose of this section, unless the context otherwise requires, references to student enrolments in the 2013/2014, 2014/2015 and 2015/2016 school years refer to the student enrolments as of 31 August 2014, 2015 and 2016, respectively, based on the internal records of our schools. Unless otherwise indicated, references to the financial information of our Group refer to financial information of the continuing operations of our Group. For the financial information of the discontinued operations of our Group, see Note 11 to the Accountants' Report in Appendix IA.

OVERVIEW

We are a leading large scale private higher education group in China, operating a list of well-recognised private higher education institutions. We focus on offering high quality education through innovation. During the Track Record Period, we operated two schools, namely Jiangxi University of Technology located in Nanchang, Jiangxi province and Guangdong Baiyun University located in Guangzhou, Guangdong province. After the Track Record Period, on 14 August 2017, we obtained control of Baiyun Technician College located in Guangzhou, Guangdong province, subsequent to which, our Group began to operate a total of three schools. According to the Frost & Sullivan Report, our Group is recognised as one of the leading players in private higher education market in China in terms of student enrolment in 2016. Each of our three schools has been recognised top rankings in terms of competitive strengths. As of 31 August 2017, we enrolled a total of 75,255 students with 35,982 students enrolled by Jiangxi University of Technology, 25,741 students enrolled by Guangdong Baiyun University and 13,532 students enrolled by Baiyun Technician College. We believe, building upon our large scale, extensive experience and advanced group operation model, we will be able to capitalise on the future growth and consolidation of the fragmented private higher education industry in China.

Operating Results of Our Group Comprising Two Universities during the Track Record Period

Our Group experienced steady growth in our revenue, net profit from continuing operations and Adjusted Net Profit, which is unaudited in nature, over the Track Record Period. The following table presents the revenue, net profit from continuing operations and the Adjusted Net Profit of our Group (comprising of Jiangxi University of Technology and Guangdong Baiyun University) for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)	*(RMB'000)*
Revenue	821,934	846,016	861,289	417,976	405,375
Net profit from continuing operations	309,426	361,901	423,351	217,416	193,013
Adjusted Net Profit[1]	308,335	356,400	409,232	211,129	195,038

Note:

(1) The Adjusted Net Profit, which is unaudited in nature, represents profit for the year/period from continuing operations excluding the effects of imputed interest income arising from amount due from Directors, imputed interest income arising from an amount due from a related party and the listing expenses. The Adjusted Net Profit is not a measure of performance under IFRS. As a non-IFRS measure, the Adjusted Net Profit is presented because our management believes such information will be helpful for investors in assessing the level of our net profit by eliminating the effects of certain one-off or non-recurring items, namely imputed interest income and listing expenses. The use of the 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. See "– Non-IFRS Measure". The following table reconciles our Adjusted Net Profit for the years presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit for the year/period from continuing operations:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)	*(RMB'000)*
Profit for the year/period from continuing operations	309,426	361,901	423,351	217,416	193,013
Less:					
Imputed interest income from amounts due from directors	(427)	(3,948)	(11,763)	(5,085)	(6,869)
Imputed interest income from an amount due from a related party	(664)	(1,553)	(2,356)	(1,202)	(1,252)
Add:					
Listing expenses	–	–	–	–	10,146
Adjusted Net Profit	308,335	356,400	409,232	211,129	195,038

Our revenue increased from RMB821.9 million for the year ended 31 December 2014 to RMB861.3 million for the year ended 31 December 2016, representing a CAGR of 2.4%. Our net profit from continuing operations increased from RMB309.4 million for the year ended 31 December 2014 to RMB423.4 million for the year ended 31 December 2016, representing a CAGR of 17.0%. Our Adjusted Net Profit increased from RMB308.3 million for the year ended 31 December 2014 to RMB409.2 million for the year ended 31 December 2016, representing a CAGR of 15.2%. For more information of our Adjusted Net Profit, see the section headed "– Financial Information of Our Group Comprising Two Schools During the Track Record Period – Non-IFRS Measure."

Operating Results of Baiyun Technician College during the Track Record Period

We obtained control of Baiyun Technician College on 14 August 2017. The following table presents the revenue, net profit and adjusted net profit, which is unaudited in nature, of Baiyun Technician College for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)	*(RMB'000)*
Revenue	151,745	163,778	179,566	88,647	89,762
Net profit	10,885	15,962	14,363	15,680	36,265
Adjusted net profit(1)	9,610	13,182	10,561	13,861	34,207

Note:

(1) Adjusted net profit represents profit for the year/period excluding the effects of imputed interest income arising from amount due from Directors. Adjusted net profit is not a measure of performance 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 level of Baiyun Technician College's net profit by eliminating a non-recurring item, namely imputed interest income. The use of adjusted net profit has material limitations as an analytical tool, as it does not include all items that impact the profit of Baiyun Technician College for the relevant year/period. See "– Non-IFRS Measure." The following table reconciles the adjusted net profit for the years presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit for the year/period:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)	*(RMB'000)*
Profit for the year/period	10,885	15,962	14,363	15,680	36,265
Less:					
Imputed interest income from amounts due from related parties	(1,275)	(2,780)	(3,802)	(1,819)	(2,058)
Adjusted net profit	9,610	13,182	10,561	13,861	34,207

The revenue of Baiyun Technician College increased from RMB151.7 million for the year ended 31 December 2014 to RMB179.6 million for the year ended 31 December 2016, representing a CAGR of 8.8%. Its net profit increased from RMB10.9 million for the year ended 31 December 2014 to RMB14.4 million for the year ended 31 December 2016, representing a CAGR of 14.9%. Its Adjusted Net Profit increased from RMB9.6 million for the year ended 31 December 2014 to RMB10.6 million for the year ended 31 December 2016, representing a CAGR of 4.8%. For more information of the adjusted net profit of Baiyun Technician College, see the section headed "– Financial Information of Baiyun Technician College – Non-IFRS Measure."

Pro Forma Operating Results of the Enlarged Group Comprising Three Schools during the Track Record Period

We presented unaudited pro forma consolidated financial information of the enlarged group for the year ended and as of 31 December 2016 and for the six months ended and as of 30 June 2017 in part (B) of Appendix II as if the obtaining of control of Baiyun Technician College by our Group had taken place on 1 January 2016. The unaudited pro forma consolidated financial information of the enlarged group has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true picture of the financial position of the enlarged group.

The following table presents the revenue, cost of revenue, gross profit, net profit from continuing operations and profit for the year/period of the enlarged group based on the unaudited pro forma consolidated financial information of the enlarged group (as if the obtaining of control of Baiyun Technician College by our Group had taken place on 1 January 2016) for the year ended 31 December 2016 and the six months ended 30 June 2017:

	Year ended 31 December 2016	**Six months ended 30 June 2017**
	(RMB'000) (Unaudited)	*(RMB'000)* (Unaudited)
Revenue	1,040,855	495,137
Cost of revenue	(519,065)	(211,483)
Gross profit	521,790	283,654
Net profit from continuing operations	432,097	226,469
Profit for the year/period	420,100	233,888

For more information, see "Appendix II – Unaudited Pro Forma Financial Information of the Enlarged Group."

BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in the section headed "History, Reorganisation and Corporate Structure – Corporate Reorganisation", our Company became the holding company of the companies and educational institutions then comprising our Group on 30 June 2017. Since our Controlling Shareholders controlled all such companies and educational institutions before and after the Reorganisation, our Group is regarded as a continuing entity. Our financial information for the Track Record Period has been prepared on the basis as if our Company had been always been the holding company of our Group using the principal of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combination" issued by the Hong Kong Institute of Certified Public Accountants. On 14 August 2017, our Group completed the obtaining of control of Baiyun Technician College and we obtained effective control over Baiyun Technician College, following which, our Group commenced to consolidate operation results and assets and liabilities of Baiyun Technician College.

During the Track Record Period, due to regulatory restrictions on foreign ownership in the schools in the PRC, our business operations were carried out by our consolidated affiliated entities in the PRC. The wholly-owned subsidiary of our Company, WFOE, has entered into the Contractual Arrangements with, among others, our consolidated affiliated entities and their respective equity holders. The Contractual Arrangements enable WFOE to exercise effective control over our consolidated affiliated entities and obtain substantially all economic benefits of them. Accordingly, our consolidated affiliated entities are consolidated in the financial statements continuously. Details of the Contractual Arrangements are disclosed in the section headed "Contractual Arrangements."

Our Group does not have any equity interest in our consolidated affiliated entities. However, our consolidated affiliated entities were ultimately under the control of our Controlling Shareholders, and through the Contractual Arrangements, both our consolidated affiliated entities and the business carried out by them are under the effective control of our Controlling Shareholders. Consequently, our Company regards our consolidated affiliated entities as indirect subsidiaries for the purpose of the consolidated financial statements and related notes. The companies comprising our Group during the Track Record Period were under the common control of our Controlling Shareholders before and after the Reorganisation. Accordingly, for the purpose of this document, the financial statements have been prepared by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period.

For the purpose of preparing and presenting the financial statements for the Track Record Period, we have adopted the IFRS which are effective for our financial period beginning on 1 January 2014 and is consistently applied throughout the Track Record Period.

As of 31 December 2014 and 2015, our Group recorded net current liabilities of RMB92.8 million and RMB118.8 million, respectively. 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, repayment from related parties, unutilised bank facilities, and our future capital expenditure in respect of our non-cancellable capital commitments. Thus, our financial statements have been prepared on a going concern basis.

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 and Private Vocational Education in China

During the Track Record Period, we derived our revenue substantially from the private higher education services provided through our two universities in China, namely Jiangxi University of Technology and Guangdong Baiyun University. As we have obtained control of Baiyun Technician College on 14 August 2017, we expect that we would derive our revenue from private higher education and private vocational education services provided through our schools in China going forward. As a result, our results of operations and financial conditions are significantly affected by the demand for private higher education and the private vocational education in China.

The key factors that drive the demand for private higher education and private vocational education in China primarily include increases in expenditure of urban households on education, growth of the school-age population and favourable policies and regulations on private education. Our business has benefited from the growth of China's economy and the increasing expenditure of urban households on education. According to the Frost & Sullivan Report, the overall economic growth and the increase in per capita GDP in China have increased the level of per capita expenditure of urban households on education in China, which increased at a CAGR of 6.9% from 2012 to 2016. According to the Frost & Sullivan Report, Chinese parents have historically placed a high value on their children's education, and they are willing to incur significant costs so that their children are able to receive high-quality education. This, together with the increasing PRC urban household income and wealth, has played a significant role in the increase in the demand for private education in China.

Furthermore, the "one-child policy" in China has kept the PRC population growth low during the past four decades. However, this policy was relaxed by the PRC government recently and the effect of such relaxation on the growth in the PRC population and school-age population is expected to become apparent by 2019, according to the Frost & Sullivan Report. Therefore, we anticipate that the demand for private education in general in China will continue to increase. In addition, the PRC government has issued a series of policies and regulations to encourage and promote the development of private education, such as encouraging private capitals to flow into the education business. Additional favourable policies are likely to be introduced to further drive the development of the PRC private education, according to the Frost & Sullivan Report.

Student Enrolments

Our revenue generally depends on the number of students enrolled at our schools and the level of tuition fees we charge. We believe our student enrolments are generally dependent on, among other things, the reputation and capacity of our schools. For the student enrolment details of our Group and Baiyun Technician College for the 2013/2014, 2014/2015, 2015/2016 and 2016/2017 school years, please see the section headed "Business – Our Schools – Number of Students". The number of students enrolled in Jiangxi University of Technology decreased in the four school years because the university had progressively tightened its admission criteria with a view to improving the overall quality of students. In particular, since the 2014/2015 school year, Jiangxi University of Technology has raised the minimum admission requirement of Gaokao score of various programmes. This resulted in less eligible students (and, in turn, student enrolment) for the relevant programmes. We consider that the slight decrease in the overall student enrolment of Jiangxi University of Technology during the relevant school years did not have a significant impact on the utilisation of its teaching facilities, such as classrooms, libraries and laboratories, as most of these resources are utilised by the students on a shared basis. We believe higher quality and better reputation can help us improve the level of fees we can charge per student, which in turn will further increase our profitability and strengthen our reputation in the long term.

One of the most important factors that the students and parents would consider when choosing a school to attend is the school's reputation. We believe that the reputation of our schools is built on our top rankings, high employment rates and ample employment opportunities available to our students, which are attributable to our dedication to education quality, our focuses on research, innovation and employment, as well as our strategic locations. If we are not able to maintain or continue to enhance our reputation, we may not be able to maintain or increase our student enrolment level.

Our student enrolments may be restrained by the capacity of our schools if we do not increase our school capacity in line with our student enrolment growth. We are now building a new campus for Guangdong Baiyun University in Zhongluotan Land. The campus expansion will allow us to accommodate additional students that we intend to enrol in the future and drive the growth in our revenue.

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 for each school year at the beginning of that school year. We determine our tuition fees typically based on the demand for our educational programmes, the cost of our operations, the geographic markets where we operate our schools, the tuition fees charged by our competitors, our pricing strategy to gain market share and general economic conditions in China and the areas in which our schools are located. For the details of the tuition fees and boarding fees charged by our Group and Baiyun Technician College for the 2013/2014, 2014/2015, 2015/2016 and 2016/2017 school years, see "Business – Our Schools – Tuition Fees and Boarding Fees".

Our revenue is also affected by the mix of our tuition fees income. The tuition fees of our schools vary depending on the different schools or the different academic programmes that each of our schools offers. As a result, the changes in the number of students enrolled in different academic programmes in each school year may lead to fluctuations of our tuition fees income.

According to the Frost & Sullivan Report, the private higher education industry has fairly high entry barriers. Given our leading position in our existing markets, our outstanding reputation, our premium education quality and the strong demand for our services, we believe we will be able to optimise our pricing without compromising our competitive edges. While we have successfully increased tuition fees of our schools during the Track Record Period, there is no guarantee that we will be able to continue to raise tuition fees in the future. See "Risk Factors – Risks Relating to Our Business and Our Industry – Our business and results of operations depend on the level of tuition fees and boarding fees we are able to charge and our ability to maintain and raise the level of tuition fees and boarding fees". For those students who did not complete their study with us, we also have refund policies in place. See "Business – Our Schools" for further details.

Our School Utilisation Rate

In addition to student enrolment and tuition fees, the utilisation rate of our schools' facilities is also a key driver of revenue growth and gross margin. For the calculation methods of school utilisation rate of a given school, see "Business – Our Schools – Capacity and Utilisation."

Independent of the level of student enrolment in any given year, we incur a significant amount of fixed costs relating to the operation of our business. All of our schools are close to reaching their full capacity. We intend to increase the capacity of our schools and then improve their utilisation rate by recruiting more students. We believe that enrolment of additional students in those schools will not substantially increase fixed costs, but the increased utilisation rate may result in lower per-student costs and higher profits. For the 2013/2014, 2014/2015, 2015/2016 and 2016/2017 school years, Jiangxi University of Technology's utilisation rate was 95.0%, 98.6%, 98.5% and 90.0%, respectively; Guangdong Baiyun University's utilisation rate was 99.6%, 99.6%, 97.6% and 95.0%, respectively; utilisation rate of Baiyun Technician College which we obtained control on 14 August 2017, was 86.7%, 87.5%, 95.3% and 93.3% for the 2014/2015, 2015/2016 and 2016/2017 school years, respectively.

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 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, our cost of revenue represented approximately 49.7%, 49.2%, 47.0%, 43.1% and 40.7% of our total revenue, respectively. Our cost of revenue consists primarily of teaching staff costs, education expenses, and depreciation and amortisation expenses. Teaching staff costs increased from RMB151.3 million for the year ended 31 December 2014 to RMB171.0 million for the year ended 31 December 2015 and further to RMB171.9 million for the year ended 31 December 2016, and slightly decreased from RMB88.5 million for the six months ended 30 June 2016 to RMB86.6 million for the six months ended 30 June 2017. The general increasing trend in teaching staff costs was primarily attributable to our continuing efforts to recruit additional teachers and to increase their compensation with a view to retaining our teachers. The cost of revenue of Baiyun Technician College, which we obtained control of on 14 August 2017, constituted approximately 67.1%, 63.0%, 59.6%, 57.3% and 47.5% of its total revenue for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, respectively. Teaching staff costs recorded by Baiyun Technician College increased from RMB51.0 million for the year ended 31 December 2014 to RMB52.8 million for the year ended 31 December 2015 and further to RMB66.8 million for the year ended 31 December 2016, and slightly decreased from RMB26.7 million for the six months ended 30 June 2016 to RMB25.5 million for the six months ended 30 June 2017. Same as two universities of our Group, the general increasing trend in teaching staff costs was primarily due to Baiyun Technician College's continuing efforts to recruit additional teachers and increase their compensation.

Furthermore, for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, the total amount of administrative expenses as a percentage of our total revenue was approximately 13.5%, 12.2%, 11.8%, 11.7% and 14.2%, respectively. The major component of our administrative expenses is administrative staff costs. The administrative expenses of Baiyun Technician College, which we obtained control on 14 August 2017, constituted approximately 13.1%, 9.2%, 8.5%, 7.6% and 9.0% of its total revenue for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, respectively. The major component of the administrative expenses of Baiyun Technician College is administrative staff costs.

We expect staff costs, which primarily include teaching staff costs and administrative staff costs, to continue to be our most significant costs and expenses going forward, particularly in light of our plan to expand our school network and increase our school capacity, which requires more teachers and other employees.

We also expect our capital expenditures to increase as we are constructing a new campus on the Zhongluotan Land, which may result in increases in our depreciation in the coming years. We may need to raise additional bank loans and other borrowings to finance the construction of the new campus, which may result in increases in our finance cost as well. Our ability to effectively control such costs and expenses may materially affect 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 judgments relating to accounting items. Estimates and judgments 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 judgments 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 judgments, 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.

FINANCIAL INFORMATION OF OUR GROUP COMPRISING TWO SCHOOLS DURING THE TRACK RECORD PERIOD

Operating Results

The following table presents our summary consolidated statements of comprehensive income for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, which are derived from, and should be read in conjunction with, our consolidated financial statements, including the notes thereto, included in the Accountants' Report of our Group set forth in Appendix IA.

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)	*(RMB'000)*
Continuing operations					
Revenue	821,934	846,016	861,289	417,976	405,375
Cost of revenue	(408,683)	(415,897)	(404,577)	(180,028)	(165,108)
Gross profit	413,251	430,119	456,712	237,948	240,267
Other income	38,722	58,388	73,879	32,476	17,961
Investment income	4,154	9,786	17,861	8,784	9,304
Other gains and losses	3,233	(3,918)	2,627	(587)	4,544
Selling expenses	(21,573)	(14,289)	(9,367)	(4,953)	(579)
Administrative expenses	(111,265)	(103,385)	(101,523)	(48,889)	(57,424)
Listing expenses	–	–	–	–	(10,146)
Finance costs	(13,210)	(12,294)	(14,889)	(6,130)	(10,011)
Profit before taxation	313,362	364,407	425,300	218,694	193,916
Taxation	(3,936)	(2,506)	(1,949)	(1,233)	(903)
Profit for the year/period from continuing operations	309,426	361,901	423,351	217,416	193,013
Discontinued operations					
Profit (loss) for the year/period from discontinued operations	93	(13,642)	(10,836)	(4,605)	7,407
Profit for the year/period	309,519	348,259	412,515	212,811	200,420
Adjusted Net Profit[(1)]	308,335	356,400	409,232	211,129	195,038

Note:

(1) The Adjusted Net Profit, which is unaudited in nature, represents profit for the year/period from continuing operations excluding the effects of imputed interest income arising from amount due from Directors, imputed interest income arising from an amount due from a related party and the listing expenses. The Adjusted Net Profit is not a measure of performance under IFRS. As a non-IFRS measure, the Adjusted Net Profit is presented because our management believes such information will be helpful for investors in assessing the level of our net profit by eliminating the

effects of certain one-off or non-recurring items, namely imputed interest income and listing expenses. The use of the 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. See "– Non-IFRS Measure". The following table reconciles our Adjusted Net Profit for the years presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit for the year/period from continuing operations:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)	*(RMB'000)*
Profit for the year/period from continuing operations	309,426	361,901	423,351	217,416	193,013
Less:					
Imputed interest income from amounts due from directors	(427)	(3,948)	(11,763)	(5,085)	(6,869)
Imputed interest income from an amount due from a related party	(664)	(1,553)	(2,356)	(1,202)	(1,252)
Add:					
Listing expenses	–	–	–	–	10,146
Adjusted Net Profit	308,335	356,400	409,232	211,129	195,038

Key Components of Our Results of Operations

Revenue

Our revenue is measured at the fair value of the consideration received or receivable. We derive all of our revenue from tuition fees, boarding fees and our provision of certain non-educational ancillary services. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, we generated total revenue of RMB821.9 million, RMB846.0 million, RMB861.3 million, RMB418.0 million and RMB405.4 million, respectively. The following table sets forth a breakdown of our revenue by income source for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2014		2015		2016		2016		2017	
	(RMB'000)	%	*(RMB'000)*	%	*(RMB'000)*	%	*(RMB'000)* (Unaudited)	%	*(RMB'000)*	%
Tuition fees	750,052	91.2	775,600	91.7	786,285	91.3	384,320	91.9	368,266	90.8
Boarding fees	54,085	6.6	51,677	6.1	53,779	6.2	23,456	5.6	27,388	6.8
Ancillary Services	17,797	2.2	18,739	2.2	21,225	2.5	10,200	2.5	9,721	2.4
Total	821,934	100.0	846,016	100.0	861,289	100.0	417,976	100.0	405,375	100.0

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

	Year ended 31 December						Six months ended 30 June			
	2014		2015		2016		2016		2017	
	(RMB'000)	%	*(RMB'000)*	%	*(RMB'000)*	%	*(RMB'000)* (Unaudited)	%	*(RMB'000)*	%
Jiangxi University of Technology	506,081	61.6	497,288	58.8	487,625	56.6	232,366	55.6	220,281	54.3
Guangdong Baiyun University	315,853	38.4	348,728	41.2	373,664	43.4	185,610	44.4	185,094	45.7
Total	821,934	100.0	846,016	100.0	861,289	100.0	417,976	100.0	405,375	100.0

We recognise tuition fees and boarding fees proportionately over the relevant period of the applicable programmes. For further information on tuition fees and boarding fees, see "Business – Our Schools – Tuition Fees and Boarding Fees." In the event a student leaves school during a school year, we have tuition fees and boarding fees refund policies in place at our schools. The tuition fees and boarding fees refunded each year during the Track Record Period accounted for less than 1% of our revenue of such year. For a summary of our tuition fees and boarding fees refund polices, see "Business – Our Schools – Tuition Fees and Boarding Fees."

Our tuition fees and boarding fees had generally increased during the Track Record Period. We believe this increase is attributable to, among other things, a growing popularity among prospective students in recent years and outstanding employment rates of our graduates. For the upcoming 2017/2018 school year, Guangdong Baiyun University will raise the level of its tuition fees from RMB19,000 – RMB26,000 per year in the 2016/2017 school year to RMB22,000 – RMB30,000 per year for certain bachelor's degree programmes in the 2017/2018 school year, and Jiangxi University of Technology will raise the level of its tuition fees from RMB14,000 – RMB18,000 per year in the 2016/2017 school year to RMB15,000 – RMB20,000 per year for certain bachelor's degree programmes in the 2017/2018 school year. Our increased tuition fees and boarding fees only apply to newly admitted students for the respective school year, while our existing students will continue to pay the tuition fees and boarding fees applicable at the time when they were first enrolled in the relevant schools. We increase our tuition fees and boarding fees primarily because we want to provide our students with better educational services, employment opportunities and living standard, all of which require more capital and resources. We believe we have adopted fee adjustment policies suitable for the efficient operations and rapid development of our schools, and formed a healthy cycle for the development of our schools.

Our income from ancillary services is primarily derived from dormitory air-conditioning charges, information technology related fees, and income generated from practical training and clinic operation. Informal education service income mainly refers to income generated from informal education programmes such as short-term training education programmes.

Cost of Revenue

Cost of revenue consists primarily of teaching staff costs, depreciation and amortisation, educational maintenance and operational costs, utility expenses, rental expenses, and other expenses. The following table sets forth the components of our cost of revenue for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2014		2015		2016		2016		2017	
	(RMB'000)	%	*(RMB'000)*	%	*(RMB'000)*	%	*(RMB'000)* (Unaudited)	%	*(RMB'000)*	%
Teaching staff costs	151,297	37.0	170,952	41.1	171,850	42.6	88,471	49.1	86,551	52.3
Educational maintenance and operational costs	158,557	38.8	143,600	34.5	116,709	28.8	34,890	19.4	22,076	13.4
Depreciation and amortisation	64,426	15.8	74,686	18.0	86,190	21.3	37,461	20.8	45,350	27.5
Utility Expenses	13,611	3.3	9,487	2.3	8,928	2.2	5,020	2.8	3,991	2.4
Rental Expense	9,246	2.3	8,654	2.1	11,052	2.7	7,906	4.4	2,730	1.7
Other expenses	11,546	2.8	8,518	2.0	9,848	2.4	6,280	3.5	4,410	2.7
Total	408,683	100	415,897	100	404,577	100	180,028	100	165,108	100

Teaching staff costs consist mainly of salaries, social insurance and other compensations paid to our teaching staff. Depreciation and amortisation relate to the depreciation and amortisation of land use right, buildings, equipment and teaching software. Rental expenses primarily relate to rental fees for certain dormitories that we rent from Independent Third Parties as well as for the internet broadband services. Other expenses primarily consist of labour union expenses, office expenditure and travel expenses.

Educational maintenance and operational costs consist of (i) educational operation costs, which primarily comprise teaching materials and consumables, costs of practical training, examination fees paid, books and operating costs of continuing education programmes, (ii) educational repair and maintenance costs, which primarily comprise the repair and maintenance services provided to educational facilities, such as teaching buildings, teaching equipment, and student dormitories, (iii) curriculum activity costs, which primarily comprise operating costs of school-cooperation programmes, teaching and student activities, (iv) students subsidies, which represents the financial aids and scholarships provided to the students, and (v) educational research and development costs, which primarily comprise costs related to researches and programme development. The following table sets forth the breakdown of our educational maintenance and operational costs during the Track Record Period.

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	(RMB'000)	*(RMB'000)* (Unaudited)	*(RMB'000)*	*(RMB'000)* (Unaudited)	*(RMB'000)*
Educational operation costs	76,841	75,881	55,835	16,805	9,831
Educational repair and maintenance costs	27,971	17,283	21,394	5,780	6,228
Curriculum activity costs	29,752	29,860	28,171	9,368	3,951
Student subsidies	13,347	13,576	7,032	1,303	1,086
Educational research and development costs	10,646	7,000	4,277	1,633	980
Total	158,557	143,600	116,709	34,889	22,076

Gross Profit and Gross Margin

Gross profit represents revenue less cost of revenue. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, our gross profit was RMB413.3 million, RMB430.1 million, RMB456.7 million, RMB237.9 million and RMB240.3 million, respectively, and our gross profit margin was 50.3%, 50.8%, 53.0%, 56.9% and 59.3%, respectively.

The following table sets forth a breakdown of our gross profit and gross profit margin by school for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2014		2015		2016		2016		2017	
	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin
	(RMB'000)	%	*(RMB'000)*	%	*(RMB'000)*	%	*(RMB'000)* (Unaudited)	%	*(RMB'000)*	%
Jiangxi University of Technology	264,299	52.2	256,690	51.6	258,571	53.0	131,353	56.5	126,857	57.6
Guangdong Baiyun University	148,952	47.2	173,429	49.7	198,141	53.0	106,595	57.4	113,410	61.3
Total	413,251	50.3	430,119	50.8	456,712	53.0	237,948	56.9	240,267	59.3

Other Income

Other income consists primarily of consultancy income, academic administration income, management fee income, staff accommodation income, government grants and certain other income. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, our other income was RMB38.8 million, RMB58.4 million, RMB73.9 million, RMB32.5 million and RMB18.0 million, respectively. The following table sets forth the components of our other income for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)	*(RMB'000)*
Consultancy income	14,054	32,297	47,175	20,633	5,250
Academic administration income	9,576	10,952	10,358	4,313	4,697
Management fee income	6,792	7,010	6,861	3,270	4,319
Staff quarter income	1,564	1,899	1,959	435	448
Government grants	–	93	2,524	1,262	2,275
Others	6,786	6,137	5,002	2,563	972
Total	38,772	58,388	73,879	32,476	17,961

Consultancy income represents fees collected from Baiyun Technician College for the services that we provided in relation to the school cooperation between Jiangxi University of Technology and Baiyun Technician College. The services provided by Jiangxi University of Technology include, among others, training programmes, teaching support, internship and school-enterprise cooperation referrals. The consultancy fee is to be mutually determined by the parties primarily with reference to the number of inter-school programmes and/or school-enterprise cooperation programmes facilitated by Jiangxi University of Technology, an assessment on the significance of such opportunities in relation to school reputation and student employment and the resources committed by Jiangxi University of Technology. See the section headed "Business – Inter-School Cooperation" for further details.

Academic administration income refers to certain portion of fees we retained after collecting from our students on behalf of certain institutions and agencies in connection with professional certification examinations to reimburse relevant costs we incurred in organising such examinations. Management fee income is the fee we charged from vendors of non-education services on our campuses, such as shops and restaurants operated on campus. Staff accommodation income refers to accommodation fees paid by our staff for the dormitories provided by us. Government grants include certain discretionary funds granted to us by the government to support our school development and education activities. Others primarily include income from theatres on campuses, self-taught programme examination centres, record preservation services and library services.

Investment Income

Investment income consists primarily of imputed interest income from amounts due from a related party, imputed interest income from amounts due from directors, and interest income from bank. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, our investment income was RMB4.2 million, RMB9.8 million, RMB17.9 million, RMB8.8 million and RMB9.3 million, respectively.

Imputed interest income arose from amounts due from our Directors, Mr. Yu and Mr. Xie, which had been fully repaid as of the Latest Practicable Date. See the section headed "– Related Party Transactions – Advances to Directors" for more details. For the year ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, our imputed interest income from amounts due from directors was RMB0.4 million, RMB3.9 million, RMB11.8 million, RMB5.1 million and RMB6.9 million, respectively. Imputed interest income arising from amount due from a related party represented imputed interest income arising from amount due from Baiyun Technician College, which was a related party to our Group during the Track Record Period. After we obtained control of Baiyun Technician College on 14 August 2017, it ceased to be a related party of our Group. See the section headed "– Related Party Transactions – Consultancy Services" for more details. For the year ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, our imputed interest income from amount due from a related party was RMB0.7 million, RMB1.6 million, RMB2.4 million, RMB1.2 million and RMB1.3 million. Due to the nature of the imputed interest income, it did not increase our cash flow during the Track Record Period.

For more information of our structured deposit, please refer to the section headed "– Discussion of Key Balance Sheet Items – Current Portion of Structured Deposits."

Other Gains and Losses

Other gains and losses consist primarily of net gains on structured deposits, net loss or gain on disposal of property, plant and equipment, impairment or reversal of impairment of trade receivables primarily related to tuition fees and boarding fees, and fair value gain or loss on held for trading investment in securities of publicly traded companies listed on PRC stock exchanges.

For the year ended 31 December 2014, we recorded net gains of RMB3.2 million in respect of other gains and losses. For the year ended 31 December 2015, we recorded net losses of RMB3.9 million in respect of other gains and losses. For the year ended 31 December 2016, we recorded net gains of RMB2.6 million in respect of other gains and losses. For the six months ended 30 June 2016, we recorded net losses of RMB0.6 million in respect of other gains and losses. For the six months ended 30 June 2017, we recorded net gains of RMB4.5 million in respect of other gains and losses.

Selling Expenses

Selling expenses consist primarily of advertising expenses. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, our selling expenses were RMB21.6 million, RMB14.3 million, RMB9.4 million, RMB5.0 million and RMB0.6 million, respectively.

Administrative Expenses

Administrative expenses primarily consist of administrative staff costs, depreciation and amortisation, utilities expenses and certain other administrative expenses. Other administrative expenses generally include business entertainment expenses, office expenses, staff welfare expenses, non-education related maintenance expenses, staff travel expenses, vehicle and fuel costs and labour union related expenses. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, our administrative expenses were RMB111.3 million, RMB103.4 million, RMB101.5 million, RMB48.9 million and RMB57.4 million, respectively. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, our administrative staff costs were RMB44.4 million, RMB41.2 million, RMB41.2 million, RMB20.2 million and RMB19.8 million, respectively, representing 5.4%, 4.9%, 4.8%, 4.8% and 4.9% of our revenue, respectively. The following table sets forth the breakdown of our administrative expenses for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2014		2015		2016		2016		2017	
	(RMB'000)	%	*(RMB'000)*	%	*(RMB'000)*	%	*(RMB'000)* (Unaudited)	%	*(RMB'000)*	%
Administrative staff costs	44,389	39.9	41,183	39.8	41,224	40.6	20,216	41.4	19,818	34.5
Depreciation and Amortisation	11,292	10.2	15,110	14.6	24,663	24.3	14,014	28.7	12,484	21.7
Utilities Expenses	21,831	19.6	14,825	14.3	10,430	10.3	4,369	8.9	5,001	8.7
Other Expenses	33,753	30.3	32,267	31.3	25,206	24.8	10,290	21.0	20,121	35.1
Total	111,265	100.0	103,385	100.0	101,523	100.0	48,889	100.0	57,424	100.0

Listing Expenses

We incurred RMB10.1 million expenses in relation to the Global Offering for the six months ended 30 June 2017, which primarily consist of fees paid to certain professional parties. We did not record any listing expenses for the years ended 31 December 2014, 2015 and 2016.

Finance Costs

Our finance costs consist primarily of the interest expenses on our bank borrowings, net of amounts capitalised in the cost of property, plant and equipment. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, our finance expenses were RMB13.2 million, RMB12.3 million, RMB14.9 million, RMB6.1 million and RMB10.0 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.

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 except for the WFOE, which is subject to an income tax rate of 15%. 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. All of our schools have elected to be private schools of which the sponsors do not require reasonable returns. Our Directors confirm that the relevant PRC local tax bureaus are aware of the Enterprise Income Tax exemption treatment and we have not received any objections from such authorities to the schools' current and past tax exemption treatment as of the Latest Practicable Date.

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 schools 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 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, our income tax expenses were RMB3.9 million, RMB2.5 million, RMB1.9 million, RMB1.2 million and RMB0.9 million, respectively, primarily because we provide certain ancillary services, the revenue derived from which did not fall within the abovementioned tax exemption scope.

As of the Latest Practicable Date, we did not have any disputes or unresolved tax issues with the relevant tax authorities.

Profit for the Year/Period

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, our profit for the year/period from our continuing operations was RMB309.4 million, RMB361.9 million, RMB423.4 million, RMB217.4 million and RMB193.0 million, respectively. Our profit from our continuing operations increased from RMB309.4 million for the year ended 31 December 2014 to RMB423.4 million for the year ended 31 December 2016, representing a CAGR of 17.0%.

Sensitivity Analysis

We present a sensitivity analysis of: (i) the effect of the fluctuations in tuition fees income during the Track Record Period, and (ii) the effect of the fluctuations in our staff costs, which includes our teaching staff costs and administrative staff costs, during the Track Record Period, assuming no change in 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 and staff costs. While none of the hypothetical fluctuation ratios applied in the sensitivity analysis equals the historical fluctuations of the tuition fees income and staff costs, we believe that the application of hypothetical upward and downward fluctuations of 5% and 10% in the tuition fees income and staff costs presents a meaningful analysis of the potential impact of changes in the tuition fees 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 and teaching staff cost for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017:

	Impact on our profit for the year/period				
	Year ended 31 December			**Six months ended 30 June**	
	2014	**2015**	**2016**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Sensitivity analysis of tuition fees income					
Tuition fees income (decrease)/increase					
(10)%	(75,005)	(77,560)	(78,628)	(38,432)	(36,827)
(5)%	(37,503)	(38,780)	(39,314)	(19,216)	(18,413)
5%	37,503	38,780	39,314	19,216	18,413
10%	75,005	77,560	78,628	38,432	36,827
Sensitivity analysis of teaching staff costs					
Staff costs (decrease)/increase					
(10)%	14,941	17,721	19,352	9,588	10,148
(5)%	7,470	8,860	9,676	4,794	5,074
5%	(7,470)	(8,860)	(9,676)	(4,794)	(5,074)
10%	(14,941)	(17,721)	(19,352)	(9,588)	(10,148)

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.

Adjusted Net Profit

The Adjusted Net Profit eliminates the effect of certain non-cash or one-off items, namely imputed interest income arising from amount due from Directors, imputed interest income arising from amount due from a related party and 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 imputed interest income and listing expenses on our net profit. The use of the Adjusted Net Profit has material limitations as an analytical tool, as it does not include all items that impact our net profit for the relevant periods. The effects of imputed interest 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 for adjusted net profit, when assessing our operating and financial performance, you should not view the Adjusted Net Profit in isolation or as a substitute for our profit for the year/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 the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit for the year/period from our continuing operations:

	Year ended 31 December			**Six months ended 30 June**	
	2014	**2015**	**2016**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)	*(RMB'000)*
Profit for the year/period from continuing operations	309,426	361,901	423,351	217,416	193,013
Less:					
Imputed interest income from amounts due from directors	(427)	(3,948)	(11,763)	(5,085)	(6,869)
Imputed interest income from amount due to a related party	(664)	(1,553)	(2,356)	(1,202)	(1,252)
Add:					
Listing expenses	–	–	–	–	10,146
Adjusted Net Profit	308,335	356,400	409,232	211,129	195,038

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, our Adjusted Net Profit from our continuing operations was RMB308.3 million, RMB356.4 million, RMB409.2 million, RMB211.1 million and RMB195.0 million, respectively. Our Adjusted Net Profit from continuing operations increased from RMB308.3 million for the year ended 31 December 2014 to RMB409.2 million for the year ended 31 December 2016, representing a CAGR of 15.2%.

Period to Period Comparison of Results of Operations

Six months ended 30 June 2017 Compared to Six months ended 30 June 2016

Revenue

Our revenue decreased by 3.0% from RMB418.0 million for the six months ended 30 June 2016 to RMB405.4 million for the six months ended 30 June 2017. This decrease was primarily due to a decrease in tuition fees income.

Revenue derived from tuition fees decreased by 4.2% from RMB384.3 million for the six months ended 30 June 2016 to RMB368.3 million for the six months ended 30 June 2017. This decrease was primarily due to a decrease in the total student enrolment of Jiangxi University of Technology from 37,702 in the 2015/2016 school year to 35,982 in the 2016/2017 school year as the school has progressively tightened its admission criteria.

Revenue derived from boarding fees increased by 16.8% from RMB23.5 million for the six months ended 30 June 2016 to RMB27.4 million for the six months ended 30 June 2017. This increase was primarily due to an increase in the level of boarding fee of Jiangxi University of Technology.

Revenue derived from ancillary services decreased by 4.7% from RMB10.2 million for the six months ended 30 June 2016 to RMB9.7 million for the six months ended 30 June 2017. This decrease was primarily due to Jiangxi University of Technology ceasing to charge students dormitory air-conditioning fees.

Cost of revenue

Cost of revenue decreased by 8.3% from RMB180.0 million for the six months ended 30 June 2016 to RMB165.1 million for the six months ended 30 June 2017. This decrease was primarily due to a decrease of RMB12.7 million in educational maintenance and operational costs, partially offset by an increase in depreciation and amortisation.

The decrease in educational maintenance and operational costs was primarily contributed by (i) a decrease of approximately RMB3.6 million in curriculum activity costs due to a one-off online learning platform construction and maintenance fee incurred by Guangdong Baiyun University for our students' benefit during the six months ended 30 June 2016, (ii) a decrease of approximately RMB3.1 million in educational operation costs resulting from less costs incurred in arranging examinations for students of our continuing education programmes at Jiangxi University of Technology due to a decreased number of enrolled students taking examinations as a result of our decision to cease admitting new students for our continuing education programmes at Jiangxi University of Technology in 2014, and (iii) a decrease in educational operation costs due to our enrolment, in response to the market demand, of a higher percentage of students for arts majors (66.5% in the 2016/2017 school year as compared to 64.5% in the 2015/2016 school year), which requires less teaching consumables for practical training and is generally less costly in terms of operation as compared to that of science majors and thus we believe it improves our overall profitability.

Gross Profit and Gross Profit Margin

Our gross profit increased by 1.0% from RMB237.9 million for the six months ended 30 June 2016 to RMB240.3 million for the six months ended 30 June 2017 as a result of the decrease in our cost of revenue that outweighted the decrease in our revenue. The primary underlying reason for the decrease in our cost of revenue was the decrease in our educational maintenance and operational costs for reasons explained above. Our gross profit margin increased from 56.9% for the six months ended 30 June 2016 to 59.3% for the six months ended 30 June 2017.

Other Income

Our other income decreased by 44.7% from RMB32.5 million for the six months ended 30 June 2016 to RMB18.0 million for the six months ended 30 June 2017. The decrease was primarily attributable to a decrease in consultancy income from RMB20.6 million for the six months ended 30 June 2016 to RMB5.3 million for the six months ended 30 June 2017, which was primarily due to a reduction of services provided to Baiyun Technician College by Jiangxi University of Technology in the six months ended 30 June 2017 compared with those in the six months ended 30 June 2016. As the reputation, enterprise network and academic platform of Baiyun Technician College have become more established, Baiyun Technician College required less consultancy services, facilitation and cooperation projects from Jiangxi University of Technology.

Investment Income

Our investment income increased by 5.9% from RMB8.8 million for the six months ended 30 June 2016 to RMB9.3 million for the six months ended 30 June 2017. The increase was primarily attributable to an increase of RMB1.8 million in imputed interests income from amounts due from Directors as results of additional advances provided to our Directors as of 30 June 2017.

Other Gains and Losses

We recorded net gains of RMB4.5 million for the six months ended 30 June 2017 in respect of other gains and losses, while we recorded net losses of RMB0.6 million for the six months ended 30 June 2016 in respect of other gains and losses. The change was primarily due to (i) a decrease in fair value loss on equity investments made by Guangdong Baiyun College from RMB2.4 million for the six months ended 30 June 2016 to RMB0.5 million for the six months ended 30 June 2017; and (ii) an increase in net gain on structured deposits from RMB2.3 million for the six months ended 30 June 2016 to RMB4.4 million for the six months ended 30 June 2017.

Selling Expenses

Our selling expenses decreased by 88.3% from RMB5.0 million for the six months ended 30 June 2016 to RMB0.6 million for the six months ended 30 June 2017, primarily because we gradually phased out advertisement on traditional media and devoted more resources in social media, which we believe is more cost-effective.

Administrative Expenses

Our administrative expenses increased by 17.5% from RMB48.9 million for the six months ended 30 June 2016 to RMB57.4 million for the six months ended 30 June 2017, primarily because we established offices in Shanghai, Shenzhen and Hong Kong in 2017.

Listing Expenses

We recorded listing expenses of RMB10.1 million for the six months ended 30 June 2017 in connection with the Global Offering. We did not record any listing expenses for the six months ended 30 June 2016.

Finance Costs

Our finance costs increased by 63.3% from RMB6.1 million for the six months ended 30 June 2016 to RMB10.0 million for the six months ended 30 June 2017. The increase was primarily due to a decrease of RMB7.1 million in amounts capitalised in property, plant and equipment, partially offset by a decrease of RMB3.3 million in interest expenses on bank borrowings.

Taxation

Our income tax expense decreased by 26.8% from RMB1.2 million for the six months ended 30 June 2016 to RMB0.9 million for the six months ended 30 June 2017, primarily due to a decrease in our taxable income, which mainly consists of certain ancillary service income and certain non-formal education service income.

Profit for the Period from Continuing Operations

As an overall result of the above factors, our profit from continuing operations decreased by 11.2% from RMB217.4 million for the six months ended 30 June 2016 to RMB193.0 million for the six months ended 30 June 2017. The primary underlying reason for the decrease in our profit from continuing operations was the decrease in our other income, as we received a lower level of consultancy fee from Baiyun Technician College for reasons set out above.

Adjusted Net Profit for the Year

Our Adjusted Net Profit decreased by 7.6% from RMB211.1 million for the six months ended 30 June 2016 to RMB195.0 million for the six months ended 30 June 2017.

Year Ended 31 December 2016 Compared to Year Ended 31 December 2015

Revenue

Our revenue increased by 1.8% from RMB846.0 million for the year ended 31 December 2015 to RMB861.3 million for the year ended 31 December 2016. The increase was primarily due to a general raise in the level of tuition fees of both Jiangxi University of Technology and Guangdong Baiyun University in the 2016/2017 school year.

Revenue derived from tuition fees increased by 1.4% from RMB775.6 million for the year ended 31 December 2015 to RMB786.3 million for the year ended 31 December 2016. This increase was primarily due to a general raise in the level of tuition fees in the 2016/2017 school year, partially offset by a decrease in the total student enrolment of Jiangxi University of Technology in the 2015/2016 and 2016/2017 school years as the school has progressively tightened its admission criteria.

Revenue derived from boarding fees increased by 4.1% from RMB51.7 million for the year ended 31 December 2015 to RMB53.8 million for the year ended 31 December 2016. This increase was primarily due to a raise in the level of boarding fees in Jiangxi University of Technology in the 2016/2017 school year.

Revenue derived from ancillary services increased by 13.3% from RMB18.7 million for the year ended 31 December 2015 to RMB21.2 million for the year ended 31 December 2016. This increase was primarily due to Jiangxi University of Technology began to charge information technology related fees to the students in 2016.

Cost of revenue

Our cost of revenue decreased by 2.7% from RMB415.9 million for the year ended 31 December 2015 to RMB404.6 million for the year ended 31 December 2016. This decrease was primarily due to a decrease of RMB26.9 million in educational maintenance and operational costs, partially offset by an increase of RMB11.5 million in depreciation and amortisation.

The decrease in educational maintenance and operational costs was primarily contributed by (i) a decrease of approximately RMB5.8 million in educational operation costs resulting from less costs incurred in arranging examinations for students of our continuing education programmes at Jiangxi University of Technology due to a decreased number of enrolled students taking examinations as a result of our decision to cease admitting new students for our continuing education programmes at Jiangxi University of Technology in 2014, (ii) a decrease of approximately RMB5.4 million in educational operation costs because of a decreased number of students taking practical training courses in 2016 as compared to that of 2015 due to a change of relevant attendance policy for certain practical training courses from compulsory basis to voluntary basis, (iii) a decrease in educational operation costs due to our enrolment, in response to the market demand, of a higher percentage of students for arts majors (64.5% in the 2015/2016 school year as compared to 62.6% in the 2014/2015 school year), which requires less purchase for teaching materials for practical training and is generally less costly in terms of operation as compared to that of science majors and thus we believe it improves our overall profitability, and (iv) a decrease of approximately RMB6.5 million in student subsidies mainly because we provided less subsidies to our students.

During the Track Record Period, the decrease in our educational operation costs was also contributed by our efforts in seeking better terms from our relevant suppliers and contractors. For example, the costs of purchasing computer main boards and computer hard disks were 23.8% and 19.5% lower in 2016 than the costs we incurred in 2015.

Gross Profit and Gross Margin

As a result of the increase in our revenue, which was primarily due to general raise in the level of tuition fees of the programmes offered at our universities, and the decrease in our cost of revenue, which was primarily due to the decrease in our educational maintenance and operational costs for reasons explained above, our gross profit increased by 6.2% from RMB430.1 million for the year ended 31 December 2015 to RMB456.7 million for the year ended 31 December 2016.

Our gross profit margin improved from 50.8% for the year ended 31 December 2015 to 53.0% for the year ended 31 December 2016.

Other Income

Our other income increased by 26.5% from RMB58.4 million for the year ended 31 December 2015 to RMB73.9 million for the year ended 31 December 2016. The increase was primarily attributable to an increase in consultancy income from RMB32.3 million for the year ended 31 December 2015 to RMB47.2 million for the year ended 31 December 2016, which was primarily due to an increase in services provided to Baiyun Technician College by Jiangxi University of Technology in 2016.

Investment Income

Our investment income increased by 82.5% from RMB9.8 million for the year ended 31 December 2015 to RMB17.9 million for the year ended 31 December 2016, which was primarily due to an increase of RMB7.8 million in the imputed interest income from advances made to our Directors, Mr. Yu and Mr. Xie. The increase in imputed interest income was primarily due to an increase in advances provided to Mr. Yu and Mr. Xie, from 31 December 2015 to 31 December 2016. The advances made to Mr. Yu and Mr. Xie had been settled as of the Latest Practicable Date.

Other Gains and Losses

We recorded net loss of RMB3.9 million in respect of other gains and losses for the year ended 31 December 2015, as compared to net gains of RMB2.6 million for the year ended 31 December 2016. The change was primarily due to (i) a decrease of RMB3.7 million in recognition of impairment on trade receivables because of our improved receivables collection; and (ii) an increase of RMB2.4 million in net gain on structured deposits.

Selling Expenses

Our selling expenses decreased by 34.4% from RMB14.3 million for the year ended 31 December 2015 to RMB9.4 million for the year ended 31 December 2016, primarily because we gradually phased out advertisement on traditional media and devoted more resources in social media, which we believe is more cost-effective.

Administrative Expenses

Our administrative expenses decreased by 1.8% from RMB103.4 million for the year ended 31 December 2015 to RMB101.5 million for the year ended 31 December 2016, primarily due to decreases in our utility expense and other expense as a result of our administrative efficiency that we consider to have improved, partially offset by an increase in depreciation and amortisation due to renovations of our school buildings and construction of additional staff dormitories in 2016.

Finance Costs

Our finance costs increased by 21.1% from RMB12.3 million for the year ended 31 December 2015 to RMB14.9 million for the year ended 31 December 2016, primarily due to an increase of RMB2.4 million in interest expenses on bank borrowing as Jiangxi University of Technology borrowed additional bank loans in 2016 to supplement its working capital.

Taxation

Our income tax expenses decreased by 22.2% from RMB2.5 million for the year ended 31 December 2015 to RMB1.9 million for the year ended 31 December 2016, primarily due to a decrease in the difference between (i) taxable income, which mainly consists of certain ancillary service income and certain informal education service income; and (ii) tax deductible expenses, which are generally apportioned by way of a percentage ratio between each of our two universities' taxable income and non-taxable income for the corresponding financial year. Such expenses are deductible on the basis that our two universities have obtained tax deductible invoice from the relevant vendors/service providers for the purpose of tax deduction. With a view to improving our tax management, as confirmed by the Directors, we gradually improved in obtaining the requisite tax deductible invoices over the Track Record Period, which mainly led to an increased tax deductible expenses in the relevant period, and accordingly, resulted in a decrease in income tax expense, or in other words, a lower margin between the taxable income and tax deductible expenses.

Profit for the Year from Continuing Operations

As an overall result of the above factors, our profit from continuing operations increased by 17.0% from RMB361.9 million for the year ended 31 December 2015 to RMB423.4 million for the year ended 31 December 2016. The primary underlying reason for the increase in our profit from continuing operations was the increase in our other income, as we received a higher level of consultancy fee from Baiyun Technician College. Our improvement in gross profit, which was primarily due to the decrease in our educational maintenance and operational costs for reasons explained above, also contributed to the increase in our profit from continuing operations.

Adjusted Net Profit for the Year

Our Adjusted Net Profit increased by 14.8% from RMB356.4 million for the year ended 31 December 2015 to RMB409.2 million for the year ended 31 December 2016.

Year Ended 31 December 2015 Compared to Year Ended 31 December 2014

Revenue

Our revenue increased by 2.9% from RMB821.9 million for the year ended 31 December 2014 to RMB846.0 million for the year ended 31 December 2015. The increase was primarily due to an increase in the student enrolment of Guangdong Baiyun University for the 2014/2015 and 2015/2016 school years.

Revenue derived from tuition fees increased by 3.4% from RMB750.1 million for the year ended 31 December 2014 to RMB775.6 million for the year ended 31 December 2015. This increase was primarily due to an increase in the student enrolment of Guangdong Baiyun University for the 2014/2015 and 2015/2016 school years.

Revenue derived from boarding fees decreased by 4.5% from RMB54.1 million for the year ended 31 December 2014 to RMB51.7 million for the year ended 31 December 2015. This decrease was primarily due to a decrease in dormitory capacity of Jiangxi University of Technology as some of its dormitories were under renovation during 2015, thus, some of the students sought accommodation outside of the school.

Revenue derived from ancillary services increased by 5.3% from RMB17.8 million for the year ended 31 December 2014 to RMB18.7 million for the year ended 31 December 2015. This increase was primarily due to an increase in dormitory air-conditioning charges because an increased number of student dormitories were equipped with air conditioners in 2015.

Cost of revenue

Our cost of revenue increased by 1.8% from RMB408.7 million for the year ended 31 December 2014 to RMB415.9 million for the year ended 31 December 2015. This increase was primarily due to an increase of RMB19.7 million in teaching staff costs as a result of salary raise in 2015 and an increase of RMB10.3 million in depreciation and amortisation because we constructed additional dormitories and teaching buildings in 2015, partially offset by a decrease of RMB15.0 million in educational maintenance and operational costs.

The decrease in educational maintenance and operational costs was primarily due to (i) we invested approximately RMB6.5 million in a one-off digitalisation upgrade of our campus infrastructure in 2014, which resulted in a lower educational repair and maintenance costs in 2015 as compared to that of 2014, and (ii) a higher number of research projects we undertook in 2014 as compared to that of 2015, which resulted in a corresponding decrease of approximately RMB2.9 million in 2015. Research projects require commitment of our resources that would increase our educational maintenance and operational costs, such as deploying research assistants in the collection and analysis of market data, conducting teacher and student surveys and gauging student experience and feedback.

Gross Profit and Gross Margin

As a result of the increase in revenue, which was primarily due to the increase of student enrolment of Guangdong Baiyun University, and the decrease in our cost of revenue, which was primarily due to the decrease in our educational maintenance and operational costs for reasons explained above, our gross profit increased by 4.1% from RMB413.3 million for the year ended 31 December 2014 to RMB430.1 million for the year ended 31 December 2015.

Our gross profit margin increased from 50.3% for the year ended 31 December 2014 to 50.8% for the year ended 31 December 2015.

Other Income

Our other income increased by 50.6% from RMB38.8 million for the year ended 31 December 2014 to RMB58.4 million for the year ended 31 December 2015. The increase was primarily attributable to an increase in consultancy income from RMB14.1 million for the year ended 31 December 2014 to RMB32.3 million for the year ended 31 December 2015, which was primarily due to an increase in services provided to Baiyun Technician College by Jiangxi University of Technology in 2015.

Investment Income

Our investment income increased by 135.6% from RMB4.2 million for the year ended 31 December 2014 to RMB9.8 million for the year ended 31 December 2015, which was primarily due to an increase of RMB3.5 million in the imputed interest income from advances made to our Directors, Mr. Yu and Mr. Xie. The increase in imputed interest income was primarily due to an increase in advances provided to Mr. Yu and Mr. Xie from 31 December 2014 to 31 December 2015. The advances made to Mr. Yu and Mr. Xie had been settled as of the Latest Practicable Date. The investment income from banks also increased from RMB3.1 million to RMB4.3 million.

Other Gains and Losses

We recorded net losses in respect of other gains and losses of RMB3.9 million for the year ended 31 December 2015, while we recorded net gains in respect of other gains and losses of RMB3.2 million for the year ended 31 December 2014. The change was primarily due to (i) an increase of RMB3.7 million in recognition of impairment on trade receivables because we adopted the policy to write off trade receivables overdue longer than two years in 2015; and (ii) fair value loss of RMB1.9 million on held for trading investments recorded in 2016 as compared to fair value gain of RMB2.9 million on held for trading investments recorded in 2015.

Selling Expenses

Our selling expenses decreased by 33.8% from RMB21.6 million for the year ended 31 December 2014 to RMB14.3 million for the year ended 31 December 2015, primarily because we gradually phased out advertisement on traditional media and devoted more resources in social media, which we believe is more cost-effective.

Administrative Expenses

Our administrative expenses decreased by 7.1% from RMB111.3 million for the year ended 31 December 2014 to RMB103.4 million for the year ended 31 December 2015, primarily due to a decrease of RMB3.2 million in administrative staff cost as well as a decrease of RMB7.0 million in utilities expenses due to our administrative efficiency that we consider to have improved, partially offset by an increase of RMB3.8 million in depreciation and amortisation due to the renovations to our office buildings in 2015.

Finance Costs

Our finance costs decreased by 6.9% from RMB13.2 million for the year ended 31 December 2014 to RMB12.3 million for the year ended 31 December 2015, primarily due to an increase of RMB6.3 million in amounts capitalised in property, plant and equipment, thereby reducing the amount of finance costs related to such property, plant and equipment, partially offset by an increase of RMB5.3 million in interest expenses on bank borrowings.

Taxation

Our income tax expenses decreased by 36.3% from RMB3.9 million for the year ended 31 December 2014 to RMB2.5 million for the year ended 31 December 2015, primarily due to a decrease in the difference between (i) taxable income, which mainly consists of certain ancillary service income and certain informal education service income; and (ii) tax deductible expenses, which are generally apportioned by way of a percentage ratio between each of our two universities' taxable income and non-taxable income for the corresponding financial year. Such expenses are deductible on the basis that our two universities have obtained tax deductible invoice from the relevant vendors/service providers for the purpose of tax deduction. With a view to improving our tax management, as confirmed by the Directors, we gradually improved in obtaining the requisite tax deductible invoices over the Track Record Period, which mainly led to an increased tax deductible expenses in the relevant period, and accordingly, resulted in a decrease in income tax expense, or in other words, a lower margin between the taxable income and tax deductible expenses.

Profit for the Year from Continuing Operations

As an overall result of the above factors, our profit increased by 17.0% from RMB309.4 million for the year ended 31 December 2014 to RMB361.9 million for the year ended 31 December 2015. The primary underlying reason for the increase in our profit from continuing operations was the increase in our other income, as we received a higher level of consultancy fee from Baiyun Technician College. Our improvement in gross profit, which was primarily due to the decrease in our educational maintenance and operational costs for reasons explained above, also contributed to the increase in our profit from continuing operations.

Adjusted Net Profit for the Year

Our Adjusted Net Profit increased by 15.6% from RMB308.3 million for the year ended 31 December 2014 to RMB356.4 million for the year ended 31 December 2015.

Our Discontinued Operations

During the six months ended 30 June 2017, we disposed of a number of subsidiaries with a view to rationalising our business objectives of providing private higher education and vocational education services. Those subsidiaries being disposed of included an affiliated high school and three other entities, details of which are set out in the section headed "History, Reorganisation and Corporate Structure." Our discontinued operations recorded, in aggregate, a net profit of approximately RMB0.1 million for the year ended 31 December 2014, and a net loss of RMB13.6 million and RMB10.8 million for the year ended 31 December 2015 and 2016, respectively. Our discontinued operations recorded a net loss of approximately RMB4.6 million for the six months ended 30 June 2016 and a net loss of approximately RMB8.2 million for the six months ended 30 June 2017. The net losses we recorded for the year ended 31 December 2015 and 2016 and the six months ended 30 June 2016 was primarily due to the large amount of cost of revenue and administrative expenses and relatively small amount of revenue recorded in the respective periods as a result of the early operation stage of the High School.

We did not recognise any impairment losses in respect of our discontinued operations during the Track Record Period.

Net Current Assets and Liabilities

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of 31 December			As of 30 June	As of 31 October
	2014	**2015**	**2016**	**2017**	**2017***
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)
CURRENT ASSETS					
Inventories	213	337	316	257	253
Trade receivables, deposits, prepayments and other receivables	30,489	28,684	39,612	49,252	113,768
Amounts due from shareholders	–	–	–	1	1
Amounts due from related parties	38,084	52,325	168,952	190,283	–
Amounts due from directors	122,857	191,296	446,032	476,016	–
Held for trading investments	12,142	10,260	7,356	6,820	6,684
Structured deposits	207,001	257,001	418,201	298,900	98,000
Prepaid lease payments	1,321	1,321	1,321	1,321	2,838
Bank balances and cash	332,081	373,854	247,133	192,129	904,069
TOTAL CURRENT ASSETS	744,188	915,078	1,328,923	1,214,979	1,125,613
CURRENT LIABILITIES					
Deferred revenue	590,204	602,287	595,208	253,495	893,608
Trade payables	4,110	6,844	9,296	4,240	6,170
Other payables and accrued expenses	168,131	188,240	207,684	232,808	338,330
Amounts due to related parties	19,443	34,822	38,478	200	–
Amount due to a director	–	–	–	3,898	14,072
Income tax payable	4,077	6,650	9,283	9,271	9,497
Bank borrowings	51,000	195,000	209,936	211,936	120,320
TOTAL CURRENT LIABILITIES	836,965	1,033,843	1,069,885	715,848	1,381,997
NET CURRENT ASSETS (LIABILITIES)	(92,777)	(118,765)	259,038	499,131	(256,384)

Note:

* The relevant information as of 31 October 2017 also takes into account Baiyun Technician College, the control of which we obtained in August 2017. The relevant information as of 31 October 2017 is based on our unaudited management accounts that have not been reviewed, confirmed or audited by our auditors and may differ from the information to be disclosed in the audited or unaudited consolidated financial statements to be published by us. Such information is provided for reference only and not for any other purpose. Investors are advised not to place any reliance on such information but to exercise due caution when dealing in the securities of the Company.

As of 31 December 2014 and 2015, we had net current liabilities of RMB92.8 million and RMB118.8 million, respectively. As of 31 December 2016 and 30 June 2017, we had net current assets of RMB259.0 million and RMB499.1 million, respectively. We had net current liabilities as of 31 December 2014 and 2015 primarily because we recognised advanced payments of tuition fees and boarding fees received from students as deferred revenue (which were recorded as current liabilities) and utilised a portion of the cash from such payments to make advances to our Directors (which were recorded as non-current assets as such advances were not repayable within one year) and finance the construction of our school buildings and facilities (which were recorded as non-current assets). We turned our net current liabilities position into net current assets position as of 31 December 2016 and 30 June 2017, primarily because of an increase in amounts due from directors that were recorded as current assets as they became repayable within one year.

As of 31 October 2017, based on the unaudited management accounts prepared by our Company, we had net current liabilities of approximately RMB256.4 million (unaudited and for reference only), representing a decrease of approximately RMB755.5 million from our net current assets of approximately RMB499.1 million as of 30 June 2017. We had net current liabilities as of 31 October 2017 primarily because:

(i) we obtained control of Baiyun Technician College (See "History, Reorganisation and Corporate Structure – Obtaining Control of Baiyun Technician College") in August 2017: (a) the consideration in relation to our obtaining control of Baiyun Technician College was financed out of our current assets; and (b) most of the assets recognised from obtaining control of Baiyun Technician College, particularly goodwill and intangible assets and property, plant and equipment, were primarily recorded as our non-current assets. See also "Financial Information – Financial information of Baiyun Technician College – Valuation of Pro Forma Goodwill and Pro Forma Intangible Assets of Baiyun Technician College". Furthermore, Baiyun Technician College had a net current liabilities position at the time we obtained control of it; and

(ii) certain bank borrowing of approximately RMB75.4 million that was not repayable within one year as of 30 June 2017 (which was recorded as non-current liabilities) became repayable within one year as of 31 October 2017 (which was recorded as current liabilities) as such borrowing approached maturity.

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, unutilised bank facilities (as confirmed by our Directors, as of the Latest Practicable Date, our unutilised banking facilities amounted to approximately RMB258.3 million), and our future capital expenditure in respect of our non-cancellable capital commitments. For more information, see "Risk Factors – Risks Relating to Our Business and Our Industry – We had net current liabilities as of 31 December 2014 and 2015 and 31 October 2017. We may be exposed to liquidation risks, and our business, financial condition and results of operation may be materially and adversely affected as a result." In addition, as of 31 October 2017, based on the unaudited management accounts prepared by our Company, we had deferred revenue of approximately RMB893.6 million (unaudited and for reference only) recorded as current liabilities, representing approximately 64.7% of our total current liabilities as of 31 October 2017. Such deferred revenue represents prepaid tuition fees and boarding fees collected that had yet to be recognised as revenue. We record tuition fees and boarding fees collected initially as current liabilities and recognise such amounts received as revenue proportionately over the relevant period of the applicable programmes. Therefore, our deferred revenue is generally higher at the beginning of each school year and is not expected to have any material adverse effect on our liquidity. See also "Financial Information – Financial Information of our Group Comprising Two Schools During the Track Record Period – Discussion of Key Balance Sheet Items – Deferred Revenue".

Discussion of Key Balance Sheet Items

Trade receivables, deposits, prepayments and other receivables

Our trade receivables, deposits, prepayments and other receivables consist primarily of trade receivables, loans to third parties, staff advances, deposits, prepayments and other receivables. The table blow sets forth the breakdown of our trade receivables, deposits, prepayments and other receivables as of the dates indicated:

	As of 31 December			As of 30 June
	2014	**2015**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Trade receivables	13,089	10,040	10,312	5,435
Loans to third parties	1,000	800	7,315	7,292
Staff advances	3,131	1,944	1,512	7,512
Other receivables	5,055	5,784	4,601	14,816
Deposits	5,455	5,013	4,365	4,350
Prepayments	2,759	5,103	11,507	5,846
Deferred listing expenses	–	–	–	3,050
Prepaid listing expenses	–	–	–	951
Total	30,489	28,684	39,612	49,252

Our trade receivables, deposits, prepayments and other receivables amounted to RMB30.5 million, RMB28.7 million, RMB39.6 million and RMB49.3 million as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively. The decrease from 31 December 2014 to 31 December 2015 was primarily attributable to a decrease of RMB3.0 million in trade receivables. The increase from 31 December 2015 to 31 December 2016 was primarily attributable to an increase of RMB6.5 million in loans to third parties. The increase from 31 December 2016 to 30 June 2017 was primarily attributable to an increase of RMB10.2 million in other receivables, an increase of RMB3.1 million in deferred listing expenses and an increase of RMB6.0 million in staff advances, partially offset by a decrease of RMB4.9 million in trade receivables. The significant increase in other receivables as of 30 June 2017 was primarily due to (i) utilities and other payments that we made on behalf of a former subsidiary becoming receivables after we disposed of such former subsidiary in 2017; and (ii) consideration receivable for the disposal of our equity interest in Guangdong Baiyun University Students Human Resources Company Limited (廣東白雲大學生人才資源有限公司). The increase in staff advances as of 30 June 2017 was primarily because an increase in travel related advances to our employees.

Our loans to third parties are primarily related to the interest-free loans we occasionally made to certain Independent Third Parties that are acquaintances of a Controlling Shareholder. As of 30 June 2017, we also recorded interest-free loans to the Affiliated High School of the Jiangxi University of Technology (江西科技學院附屬中學) (the "**High School**"), which were used to settle certain utilities expenses of the High School, as loans to third parties. The High School had been our subsidiary until we disposed of it to an Independent Third Party in May 2017 (See "History, Reorganisation and Corporate Structure – Corporate Reorganisation – 2. Reorganisation in relation to Jiangxi University of Technology and Guangdong Baiyun University – Disposal of the Affiliated High School of the Jiangxi University of Technology (江西科技學院附屬中學)"). As of the Latest Practicable Date, all loans to third parties had been fully repaid. We do not expect to enter into similar arrangements going forward. According to the General Provisions of Loans (貸款通則), enterprises engaging in lending business in the PRC must be approved by the People's Bank of China in the PRC and hold Financial Institution Legal Person Licences (金融機構法人許可證) or Financial Institutions Business Licences (金融機構營業許可證). Where enterprises engage without authorisation in borrowing and lending or borrowing and lending in a disguised manner, the People's Bank of China may impose a fine from one to five times of the income derived from the infringing activity and suppress the infringing activity. Based on our confirmation that we had not received any interest or other income in respect of the loans and all outstanding amounts had been settled as of the Latest Practicable Date, our PRC Legal Adviser considers that it is unlikely that we will be subject to any penalty under the General Provisions of Loans (貸款通則).

Our staff advances are primarily travel expenses prepaid to our staff in advance of their expected travel to carry out their job function. As part of their job function, some of our staff is required to travel from time to time to undertake, among other things, student recruitment and academic activities for our schools. We typically make advances to our staff for them to cover the relevant expenses, such as travelling, accommodation and meals.

The table below sets forth an aging analysis of our trade receivables, net of allowance for doubtful debts, presented based on the revenue recognition date:

	As of 31 December			**As of 30 June**
	2014	**2015**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
0-90 days	49	81	157	–
91-120 days	5,145	5,967	5,074	93
121-365 days	–	–	–	–
Over 365 days	7,895	3,992	5,081	5,342
Total	13,089	10,040	10,312	5,435

We usually require our students to pay tuition fees and boarding fees for each school year at the beginning of the school year, which normally commences in September, except for adult education which normally commences in January, February or March. The outstanding trade receivables represent amounts related to students who have applied for the delayed payment of tuition fees and boarding fees. There is no fixed term for delayed payments. Trade receivables that are past due but not impaired are attributable to a number of students who are in temporary financial difficulties. We have established a set of measures and procedures to manage late payments. In particular, we take proactive steps to communicate with the relevant students, who continue to attend our schools, on an on-going basis with a view to understanding the students' circumstances, including closely monitoring the prospects of them paying tuition fees and boarding fees and seeking financial assistance. Where appropriate, we will also consider their academic merits for the purpose of determining whether the relevant students would be eligible for school scholarships and subsidies that would alleviate their financial difficulties. In addition, these students with overdue payments are generally required to settle the relevant outstanding with us before they can formally graduate. Based on our experience, students with overdue payments for over two years would generally drop out eventually without settling the relevant outstanding with us, thus we generally make full provision for our trade receivables due over two years. However, if there are specific circumstances that come to our attention indicating the deterioration of the financial position of any student whose fees are overdue, any trade receivables relating to such student will be directly written off.

As of 31 October 2017, less than RMB0.1 million of our trade receivables as of 30 June 2017 had been subsequently settled. Despite a low level of subsequent settlement, our Directors consider that it is not necessary to make provision for all trade receivables due over 365 days, because, based on our experience, students with overdue payments over one year but less than two years generally continue to attend our schools, allowing us to take proactive steps to closely monitor their circumstances and determine the prospects of these students paying tuition fees and boarding fees. Also, these students are generally required to settle the relevant outstanding with us before they can formally graduate.

Current portion of amounts due from related parties

Current portion of amounts due from related parties were RMB38.1 million, RMB52.3 million, RMB169.0 million and RMB190.3 million as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively. Amounts due from related parties were primarily consultancy fees due from Baiyun Technician College. For more information of amounts due from Baiyun Technician College, see "– Related Party Transactions – Consultancy Services."

Current portion of amounts due from Directors

Current portion of amounts due from our Directors were RMB122.9 million, RMB191.3 million, RMB446.0 million and RMB476.0 million as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively. For more information of amounts due from Directors, see "– Related Party Transactions – Advances to Directors." As of the Latest Practicable Date, all the amounts due from Directors had been fully settled.

Current portion of held for trading investments and structured deposits

Our held for trading investment were RMB12.1 million, RMB10.3 million, RMB7.4 million and RMB6.8 million as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively, and include our investment in securities of publicly traded companies listed on the PRC stock exchanges.

Our structured deposits were RMB207.0 million, RMB257.0 million, RMB418.2 million and RMB298.9 million as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively, and primarily include our investments in certain cash management products issued by commercial banks in the PRC.

The underlying financial instruments of the cash management products that we purchased generally include various government bonds, central bank notes, policy financial bonds, notes, interbank deposits and money market funds.

We receive most of our tuition fees and boarding fees at the beginning of each school year, and we believe we can make better use of such cash by making appropriate investments in short-term investment products, which generates income without interfering with our business operation or capital expenditures. Our investment decisions are made on a case by case basis and after due and careful consideration of a number of factors, including, but not limited to, the market conditions, the economic developments, the anticipated investment conditions, the investment cost, the duration of the investment and the expected benefit and potential loss of the investment. We have established a set of investment policies and internal control measures which allow us to achieve reasonable returns on our investment while mitigating our exposure to high investment risks. These policies and measures were formulated by Mr. Yu, our executive Director and co-Chairman of our Company, Mr. Xie, our executive Director and co-Chairman of our Company, Dr. Yu, our executive Director and chief executive officer, Ms. Xie Shaohua, our executive Director, and Mr. Mok Kwai Pui Bill, our chief financial officer.

Going forward, our finance department, under the supervision of Mr. Mok Kwai Pui Bill, our chief financial officer, is responsible for managing our investment activities. Before making a proposal to invest in any investment products, our financial department will assess our cash flow and operational needs and capital expenditures. If the cash flow exceeds our operational needs and appropriate short-term investment opportunities are available, the investment department will submit the investment proposal to our management for approval. According to our internal policies, regardless of the investment size, a proposal to invest in investment products must first be reviewed by our chief financial officer. After our management approves the proposal, the financial department may begin to negotiate the investment terms under the supervision of our chief financial officer. If the investment exceeds RMB100 million, the proposal must be approved by our Board. Our Board will review and examine the compliance of our investment transactions, and the soundness of our investment policies annually.

In assessing a proposal to invest in investment products, a number of criteria must be met, including but not limited to:

- we should generally only invest in short-term investment products;
- investments in high risk products are prohibited;
- the primary objectives of investment activities are low risk, high liquidity and reasonable yield;
- the proposed investment must not interfere with our business operations or capital expenditures; and
- the investment products should be issued by a reputable bank with which we have a long-term relationship.

We believe that our internal policies regarding investment products and the related risk management mechanism are adequate. We may continue to purchase investment products that meet the above criteria as part of our treasury management where we believe it is prudent to do so after the Listing.

Deferred Revenue

We record tuition fees, boarding fees, ancillary service fees and government grants collected initially as a liability under deferred revenue and recognise such amounts received as revenue proportionately over the relevant period of the applicable programme. Therefore, our deferred revenue is generally higher at the beginning of each school year. As a school year typically commences in September each year, amounts of deferred revenue as of a balance sheet date generally represented the amount of tuition fees received but not yet recognised as revenue for the applicable school year.

The table below sets forth our deferred revenue as of the dates indicated:

	As of 31 December			As of 30 June
	2014	**2015**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Deferred revenue	590,204	602,287	595,208	253,495

Our deferred revenue remained relatively stable as of the end of each year during the Track Record Period:

(i) a slight increase of approximately 2.0% from 31 December 2014 to 31 December 2015 signified a relatively higher level of prepaid tuition fees for the 2015/2016 school year, which was in turn primarily attributable to a general raise in the level of tuition fees for the programmes offered at Jiangxi University of Technology (see also "Business – Our schools – Tuition fees and boarding fees"); and

(ii) a slight decrease of approximately 1.2% from 31 December 2015 to 31 December 2016 signified a relatively lower level of prepaid tuition fees and boarding fees for the 2016/2017 school year, which was in turn primarily attributable to a decrease in the overall student enrolment of Jiangxi University of Technology and Guangdong Baiyun University for the 2016/2017 school year (see also "Business – Our schools – Number of students"). Such decrease was primarily attributable to a decrease in student enrolment of Jiangxi University of Technology as it tightened its admission criteria with a view to improving the overall quality of the students, the effect of which outweighed the slight growth in student enrolment of Guangdong Baiyun University and a general raise in the level of tuition fees for the programmes offered at Jiangxi University of Technology and Guangdong Baiyun University (see also "Business – Our schools – Tuition fees and boarding fees"). Guangdong Baiyun Univerisity had experienced a relatively slower growth in student enrolment for the 2016/2017 school year compared to the previous school year as it was operating at near maximum capacity.

Our deferred revenue decreased from RMB595.2 million as of 31 December 2016 to RMB253.5 million as of 30 June 2017, primarily because towards the end of a school year, most of the prepaid tuition fees and boarding fees have been recognised as revenue and are no longer recorded as deferred revenue.

Trade payables

Our trade payables consist primarily of payables for purchase of school properties and teaching facilities as well as miscellaneous expenses collected from students, which are paid out by us to vendors on behalf of students. The credit period granted by suppliers on purchase of goods and provision of services generally ranged from 30 to 60 days.

The table below sets forth an aging analysis of our trade payables, presented based on the invoice date:

	As of 31 December			As of 30 June
	2014	**2015**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
0-30 days	3,607	3,424	5,349	122
31-90 days	217	132	104	133
91-365 days	178	2,026	2,943	3,551
>365 days	108	1,262	900	434
Total	4,110	6,844	9,296	4,240

Our trade payables amounted to RMB4.1 million, RMB6.8 million, RMB9.3 million and RMB4.2 million as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively. The increases from 31 December 2014 to 31 December 2016 were primarily due to increases in payables in relation to our construction and renovation projects. The decrease from 31 December 2016 to 30 June 2017 was primarily because we settled substantial trade payables before the end of the 2016/2017 school year.

Other payables and accrued expenses

Our other payables and accrued expenses consist primarily of discretionary government subsidies received in advance, receipt in advance in respect of student related services, retention money payables, construction cost payables, advertising expense payable, other tax payables, accrued staff benefits and payroll, accrued listing expenses and other payables.

The table blow sets forth the breakdown of our other payables and accrued expenses:

	As of 31 December			As of 30 June
	2014	2015	2016	2017
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Discretionary government subsidies receipt in advance	36,454	45,996	40,386	52,831
Receipt on behalf of ancillary services providers	58,999	66,471	74,990	72,696
Retention money payables	8,523	16,072	18,872	18,365
Construction cost payables	–	–	15,698	15,698
Advance from former related parties	–	–	–	36,318
Accrued staff benefits and payroll	24,914	19,258	21,917	11,034
Accrued listing expenses	–	–	–	6,839
Other payables and accruals	34,583	34,851	27,999	11,654
Other tax payables	4,658	5,592	7,822	7,373
Total	168,131	188,240	207,684	232,808

Our other payables and accrued expenses amounted to RMB168.1 million, RMB188.2 million, RMB207.7 million and RMB232.8 million as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively. The increase from 31 December 2014 to 31 December 2015 was primarily due to an increase of RMB9.5 million in discretionary government subsidies in advance, an increase of RMB7.5 million in receipt in advances in respect of student related services and an increase of RMB7.5 million in retention money payables. The increase from 31 December 2015 to 31 December 2016 was primarily due to an increase of RMB15.7 million in construction costs payables and an increase of RMB8.5 million in receipt in advances in respect of student related services. The increase from 31 December 2016 to 30 June 2017 was primarily due to (i) an increase of RMB36.3 million in advances from former related parties which consisted mainly amounts due to a subsidiary of Jiangxi Lantian Driving Training Centre Company Limited (江西藍天駕駛培訓中心有限公司) ("**Lantian Driving**"). Lantian Driving used to be controlled by Dr. Yu Kai during the Track Record Period but was sold to an Independent Third Party in May 2017; and (ii) an increase of RMB12.4 million in discretionary government subsidies in advance. We recorded receipt on behalf of ancillary services providers because we, on behalf of certain service providers, collected from the students certain ancillary service fees in the ordinary course of business, such as medical clinic fees and educational materials fees, which we would subsequently pay to the relevant service providers.

Current portion of amounts due to related parties

Current portion of amounts due to related parties were RMB19.4 million, RMB34.8 million, RMB38.5 million and RMB0.2 million as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively, which represented amounts due to a subsidiary of Lantian Driving, a former related party. For more information of amounts due to related parties, see "– Related Party Transactions – Driving Training Services."

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we have funded our cash requirements principally from cash generated from our operation and external borrowings. We had cash and cash equivalents of RMB332.1 million, RMB373.9 million, RMB247.1 million and RMB192.1 million as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively. We generally deposit our excess cash in interest bearing bank accounts and invest in cash management products we purchased from banks.

During the Track Record Period, our principal uses of cash had been for the funding of required working capital and other recurring expenses to support the expansion of our operations. Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of internally generated cash, external borrowings, proceeds from the Global Offering and other funds raised from the capital markets from time to time. Any significant decrease in student enrolment, or the level of 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:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)	*(RMB'000)*
Net cash from/(used in) operating activities	438,550	443,786	480,551	(152,406)	(74,369)
Net cash (used in)/from investing activities	(362,586)	(550,450)	(572,803)	(133,902)	40,138
Net cash (used in)/from financing activities	(5,788)	148,437	(34,469)	59,388	(20,773)
Increase/(decrease) in cash and cash equivalents	70,176	41,773	(126,721)	(226,920)	(55,004)
Cash and cash equivalents at beginning of the year/period	261,905	332,081	373,854	373,854	247,133
Cash and cash equivalents at the end of the year/period	332,081	373,854	247,133	146,934	192,129

Cash Flows from Operating Activities

We generate cash from operating activities primarily from tuition fees, all of which are typically paid before the relevant services are rendered. Tuition fees are initially recorded under deferred revenue. We recognise such amounts received as revenue proportionately over the relevant period of the applicable programme.

Net cash used in operating activities amounted to RMB74.4 million for the six months ended 30 June 2017, primarily attributable to a net increase in working capital of RMB316.9 million, partially offset by profit for the period of RMB200.4 million, as adjusted to add back depreciation for property, plant and equipment of RMB60.1 million and other non-cash items. The increase in working capital was primarily attributable to a decrease in deferred revenue of RMB308.2 million as most prepaid tuition fees became recognised as revenue by 30 June of each school year.

Net cash from operating activities amounted to RMB480.6 million for the year ended 31 December 2016, primarily attributable to profit for the year of RMB412.5 million, partially offset by a net increase in working capital of RMB38.4 million, as adjusted to add back depreciation for property, plant and equipment of RMB112.7 million and other non-cash items. The increase in working capital was primarily attributable to an increase in amount due from a related party of RMB47.2 million due to the increase in consultancy fees due from Baiyun Technician College, partially offset by an increase in other payables and accruals of RMB20.1 million.

Net cash from operating activities amounted to RMB443.8 million for the year ended 31 December 2015, primarily attributable to profit for the year of RMB348.3 million, partially offset by a net increase in working capital of RMB3.8 million, as adjusted to add back depreciation for property, plant and equipment of RMB89.1 million and other non-cash items. The increase in working capital was primarily attributable to an increase in amount due from a related party of RMB32.3 million due to the increase in consultancy fees due from Baiyun Technician College and a decrease in deferred revenue of RMB8.1 million, partially offset by an increase in other payables and accruals of RMB20.1 million.

Net cash from operating activities amounted to RMB438.6 million for the year ended 31 December 2014, primarily attributable to profit for the year of RMB309.5 million and a net decrease in working capital of RMB43.4 million, as adjusted to add back depreciation for property, plant and equipment of RMB75.2 million and other non-cash items. The decrease in working capital was primarily attributable to an increase in other payables and accruals of RMB53.3 million mainly due to the increase in rental, property management fee, advertising and promotion expenses and internet system maintenance fee, partially offset by a decrease of RMB7.5 million in deferred revenue.

Cash Flows from Investing Activities

Our expenditures for investing activities were primarily for placement of structured deposits, purchases of property, plant and equipment and advances to our Directors.

For the six months ended 30 June 2017, our net cash from investing activities was RMB40.1 million, primarily attributable to net withdrawal of structured deposits of RMB123.7 million, partially offset by payments for property, plant and equipment of RMB44.3 million and advance to our Directors of RMB23.1 million.

For the year ended 31 December 2016, our net cash used in investing activities was RMB572.8 million, primarily attributable to payments for property, plant and equipment of RMB285.2 million, net placement of structured deposits of RMB155.2 million and net advance to our Directors of RMB95.7 million.

For the year ended 31 December 2015, our net cash used in investing activities was RMB550.4 million, primarily attributable to payments for property, plant and equipment of RMB339.4 million and net advance to our Directors of RMB174.5 million.

For the year ended 31 December 2014, our net cash used in investing activities was RMB362.6 million, primarily attributable to payments for property, plant and equipment of RMB215.0 million and net advance to our Directors of RMB118.3 million.

Cash Flows from Financing Activities

Our expenditures for financing activities were primarily for the repayments of bank loans and payment of interest expense.

For the six months ended 30 June 2017, our net cash used in financing activities was RMB20.8 million, primarily attributable to net repayment of bank borrowings of RMB26.7 million and interest paid of RMB11.4 million.

For the year ended 31 December 2016, our net cash used in financing activities was RMB34.5 million, primarily attributable to interest paid of RMB26.9 million.

For the year ended 31 December 2015, our net cash from financing activities was RMB148.4 million, primarily attributable to net bank borrowings raised of RMB172.6 million, partially offset by interest paid of RMB24.5 million.

For the year ended 31 December 2014, our net cash used in financing activities was RMB5.8 million, primarily attributable to interest paid of RMB19.2 million.

Working Capital

We intend to finance our future working capital requirements with cash generated from our operations, external borrowings, the net proceeds from the Global Offering and other funds raised from the capital markets from time to time. We will closely monitor the level of our working capital, particularly in view of our strategy to continue expanding our school network and further increase the capacity of our existing schools.

Our future working capital requirements will depend on a number of factors, including, but not limited to, our operating income, the size of our school network, acquisition of suitable schools, the cost of constructing new school premises, maintaining and upgrading existing school premises, purchasing additional educational facilities and equipment for our schools and hiring additional teachers and other educational staff. 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 and sufficient working capital to meet our present requirements for at least the next twelve months by taking into account our cash flow projection, repayment from related parties, unutilised bank facilities, and our future capital expenditure in respect of our non-cancellable capital commitments.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period were primarily related to maintaining and upgrading the existing school premises, construction of new buildings. Our capital expenditures consisted of the additions of property, plant and equipment and prepaid land lease payments. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, our capital expenditures were RMB245.0 million, RMB353.9 million, RMB298.3 million, RMB135.9 million and RMB42.6 million, respectively. The following table sets forth the breakdown of our capital expenditures for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)	*(RMB'000)*
Property, plant and equipment	218,814	353,853	298,299	135,910	42,640
Prepaid land lease payments	26,158	–	–	–	–
Total	244,972	353,853	298,299	135,910	42,640

Currently, we or our schools own substantially all or a portion of the premises that each of our schools 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 schools under 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 under the entrusted management model. Under such 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. The following table sets forth the breakdown of our capital commitments as of the dates indicated:

	As of 31 December			As of 30 June
	2014	**2015**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Commitment for acquisition of property, plant and equipment	42,684	73,693	16,435	21,774
Commitment for acquisition of prepaid lease payment	78,338	75,691	43,802	40,067
Total	121,022	149,384	60,237	61,841

Operating Lease Commitments

During the Track Record Period, we leased a number of buildings under operating leases. Leases for buildings were negotiated for various terms. Please see the section headed "Business – Properties – Leased Properties" for details. The table below sets forth our future minimum lease payments payable under non-cancellable operating leases as of the dates indicated:

	As of 31 December			As of 30 June
	2014	**2015**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Within one year	4,952	9,662	6,815	6,820
In the second to fifth year inclusive	20,773	26,966	25,040	23,742
Over five years	18,677	37,577	33,558	31,696
Total	44,402	74,205	65,413	62,258

INDEBTEDNESS

As of 31 October 2017, the latest practicable date for the purpose of our indebtedness statement, our indebtedness amounted to approximately RMB273.4 million (after taking into account of the indebtedness of Baiyun Technician College), which mainly included bank borrowings and other borrowings. Our bank borrowings and other borrowings primarily consisted of short-term working capital loans and long-term project loans for the construction of the school premises and advances provided by our Directors and related parties.

Our bank borrowings as of 31 December 2014, 2015 and 2016, 30 June 2017, and 31 October 2017, being the latest practicable date for the purpose of indebtedness statement, were as follows:

	As of 31 December			As of 30 June	As of 31 October
	2014	2015	2016	2017	2017
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Bank borrowings					
– Secured	226,000	206,370	240,700	108,000	83,000
– Unsecured	62,000	254,275	212,376	318,376	176,356
Total	288,000	460,645	453,076	426,376	259,356
Bank borrowings					
– Fixed rate	2,000	60,000	–	40,000	40,000
– Variable rate	286,000	400,645	453,076	386,376	219,356
Total	288,000	460,645	453,076	426,376	259,356
Carrying amount repayable:					
Bank borrowings					
Within one year	51,000	195,000	209,936	211,936	120,320
Between one and two years	69,000	113,205	106,920	135,920	89,670
Between two and five years	148,000	142,440	136,220	78,520	49,366
Over five years	20,000	10,000	–	–	–
Total	288,000	460,645	453,076	426,376	259,356

Our unsecured and unguaranteed other borrowings as of 31 December 2014, 2015 and 2016, 30 June 2017, and 31 October 2017, being the latest practicable date for the purpose of indebtedness statement, were as follows:

	As of 31 December			As of 30 June	As of 31 October
	2014	**2015**	**2016**	**2017**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Unsecured and unguaranteed other borrowings					
Amount due to a director	–	–	–	3,898	14,073
Amount due to a former related party	19,395	34,532	34,532	34,532	–
Amounts due to related parties	–	186	211	–	–
	19,395	34,718	34,743	38,430	14,073

We primarily borrow loans from banks to supplement our working capital and finance our expenditures. The bank borrowings and other borrowings as of 31 December 2014, 2015 and 2016, 30 June 2017, and 31 October 2017 were all denominated in Renminbi. As of 31 October 2017, our unutilised banking facilities amounted to approximately RMB258.3 million.

The table below sets forth the effective interest rates (per annum) of our bank borrowings as of the dates indicated:

	As of 31 December			As of 30 June	As of 31 October
	2014	**2015**	**2016**	**2017**	**2017**
Fixed	4.92%	6.77%	N/A	4.85%	4.85%
Variable					
Min	5.94%	4.64%	4.62%	4.64%	4.41%
Max	6.55%	6.15%	5.51%	5.51%	5.51%

During the Track Record Period, certain bank borrowings of our Group were secured over our tuition fee receivables and/or guaranteed by our subsidiaries and related parties. As confirmed by our Directors, as of the Latest Practicable Date, (i) all guarantees and pledges provided by our Group's related parties had been released; and (ii) we had certain bank borrowings in the aggregate amount of approximately RMB136.4 million secured by guarantees provided by Independent Third Parties and certain bank borrowings secured by pledges provided by Independent Third Parties, and such guarantees and pledges are expected to be released upon the Listing. For details of the loans to be repaid by the net proceeds from the Global Offering, see "Future Plans and Use of Proceeds – Use of Proceeds." Our Directors confirm that all of the other borrowings were unsecured, unguaranteed and interest-free.

Except as aforesaid and apart from intra-group liabilities, as of 31 October 2017, 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. 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 2017, 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 2017.

LISTING EXPENSES

We expect to incur a total of approximately RMB119.4 million of listing expenses (assuming an Offer Price of HK$6.44, being the mid-point of the indicative Offer Price range between HK$5.86 and HK$7.02, and assuming that the Over-allotment Option is not exercised at all) in relation to the Global Offering, of which approximately RMB10.1 million were charged to profit and loss and approximately RMB3.0 million was capitalised during the Track Record Period. For the remaining expenses, we expect to charge approximately RMB77.0 million to our profit or loss and to capitalise approximately RMB29.3 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. We do not expect these listing expenses to have a material impact on our results of operations for the year ended 31 December 2017.

FINANCIAL RATIOS

	As of/for the year ended 31 December			As of/for the six months ended 30 June
	2014	2015	2016	2017
Net profit margin(1)	37.6%	42.8%	49.2%	47.6%
Adjusted Net Profit margin(2)	37.5%	42.1%	47.5%	48.1%
Gross profit margin(3)	50.3%	50.8%	53.0%	59.3%
Return on assets(4)	10.7%	10.5%	11.0%	10.4%
Return on equity(5)	17.2%	17.1%	16.8%	14.1%
Current ratio(6)	0.89	0.89	1.24	1.70
Gearing ratio(7)	16.0%	21.7%	17.9%	15.6%

Notes:

(1) Net profit margin equals our net profit from continuing operations for the year/period divided by revenue for the year/period.

(2) Adjusted Net Profit margin equals our adjusted net profit for the year/period divided by revenue for the year/period. For more information of our adjusted net profit, see the section headed "– Non-IFRS Measure – Adjusted Net Profit."

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

(4) Return on assets equals net profit from continuing operations for the year/period divided by the total assets as of the end of the year/period. Return on assets for the six months ended 30 June 2017 was calculated using the profit for the six months ended 30 June 2017 adjusted on an annualised basis.

(5) Return on equity equals net profit from continuing operations for the year/period divided by the total equity amounts as of the end of the year/period. Return on equity for the six months ended 30 June 2017 was calculated using the profit for six months ended 30 June 2017 adjusted on an annualised basis.

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

(7) Gearing ratio equals total interest-bearing bank loans divided by total equity as of the end of the year/period. Total debt includes all interest-bearing bank loans and other borrowings.

Analysis of Key Financial Ratios

Net Profit Margin and Adjusted Net Profit Margin

Our net profit margin increased from 37.6% for the year ended 31 December 2014 to 42.8% for the year ended 31 December 2015, and further to 49.2% for the year ended 31 December 2016, but decreased slightly to 47.6% for the six months ended 30 June 2017. The increases in our net profit margin from 2014 to 2016 were primarily due to an increase in consultancy fees paid by Baiyun Technician College to us and improved operating efficiency, in particular our improved administrative efficiency. The decrease in the six months ended 30 June 2017 was primarily due to incurrence of listing expenses and decrease in other income from consultancy service in 2017. Our adjusted net profit margin was 37.5%, 42.1%, 47.5% and 48.1% for the year ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017. The changes in our adjusted net profit margin were generally due to the same reasons for the changes in our net profit margin, except for the increase in our adjusted net profit margin in the six months ended 30 June 2017, which was primarily due to the adjustment of our listing expenses.

Gross Profit Margin

Our gross profit margin increased from 50.3% for the year ended 31 December 2014 to 50.8% for the year ended 31 December 2015, and then increased to 53.0% for the year ended 31 December 2016, and further increased to 59.3% for the six months ended 30 June 2017. The increases in our gross profit margin were primarily due to (i) our control of staff costs, which remained relatively stable and (ii) decreases in our educational maintenance and operational costs while our revenue experienced a modest growth during the Track Record Period.

Return on Assets

Our return on assets decreased from 10.7% for the year ended 31 December 2014 to 10.5% for the year ended 31 December 2015, primarily due to an increase in our total assets as a result of an increase in our buildings and facilities. Our return on assets then increased to 11.0% for the year ended 31 December 2016, primarily due to a strong growth in our profit from continuing operations. Our return on assets then decreased to 10.4% for the six months ended 30 June 2017, primarily due to a decrease in our annualised profit for the period as a result of the listing expenses incurred and a decrease in our other income from consultancy service.

Return on Equity

Our return on equity decreased from 17.2% for the year ended 31 December 2014 to 17.1% for the year ended 31 December 2015 and further to 16.8% for the year ended 31 December 2016. The decreases were primarily due to our increased retained earnings. Our return on equity further decreased to 14.1% for the six months ended 30 June 2017, primarily due to a decrease in our annualised profit for the period as a result of incurrence of listing expenses and a decrease in our other income from consultancy service in 2017.

Current Ratio

Our current ratio remained stable at 0.89 as of 31 December 2014 and 0.89 as of 31 December 2015, and then increased to 1.24 as of 31 December 2016, and further to 1.70 as of 30 June 2017. The increase from 31 December 2015 to 31 December 2016 was primarily due to an increase of RMB254.7 million in current portion of amounts due from Directors. The increase from 31 December 2016 to 30 June 2017 was primarily due to a decrease of RMB341.7 million in deferred revenue as most prepaid tuition fees became recognised as revenue by the end of a school year.

Gearing Ratio

Our gearing ratio increased from 16.0% as of 31 December 2014 to 21.7% as of 31 December 2015, primarily due to an increase of RMB172.6 million in bank borrowings. Our gearing ratio then decreased to 17.9% as of 31 December 2016 and further to 15.6% as of 30 June 2017, primarily due to an increase in our total equity attributable to our retained profit.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. The following is a discussion of our material related party transactions during the Track Record Period. For further detail about our related party transactions, see Notes 27 and 37 to the Accountants' Report in Appendix IA.

Advances to Directors

During the Track Record Period, we made advances to our Directors, Mr. Yu and Mr. Xie. As of 31 December 2014, 2015, 2016 and 30 June 2017, the total amounts due from such Directors were RMB177.6 million, RMB344.7 million, RMB446.0 million and RMB476.0 million, respectively. Such amounts due had been fully settled as of the Latest Practicable Date.

Consultancy Services

During the Track Record Period, we provided certain education consultancy services to Baiyun Technician College, which was wholly-owned by Mr. Xie. For each of the three years ended 31 December 2016 and the six months ended 30 June 2017, the consultancy fees amounted to approximately RMB14.1 million, RMB32.3 million, RMB47.2 million and RMB5.3 million, respectively. As of 31 December 2014, 2015 and 2016 and 30 June 2017, amounts due from Baiyun Technician College were RMB50.2 million, RMB95.4 million, RMB165.6 million and RMB179.3 million, respectively. We obtained control of Baiyun Technician College in August 2017. See the section headed "History, Reorganisation and Corporate Structure – Obtaining Control of Baiyun Technician College". Since then, Baiyun Technician College has become our subsidiary and no longer a related party of our Group.

Driving Training Services

During the Track Record Period, we cooperated with Lantian Driving, which was held as to 90% by Dr. Yu, and its subsidiary for the provision of certain driving training services to the students of Jiangxi University of Technology. In consideration of Lantian Driving and its subsidiary providing, among other things, discounts, internship opportunities and practical training for the benefit of the students of Jiangxi University of Technology, we provided Lantian Driving and its subsidiary the right to use certain land, buildings, properties and other plant and equipment held by Jiangxi University of Technology in connection with the driving training services provided to students of Jiangxi University of Technology. As of 31 December 2014, 2015 and 2016, we had amounts due to a subsidiary of Lantian Driving of RMB19.4 million, RMB34.5 million and RMB34.5 million on account of buildings constructed by it on certain land owned by us. We received donation income from Lantian Driving in the amount of RMB1.0 million for the year ended 31 December 2015 to provide financial assistance and scholarships to our students. In May 2017, Dr. Yu disposed all of his interest in Lantian Driving to an Independent Third Party. Thereafter, Lantian Driving and its subsidiary became Independent Third Parties. In May 2017, and since then our transactions with Lantian Driving and its subsidiary will not constitute connected transactions for the purpose of Chapter 14A of the Listing Rules.

Our Directors believe that each of the related party transactions set out in the Accountants' Report in Appendix IA was conducted on an arm's length basis. Our Directors are of the view that our related party transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance, except that the imputed interest income from amounts due from directors and the imputed interest expenses from amounts due to related parties, both are non-cash items, had certain impacts on our track record results. We have presented a non-IFRS measure, Adjusted Net Profit, to indicate our track record results free of the effects of, among other things, those two non-cash items. For more information of our adjusted net profit, see "– Non-IFRS Measure – Adjusted Net Profit."

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 market 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.

Market Risk

Interest Rate Risk

Our fair value interest rate risk relates primarily to our fixed-rate borrowings. We are also exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly bank balances and cash and variable-rate bank borrowings. Cash flow interest rate risk for some of our borrowings is mainly concentrated on the fluctuation of Benchmark Borrowing Rate of the People's Bank of China. It is our policy to keep certain borrowings at floating rate of interests so as to minimise the fair value interest rate risk. We currently do not use any derivative contracts to hedge our exposure to interest rate risk. However, our Directors will consider hedging significant interest rate risk should the need arise.

If interest rates had been 10 basis points (for bank balances) and 50 basis points (for bank borrowings) higher/lower and all other variables were held constant, our post-tax profit for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 would decrease/increase by RMB823,000, RMB1,222,000, RMB1,514,000 and RMB1,305,000, respectively. This is mainly attributable to our exposure to interest rates on our bank balances and bank borrowings with variable rate.

Other Price Risk

We are exposed to equity price risk through our investments in listed equity securities. Our management manages this exposure by maintaining a portfolio of investments with different risks. Our equity price risk is mainly concentrated on equity instruments operating in different industry sectors quoted on the Shanghai Stock Exchange and the Shenzhen Stock Exchange. We will consider hedging the risk exposure should the need arise.

If the prices of the respective equity investments had been 5% higher/lower, our post-tax profit for the years ended 31 December 2014, 2015 and 2016 and for the six months ended 30 June 2017 would increase/decrease by RMB455,000, RMB385,000, RMB276,000 and RMB256,000, respectively, as a result of the changes in fair value of held-for-trading investments.

Credit Risk

Our maximum exposure to credit risk in the event of the counterparties' failure to perform its obligations is arising from the carrying amounts of the respective recognised financial assets as stated in our consolidated statements of financial position.

In order to minimise the credit risk on other receivables, amounts due from related parties and amounts due from directors, our Directors confirm that 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 balance of other receivables. In addition, the credit risk on amounts due from related parties and directors are relatively low as we can closely monitor the repayment of the related parties.

The credit risk on available-for-sale investments, structured deposits and bank balances is limited because the counterparties are reputable financial institutions.

Liquidity Risk

As of 31 December 2014 and 2015, we recorded net current liabilities of RMB92.8 million and RMB118.8 million, respectively. 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, repayment from related parties, unutilised bank facilities, and our future capital expenditure in respect of our non-cancellable capital commitments.

Our Directors confirm that we will have sufficient financial resources to meet our financial obligations as they fall due in the foreseeable future by taking into account our cash flow projection, repayment from related parties, unutilised bank facilities and our future capital expenditure in respect of our non-cancellable capital commitments, our Directors consider that we have sufficient working capital to meet in full our financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, the Historical Financial Information has been prepared on a going concern basis.

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 32(b)(ii) 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 30 June 2017.

DIVIDEND POLICY

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. Our consolidated affiliated entities must comply with their respective constitutional documents and the laws and regulations of the PRC in declaring and paying dividends to us. Pursuant to the laws applicable to the PRC's Foreign Investment Enterprises, our Company's subsidiaries must make appropriations from after-tax profit to non-distributable reserve funds as determined by the board of directors of each relevant entity prior to payment of dividends. These reserves include a general reserve and a development fund. Subject to certain cumulative limits, the general reserve requires annual appropriations of 10% of after-tax profits as determined under PRC laws and regulations at each year-end until the balance reaches 50% of the relevant PRC entity's registered capital. PRC laws and regulations require private schools where the school sponsors require reasonable returns to make annual appropriations of 25% of 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. Sponsor of each of our schools does not require reasonable returns.

Except for that, we do not have any other dividend policy. 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 relevant laws. Our Board intends to recommend at the relevant shareholder meetings an annual dividend of no less than 30% of our profits available for distribution generated in each financial year beginning from the year ending 31 December 2018. 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.

No dividend had been paid or proposed by our Company during the Track Record Period and up to the Latest Practicable Date.

PROPERTY INTERESTS AND PROPERTY VALUATION REPORT

The value of our property interests as of 30 September 2017 as valued by Cushman & Wakefield, an independent property valuation firm, was RMB52.5 million. The text of its letter and valuation certificate are set out in the Property Valuation Report as set forth in Appendix III to this document.

The following table presents the reconciliation of the net book value of the relevant property interests, as of 30 June 2017 to their market value as of 30 September 2017 attributed by Cushman & Wakefield as stated in the valuation certificate in the Property Valuation Report as set forth in Appendix III to this document:

	(RMB'000)
Net book value of the following properties as of 30 June 2017:	
Deposits paid for prepaid lease payments	66,130
Buildings and construction in progress included in property, plant and equipment	2,129,817
Prepaid lease payments	57,205
Less: Property interests without commercial value	(2,228,302)
Less:	
Depreciation and amortisation for the three months ended 30 September 2017	(131)
Valuation surplus	27,751
Valuation as of 30 September 2017	52,470

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 30 June 2017 (being the date on which the latest audited consolidated financial information of our Group was prepared) and there is no event since 30 June 2017 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report in Appendix IA.

FINANCIAL INFORMATION OF BAIYUN TECHNICIAN COLLEGE

Summary Results of Operations of Baiyun Technician College

We obtained control of Baiyun Technician College on 14 August 2017.

The following is a discussion of Baiyun Technician College's results of operations for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017.

Consolidated Income Statements

The following table presents the consolidated statements of comprehensive income of Baiyun Technician College for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, which are derived from, and should be read in conjunction with, the consolidated financial statements, including the notes thereto, included in the Accountants' Report of Baiyun Technician College set forth in Appendix IB.

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)	*(RMB'000)*
Revenue	151,745	163,778	179,566	88,647	89,762
Cost of revenue	(101,894)	(103,179)	(106,998)	(50,825)	(42,630)
Gross profit	49,851	60,599	72,568	37,822	47,132
Investment income	1,383	2,981	3,890	1,875	2,089
Other income	6,071	9,581	5,389	3,830	546
Other gains and losses	(68)	125	1,065	123	500
Selling expenses	(12,218)	(9,713)	(5,878)	(506)	(618)
Administrative expenses	(19,847)	(15,110)	(15,259)	(6,713)	(8,107)
Consultancy fee	(14,054)	(32,297)	(47,175)	(20,633)	(5,250)
Finance costs	(80)	(19)	(118)	(118)	–
Profit before taxation	11,038	16,147	14,482	15,680	36,292
Taxation	(153)	(185)	(119)	–	(27)
Profit for the year/period	10,885	15,962	14,363	15,680	36,265
Adjusted net profit(1)	9,610	13,182	10,561	13,861	34,207

Note:

(1) Adjusted net profit represents profit for the year/period excluding the effects of imputed interest income arising from amount due from Directors. Adjusted net profit is not a measure of performance 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 level of Baiyun Technician College's net profit by eliminating a non-recurring item, namely imputed interest income. The use of adjusted net profit has material limitations as an analytical tool, as it does not include all items that impact the profit of Baiyun Technician College for the relevant year/period. See "– Non-IFRS Measure." The following table reconciles the adjusted net profit for the years presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit for the year/period:

	Year ended 31 December			**Six months ended 30 June**	
	2014	**2015**	**2016**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)	*(RMB'000)*
Profit for the year/period	10,885	15,962	14,363	15,680	36,265
Less:					
Imputed interest income from amounts due from related parties	(1,275)	(2,780)	(3,802)	(1,819)	(2,058)
Adjusted net profit	9,610	13,182	10,561	13,861	34,207

Discussion of Certain Key Income Statement Items

Revenue

Revenue of Baiyun Technician 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 tuition fees. Baiyun Technician College derives all of its revenue from tuition fees, boarding fees and practical activities. Baiyun Technician College recognises tuition fees and boarding fees proportionately over the relevant period of the applicable programmes. For the tuition fees information, see "Business – Our Schools – Tuition Fees and Boarding Fees". In the event a student leaves school during a school year, Baiyun Technician College has tuition fee refund policies in place. The tuition fees refunded each year during the Track Record Period accounted for less than 1% of Baiyun Technician College's revenue of such year. For a summary of Baiyun Technician College's tuition fee refund polices, see the section headed "Business – Our Schools – Tuition Fees and Boarding Fees."

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, Baiyun Technician College generated a total revenue of RMB151.7 million, RMB163.8 million, RMB179.6 million, RMB88.6 million and RMB89.8 million, respectively. The increases in revenue of Baiyun Technician College from 2014 to 2015 and from 2015 to 2016 were primarily due to increases in student enrolments. The revenue of Baiyun Technician College was relatively stable from the six months ended 30 June 2016 to the six months ended 30 June 2017. The following table sets forth a breakdown of Baiyun Technician College's revenue by income source for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)	*(RMB'000)*
Tuition fees	135,789	145,957	161,748	79,724	80,883
Boarding fees	13,329	14,825	14,789	7,407	7,370
Ancillary services	2,627	2,996	3,029	1,516	1,509
Total	151,745	163,778	179,566	88,647	89,762

Cost of revenue

Cost of revenue of Baiyun Technician College consists primarily of salary and social insurance, depreciation and amortisation, maintenance expenses and other expenses.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, cost of revenue of Baiyun Technician College amounted to RMB101.9 million, RMB103.2 million, RMB107.0 million, RMB50.8 million and RMB42.6 million, respectively. The increases from 2014 to 2015 and from 2015 to 2016 were in line with the increases in revenue. The decrease from the six months ended 30 June 2016 to the six months ended 30 June 2017 was primarily because Baiyun Technician College reduced its headcount by streamlining its administrative procedures.

Gross Profit and Gross Margin

Gross profit represents revenue less cost of revenue. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, gross profit of Baiyun Technician College was RMB49.9 million, RMB60.6 million, RMB72.6 million, RMB37.8 million and RMB47.1 million, respectively, and gross profit margin of Baiyun Technician College was 32.9%, 37.0%, 40.4%, 42.7% and 52.5%, respectively. Baiyun Technician College had improved its gross profit margin during the Track Record Period primarily because it (i) achieved cost-savings on the purchase of materials used in delivering teaching and practical training courses to the students through the selection of, and negotiations with, its suppliers; (ii) implemented digitalised delivery of teaching and training courses to students, such as online learning through webinars and virtual reality simulated training, which were more cost-efficient than the traditional mode of delivery and enabled it to reduce the purchase of traditional teaching and training materials and streamline its administrative procedures to reduce headcount in teaching and administration; and (iii) re-designed certain of its courses to put greater weight on external practical training experience, resulting in the relevant students spending more time learning outside of, and requiring less academic resources from, the school. Our Directors expect that Baiyun Technician College will be able to sustain its gross profit margin by maintaining its cost structure going forward.

Investment Income

Investment income primarily consists of interest income from bank and imputed interest income from amounts due from related parties. Imputed interest income arose primarily from amounts due from Mr. Xie, a director of Baiyun Technician College, as a result of advances provided by Baiyun Technician College to Mr. Xie. As of the Latest Practicable Date, amounts due from Mr. Xie have been fully repaid. Due to the nature of the imputed interest income, it did not increase cash flow of Baiyun Technician College during the Track Record Period. For the year ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, investment income amounted to RMB1.4 million, RMB3.0 million, RMB3.9 million, RMB1.9 million and RMB2.1 million, respectively.

Other Income

Other income consists primarily of property management service fee income, government grant, academic administration income and certain other income. Other income of Baiyun Technician College increased from RMB6.1 million for the year ended 31 December 2014 to RMB9.6 million for the year ended 31 December 2015, primarily due to an increase of RMB1.9 million in government grants. It decreased to RMB5.4 million for the year ended 31 December 2016, primarily due to a decrease of RMB3.0 million in academic administration income resulting from the decreased demand for professional certifications from students. Other income of Baiyun Technician College decreased from RMB3.8 million for the six months ended 30 June 2016 to RMB0.5 million for the six months ended 30 June 2017, primarily due to a decrease of RMB2.0 million in government grants.

Selling Expenses

Selling expenses consist primarily of advertising expenses and recruitment expenses. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, selling expenses of Baiyun Technician College were RMB12.2 million, RMB9.7 million, RMB5.9 million, RMB0.5 million and RMB0.6 million, respectively. The increases in selling expenses during the Track Record Period were primarily because the school gradually phased out advertisement on traditional media and devoted more resources in social media, which is more cost-effective.

Administrative Expenses

Administrative expenses primarily consist of salaries and other compensations paid to administrative staff of Baiyun Technician College, depreciation and amortisation of office buildings, equipment and software for general administrative purpose, utilities expenses and other administrative expenses. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, administrative expenses of Baiyun Technician College were RMB19.8 million, RMB15.1 million, RMB15.3 million, RMB6.7 million and RMB8.1 million, respectively. The decreases in administrative expenses from 2014 to 2015 was primarily due to a decrease in property management fee as Baiyun Technician College began to perform certain property management work by its own employees instead of contracting out. The increase from the six months ended 30 June 2016 to 30 June 2017 was primarily due to (i) an increase in maintenance expenses incurred as a result of additional maintenance works conducted on school buildings and facilities; and (ii) an increase in administrative staff costs as a result of payment of discretionary bonus.

Consultancy Fee

Consultancy fee consist primarily of the consultancy fee Baiyun Technician College paid to Jiangxi University of Technology for education consultancy services. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, consultancy fee of Baiyun Technician College was RMB14.1 million, RMB32.3 million, RMB47.2 million, RMB20.6 million and RMB5.3 million, respectively. Such consultancy services provided by Jiangxi University of Technology increased from 2014 to 2016 and decreased in 2017. For more details of the consultancy service provided by Jiangxi University of Technology to Baiyun Technician College and the fee arrangement, see the section headed "Business – Inter-school Cooperation."

Taxation

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 favourable tax treatment as public schools. As a result, private schools providing academic qualification education are eligible to enjoy income tax exception treatment if the school sponsors of such schools do not require reasonable returns. Baiyun Technician College has elected to be a private school of which the sponsors do not require reasonable returns and has submitted income-tax exemption filings for its income generated from formal academic education service. Our Directors confirm that the relevant PRC local tax bureau is aware of the Enterprise Income Tax exemption treatment for Baiyun Technician College and Baiyun Technician College has not received any objection from the relevant PRC local tax bureau to the current and past tax treatment of Baiyun Technician College as of the Latest Practicable Date.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, income tax expenses of Baiyun Technician College were RMB0.2 million, RMB0.2 million, RMB0.1 million, nil and RMB27,000, respectively, primarily because a majority of its revenue falls within the income tax exemption scope.

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) states that, starting from 1 May 2016, academic educational services provided by schools engaged in academic education shall be exempted from VAT. As such, Baiyun Technician College is exempt from PRC Business Tax and VAT for its income generated from the provision of academic educational services during the Track Record Period.

As of the Latest Practicable Date, Baiyun Technician College did not have any disputes or unresolved tax issues with the relevant tax authorities.

Profit for the Year/Period

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, profit for the year/period of Baiyun Technician College was RMB10.9 million, RMB16.0 million, RMB14.4 million, RMB15.7 million and RMB36.3 million, respectively. Baiyun Technician College recorded a net loss of RMB1.3 million in the six months ended 31 December 2016, which is primarily because certain expenses are normally incurred in the second half of a given financial year, such as certain marketing expenses, staff benefits provided around the teacher's day of each year, labour union expenses and etc. For the six months ended 30 June 2017, Baiyun Technician College recorded a relatively high level of net profit of RMB36.3 million, primarily because Baiyun Technician College had paid a relatively lower level of consultancy fee to Jiangxi University of Technology. As the reputation, enterprise network and academic platform of Baiyun Technician College have become more established, Baiyun Technician College required less consultancy services, facilitation and cooperation projects from Jiangxi University of Technology.

Non-IFRS Measure

To supplement the consolidated financial statements of Baiyun Technician College, 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 the financial performance of Baiyun Technician College by eliminating the impact of items that we do not consider indicative of the performance of its business. We also believe that this non-IFRS measure provides additional information to investors and others in understanding and evaluating the consolidated results of operations of Baiyun Technician College in the same manner as they help our management and in comparing financial results across accounting periods and to those of its peer companies.

Adjusted Net Profit

Adjusted net profit eliminates the effect of a non-cash item, namely imputed interest income arising from amount due from Directors. 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 imputed interest income on net profit of Baiyun Technician College. The use of adjusted net profit has material limitations as an analytical tool, as it does not include all items that impact net profit of Baiyun Technician College for the relevant periods. The effects of imputed interest income arising from amount due from Directors that are eliminated from adjusted net profit are significant components in understanding and assessing the operating and financial performance of Baiyun Technician College. In light of the foregoing limitations for adjusted net profit, when assessing the operating and financial performance of Baiyun Technician College, you should not view adjusted net profit in isolation or as a substitute for the profit of Baiyun Technician College 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 the adjusted net profit of Baiyun Technician College for the years presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit of Baiyun Technician College for the year/period:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)	*(RMB'000)*
Profit for the year/period	10,885	15,962	14,363	15,680	36,265
Less:					
Imputed interest income from amounts due from related parties	(1,275)	(2,780)	(3,802)	(1,819)	(2,058)
Adjusted net profit	9,610	13,182	10,561	13,861	34,207

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, the adjusted net profit for the year/period of Baiyun Technician College was RMB9.6 million, RMB13.2 million, RMB10.6 million, RMB13.9 million and RMB34.2 million, respectively.

Net Current Assets and Liabilities

The following table sets forth the current assets and current liabilities of Baiyun Technician College as of the dates indicated:

	As of 31 December			As of 30 June
	2014	2015	2016	2017
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
CURRENT ASSETS				
Deposits, prepayments and other receivables	17,519	22,118	21,816	22,448
Amounts due from related parties	17,540	16,226	89,872	92,766
Prepaid lease payments	185	185	185	185
Structured deposits	15,000	53,000	143,500	106,500
Bank balances and cash	37,796	44,761	6,078	41,315
TOTAL CURRENT ASSETS	88,040	136,290	261,451	263,214

	As of 31 December			As of 30 June
	2014	2015	2016	2017
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
CURRENT LIABILITIES				
Deferred revenue	95,096	111,744	116,403	70,350
Trade payables	2,325	2,022	1,423	1,121
Other payables and accrued expenses	26,067	32,352	42,155	34,107
Amounts due to related parties	73,383	118,944	169,301	181,265
Income tax payable	145	256	283	290
Bank borrowings	–	16,568	–	–
TOTAL CURRENT LIABILITIES	197,016	281,886	329,565	287,133
NET CURRENT LIABILITIES	(108,976)	(145,596)	(68,114)	(23,919)

As of 31 December 2014, 2015 and 2016 and 30 June 2017, Baiyun Technician College had net current liabilities of RMB109.0 million, RMB145.6 million, RMB68.1 million and RMB23.9 million, respectively. Baiyun Technician College had net current liabilities as of 31 December 2014, 2015 and 2016 and 30 June 2017 primarily because it recognised advanced payments of tuition fees and boarding fees received from students as deferred revenue (which were recorded as current liabilities) and utilised a portion of the cash from such payments to finance the construction of its school buildings and facilities (which were recorded as non-current assets). In addition, Baiyun Technician College had a greater net liabilities position as of 31 December 2014 and 2015, primarily because it had also utilised a portion of the cash from such payments to make advances to its related parties (which were recorded as non-current assets as such advances were not repayable within one year).

For current assets and current liabilities of the Group (including that of Baiyun Technician College, the control of which we obtained in August 2017) as of 31 October 2017, see the section headed "Financial Information – Financial Information of Our Group Comprising Two Schools During the Track Record Period – Net Current Assets and Liabilities".

Discussion of Key Balance Sheet Items

Deposits, prepayments and other receivables

Trade receivables, deposits, prepayments and other receivables consist primarily of staff advances, other deposits, receivables from education bureau and other receivables and prepayments.

The table blow sets forth the breakdown of deposits, prepayments and other receivables as of the dates indicated:

	As of 31 December			As of 30 June
	2014	2015	2016	2017
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Staff advances	–	–	–	1,305
Other deposits	213	1,363	597	597
Receivables from education bureau discretionary	15,908	19,262	20,605	19,360
Other receivables	858	957	374	940
Prepayments	540	536	240	246
Total	17,519	22,118	21,816	22,448

Deposits, prepayments and other receivables of Baiyun Technician College amounted to RMB17.5 million, RMB22.1 million, RMB21.8 million and RMB22.4 million as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively. The increase from 31 December 2014 to 31 December 2015 was primarily due to an increase of RMB3.4 million in receivables from the education bureaus, which were in connection with subsidies provided to rural students. The increase from 2014 to 2015 was due to an increase in students qualified to receive such subsidies. Deposits, prepayments and other receivables were relatively stable from 31 December 2015 to 31 December 2016 and then to 30 June 2017.

Current portion of amounts due from related parties

Current portion of amounts due from related parties were RMB17.5 million, RMB16.2 million, RMB89.9 million and RMB92.8 million as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively, primarily in connection with advances made to Mr. Xie. Current portion of amounts due from related parties increased during the Track Record Period as additional advances were made and a greater proportion was classified as current assets.

Current portion of structured deposits

Current portion of structured deposits were RMB15.0 million, RMB53.0 million, RMB143.5 million and RMB106.5 million as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively, and primarily include our investment in certain cash management products with unguaranteed rates of return issued by commercial banks in the PRC. The underlying financial instruments of the cash management products that we purchased might include listed shares, bonds, debentures, assets-backed securities, interbank deposits, money market funds, trust assets and receivables.

Bank balances and cash

Bank balance and cash were RMB37.8 million, RMB44.8 million, RMB6.1 million and RMB41.3 million as of 31 December 2014, 2015 and 2016 and 30 June 2017, and were comprise of cash and short-term deposits held by Baiyun Technician College with an original maturity of three months or less.

Deferred revenue

Baiyun Technician College records tuition fees, board fees and ancillary service 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. As a school year typically commences in September each year, amounts of deferred revenue as of each of these dates generally represented the amount of tuition fees, boarding fees, and ancillary services fees received but not yet recognised as revenue for the applicable school year.

Deferred revenue of Baiyun Technician College increased from RMB95.1 million as of 31 December 2014 to RMB111.7 million as of 31 December 2015 and RMB116.4 million as of 31 December 2016. The increase was primarily due to the increases in student enrolments of Baiyun Technician College as well as the raise in the level of tuition fees and boarding fees. Deferred revenue of Baiyun Technician College decreased from RMB116.4 million as of 31 December 2016 to RMB70.4 million as of 30 June 2017, primarily because towards the end of a school year, most of the prepaid tuition fees have been recognised as revenue and are no longer recorded as deferred revenue.

Trade payables

Trade payables of Baiyun Technician College consist primarily of payables for purchase of school properties and teaching facilities as well as miscellaneous expenses collected from the students, which are paid out by us to vendors on behalf of the students. The credit period granted by suppliers on purchase of goods and provision of services generally ranged from seven to 30 days. Trade payables of Baiyun Technician College amounted to RMB2.3 million, RMB2.0 million, RMB1.4 million and RMB1.1 million as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively.

Other payables and accrued expenses

Other payables and accrued expenses of Baiyun Technician College consist primarily of other tax payable, deposits received, accrued staff benefits and payroll, and other payables and accruals.

The table below sets forth the breakdown of other payables and accrued expenses:

	As of 31 December			As of 30 June
	2014	2015	2016	2017
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Accrued staff benefits and payroll	14,090	12,972	25,952	14,806
Deposits received	2,571	1,203	985	365
Other payables and accruals	9,057	17,441	14,049	18,204
Other tax payables	349	736	1,169	732
Total	26,067	32,352	42,155	34,107

Other payables and accrued expenses of Baiyun Technician College amounted to RMB26.1 million, RMB32.4 million, RMB42.2 million and RMB34.1 million as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively. The increase from 31 December 2014 to 31 December 2015 was primarily due to an increase in other payables and accruals as a result of an increase in payables relating to teaching materials. The increase from 31 December 2015 to 31 December 2016 was primarily due to an increase in accrued staff benefits and payroll as a result of salary raises in 2016. The decrease from 31 December 2016 to 30 June 2017 was primarily due to a decrease in accrued staff benefits and payroll because of a reduction in staff headcount as the school streamlined its operations.

Current portion of amounts due to related parties

Current portion of amounts due to related parties were RMB73.4 million, RMB118.9 million, RMB169.3 million and RMB181.3 million as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively, which primarily represented amounts due to our Group and our Controlling Shareholders. The increases from 31 December 2014 to 31 December 2015 and 2016 and then to 30 June 2017 were primarily due to (i) general increases in payables to Guangdong Baiyun University relating to certain tuition fees collected by Baiyun Technician College on behalf of Guangdong Baiyun University and (ii) general increases in amounts due to Jiangxi University of Technology arising from consultancy services provided by Jiangxi University of Technology to Baiyun Technician College.

Liquidity and Capital Resources

During the Track Record Period, Baiyun Technician College funded its cash requirements principally from cash generated from our operation and external borrowings. Baiyun Technician College had cash and cash equivalents of RMB37.8 million, RMB44.8 million, RMB6.1 million and RMB41.3 million as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively. Baiyun Technician College generally deposits excess cash in interest bearing bank accounts and invest in cash management products we purchased from banks.

During the Track Record Period, principal uses of cash by Baiyun Technician College had 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 Baiyun Technician College for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)	*(RMB'000)*
Net cash from/(used in) operating activities	63,577	84,687	93,011	1,489	(6,824)
Net cash (used in)/from investing activities	(56,736)	(107,492)	(117,611)	(11,415)	34,832
Net cash from/(used in) financing activities	21,583	29,770	(14,083)	(16,686)	7,229
Increase/(decrease) in cash and cash equivalents	28,424	6,965	(38,683)	(26,612)	35,237
Cash and cash equivalents at beginning of the year/period	9,372	37,796	44,761	44,761	6,078
Cash and cash equivalents at the end of the year/period	37,796	44,761	6,078	18,149	41,315

Cash Flows from Operating Activities

Baiyun Technician College generates cash from operating activities primarily from tuition fees, all of which are typically paid before the relevant services are rendered. Tuition fees are initially recorded under deferred revenue. Baiyun Technician College recognises such amounts received as revenue proportionately over the relevant period of the applicable programme.

Net cash used in operating activities amounted to RMB6.8 million for the six months ended 30 June 2017, primarily attributable to release of deferred revenue of RMB46.1 million, partially offset by profit for the period of RMB36.3 million, as adjusted to add back depreciation for property, plant and equipment of RMB9.7 million and other non-cash items.

Net cash from operating activities amounted to RMB93.0 million for the year ended 31 December 2016, primarily attributable to profit for the year of RMB14.5 million and a decrease in working capital of RMB61.9 million, as adjusted to add back depreciation for property, plant and equipment of RMB21.4 million and other non-cash items. The decrease in working capital was primarily attributable to an increase in deferred revenue of RMB4.7 million and an increase in amounts due from related parties of RMB47.8 million.

Net cash from operating activities amounted to RMB84.7 million for the year ended 31 December 2015, primarily attributable to profit for the year of RMB16.1 million and a decrease in working capital of RMB50.4 million, as adjusted to add back depreciation for property, plant and equipment of RMB21.1 million and other non-cash items. The decrease in working capital was primarily attributable to an increase in deferred revenue of RMB16.6 million and an increase in amounts due from related parties of RMB32.3 million.

Net cash from operating activities amounted to RMB63.6 million for the year ended 31 December 2014, primarily attributable to profit for the year of RMB11.0 million and a decrease in working capital of RMB33.8 million, as adjusted to add back depreciation for property, plant and equipment of RMB19.8 million and other non-cash items. The decrease in working capital was primarily attributable to an increase in deferred revenue of RMB10.8 million and an increase in amounts due from related parties of RMB14.2 million.

Cash Flows from Investing Activities

Expenditures of Baiyun Technician College primarily included placement of structured deposits, purchases of property, plant and equipment and advances to directors.

For the six months ended 30 June 2017, net cash from investing activities was RMB34.8 million, primarily attributable to net withdrawal of structured deposits of RMB37.7 million.

For the year ended 31 December 2016, net cash used in investing activities was RMB117.6 million, primarily attributable to net placement of structured deposits of RMB89.3 million, payments for property, plant and equipment of RMB19.0 million, and net advance to related parties of RMB9.4 million.

For the year ended 31 December 2015, net cash used in investing activities was RMB107.5 million, primarily attributable to net advance to related parties of RMB40.4 million, net placement of structured deposits of RMB34.7 million and payments for property, plant and equipment of RMB32.6 million.

For the year ended 31 December 2014, net cash used in investing activities was RMB56.7 million, primarily attributable to payments for property, plant and equipment of RMB22.5 million, net advance to related parties of RMB19.4 million and net placement of structured deposits of RMB15.0 million.

Cash Flows from Financing Activities

Baiyun Technician College's expenditures for financing activities were primarily for repayment of bank borrowings, and its cash inflows from financing activities were primarily from advances from related parties.

For the six months ended 30 June 2017, net cash from financing activities was RMB7.2 million, primarily attributable to net advances from related parties of RMB7.2 million.

For the year ended 31 December 2016, net cash used in financing activities was RMB14.1 million, primarily attributable to net repayment of bank borrowings of RMB16.6 million.

For the year ended 31 December 2015, net cash from financing activities was RMB29.8 million, primarily attributable to net advances from related parties of RMB13.2 million and proceeds from bank borrowings of RMB16.6 million.

For the year ended 31 December 2014, net cash from financing activities was RMB21.6 million, primarily attributable to net advances from related parties of RMB21.7 million.

Indebtedness

As of 31 October 2017, the latest practicable date for the purpose of the indebtedness statement of our Group, the indebtedness of Baiyun Technician College was included in the indebtedness of our Group.

Bank loans and other borrowings of Baiyun Technician College consisted of short-term working capital loans to supplement its working capital and finance its expenditure. Bank borrowings of Baiyun Technician College as of 31 December 2014, 2015 and 2016 and 30 June 2017 were nil, RMB16.6 million, nil and nil. Our other borrowings consisted of amounts due to related parties, which amounted to RMB59.2 million, RMB72.5 million, RMB75.1 million and RMB82.3 million as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively.

The table below sets forth the effective interest rates (per annum) of bank borrowings of Baiyun Technician College as of the dates indicated:

	As of 31 December			As of 30 June
	2014	2015	2016	2017
Fixed-rate	N/A	4.88%	N/A	N/A

During the Track Record Period, bank borrowings of Baiyun Technician College were secured over its receivables and also guaranteed by Mr. Xie. All of the other borrowings were unsecured, unguaranteed and interest-free.

Save as disclosed above, as of 30 June 2017, Baiyun Technician College 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.

Contingent Liabilities

As of 30 June 2017, Baiyun Technician 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 Baiyun Technician College have confirmed that there has not been any material change in the contingent liabilities of Baiyun Technician College since 30 June 2017.

Off-Balance Sheet Commitments and Arrangements

As of the Latest Practicable Date, Baiyun Technician College had not entered into any off-balance sheet transactions.

Disclosure Required under Chapter 13 of the Listing Rules

The directors of Baiyun Technician 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 Baiyun Technician College confirm that, up to the date of this document, there has been no material adverse change in the financial or trading position of Baiyun Technician College since 30 June 2017 (being the date on which the latest audited consolidated financial information of Baiyun Technician College was prepared) and there is no event since 30 June 2017 which would materially affect the information shown in the consolidated financial statements of Baiyun Technician College included in the Accountants' Report in Appendix IB.

Accounting Policy Relating to Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that deferred tax assets or liabilities are recognised and measured in accordance with IAS 12 Income Taxes.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Accounting Policy Relating to Intangible Assets Acquired in a Business Combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on intangible assets below).

Accounting Policies Relating to the Impairment of Goodwill and Intangible Assets

Goodwill arising from an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represents the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment. A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising from an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

With respect to intangible assets other than goodwill, at the end of the reporting period, the Group reviews the carrying amounts of its intangible assets with definite 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. Intangible assets with infinite useful lives and intangible assets not yet available for use are tested for impairment at least annually or whenever there is an indication that they may be impaired. 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 to the other assets on a pro-rata basis based on the carrying amount of each asset 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. Where an impairment loss subsequently reverses, the carrying amount of the asset (or 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.

Valuation of Pro Forma Goodwill and Pro Forma Intangible Assets of Baiyun Technician College

We have applied the acquisition method in accordance with IFRS 3 “Business Combinations” to account for our obtaining control of Baiyun Technician College as if such control had been obtained on 30 June 2017. We recognised pro forma goodwill of RMB344 million as a result of our obtaining control of Baiyun Technician College, which was calculated by subtracting carrying amount of identifiable net assets acquired (RMB234.0 million) and pro forma fair value adjustment to intangible assets (RMB229.3 million) from the cash consideration for our obtaining control of Baiyun Technician College (RMB750.0 million) to be paid by us and then adding back deferred tax liability arising from pro forma fair value adjustment to intangible assets (RMB57.3 million).

The pro forma fair value adjustments to intangible assets are mainly related to the recognition, on a pro forma basis, of brand name and student roster of Baiyun Technician College.

The pro forma fair value of brand name, representing the trademark "白雲技校" owned by Baiyun Technician College, is RMB199,326,000. It is estimated by applying the Relief from Royalty Method. The key assumptions used in estimating the pro forma fair value of brand name were as follows:

- discount rate of 16%;
- royalty rate of 15%;
- an indefinite economic life, as we intend to continuously renew the brand name with minimal cost and do not foresee any impediment to such renewals, and we expect that the brand name will continue to generate net cash inflows for Baiyun Technician College in the future;
- projected tuition fees attributable to the brand name amounting to approximately RMB828.5 million during a forecast period of five years; and
- steady revenue growth of 3% beyond the forecast period.

The pro forma fair value of student roster is RMB29,960,000. It is estimated by applying the Multi-Period Exceed Earning Method. The key assumptions used in estimating the pro forma fair value of student roster were as follows:

- discount rate of 18%;
- expected economic life of approximately four years; and
- projected revenue attributable to the student roster amounting to approximately RMB192.6 million during the expected economic life.

Obtaining control of Baiyun Technician College resulted in pro forma goodwill primarily because of the benefits in connection with the expected synergies and the assembled workforce of Baiyun Technician College. These benefits are not recognised separately from pro forma goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The deferred tax liability relating to the pro forma fair value of intangible assets amounted to approximately RMB57.3 million, which is calculated at the People's Republic of China Enterprise Income Tax rate of 25% based on the difference between the carrying amount and the corresponding tax bases of intangible assets recognised amounting to approximately RMB229.3 million.

Our Directors have assessed whether there is any impairment on the pro forma intangible assets and pro forma goodwill arising from our obtaining control of Baiyun Technician College as of 30 June 2017 in accordance with IAS 36 "Impairment of Assets" and concluded that there is no impairment in respect of the pro forma intangible assets with indefinite useful life (i.e. brand name) and goodwill of the enlarged group as of 30 June 2017. The recoverable amount of the cash generating unit comprising these pro forma intangible assets and goodwill is determined based on value in use calculation. That calculation uses cash flow projections based on a five-year financial budgets approved by the management of Baiyun Technician College. Key assumptions of the value in use calculations are related to the estimation of cash inflows or outflows and include discount rate, growth rate of salary costs of teachers, growth rate of student number and growth rate of tuition fees. Such estimation is based on the unit's past performance and the management's expectations for the market development. An increase by 10% in the discount rate would result in the aggregate carrying amount to exceed its corresponding recoverable amount (up to approximately RMB75 million); save for this scenario, the management of the Group believes that any reasonably possible change in any of the other assumptions would not cause the aggregate carrying amount to materially exceed the recoverable amount.

As of 14 August 2017 (the date on which we obtained control of Baiyun Technician College), we recognised approximately RMB324.8 million and RMB249.2 million as the actual fair values of the goodwill and intangible assets, respectively. As the fair values of the assets acquired and liabilities recognised on 14 August 2017 and the relevant deferred tax impact were provisionally determined with reference to a preliminary professional valuation conducted by an independent valuer that has yet to be finalised, the aforementioned fair values are potentially subject to further change.

Sensitivity Analysis of Assessment of Impairment on Goodwill and Intangible Assets

This sensitivity analysis is for illustrative purposes only and is hypothetical in nature. This sensitivity analysis only shows the potential impact on the recoverable amount of the cash generating unit comprising goodwill and intangible assets as at 31 October 2017 if the relevant variables increased or decreased to the extent illustrated and we assume that all other variables remain constant in performing this sensitivity analysis and does not consider the effects of all variables in totality. The actual recoverable amount is subject to the resultant effect of multiple variables and this sensitivity analysis only takes into account those that we consider particularly material. Also, in an actual scenario, it is unlikely that only one variable is subject to change while all other variables remain constant. For example, as illustrated below, a 10% or 20% decrease in the growth rate of student number would result in an expected impairment; however, in an actual scenario, there may be other variables simultaneously having a positive effect on the recoverable amount that would, in totality, outweigh the negative effect of decrease in growth rate and result in nil impairment. We have performed an impairment assessment based on the operating conditions up to 31 October 2017 and determined that there was no impairment on goodwill and intangible assets.

The recoverable amount of the cash generating unit of Baiyun Technician College was calculated based on a value in use calculation. Such calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and a pre-tax discount rate of 17%. The cash flow from revenue of the cash generating unit of Baiyun Technician College beyond the five-year period is extrapolated using a steady revenue growth rate of 3%. Such growth rate is used based on the relevant industry growth forecasts and inflation. On the basis that the industry demand is expected to support the growth of the cash generating unit of Baiyun Technician College and its industry reputation, the management considers that such growth rate is reasonable. Other key assumptions underlying the value in use calculations relate to the estimation of cash inflows/outflows, including growth rate of salary costs of teachers (base case: 2% increment on each of 1 January 2018, 1 January 2019 and 1 January 2020), growth rate of student number (base case: 5% increment for each of the 2018/2019, 2019/2020 and 2020/2021 school years) and growth rate of tuition fees (base case: 13% increase for the 2018/2019 and 2020/2021 school years). The base cases for the growth rate of salary costs of teachers and the growth rate of tuition fees were estimated primarily based on the past performance of the cash generating unit of Baiyun Technician College. The base case for the growth rate of student number was estimated primarily based on management's expectations of business growth, taking into account of the expansion of the course offerings at Baiyun Technician College and Baiyun Technician College may benefit from increased academic resources and capacity at the Zhongluotan Land in the next two to three years to accommodate and enrol more students.

The assets acquired and liabilities recognised in the financial information for this acquisition have been determined provisionally. The professional valuation conducted by an independent valuer has not been finalised on the date when the financial information is authorised for issue.

The following table sets forth a sensitivity analysis demonstrating the effect of variations in each of the key underlying assumptions in assessment of impairment on the recoverable amount of the cash generating unit comprising goodwill and intangible assets as at 31 October 2017.

	Recoverable amount of the cash generating unit comprising intangible assets and goodwill as at 31 October 2017	Carrying amount of the cash generating unit comprising intangible assets and goodwill as at 31 October 2017	Expected impairment
	(RMB)	*(RMB)*	*(RMB)*
Discount rate increase/(decrease) by			
10%	695,561,203	772,061,465	(76,500,262)
5%	731,716,503	772,061,465	(40,344,962)
0% (base case)	772,177,389	772,061,465	–
(5)%	817,777,962	772,061,465	–
(10)%	869,583,840	772,061,465	–
Growth rate of salary costs of teachers increase/(decrease) by			
20%	769,935,782	772,061,465	(2,125,683)
10%	771,056,915	772,061,465	(1,004,550)
0% (base case)	772,177,389	772,061,465	–
(10)%	773,297,204	772,061,465	–
(20)%	774,416,359	772,061,465	–
Growth rate of student number increase/(decrease) by			
20%	793,599,277	772,061,465	–
10%	782,848,103	772,061,465	–
0% (base case)	772,177,389	772,061,465	–
(10)%	761,586,835	772,061,465	(10,474,630)
(20)%	751,076,145	772,061,465	(20,985,320)
Growth rate of tuition fees increase/(decrease) by			
20%	795,219,733	772,061,465	–
10%	783,677,625	772,061,465	–
0% (base case)	772,177,389	772,061,465	–
(10)%	760,719,085	772,061,465	(11,342,380)
(20)%	749,302,773	772,061,465	(22,758,692)

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

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

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

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

	Audited consolidated net tangible assets of our Group attributable to owners of our Company as of 30 June 2017[1]	Estimated net proceeds from the Global Offering[2]	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company as of 30 June 2017	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company as of 30 June 2017 per Share	
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB)*[3]	*(HK$)*[4]
Based on an Offer Price of HK$5.86 per Share	2,741,216	2,477,934	5,219,180	2.61	2.96
Based on an Offer Price of HK$7.02 per Share	2,741,216	2,976,693	5,717,909	2.86	3.24

Notes:

(1) The audited consolidated net tangible assets of our Group attributable to owners of our Company as of 30 June 2017 are based on audited consolidated net assets of our Group attributable to the owners of our Company as of 30 June 2017 of approximately RMB2,741,216,000, as set out in Appendix IA.

(2) The estimated net proceeds from the Global Offering are based on 500,000,000 Shares to be issued under the Global Offering and the Offer Price of HK$5.86 and HK$7.02 per Offer Share, respectively, being the low-end and high-end of the stated Offer Price range, after deduction of the underwriting fees and other related expenses to be incurred by our Group (other than expenses already recognised in profit or loss up to 30 June 2017) and assuming the Over-allotment Option is not exercised and no Shares are issued upon the exercise of options that may be granted under the Share Option Schemes or pursuant to grants under the Share Award Scheme or allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix V. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into RMB at an exchange rate of HK$1 to RMB0.8821, which was the rate prevailing on 30 June 2017. No representation is made that the Hong Kong dollars amounts have been, could have been or could be converted into Renminbi, or vice versa, at that rate or at any other rates or at all.

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

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

(5) No adjustment has been made to the audited consolidated net tangible assets of our Group attributable to owners of our Company as of 30 June 2017 to reflect any trading result or other transaction of our Group entered into subsequent to 30 June 2017.

We obtained control of Baiyun Technician College on 14 August 2017. Had the obtaining control of Baiyun Technician College and the Global Offering been completed as of 30 June 2017, the unaudited pro forma adjusted consolidated net tangible assets of the enlarged group attributable to owners of the Company per Share as at 30 June 2017 would have been presented as follows:

	Unaudited pro forma consolidated net tangible assets of the enlarged group attributable to owners of the Company as at 30 June 2017[1]	**Estimated net proceeds from the Global Offering[2]**	**Unaudited pro forma adjusted consolidated net tangible assets of the enlarged group attributable to owners of the Company as at 30 June 2017**	**Unaudited pro forma adjusted consolidated net tangible assets of the enlarged group attributable to owners of the Company as at 30 June 2017 per Share**	
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB)[3]*	*(HK$)[4]*
Based on an Offer Price of HK$5.86 per Share	2,167,853	2,477,934	4,645,787	2.32	2.63
Based on an Offer Price of HK$7.02 per Share	2,167,853	2,976,693	5,144,546	2.57	2.92

Notes:

(1) The unaudited pro forma consolidated net tangible assets of the enlarged group attributable to owners of the Company as at 30 June 2017 are based on the unaudited pro forma consolidated net assets of the enlarged group attributable to the owners of the Company as at 30 June 2017 of approximately RMB2,741,216,000, after deduction of the pro forma fair value adjustment to intangible assets and goodwill amounting to approximately RMB229,286,000 and RMB344,077,000, respectively, as extracted from the "Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group as at 30 June 2017" on page II-4 of Appendix II.

(2) The estimated net proceeds from the Global Offering are based on 500,000,000 Shares to be issued under the Global Offering and the Offer Price of HK$5.86 and HK$7.02 per Offer Share, respectively, being the low-end and high-end of the stated Offer Price range, after deduction of the underwriting fees and other related expenses to be incurred by the Group (other than

expenses already recognised in profit or loss up to 30 June 2017) and assuming the Over-allotment Option is not exercised and no Shares are issued upon the exercise of options that may be granted under the Share Option Schemes or pursuant to grants under the Share Award Scheme or allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix V to this document. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into RMB at an exchange rate of HK$1 to RMB0.8821, which was the rate prevailing on 30 June 2017. No representation is made that the Hong Kong dollars amounts have been, could have been or could be converted into Renminbi, or vice versa, at that rate or at any other rates or at all.

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

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

(5) No adjustment has been made to the unaudited consolidated net tangible assets of the enlarged group attributable to owners of the Company as at 30 June 2017 to reflect any trading result or other transaction of the enlarged group entered into subsequent to 30 June 2017.

The decrease in the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as at 30 June 2017 per Share after taking into account of our obtaining control of Baiyun Technician College was because of the recognition of a significant amount of intangible assets and goodwill amounting to approximately RMB229,286,000 and RMB344,077,000, respectively, that were deducted from the net assets of the enlarged group in the calculation of the net tangible assets of the enlarged group.

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

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$3,078.5 million after deducting underwriting commission and other estimated expenses paid and payable by us in the Global Offering and (without deducting any additional discretionary incentive fee), assuming an Offer Price of HK$6.44 per Share, being the mid-point of the indicative Offer Price range of HK$5.86 to HK$7.02 per Share. We intend to use the net proceeds we will receive from this offering for the following purposes:

- approximately 59.5% (approximately HK$1,831.3 million) to be applied towards the acquisition of or cooperation with other universities both domestically and abroad to supplement our school network. We expect this portion of the net proceeds will predominately be applied towards the acquisition of education institutions, which is significantly more capital intensive, with the rest flexibly applied towards developing cooperation arrangements with other universities, which are primarily driven by our talent, education capability and expertise and require less capital commitment, as needed depending on the opportunities that arise and our cash flow position. Our management intends to continue to assess potential acquisition targets and identify the targets in accordance with the following criteria:

    - For domestic universities: (i) located in coastal regions; (ii) located in first-tier cities, provincial capitals and other major cities; (iii) located in regions with substantial growth potential of net admission rates of higher education; (iv) located in regions with significant demand for labour market; (v) offering bachelor's degree programmes and junior college diploma programmes; and (vi) for those offering bachelor's degree, located in places where higher education institutions are concentrated or junior colleges with a campus size of over 200,000 sq.m.;

    - For overseas universities: (i) located in western Europe, United Kingdom, North America or Australia; (ii) offering programmes in fashion, engineering, hotel management or corporate management; and (iii) with a total number of student less than 1,000;

      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. See the section headed "Business – Our Business Strategies – Expand our school network through acquisition and business cooperation".

- approximately 26.9% (approximately HK$828.4 million) to be applied towards developing new campus;

- approximately 8.0% (approximately HK$246.3 million) to repay certain portion of our bank loans as follows:

Bank	Outstanding amount as of 30/6/2017	Interest rate	Maturity date	Usage
	(RMB)			
Qingshanhu Sub-branch of Industrial and Commercial Bank of China	5,000,000	4.90%	15/6/2018	Loan displacement
Xihu Sub-branch of China Construction Bank	6,900,000	4.90%	2/4/2018-10/10/2018	Loan displacement
Qingshanhu Sub-branch of Hongdu Rural Commercial Bank	40,000,000	4.85%	26/7/2018	Procurement of education consumables
Tielu Sub-branch of Jiangxi Bank	90,000,000	5.25%-6.53%	20/12/2017	Procurement of teaching apparatus and equipment
Tielu Sub-branch of Jiangxi Bank	16,000,000	5.00%	20/12/2017	Loan displacement
Tielu Sub-branch of Jiangxi Bank	7,750,000	5.51%	29/7/2018	Payment for construction work
Tielu Sub-branch of Jiangxi Bank	25,920,000	5.25%	29/7/2018	Loan displacement

- approximately 2.9% (approximately HK$73.9 million) to supplement our working capital;

- approximately 1.1% (approximately HK$33.9 million) to be applied towards establishing teacher and staff training centre;

- approximately 1.1% (approximately HK$33.9 million) to be applied towards research and development;

- approximately 0.5% (approximately HK$15.4 million) to be applied towards provision of scholarships; and

- approximately 0.5% (approximately HK$15.4 million) to be applied towards maintenance, renovation and upgrading of existing schools.

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$282.7 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$470.9 million, assuming an Offer Price of HK$6.44 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

BNP Paribas Securities (Asia) Limited

CLSA Limited

ICBC International Securities Limited

ABCI Securities Company Limited

CCB International Capital Limited

China Securities (International) Corporate Finance Company Limited

Haitong International Securities Company Limited

Pacific Foundation 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 50,000,000 Hong Kong Offer Shares (subject to adjustment and re-allocation as described under the section headed "Structure of the Global Offering – The Hong Kong Public Offering") for subscription by way of a Hong Kong Public Offering at the Offer Price on and subject to the terms and conditions of this document and the Application Forms.

Subject to (i) the Listing Committee granting 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 to be allotted and issued under the Over-allotment Option), and such listing and permission not having been subsequently revoked prior to the commencement of trading of our Shares on the Main Board of the Stock Exchange and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe or procure subscriptions for their respective applicable proportions of the Hong Kong Offer Shares now being offered and which are not taken up under the Hong Kong Public Offering on the terms and conditions of this document, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated.

One of the conditions is that the Offer Price must be agreed between us and BNP Paribas (on behalf of the Underwriters). For applicants applying under the Hong Kong Public Offering, this document and the Application Forms contain the terms and conditions of the Hong Kong Public Offering. The International Offering will be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between us and BNP Paribas (on behalf of the Underwriters), the Global Offering will not proceed.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or to procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination by oral or written notice to us from BNP Paribas (for itself and on behalf of the Hong Kong Underwriters) if prior to 8:00 a.m. on the Listing Date:

(a) there shall develop, occur, exist or come into effect:

(i) any local, national, regional or international event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of 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 Hong Kong, the British Virgin Islands, the Cayman Islands, the PRC, the United States, the United Kingdom, the European Union (or any member), Japan, Singapore or any jurisdiction relevant to any member of the Group or the Global Offering (collectively, the "**Relevant Jurisdictions**"); or

(ii) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any of the Relevant Jurisdictions; or

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shenzhen Stock Exchange or the Shanghai Stock Exchange; or

(iv) the imposition of any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or by other competent authority), New York (imposed at Federal or New York State level or by other competent authority) or any of the Relevant Jurisdictions, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of those places or jurisdictions; or

(v) 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 any securities of our Company or of any other member of the Group listed or quoted on a stock exchange or an over-the-counter market; or

(vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, the United States, the European Union (or any member thereof), any of the Relevant Jurisdictions; or

(vii) any new law, statute, ordinance, legal code, regulation or rule, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws, statutes, ordinances, legal codes, regulations or rules, in each case, in or affecting any of the Relevant Jurisdictions; or

(viii) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in or affecting any of the Relevant Jurisdictions; or

(ix) any litigation or claim of any third party being threatened or instigated against any member of the Group, the Company or any of the Controlling Shareholders; or

(x) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(xi) the chairman or chief executive officer of our Company vacating his office; or

(xii) an authority or a political body or organisation in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or

(xiii) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including Shares to be allotted and issued under the Over-allotment Option) pursuant to the terms of the Global Offering; or

(xiv) a contravention by any member of the Group of the Listing Rules or applicable laws, statutes, ordinances, legal codes, regulations or rules; or

(xv) non-compliance of this document (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws, statutes, ordinances, legal codes, regulations or rules; or

(xvi) the issue or requirement to issue by our Company of any supplement or amendment to this document (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC without prior consent of BNP Paribas; or

(xvii) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group,

which, individually or in the aggregate, in the sole and absolute opinion of BNP Paribas (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 inadvisable or inexpedient or 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 the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or materially delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of BNP Paribas:

(i) that any statement contained in any of this document, the Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue or incorrect in any material respect or misleading, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of this document, the Application Forms and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this document, constitute an omission of a material fact from any of this document, the Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

(iii) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or

(iv) any material adverse change, or any development involving a material prospective adverse change, in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Company or the Group as a whole; or

(v) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties pursuant to the terms of the Hong Kong Underwriting Agreement; or

(vi) any breach of, or any event or circumstance rendering untrue or incorrect or misleading in any respect, any of the warranties; or

(vii) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares in issue and to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-Allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(viii) our Company withdraws this document (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering.

Undertakings pursuant to the Hong Kong Underwriting Agreement

(A) Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option) and issue of any Shares pursuant to the exercise of any of the options granted or to be granted under the Share Option Schemes, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "First Six-month Period"), we have undertaken to each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-manager, the Hong Kong Underwriters and the Sole Sponsor not to, and to procure each other member of the Group not to, without the prior written consent of the Sole Sponsor (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, 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 other securities of our Company 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 deposit any Shares or other securities of our Company with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any 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

(c) enter into any transaction with the same economic effect as any transaction specified in paragraphs (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraphs (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company, or 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, during the period of six months commencing on the date on which the First Six-month Period expires (the "Second Six-Month Period"), our Company enters into any of the transactions specified in paragraphs (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company. Each of our Controlling Shareholders has undertaken to each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-manager, the Hong Kong Underwriters and the Sole Sponsor to procure our Company to comply with the above undertaking.

The Company has agreed and undertaken that it will not effect any purchase of Shares, or agree to do so, which may reduce the holdings of Shares held by the public (as defined in Rule 8.24 of the Listing Rules) below 25% on or before the date falling six months after the Listing Date without first having obtained the prior written consent of the Sole Sponsor (for itself and on behalf of the Hong Kong Underwriters).

(B) Undertakings by our Controlling Shareholders

Pursuant to the Hong Kong Underwriting Agreement, each of our Controlling Shareholders has undertaken to each of the Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-manager, the Hong Kong Underwriters and the Sole Sponsor that, except pursuant to the Stock Borrowing Agreement, without the prior written consent of the Sole Sponsor (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) he/it will not, and will procure that the relevant registered holder(s) 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 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 (iii) enter into any transaction with the same economic effect as any transaction specified in sub-paragraphs (i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in sub-paragraphs (i), (ii) or (iii) above, in each case, whether any of the transactions specified in sub-paragraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-month Period);

(b) he/it will not, and will procure that the relevant registered holder(s) will not, during the Second Six-Month Period, enter into any of the transactions specified in sub-paragraphs (a)(i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, he/it will cease to be a controlling shareholder (as the term is defined in the Listing Rules) of our Company; and

(c) until the expiry of the Second Six-Month Period, in the event that he/it enters into any of the transactions specified in sub-paragraphs (a)(i), (ii) or (iii) above or offer to or agrees to or announce any intention to effect any such transaction, he/it will take all reasonable steps to ensure that he/it will not create a disorderly or false market in the securities of our Company,

provided that nothing above shall prevent the Controlling Shareholders from using the Shares or other securities of our Company or any interest therein beneficially owned by them as security (including a charge or a pledge) in favour of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan.

Each of our Controlling Shareholders has further undertaken to each of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-manager and the Hong Kong Underwriters that, he/it will, at any time within the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date which is 12 months from the Listing Date, immediately inform the Company and the Sole Sponsor in writing of:

(a) any pledge or charge of any Shares or other securities or interests in the Shares or securities of the Company beneficially owned by him/it, together with the number of Shares or securities so pledged or charged and the purpose for which such pledge or charge is to be created; and

(b) any indication received by him/it, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities or interests in the Shares or securities of the Company will be disposed of.

Each of the Controlling Shareholders have agreed and undertaken that he/it will not, and each of them further undertakes to procure that our Company will not, effect any purchase of Shares, or agree to do so, which may reduce the holdings of Shares held by the public (as defined in Rule 8.24 of the Listing Rules) below 25% on or before the date falling six months after the Listing Date without first having obtained the prior written consent of the Sole Sponsor (for itself and on behalf of the Hong Kong Underwriters).

Indemnity

Each of our Company and the Controlling Shareholders has agreed to jointly and severally indemnify, among others, the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach of our Company and the Controlling Shareholders of the Hong Kong Underwriting Agreement.

Undertakings to the Stock Exchange pursuant to the Listing Rules

In addition to the above undertakings under the Hong Kong Underwriting Agreement, our Company and our Controlling Shareholders have undertaken to the Stock Exchange pursuant to Rule 10.08 and Rule 10.07 of the Listing Rules, respectively.

By our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further shares or securities convertible into equity securities of a listed issuer (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of shares or securities will be completed within six months from the Listing Date), except for certain circumstances prescribed by Rule 10.08 of the Listing Rules.

By our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, our Controlling Shareholders have undertaken to the Stock Exchange that, except pursuant to the Global Offering, they shall not

(a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those securities of our Company in respect of which he is or they are shown by this prospectus to be the beneficial owner(s); or

(b) in the period of six months commencing on the date on which the period referred to in Rule 10.07(1)(a) of the Listing Rules expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in Rule 10.07(1)(a) of the Listing Rules if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, that person or group of persons would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

According to Note (2) to Rule 10.07(2) of the Listing Rules, nothing in this rule shall prevent a controlling shareholder from using securities of the issuer beneficially owned by him as security (including a charge or a pledge) in favour of an authorised institution (as defined in the Banking Ordinance) for a bona fide commercial loan.

Pursuant to Note (3) of Rule 10.07(2) of the Listing Rules, our Controlling shareholders have undertaken to our Company and the Stock Exchange that, during the period referred to in paragraphs (a) and (b) above:

(a) when he/it pledges or charges any securities beneficially owned by him/it in favour of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged/charged; and

(b) when he/it receives indications, either verbal or written, from the pledgee/chargee that any of the pledged/charged securities will be disposed of, immediately inform the issuer of such indications.

Our Company will also inform the Stock Exchange as soon as we have been informed of the above matters, if any, by any of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed.

International Offering

In connection with the International Offering, we expect to enter into the International Underwriting Agreement with the International Underwriters and other parties thereto. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions set out therein, agree to purchase the International Offering Shares or procure subscribers or purchasers for the International Offering Shares. The International Underwriting Agreement is expected to provide that it may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors will be reminded that in the event the International Underwriting Agreement is not entered into, the Global Offering will not proceed. It is expected that pursuant to the International Underwriting Agreement, we will give undertakings similar to those given pursuant to the Hong Kong Underwriting Agreement as described in paragraph headed "Underwriting Arrangements and Expenses – Hong Kong Public Offering – Undertakings pursuant to the Hong Kong Underwriting" in this section.

Under the International Underwriting Agreement, we are expected to grant to BNP Paribas the Over-allotment Option, exercisable by BNP Paribas at any time and from time to time from the Listing Date until (and including) 30 days after the last date for lodging of Application Forms under the Hong Kong Public Offering, to sell up to an aggregate of 75,000,000 additional Shares, representing in aggregate of approximately 15% of the number of Offer Shares initially available under the Global Offering. These Shares will be sold at the Offer Price plus brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%.

Underwriting Commission and Expenses

The Hong Kong Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially under the Hong Kong Public Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters.

Assuming an Offer Price of HK$6.44 per Share (being the mid-point of the indicative Offer Price range), the listing expenses, representing professional and other fees incurred in connection with the Listing, including underwriting commissions but excluding discretionary bonus, (collectively the "Commissions and Fees") are estimated to be approximately RMB119.4 million (assuming the Over-allotment Option is not exercised at all) in total.

The Commissions and Fees were determined after arm's length negotiation between our Company and the Hong Kong Underwriters or other parties by reference to the current market conditions.

Hong Kong Underwriters' Interests in the Company

Save as disclosed in this document and save for its obligations under the Hong Kong Underwriting Agreement, the Hong Kong Underwriters do not have any shareholding interests in any member of our Company or any right or options (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Company.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of Shares as a result of fulfilling their obligations under the Underwriting Agreements.

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 activity 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". 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, its affiliates or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to 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.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

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 newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, BNP Paribas, as Stabilisation Manager, or its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions may be effected in compliance with all applicable laws, rules and regulatory requirements in place. However, there is no obligation on the Stabilisation Manager, its affiliates or any person acting for it to do this. Such stabilisation, if commenced, will be conducted at the absolute discretion of the Stabilisation Manager, or its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period.

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:

(a) purchase, or agree to purchase, any of the Offer Shares or offer or attempt to do so for the sole purpose of preventing or minimising any reduction in the market price of the Offer Shares;

(b) in connection with any action described in paragraph (a) above:

(i) (1) over-allocate the Shares; or (2) sell or agree to sell the Offer Shares so as to establish a short position in them;

(ii) purchase or subscribe for or agree to purchase or subscribe for the Offer Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (i) above;

(iii) sell or agree to sell any of the Offer Shares to liquidate a long position held as a result of those purchases; or

(iv) offer or attempt to do anything as described in paragraphs (b)(i)(2), (b)(ii) or (b)(iii) 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 Offer Shares, and there is no certainty regarding the extent to which and the time period for which it will maintain any such 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 it and selling in the open market, which may include a decline in the market price of the Offer Shares.

Stabilisation cannot be used to support the price of the Offer Shares for longer than the stabilisation period, which begins on the Listing Date and ends on the thirtieth day after the last day for lodging of applications under the Hong Kong Public Offering. After this date, when no further stabilisation action may be taken, demand for the Shares, and therefore their 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 the Shares staying at or above the Offer Price either during or after the stabilisation period. Stabilising bids or market purchases effected in the course of the stabilisation action may be made at any price at or below the Offer Price and can therefore be done at a price below the price the investor has paid in acquiring the Offer Shares.

In connection with the Global Offering, BNP Paribas may over-allocate up to and not more than an aggregate of 75,000,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or a combination of these means.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

THE GLOBAL OFFERING

This document is published in connection with the Hong Kong Public Offering as part of the Global Offering. BNP Paribas and CLSA Limited are the Joint Global Coordinators of the Global Offering. The Global Offering comprises:

- the Hong Kong Public Offering of initially 50,000,000 Shares (subject to reallocation) in Hong Kong as described in the paragraph headed "The Hong Kong Public Offering" in this section; and
- the International Offering of initially 450,000,000 Shares (subject to reallocation and exclusive of the Over-allotment Option) outside the United States in offshore transactions in reliance on Regulation S, and in the United States to QIBs, as described in the paragraph headed "The International Offering" in this section.

Investors may either apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for International Offering Shares under the International Offering, but may not do both.

The Offer Shares will represent 25% of the issued share capital of the Company immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Option Schemes or the Share Award Scheme. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of the issued share capital of the Company immediately following the completion of the Global Offering, assuming no Shares are issued under the Share Option Schemes or the Share Award Scheme.

THE HONG KONG PUBLIC OFFERING

The Hong Kong Public Offering is a fully underwritten public offering (subject to agreement as to pricing and satisfaction or waiver of the other conditions provided in the Hong Kong Underwriting Agreement and described in the paragraph headed "Conditions of the Global Offering" in this section) for the subscription in Hong Kong of, initially, 50,000,000 Offer Shares at the Offer Price (representing 10% of the total number of the Offer Shares initially available under the Global Offering). Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering described below, the Hong Kong Offer Shares will represent 2.5% of our enlarged issued share capital immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised at all and without taking into account any Shares which may be issued upon the exercise of any options granted under the Share Option Schemes and any grants under the Share Award Scheme). The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors.

Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary depending on the number of Hong Kong Offer Shares validly applied for by applicants. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and that those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of the Offer Shares available under the Hong Kong Public Offering is to be divided equally into two pools for allocation purposes:

- Pool A: The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of HK$5,000,000 (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) or less; and

- Pool B: The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of more than HK$5,000,000 (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) and up to the value of pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that pool and be allocated accordingly. For the purpose of this subsection only, the "subscription price" for the Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. We will reject multiple applications between the two pools and reject multiple applications within pool A or pool B. In addition, any application for more than 50% of 50,000,000 Offer Shares initially included in the Hong Kong Public Offering (that is, 25,000,000 Offer Shares) will be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Offer Shares under the International Offering, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue, as the case may be. We and the Hong Kong Underwriters will take reasonable steps to identify and reject applications under the Hong Kong Public Offering from investors who have indicated interest in or have received Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have applied for or have received Offer Shares in the Hong Kong Public Offering.

Reallocation and Clawback

The allocation of our Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Currently, we have allocated 50,000,000 Shares to the Hong Kong Public Offering, representing 10% of our Shares initially available in the Global Offering.

If the number of Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Offer Shares available for subscription under the Hong Kong Public Offering, then our Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of our Offer Shares available under the Hong Kong Public Offering will be increased to 150,000,000 Shares (in the case of (i)), 200,000,000 Shares (in the case of (ii)) and 250,000,000 Shares (in the case of (iii)), respectively, representing 30%, 40% and 50%, respectively, of the total number of Offer Shares available under the Global

Offering (before any exercise of the Over-allotment Option). In addition, BNP Paribas has the discretion to reallocate our Shares offered in the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, BNP Paribas may, in its discretion, reallocate to the International Offering all or any unsubscribed Shares offered in the Hong Kong Public Offering in such amount as they deem appropriate.

THE INTERNATIONAL OFFERING

The number of the Offer Shares to be initially offered for subscription and sale under the International Offering will be 450,000,000 Offer Shares, representing 90% of the Offer Shares initially available under the Global Offering and 22.5% of our enlarged issued share capital immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised at all and without taking into account any Shares which may be issued upon the exercise of any options granted under the Share Option Schemes and any grants under the Share Award Scheme).

Allocation

Pursuant to the International Offering, the International Offering Shares will be conditionally placed on our behalf by the International Underwriters or through selling agents appointed by them. International Offering Shares will be placed with certain professional and institutional investors and other investors anticipated to have a sizeable demand for the International Offering Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Allocation of the International Offering Shares to investors under the International Offering will be determined by BNP Paribas and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not the relevant investor is likely to buy further, and/or hold or sell its International Offering Shares after the listing of our Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the International Offering Shares on a basis which would lead to the establishment of an appropriate shareholder base to our benefit and the benefit of our Shareholders as a whole.

BNP Paribas (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 BNP Paribas so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that such investor is excluded from any application of Hong Kong Offer Shares under the Hong Kong Public Offering. The International Offering is subject to the Hong Kong Public Offering becoming unconditional.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Company intends to grant the Over-allotment Option to BNP Paribas and exercisable by BNP Paribas for up to 30 days from the last day for the lodging applications under the Hong Kong Public Offering, to require the Company to allot and issue up to an aggregate of 75,000,000 additional Shares, representing 15% of the initial size of the Global Offering at the Offer Price to cover, among other things, over-allocations in the International Offering, if any. In the event that the Over-allotment Option is exercised, we will make an announcement.

BNP Paribas may cover any over-allocations by using Shares purchased by the Stabilisation Manager, its affiliates or any person acting for it in the secondary market, exercising the Over-allotment Option in full or in part or by a combination of these means. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations in place in Hong Kong, including in relation to stabilisation, the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which may be sold under the Over-allotment Option, namely 75,000,000 Shares, representing 15% of the Shares available under the Global Offering.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public offer price of the securities. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws, rules and regulations in place, including those of Hong Kong. In Hong Kong and certain other jurisdictions, the stabilisation price is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilisation Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period which begins on the commencement of trading of the Shares on the Stock Exchange and ends on the 30th day after the last day for lodging applications under the Hong Kong Public Offering. The stabilising period is expected to expire on Sunday, 7 January 2018. However, there is no obligation on the Stabilisation Manager, or its affiliates or any person acting for it to do this. Such stabilising action, if taken, may be discontinued at any time, and must be brought to an end after a limited period. The number of Shares which can be over-allocated will not exceed the number of Shares which may be sold under the Over-allotment Option, namely 75,000,000 Shares, which is 15% of the Shares available under the Global Offering.

Stabilising action is permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules includes (a) primary stabilisation, including purchasing, or agreeing to purchase, any of the Shares or offering or attempting to do so for the purpose of preventing or minimising any reduction in the market price of the Shares, and (b) ancillary stabilisation in connection with any primary stabilising action, including: (i) over-allocation for the purpose of preventing or minimising any reduction in the market price; (ii) selling or agreeing to sell Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price; (iii) purchasing or agreeing to purchase Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) selling or agreeing to sell Shares to liquidate a long position held as a result of those purchases or subscriptions; and (v) offering or attempting to do anything described in (ii), (iii) or (iv). The Stabilisation Manager, its affiliates or any person acting for it may take any one or more of the stabilising actions described above.

Prospective applicants for and investors in the Offer Shares should note that:

- the Stabilisation Manager, its affiliates or any person acting for it may, in connection with the stabilising action, maintain a long position in our Shares;

- there is no certainty as to the extent to which and the time or period for which the Stabilisation Manager, its affiliates or any person acting for it will maintain such a long position;

- liquidation of any such long position by the Stabilisation Manager, its affiliates or any person acting for it and selling in the open market, may have an adverse impact on the market price of our Shares;

- no stabilising action can be taken to support the price of our Shares for longer than the stabilisation period, which will begin on the Listing Date, and is expected to expire on the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;

- the price of our Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and

- stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

We will ensure to procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

PRICING

Determination of Offer Price

We expect the Offer Price to be fixed by agreement among us and BNP Paribas (on behalf of the Underwriters) on the Price Determination Date when market demand for the Offer Shares will be determined. We expect the Price Determination Date to be on or around Friday, 8 December 2017 and in any event, no later than Saturday, 9 December 2017. The Offer Price will not be more than HK$7.02 per Offer Share and is expected to be not less than HK$5.86 per Offer Share. You should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this document.

Prospective professional, institutional and other investors will be required to specify the number of the 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 the Price Determination Date.

BNP Paribas, on behalf of the Underwriters, may, with our consent, where considered appropriate based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process reduce the number of Offer Shares and/or the indicative Offer Price range below that described in this document prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering publish a notice in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) of the reduction in the number of Offer Shares and/or the indicative Offer Price range. Such notice will also be available at the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.chinaeducation.hk**.

Upon issue of such a notice, the revised number of Offer Shares and/or offer price range will be final and conclusive and the Offer Price, if agreed upon between BNP Paribas (on behalf of the Underwriters) and us will be fixed within such revised offer price range. In this notice, we will also confirm or revise, as appropriate, the working capital statement as currently disclosed in the section headed "Financial Information – Working capital", the offering statistics as currently disclosed in the sections headed "Summary" and "Information about this Document and the Global Offering", the use of proceeds in the section headed "Future Plans and Use of Proceeds" and any other financial information which may change as a result of such reduction. If we do not publish a notice in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) of a reduction in the number of Offer Shares and/or the indicative Offer Price range stated in this document on or before the morning of the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, if agreed upon by us, will be within the indicative Offer Price range as stated in this document.

If we are unable to reach an agreement with BNP Paribas (on behalf of the Underwriters) on the Offer Price by 5:00 p.m. on Saturday, 9 December 2017, the Global Offering will not proceed and will lapse immediately.

We expect to publish an announcement of the Offer Price, together with the level of interest in the International Offering and the level of applications and the basis of allocation of the Hong Kong Offer Shares, on Thursday, 14 December 2017.

Price Payable on Application

The Offer Price will not be more than HK$7.02 and is expected to be not less than HK$5.86, unless otherwise announced by no later than the morning of the last day for lodging applications under the Hong Kong Public Offering as further explained below. If you apply for the Offer Shares under the Hong Kong Public Offering, you must pay the maximum Offer Price of HK$7.02 per Offer Share plus a 1.0% brokerage fee, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy. This means that, for every board lot of 1,000 Offer Shares, you should pay HK$7,090.74 at the time of your application.

If the Offer Price is lower than HK$5.86, we will refund the respective difference, including the brokerage fee, Stock Exchange trading fee and SFC transaction levy attributable to the surplus application monies. We will not pay interest on any refunded amounts. You may find further details in the section headed "How to Apply for Hong Kong Offer Shares".

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters and the International Offering is expected to be fully underwritten by the International Underwriters. The Hong Kong Public Offering and the International Offering are subject to the conditions described in the section headed "Underwriting". In particular, we and BNP Paribas (on behalf of the Underwriters), must agree on the Offer Price for the Global Offering. The Hong Kong Underwriting Agreement was entered into on Monday, 4 December 2017 and, is subject to an agreement on the Offer Price between BNP Paribas (for itself and on behalf of the Underwriters) and us for purposes of the Hong Kong Public Offering. The International Underwriting Agreement including the agreement on the Offer Price among us and BNP Paribas (for itself and on behalf of the International Underwriters for purposes of the International Offering) is expected to be entered into on Friday, 8 December 2017 being the Price Determination Date. The Hong Kong Underwriting Agreement and the International Underwriting Agreement are inter-conditional upon each other.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares will be conditional on, among other things:

- the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued as described in this document (including any additional Shares to be issued pursuant to any exercise of the Over-allotment Option), and such listing and permission not having been subsequently revoked prior to the commencement of trading in our Shares on the Stock Exchange;

- the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

- the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by BNP Paribas on behalf of the Underwriters) and such obligations not being terminated in accordance with the terms of the respective agreements,

in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date that is 30 days after the date of this document.

The consummation of each of the International Offering and the Hong Kong Public Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will not proceed and will lapse immediately and the Stock Exchange will be notified immediately. We will publish a notice of the lapse of the Global Offering in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the day after such lapse. In such situation, we will return all application monies to the applicants, without interest and on the terms described in the section headed "How to Apply for Hong Kong Offer Shares – Refund of application monies". In the meantime, we will hold all application monies in a separate bank account or separate bank accounts with the receiving bankers or other banks licenced under the Banking Ordinance.

We expect to despatch share certificates for the Offer Shares on Thursday, 14 December 2017. However, these share certificates will only become valid certificates of title at 8:00 a.m. on Friday, 15 December 2017 provided that:

- the Global Offering has become unconditional in all respects; and
- the right of termination as described in the section headed "Underwriting" in this document has not been exercised.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 15 December 2017, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 15 December 2017. The Shares will be traded in board lots of 1,000 Shares each.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offering Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via **White Form eIPO** 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.

The Company, BNP Paribas, 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 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 United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through **White Form eIPO**, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, BNP Paribas 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** for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- are a director or chief executive officer of the Company and/or any of its subsidiaries;
- are a close associate (as defined in the Listing Rules) of any of the above;
- are a core connected person (as defined in the Listing Rules) of the Company or will become a core connected person of the Company immediately upon completion of the Global Offering; or
- have been allocated or have applied for or indicated an interest in any Offer Shares under the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a copy of this document during normal business hours between 9:00 a.m. on Tuesday, 5 December 2017 to 12:00 noon on Friday, 8 December 2017 from:

(i) any of the following offices of the Hong Kong Underwriters:

BNP Paribas Securities (Asia) Limited	62/F Two International Finance Centre 8 Finance Street Central Hong Kong
CLSA Limited	18/F, One Pacific Place 88 Queensway Hong Kong
ICBC International Securities Limited	37/F, ICBC Tower 3 Garden Road Hong Kong
ABCI Securities Company Limited	10/F, Agricultural Bank of China Tower 50 Connaught Road Central Central Hong Kong

CCB International Capital Limited	12/F, CCB Tower 3 Connaught Road Central Central Hong Kong
China Securities (International) Corporate Finance Company Limited	18/F, Two Exchange Square 8 Connaught Place Central Hong Kong
Haitong International Securities Company Limited	22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Pacific Foundation Securities Limited	11/F, New World Tower Two 16-18 Queen's Road Central Central Hong Kong

(ii) any of the branches of the receiving bank, Standard Chartered Bank (Hong Kong) Limited:

Region	Branch Name	Address
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	Causeway Bay Branch	G/F to 2/F, Yee Wah Mansion, 38-40A Yee Wo Street, Causeway Bay
	Quarry Bay Branch	G/F, Westlands Gardens, 1027 King's Road, Quarry Bay
Kowloon	68 Nathan Road Branch	Basement, Shop B1, G/F and M/F Golden Crown Court, 66-70 Nathan Road, Tsimshatsui
	Mei Foo Manhattan Branch	Shop Nos.07 & 09, Ground Floor, Mei Foo Plaza, Mei Foo Sun Chuen
	Cheung Sha Wan Branch	G/F, 828 Cheung Sha Wan Road, Cheung Sha Wan
New Territories	Tuen Mun Town Plaza Branch	Shop No. G047-G052, Tuen Mun Town Plaza Phase I, Tuen Mun
	Yuen Long Fung Nin Road Branch	Shop B at G/F and 1/F, Man Cheong Building, 239-247&247A Castle Peak Road, Yuen Long

You can collect a **YELLOW** Application Form and a copy of this document during normal business hours from 9:00 a.m. on Tuesday, 5 December 2017 until 12:00 noon on Friday, 8 December 2017 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 "Horsford Nominees Limited – China 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:

Tuesday, 5 December 2017	–	9:00 a.m. to 5:00 p.m.
Wednesday, 6 December 2017	–	9:00 a.m. to 5:00 p.m.
Thursday, 7 December 2017	–	9:00 a.m. to 5:00 p.m.
Friday, 8 December 2017	–	9:00 a.m. to 12:00 noon.

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 8 December 2017, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through **White Form eIPO**, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise the Company and/or BNP Paribas (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Cayman Companies Law, 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 document and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this document and have only relied on the information and representations contained in this document in making your application and will not rely on any other information or representations except those in any supplement to this document;

(v) confirm that you are aware of the restrictions on the Global Offering in this document;

(vi) agree that none of the Company, BNP Paribas, 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 document (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 participate in the International Offering;

(viii) agree to disclose to the Company, our Hong Kong Share Registrar, receiving banks, BNP Paribas, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, BNP Paribas 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 document and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and BNP Paribas will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **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 WHITE FORM eIPO

General

Individuals who meet the criteria as described in the "Who can apply" section, may apply through **White Form eIPO** 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 **White Form eIPO** are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **White Form eIPO** Service Provider to apply on the terms and conditions in this document, as supplemented and amended by the terms and conditions of **White Form eIPO**.

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. on Tuesday, 5 December 2017 until 11:30 a.m. on Friday, 8 December 2017 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 8 December 2017 or such later time under the "Effects of Bad Weather on the Opening of the Applications 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 **White Form eIPO** to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **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 **White Form eIPO** 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, the Company and all other parties involved in the preparation of this document 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 per each "CHINA EDUCATION GROUP HOLDINGS LIMITED" **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of "Source of Dong Jiang – Hong Kong Forest" 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 Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling (+852) 2979 7888 or through the CCASS Internet System at https://ip.ccass.com/(using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square,
8 Connaught Place, Central, Hong Kong

and complete an input request form.

You can also collect a copy of this document from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, BNP Paribas and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this document;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International 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 his agent;

- confirm that you understand that the Company, the Directors and BNP Paribas will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this document and agree to be bound by them;

- confirm that you have received and/or read a copy of this document and have relied only on the information and representations in this document in causing the application to be made, save as set out in any supplement to this document;

- agree that none of the Company, the Joint Global Coordinators, 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 document (and any supplement to it);

- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving banks, BNP Paribas, the Underwriters and/or their respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this document. 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 document 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 document;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Cayman Companies Law, 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 the 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 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 document.

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 Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Tuesday, 5 December 2017: 9:00 a.m. to 8:30 p.m.[(1)]

- Wednesday, 6 December 2017: 8:00 a.m. to 8:30 p.m.[(1)]

- Thursday, 7 December 2017: 8:00 a.m. to 8:30 p.m.[(1)]

- Friday, 8 December 2017: 8:00 a.m.[(1)] to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Tuesday, 5 December 2017 until 12:00 noon on Friday, 8 December 2017 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Friday, 8 December 2017, the last application day or such later time as described in "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 Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this document acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (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 the Company, the Hong Kong Share Registrar, the receiving bankers, BNP Paribas, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through **White Form eIPO** 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. The Company, the Directors, the Joint Bookrunners, the Sole Sponsor, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through **White Form eIPO** will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Friday, 8 December 2017.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through **White Form eIPO**, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through **White Form eIPO** in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified 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).

For further details on the Offer Price, see the sections headed "Structure of the Global Offering – Pricing".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 8 December 2017. 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 Friday, 8 December 2017 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", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, 14 December 2017 in South China Morning Post (in English), Hong Kong Economic Times (in Chinese), on the Company's website at **www.chinaeducation.hk** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.chinaeducation.hk** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Thursday, 14 December 2017;
- from the designated results of allocations website at **www.iporesults.com.hk** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, 14 December 2017 to 12:00 mid-night on Wednesday, 20 December 2017;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. to 10:00 p.m. from Thursday, 14 December 2017 to Sunday, 17 December 2017;
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 14 December 2017 to Saturday, 16 December 2017 at all the receiving bank's designated branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Global Offering”.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to the **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 the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this document 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 document.

If any supplement to this document is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, BNP Paribas, the Hong Kong Share Registrar, 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 Offer Shares is void:

The allotment of Hong Kong 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 the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offering Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through **White Form eIPO** are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believes that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$7.02 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering – Conditions of the Hong Kong Public Offering" or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, 14 December 2017.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in 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 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 Thursday, 14 December 2017. 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 Friday, 15 December 2017 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this document has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 14 December 2017 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 despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Thursday, 14 December 2017 by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Thursday, 14 December 2017, 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 Thursday, 14 December 2017, 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 Offering shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

  The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 14 December 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO Service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 14 December 2017, or such other date as notified by the Company in the newspapers as the date of despatch/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 Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, 14 December 2017 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 despatched 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 despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 14 December 2017, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Thursday, 14 December 2017. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 14 December 2017 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 14 December 2017. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 6 December 2017.

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 document, 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 EDUCATION GROUP HOLDINGS LIMITED AND BNP PARIBAS SECURITIES (ASIA) LIMITED

Introduction

We report on the historical financial information of China Education Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages IA-4 to IA-59, which comprises the consolidated statements of financial position as at 31 December 2014, 2015 and 2016 and 30 June 2017, the statement of financial position of the Company as at 30 June 2017, 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 December 2016 and the six months ended 30 June 2017 (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-4 to IA-59 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 5 December 2017 (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 December 2014, 2015 and 2016 and 30 June 2017, of the Company's financial position as at 30 June 2017 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 30 June 2016 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 preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IA-4 have been made.

Dividends

We refer to note 13 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
5 December 2017

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 is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board 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

		Year ended 31 December			Six months ended 30 June	
	NOTES	**2014**	**2015**	**2016**	**2016**	**2017**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Continuing operations						
Revenue	*5*	821,934	846,016	861,289	417,976	405,375
Cost of revenue		(408,683)	(415,897)	(404,577)	(180,028)	(165,108)
Gross profit		413,251	430,119	456,712	237,948	240,267
Other income	*6*	38,772	58,388	73,879	32,476	17,961
Investment income	*7a*	4,154	9,786	17,861	8,784	9,304
Other gains and losses	*7b*	3,233	(3,918)	2,627	(587)	4,544
Selling expenses		(21,573)	(14,289)	(9,367)	(4,953)	(579)
Administrative expenses		(111,265)	(103,385)	(101,523)	(48,889)	(57,424)
Listing expenses		–	–	–	–	(10,146)
Finance costs	*8*	(13,210)	(12,294)	(14,889)	(6,130)	(10,011)
Profit before taxation		313,362	364,407	425,300	218,649	193,916
Taxation	*9*	(3,936)	(2,506)	(1,949)	(1,233)	(903)
Profit and total comprehensive income for the year/period from continuing operations		309,426	361,901	423,351	217,416	193,013
Discontinued operations						
Profit (loss) and total comprehensive income (expenses) for the year/period from discontinued operations	*11*	93	(13,642)	(10,836)	(4,605)	7,407
Profit and total comprehensive income for the year/period	*10*	309,519	348,259	412,515	212,811	200,420
Profit (loss) and total comprehensive income (expenses) for the year/period attributable to owners of the Company						
– from continuing operations		309,426	361,901	423,351	217,416	193,013
– from discontinued operations		(541)	(14,318)	(11,997)	(4,790)	7,419
		308,885	347,583	411,354	212,626	200,432
Profit (loss) and total comprehensive income (expense) for the year/period attributable to non-controlling interests						
– from discontinued operations		634	676	1,161	185	(12)
		309,519	348,259	412,515	212,811	200,420
From continuing and discontinued operations						
Earnings per share						
Basic (RMB cents)	*14*	20.59	23.17	27.42	14.18	13.36
From continuing operations						
Earnings per share						
Basic (RMB cents)	*14*	20.63	24.13	28.22	14.49	12.87

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		The Group			
		At 31 December			At 30 June
	NOTES	**2014**	**2015**	**2016**	**2017**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*15*	1,969,425	2,230,679	2,415,697	2,358,662
Prepaid lease payments	*16*	53,305	51,984	50,663	50,003
Available-for-sale investment	*18(a)*	1,000	1,000	–	–
Amounts due from related parties	*27*	28,056	49,619	1,526	–
Amounts due from directors	*27*	54,729	153,445	–	–
Deposits paid for prepaid lease payments	*20*	30,412	34,416	66,130	66,130
Deposits paid for acquisition of property, plant and equipment		6,354	4,186	3,147	5,200
		2,143,281	2,525,329	2,537,163	2,479,995
CURRENT ASSETS					
Inventories		213	337	316	257
Trade receivables, deposits, prepayments and other receivables	*21*	30,489	28,684	39,612	49,252
Amounts due from shareholders	*27*	–	–	–	1
Amounts due from related parties	*27*	38,084	52,325	168,952	190,283
Amounts due from directors	*27*	122,857	191,296	446,032	476,016
Held for trading investments	*18(b)*	12,142	10,260	7,356	6,820
Structured deposits	*19*	207,001	257,001	418,201	298,900
Prepaid lease payments	*16*	1,321	1,321	1,321	1,321
Bank balances and cash	*22*	332,081	373,854	247,133	192,129
		744,188	915,078	1,328,923	1,214,979
CURRENT LIABILITIES					
Deferred revenue	*23*	590,204	602,287	595,208	253,495
Trade payables	*24*	4,110	6,844	9,296	4,240
Other payables and accrued expenses	*25*	168,131	188,240	207,684	232,808
Amounts due to related parties	*27*	19,443	34,822	38,478	200
Amounts due to a director	*27*	–	–	–	3,898
Income tax payable		4,077	6,650	9,283	9,271
Bank borrowings	*26*	51,000	195,000	209,936	211,936
		836,965	1,033,843	1,069,885	715,848
NET CURRENT (LIABILITIES) ASSETS		(92,777)	(118,765)	259,038	499,131
TOTAL ASSETS LESS CURRENT LIABILITIES		2,050,504	2,406,564	2,796,201	2,979,126
NON-CURRENT LIABILITIES					
Deferred revenue	*23*	12,620	19,903	25,722	23,470
Bank borrowings	*26*	237,000	265,645	243,140	214,440
		249,620	285,548	268,862	237,910
		1,800,884	2,121,016	2,527,339	2,741,216
CAPITAL AND RESERVES					
Share capital/paid-in capital	*28*	181,680	181,680	181,680	1
Reserves		1,600,545	1,936,776	2,341,938	2,741,215
Equity attributable to owners of the Company		1,782,225	2,118,456	2,523,618	2,741,216
Non-controlling interests		18,659	2,560	3,721	–
		1,800,884	2,121,016	2,527,339	2,741,216

STATEMENT OF FINANCIAL POSITION

	NOTES	The Company At 30 June 2017
		RMB'000
NON-CURRENT ASSET		
Investment in a subsidiary	*17*	1
CURRENT ASSETS		
Amounts due from shareholders	*27*	1
Deferred listing expenses	*21*	3,050
Prepaid listing expenses	*21*	951
		4,002
CURRENT LIABILITIES		
Accrued listing expenses	*25*	6,839
Amount due to a subsidiary	*27*	4,080
Amount due to a director	*27*	3,270
		14,189
NET CURRENT LIABILITIES		(10,187)
		(10,186)
CAPITAL AND RESERVE		
Share capital	*28*	1
Reserve	*29*	(10,187)
		(10,186)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Share capital/ paid-up capital	Merger reserve	Other reserve	Statutory surplus reserve	Accumulated profits	Total	Non-controlling interests	Total
	RMB'000	*RMB'000* *(Note i)*	*RMB'000* *(Note ii)*	*RMB'000* *(Note iv)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	181,680	–	(1,048)	728,804	579,146	1,488,582	18,025	1,506,607
Profit and total comprehensive income for the year	–	–	–	–	308,885	308,885	634	309,519
Deemed distribution to equity holders	–	–	(15,242)	–	–	(15,242)	–	(15,242)
Transfer	–	–	–	155,340	(155,340)	–	–	–
At 31 December 2014	181,680	–	(16,290)	884,144	732,691	1,782,225	18,659	1,800,884
Profit and total comprehensive income for the year	–	–	–	–	347,583	347,583	676	348,259
Deemed acquisition of additional interest in a subsidiary *(Note iii)*	–	–	1,775	–	–	1,775	(16,775)	(15,000)
Deemed distribution to equity holders	–	–	(13,127)	–	–	(13,127)	–	(13,127)
Transfer	–	–	–	88,738	(88,738)	–	–	–
At 31 December 2015	181,680	–	(27,642)	972,882	991,536	2,118,456	2,560	2,121,016
Profit and total comprehensive income for the year	–	–	–	–	411,354	411,354	1,161	412,515
Transfer	–	–	–	98,906	(98,906)	–	–	–
Deemed distribution to equity holders	–	–	(6,192)	–	–	(6,192)	–	(6,192)
At 31 December 2016	181,680	–	(33,834)	1,071,788	1,303,984	2,523,618	3,721	2,527,339
Profit (loss) and total comprehensive income (expense) for the period	–	–	–	–	200,432	200,432	(12)	200,420
Capital contribution from one of the equity holders	–	–	17,166	–	–	17,166	–	17,166
Disposal of subsidiaries *(note 33)*	–	–	(17,891)	(7)	17,898	–	(1,957)	(1,957)
Arising from reorganisation	(181,679)	181,679	–	–	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	(1,752)	(1,752)
At 30 June 2017	1	181,679	(34,559)	1,071,781	1,522,314	2,741,216	–	2,741,216
At 1 January 2016	181,680	–	(27,642)	972,882	991,536	2,118,456	2,560	2,121,016
Profit and total comprehensive income for the period	–	–	–	–	212,626	212,626	185	212,811
Deemed distribution to equity holders	–	–	(6,000)	–	–	(6,000)	–	(6,000)
At 30 June 2016 (Unaudited)	181,680	–	(33,642)	972,882	1,204,162	2,325,082	2,745	2,327,827

Notes:

i. Amounts represent the transfer of the combined paid-in capital of the Consolidated Affiliated Entities (defined in note 1) to the merger reserve upon the Company became the holding company of the Consolidated Affiliated Entities which was effective from the date of Contractual Arrangements (defined in note 1).

ii. The other reserve represents (i) the difference between the principal amounts of consideration paid and the relevant share of carrying value of the subsidiary's net assets acquired from/disposed to the non-controlling interests; (ii) the deemed distribution to equity holders which represents the differences between the fair value of the lower-than-market interest rate advances to Mr. Yu Guo ("Mr. Yu") and Mr. Xie Ketao ("Mr. Xie"), controlling equity holders and an entity controlled by Mr. Xie and the principal amount of the advances at initial recognition and (iii) capital contribution from Mr. Yu through a company controlled by him. Details of the advances to Mr. Yu and Mr. Xie are disclosed in note 27.

iii. Ms. Xie Shaohua ("Ms. Xie"), sister of Mr. Xie, previously owned 82.5% equity interest in 廣東白雲大學生人力資源有限公司 (Guangdong Baiyun University Students Human Resources Company Limited) ("Baiyun Human Resources"). On 20 October 2015, she redeemed her capital injected in Baiyun Human Resources amounting to RMB15,000,000 (the "Capital Redemption") and her shareholding in Baiyun Human Resources was reduced from 82.5% to 30% accordingly. The difference between the decrease in the non-controlling interests of RMB16,775,000 and the Capital Redemption on 20 October 2015 is recognised as other reserve.

iv. Pursuant to the relevant laws 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 board of directors of the relevant PRC subsidiaries. These reserves include (i) general reserve of the limited liabilities companies and (ii) the development fund of schools.

    (i) 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.

    (ii) According to the relevant PRC laws and regulations, for private school that does not require for reasonable return, it is required to appropriate to development fund of not less than 25% of the net income of the relevant schools as determined in accordance with generally accepted accounting principles in the PRC. The development fund shall be used for the construction or maintenance of the schools or procurement or upgrading of educational equipment.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	NOTE	Year ended 31 December			Six months ended 30 June	
		2014	2015	2016	2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
OPERATING ACTIVITIES						
Profit for the year/period		309,519	348,259	412,515	212,811	200,420
Adjustments for:						
Income tax		4,025	2,592	2,862	1,233	906
Depreciation for property, plant and equipment		75,161	89,117	112,705	51,695	60,074
Release of prepaid lease payment		798	1,321	1,321	660	660
Finance costs		13,210	12,294	14,889	6,130	10,011
Reversal (written-off) of impairment of trade receivables		300	4,062	367	367	(23)
Fair value (gain) loss on held for trading investments		(2,898)	1,882	2,904	2,428	536
Net gain on structured deposits		(3,686)	(3,645)	(6,040)	(2,258)	(4,411)
Imputed interest income from amounts due from directors		(427)	(3,948)	(11,763)	(5,085)	(6,869)
Imputed interest income from amount due from a related party		(664)	(1,553)	(2,356)	(1,202)	(1,252)
Interest income from bank		(3,063)	(4,356)	(3,807)	(2,539)	(1,309)
Loss (gain) on disposal of property, plant and equipment		3,051	1,619	142	50	(646)
Gain on disposal of subsidiaries	33	–	–	–	–	(15,559)
Gain on disposal of an available-for-sale investment		–	–	(4,600)	–	–
		395,326	447,644	519,139	264,290	242,538
Operating cash flows before movements in working capital						
Decrease (increase) in inventories		14	(124)	21	64	(5)
Increase in trade receivables, deposits, prepayments and other receivables		(2,338)	(2,457)	(4,780)	(58,714)	(10,389)
Increase in amount due from a related party		(2,545)	(32,297)	(47,175)	(17,274)	(5,250)
(Decrease) increase in deferred revenue		(7,481)	8,140	(11,952)	(349,869)	(308,188)
Increase (decrease) in trade payables		2,397	2,734	2,452	7,492	(5,056)
Increase (decrease) in amounts due to related parties		48	56	3,631	(28)	(3,534)
Increase (decrease) in other payables and accruals		53,280	20,109	19,444	1,859	15,528
Cash generated from (used in) operations		438,701	443,805	480,780	(152,180)	(74,356)
Income tax paid		(151)	(19)	(229)	(226)	(13)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES		438,550	443,786	480,551	(152,406)	(74,369)

	NOTE	Year ended 31 December 2014	2015	2016	Six months ended 30 June 2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
INVESTING ACTIVITIES						
Purchase of structured deposits		(1,007,151)	(1,140,600)	(1,031,300)	(386,000)	(242,000)
Advances to directors		(245,539)	(297,372)	(303,693)	(31,318)	(23,115)
Payments for additions of property, plant and equipment		(214,979)	(339,448)	(285,224)	(135,910)	(44,313)
Advances to related parties		(47,145)	(18,221)	(20,603)	–	(18,229)
Addition of prepaid lease payments		(18,885)	–	–	–	–
Advances to third parties		(1,000)	–	(6,515)	–	–
Redemption of structured deposits		1,024,736	1,094,245	876,140	433,358	365,712
Repayment from directors		127,289	122,858	207,973	–	–
Government grants received		16,814	11,226	10,692	3,368	2,060
Interest income from bank		3,063	4,356	3,807	2,539	1,309
Proceeds from disposal of property, plant and equipment		211	1,863	434	403	3,036
Repayments from third parties		–	200	–	–	23
Repayments from related parties		–	14,447	1,600	1,600	4,926
Proceeds from disposal of available-for-sale investment		–	–	5,600	–	–
Deposits paid for prepaid lease payments		–	(4,004)	(31,714)	(21,942)	–
Net cash outflow from disposal of subsidiaries	33	–	–	–	–	(9,271)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(362,586)	(550,450)	(572,803)	(133,902)	40,138
FINANCING ACTIVITIES						
Interest paid		(19,183)	(24,531)	(26,925)	(14,620)	(11,364)
Repayment of bank borrowings		(8,000)	(170,000)	(232,339)	(86,000)	(136,700)
Advances from related parties		19,395	15,323	1,523	–	–
New bank borrowings raised		2,000	342,645	224,770	160,471	110,000
Capital contribution from one of the equity holders		–	–	–	–	17,166
Capital redemption of a non-controlling interest		–	(15,000)	–	–	–
Repayments to related parties		–	–	(1,498)	(463)	(211)
Dividend paid to non-controlling interests		–	–	–	–	(1,752)
Issue costs paid		–	–	–	–	(1,810)
Advances from directors		–	–	–	–	3,898
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(5,788)	148,437	(34,469)	59,388	(20,773)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		70,176	41,773	(126,721)	(226,920)	(55,004)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD		261,905	332,081	373,854	373,854	247,133
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, REPRESENTING BANK BALANCES AND CASH		332,081	373,854	247,133	146,934	192,129

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION, GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands and registered as an exempted company with limited liability under the Companies Law Chapter 22 of the Cayman Islands on 19 May 2017. Its shareholders are Blue Sky Education International Limited ("Blue Sky BVI") and White Clouds Education International Limited ("White Clouds BVI"), which both are incorporated in the British Virgin Islands (the "BVI"). Its ultimate controlling parties are Mr. Yu and Mr. Xie, who have historically and throughout the Track Record Period been the controlling equity holders of the Company and its subsidiaries (collectively referred to as the "Group") (Mr. Yu and Mr. Xie collectively as the "Controlling Equity Holders"). The addresses of the registered office and the principal place of business of the Company are disclosed in the section "Corporate Information" in the Prospectus.

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 main operating activities of the Group were carried out by 江西科技學院 (Jiangxi University of Technology) and 廣東白雲學院 (Guangdong Baiyun University), which were established in the PRC and engaged in the provision of primary and secondary schools education and university education. Throughout the Track Record Period, Mr. Yu has been the school sponsor of Jiangxi University of Technology and Mr. Xie has been the school sponsor of Guangdong Baiyun University. On 18 December 2007, Mr. Yu and Mr. Xie, Jiangxi University of Technology and Guangdong Baiyun University entered into a cooperation agreement (the "Cooperation Agreement"), pursuant to which Mr. Yu and Mr. Xie have the power to exercise collective management and control over Jiangxi University of Technology and Guangdong Baiyun University as concert parties, while Mr. Yu and Mr. Xie each agreed to transfer 50% of their respective sponsor interest in Jiangxi University of Technology and Guangdong Baiyun University respectively to the other party. Further, each of Mr. Yu and Mr. Xie agreed to, at the request of the other party, apply to the relevant authority for a change in school sponsor of Jiangxi University of Technology and Guangdong Baiyun University respectively, and to use best endeavors to execute all relevant documents to effect the change of school sponsor.

In preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, the Group underwent the reorganisation through entering into contractual arrangements (the "Contractual Arrangements") between Jiangxi University of Technology and Guangdong Baiyun University as detailed below.

Pursuant to the reorganisation as more fully explained in the paragraph headed under the sections headed "History, Reorganisation and Corporate Structure" and "Contractual Arrangements" in the Prospectus, the Company became the holding company of the companies now comprising the Group on 30 June 2017. Since the Controlling Equity Holders control all the companies now comprising the Group before and after the reorganisation, the Group comprising the Company and its subsidiaries (including the Consolidated Affiliated Entities as defined below) is regarded as a continuing entity. The Historical Financial Information for the Track Record Period has been prepared on the basis as if the Company had been always been the holding company of the Group using the principal of merger accounting.

Due to regulatory restrictions on foreign ownership in the schools in the PRC, the Group conducts a substantial portion of the business through Jiangxi University of Technology, 江西江科科技園管理有限公司 (Jiangxi Jiangke Technology Park Management Company Limited) ("Jiangxi Technology Park"), 江西科技學院附屬中學 (the Affiliated High School of the Jiangxi University of Technology) ("Jiangxi Affiliated High School"), 江西科技學院基金會 (Jiangxi University of Technology Foundation) ("Jiangxi Foundation") and 江西紅綠藍科技有限公司 (Jiangxi Red Green and Blue Technology Co., Ltd) ("Jiangxi Red Green and Blue") (collectively known as the "Jiangxi Educational Group") and Guangdong Baiyun University, Baiyun Human Resources and 天星社會工作服務中心 ("Tianxing Social Services Centre") (collectively known as the "Guangdong Educational Group") (Jiangxi Education Group and Guangdong Education Group are collectively known as the "Consolidated Affiliated Entities") in the PRC.

Except for Jiangxi University of Technology and Guangdong Baiyun University, all other entities of the Consolidated Affiliated Entities were disposed of during the six months ended 30 June 2017 as detailed in note 33. A wholly-owned subsidiary of the Company, 華教教育科技(江西)有限公司 (Huajiao Education Technology (Jiangxi) Company Limited) ("Huajiao Education") has entered into the Contractual Arrangements with Jiangxi University of Technology and Guangdong Baiyun University and the Controlling Equity Holders, which, effective from 30 June 2017, enable Huajiao Education and the Group to:

– exercise effective financial and operational control over the Consolidated Affiliated Entities;

– exercise equity holders' voting rights of the Consolidated Affiliated Entities;

– receive substantially all of the economic interest returns generated by the Consolidated Affiliated Entities in consideration for the technical services, management support, consulting services, intellectual property licenses and other additional services provided by Huajiao Education;

– obtain an irrevocable and exclusive right to purchase all or part of the sponsor interests in the Consolidated Affiliated Entities from the Controlling Equity Holders at nil consideration or a minimum purchase price permitted under PRC laws and regulations. Huajiao Education may exercise such options at any time until it has acquired all sponsor interests and/or all assets of the Consolidated Affiliated Entities. In addition, the Consolidated Affiliated Entities are not allowed to sell, transfer, or dispose any assets, or make any distributions to their equity holders without prior consent of Huajiao Education.

The Company does not have any equity interest in the Consolidated Affiliated Entities. However, as a result of the Contractual Arrangements, the Company has power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities and is therefore considered to have control over the Consolidated Affiliated Entities. Consequently, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries. The Group has consolidated the financial position and results of Jiangxi Educational Group and Guangdong Educational Group in the Historical Financial Information during the Track Record Period.

The following balances and amounts of the Consolidated Affiliated Entities were included in the Historical Financial Information:

	Year ended 31 December			**Six months ended 30 June**	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	829,549	867,447	901,307	432,739	426,776
Profit before taxation	313,544	350,851	415,377	214,044	201,990

	At 31 December			**At 30 June**
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	2,143,281	2,525,329	2,537,163	2,479,995
Current assets	744,188	915,078	1,328,923	1,210,867
Current liabilities	836,965	1,033,843	1,069,885	705,401
Non-current liabilities	249,620	285,548	268,862	237,910

The Historical Financial Information is presented in RMB, which is also the functional currency of the Company.

No statutory financial statements of the Company have been prepared since its date of incorporation as it is incorporated in a jurisdiction where there are no statutory audit requirements.

2. APPLICATION OF IFRSs

For the purposes 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 January 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 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 Treatments[2]
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 28	Long-term Interests in Associates and Joint Ventures[2]
Amendment to IAS 40	Transfers of Investment Property[1]
Amendment to IFRSs	Annual Improvements to IFRSs 2014-2016 Cycle, except for amendments to IFRS 12[1]

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 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 investments 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 words, 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 30 June 2017, except for the expected credit loss model which may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost, the directors of the Company do not anticipate that the application of IFRS 9 will have a material impact on the Group's future financial statements.

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 considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of IFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

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.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 30 June 2017, the Group has non-cancellable operating lease commitments of approximately RMB62,258,000 as disclosed in note 34. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group 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. In addition, the application of new requirements may result in changes in more disclosure as indicated above. The directors of the Company 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 performance in future.

Except as described above, the directors of the Company anticipate that the application of other new and amendments to IFRSs will have no material impact on the Historical Financial Information of the Group.

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 except for certain financial investments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. 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".

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 asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities (including the Consolidated Affiliated Entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

(i) has power over the investee;

(ii) is exposed, or has rights, to variable returns from its involvement with the investee; and

(iii) 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 have, the current ability to direct the relevant activities at the time that 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 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.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policy.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interest in an existing subsidiary that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity (other reserve) and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets, and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs).

Merger accounting for business combination involving entities under common control

The Historical Financial Information incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statements of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period.

Investments in subsidiaries

Investments in subsidiaries are stated in the statement of financial position of the Company at cost less any identified impairment loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Tuition and boarding fees received from universities, primary schools and secondary schools are generally paid in advance at the beginning of school term, and are initially recorded as deferred revenue. Tuition and boarding fees are recognised proportionately over the relevant period of the applicable programme. The portion of tuition and boarding payments 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 Group expects to earn within one year.

Ancillary service income is recognised when services are provided.

Other service income is recognised when services are provided.

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 the 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.

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statements of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the Historical Financial Information and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or 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 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 it further excludes 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 Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and 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 assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each 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 the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress 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.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment 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.

Properties in the course of construction for production, 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.

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.

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets 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 is estimated to be less than its carrying amount, the carrying amount of the asset 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 to the other assets on a pro-rata basis based on the carrying amount of each asset 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.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position 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 of financial assets at fair value through profit or loss are recognised immediately in profit or loss. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets 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.

Financial assets

The Group's financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), available-for-sale ("AFS") financial assets and 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 purchase 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 financial asset 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 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 asset, 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 other than those financial assets classified as at FVTPL, of which interest income is included in other gains or losses.

Financial asset at FVTPL

Financial assets are classified as at FVTPL when the financial assets are held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

– it has been acquired principally for the purpose of selling in the near term; or

– on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the other gains and losses line item. Fair value is determined in the manner described in note 32.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables or financial assets at FVTPL. The Group designated some investments as AFS financial assets on initial recognition of those items. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the end of the reporting period.

AFS equity investment that does not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investment is measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

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 receivables, deposits and other receivables, amounts due from related parties, amounts due from directors, amounts due from shareholders, and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

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 and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets. 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 impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset 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 either as 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 entities are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Other financial liabilities including trade and other payables, amounts due to related parties, amount due to a director, amount due to a subsidiary and bank borrowings, are subsequently measured at amortised cost, using the effective interest method.

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.

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 asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liability 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 of the Group is required to make judgments, 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 judgments

The following are the critical judgments, 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.

(a) 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. The management of the Group assessed whether or not the Group has control over the Consolidated Affiliated Entities based on whether the Group has the power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities. After assessment, the management of the Group concluded that the Group has control over the Consolidated Affiliated Entities as a result of the Contractual Arrangements and other measures and accordingly, the assets, liabilities and their operating results of the Consolidated Affiliated Entities are included in the Historical Financial Information throughout the Track Record Period or since the respective dates of incorporation/establishment, whichever is the shorter 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 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. The management of the Group, based on the advice of its legal counsel, consider that the Contractual Arrangements among Huajiao Education, the Consolidated Affiliated Entities and the Controlling 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 may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

(a) 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 assesses 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 increase the depreciation charge where useful lives are estimated to be shorter than previously estimated, or will write off or write down obsolete assets that have been abandoned or impaired. As at 31 December 2014, 2015 and 2016 and 30 June 2017, the carrying amount of property, plant and equipment are RMB1,969,425,000, RMB2,230,679,000 RMB2,415,697,000 and RMB2,358,662,000, respectively. Any change in these estimates may have a material impact on the results of the Group.

(b) Useful life and recoverability of prepaid lease payments

The Group's management determines the estimated lease period and the amortisation method in determining the related amortisation charges for its prepaid land lease payments. During the Track Record Period, the Group's prepaid land 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. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of prepaid land lease payments may not be recoverable. Management will increase the amortisation charge where useful lives are estimated to be shorter than previously estimated, or will write off or write down obsolete assets that have been abandoned or impaired. As at 31 December 2014, 2015 and 2016 and 30 June 2017, the carrying amount of prepaid land lease payments are RMB54,626,000, RMB53,305,000, RMB51,984,000 and RMB51,324,000, respectively. Any change in these estimates may have a material impact on the results of the Group.

(c) Income taxes

Significant judgement is required in interpreting the relevant tax rules and regulation so as to determine whether the Group is subject to corporate income tax. This assessment relies on estimates and assumptions about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of the tax liabilities. Such changes to tax liabilities will impact tax expense in the period that such determination is made.

5. REVENUE AND SEGMENT INFORMATION

Revenue represents service income from tuition fees, boarding fees and ancillary services.

The Group's operating activities are attributable to a single operating segment focusing on the operation of private higher education institutions 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 makers ("CODM"), Mr. Yu and Mr. Xie, for the purpose of allocating resources and assessing its performance. The CODM reviews the financial results of the Group as a whole for performance assessment. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM.

Provision of primary and secondary education and other services was discontinued during the six months ended 30 June 2017. The segment information reported does not include any amounts for these discontinued operations, which are described in more detail in note 11.

Revenue from major services

The following is an analysis of the Group's revenue from continuing operations from the major service lines:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Tuition fees	750,052	775,600	786,285	384,320	368,266
Boarding fees	54,085	51,677	53,779	23,456	27,388
Ancillary services	17,797	18,739	21,225	10,200	9,721
	821,934	846,016	861,289	417,976	405,375

Geographical information

The Group operates in the PRC. All of the Group's revenue from continuing operations and the non-current assets of the Group are located in the PRC.

Information about major customers

No single customer contributes over 10% or more of total revenue of the Group during the Track Record Period.

6. OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Continuing operations					
Consultancy income	14,054	32,297	47,175	20,633	5,250
Academic administration income	9,576	10,952	10,358	4,313	4,697
Management fee income	6,792	7,010	6,861	3,270	4,319
Staff quarter income	1,564	1,899	1,959	435	448
Government grants *(Note)*	–	93	2,524	1,262	2,275
Others	6,786	6,137	5,002	2,563	972
	38,772	58,388	73,879	32,476	17,961

Note: Government grants mainly represent subsidies from government for procurement of laboratory apparatus and equipment and conducting educational programmes.

7a. INVESTMENT INCOME

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Continuing operations					
Imputed interest income from amounts due from directors	427	3,948	11,763	5,085	6,869
Imputed interest income from amount due from a related party	664	1,553	2,356	1,202	1,252
Interest income from bank	3,063	4,285	3,742	2,497	1,183
	4,154	9,786	17,861	8,784	9,304

7b. OTHER GAINS AND LOSSES

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Continuing operations					
Net gain on structured deposits	3,686	3,645	6,040	2,258	4,411
(Loss) gain on disposal of property, plant and equipment, net	(3,051)	(1,619)	(142)	(50)	646
(Written-off) reversal of impairment of trade receivables	(300)	(4,062)	(367)	(367)	23
Fair value gain (loss) on held for trading investments	2,898	(1,882)	(2,904)	(2,428)	(536)
	3,233	(3,918)	2,627	(587)	4,544

8. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Continuing operations					
Interest expenses on bank borrowings	19,183	24,531	26,925	14,620	11,364
Less: amounts capitalised in the cost of property, plant and equipment	(5,973)	(12,237)	(12,036)	(8,490)	(1,353)
	13,210	12,294	14,889	6,130	10,011

Borrowing costs capitalised during the years ended 31 December 2014, 2015, 2016 and the six months ended 30 June 2016 and 2017 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.58%, 6.34%, 5.79%, 5.79% and 5.06% per annum, respectively to expenditure on property, plant and equipment (construction in progress).

9. TAXATION

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Continuing operations					
Current tax:					
PRC Enterprise Income Tax ("EIT")	3,936	2,506	1,949	1,233	903

The income tax expense 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 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit before taxation (from continuing operation)	313,362	364,407	425,300	218,649	193,916
Tax at PRC EIT rate of 25%	78,341	91,102	106,325	54,662	48,479
Tax effect of income not taxable for tax purposes	(209,809)	(222,382)	(231,859)	(105,004)	(98,612)
Tax effect of expenses not deductible for tax purposes	135,404	133,786	127,483	51,575	51,036
Tax charge for the year/period (relating to continuing operation)	3,936	2,506	1,949	1,233	903

No provision for Hong Kong Profits Tax has been made in the Historical Financial Information as the Group had no assessable profit subject to Hong Kong Profits Tax during the Track Record Period.

All subsidiaries of the Company established in the PRC are subject to the PRC EIT of 25% during the Track Record Period.

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, which are providing academic qualification education, are eligible to enjoy income tax exemption treatment if the school sponsors of such schools do not require reasonable returns. Jiangxi University of Technology and Guangdong Baiyun University have been granted enterprise income tax exemption for the tuition income from relevant local tax authorities. During the years ended 31 December 2014, 2015 and 2016 and six months ended 30 June 2016 and 2017, the non-taxable tuition related income amounted to RMB835,536,000, RMB883,160,000, RMB917,389,000, RMB415,206,000 (unaudited) and RMB388,184,000, respectively, and the related non-deductible expense amounted to RMB541,616,000, RMB535,144,000, RMB509,932,000, RMB206,300,000 (unaudited) and RMB204,144,000, respectively.

10. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit and total comprehensive income for the year/period from continuing operations has been arrived at after charging:					
Staff costs, including directors' remuneration					
– salaries and other allowances	178,062	190,116	188,494	89,050	88,373
– retirement benefit scheme contributions	22,053	33,178	34,966	19,607	19,950
Total staff costs	200,115	223,294	223,460	108,657	108,323
Depreciation of property, plant and equipment	74,920	88,475	109,532	50,815	57,174
Amortisation of prepaid lease payments	798	1,321	1,321	660	660
Auditor's remuneration	85	125	36	–	–
Minimum operating lease rental expense in respect of rented premises	9,246	8,654	11,052	5,010	4,162

11. DISCONTINUED OPERATIONS

During the six months ended 30 June 2017, the Group completed disposals of a group of subsidiaries, which were mainly engaged in provision of primary and secondary education and other services (as disclosed in note 33). The disposals are consistent with the Group's long-term policy to focus its activities on operation of private higher education institutions.

The profit (loss) for the year/period from the discontinued operation is set out below.

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit (loss) of discontinued operations for the year/period	93	(13,642)	(10,836)	(4,605)	(8,152)
Gain on disposal of discontinued operations *(note 33)*	–	–	–	–	15,559
	93	(13,642)	(10,836)	(4,605)	7,407

The results of the discontinued operations were as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	7,615	21,431	40,018	14,763	21,401
Cost of revenue	(4,137)	(21,420)	(36,987)	(11,725)	(27,141)
Other income	1,092	662	199	56	3,566
Other gains and losses	–	(1,010)	4,591	(1)	300
Selling expenses	(154)	(859)	(835)	(283)	(18)
Administrative expenses	(4,234)	(12,360)	(16,909)	(7,415)	(6,257)
Profit (loss) before taxation from the discontinued operations	182	(13,556)	(9,923)	(4,605)	(8,149)
Taxation	(89)	(86)	(913)	–	(3)
Profit (loss) for the year/period from the discontinued operations	93	(13,642)	(10,836)	(4,605)	(8,152)
Profit (loss) for the year/period from discontinued operation include the following:					
Depreciation of property, plant and equipment	241	642	3,173	880	2,900
Gain on disposal of an available-for-sale investment	–	–	4,600	–	–

The net cash flows from (used in) discontinued operations are as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Operating activities	(3,798)	266	3,434	1,485	37,814
Investing activities	242	2,217	(15,588)	(8,996)	(10,257)
Financing activities	4,136	17,305	7,346	7,314	(10,219)
Net cash inflow (outflow)	580	19,788	(4,808)	(197)	17,338

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors

Details of the emoluments paid or payable by the entities comprising the Group to the directors and chief executive of the Company (including emolument for services as employee/directors of the group entities prior to becoming the directors of the Company) during the Track Record Period are as follows:

For the year ended 31 December 2014

	Directors' fee	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Dr. Yu Kai ("Dr. Yu") *(Note i)*	–	26	–	–	26
Mr. Xie *(Note ii)*	–	286	910	30	1,226
Mr. Yu *(Note ii)*	–	221	–	9	230
Ms. Xie *(Note iii)*	–	282	520	30	832
	–	815	1,430	69	2,314

For the year ended 31 December 2015

	Directors' fee	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Dr. Yu *(Note i)*	–	39	–	–	39
Mr. Xie *(Note ii)*	–	286	884	57	1,227
Mr. Yu *(Note ii)*	–	233	–	10	243
Ms. Xie *(Note iii)*	–	282	488	57	827
	–	840	1,372	124	2,336

For the year ended 31 December 2016

	Directors' fee	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Dr. Yu *(Note i)*	–	42	–	–	42
Mr. Xie *(Note ii)*	–	286	1,583	57	1,926
Mr. Yu *(Note ii)*	–	276	–	12	288
Ms. Xie *(Note iii)*	–	282	744	57	1,083
	–	886	2,327	126	3,339

For the six months ended 30 June 2016 (unaudited)

	Directors' fee	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Dr. Yu *(Note i)*	–	21	–	–	21
Mr. Xie *(Note ii)*	–	143	–	28	171
Mr. Yu *(Note ii)*	–	126	–	6	132
Ms. Xie *(Note iii)*	–	141	–	28	169
	–	431	–	62	493

For the six months ended 30 June 2017

	Directors' fee	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Dr. Yu *(Note i)*	–	24	–	1	25
Mr. Xie *(Note ii)*	–	143	–	28	171
Mr. Yu *(Note ii)*	–	172	–	6	178
Ms. Xie *(Note iii)*	–	141	–	28	169
	–	480	–	63	543

The executive directors' emoluments shown above were paid for their services in connection with the management of affairs of the Group during the Track Record Period. Certain executive directors of the Company are entitled to discretionary bonus which are determined having regard to the performance of individuals and market trends.

Notes:

i Being appointed as a director of the Company on 28 August 2017, Dr. Yu, son of Mr. Yu, is also the chief executive of the Company and his emoluments disclosed above included those for services rendered by him as an employee of the Group.

ii Mr. Yu and Mr. Xie were appointed as directors of the Company on 19 May 2017.

iii Ms. Xie, sister of Mr. Xie, was appointed as director of the Company on 28 August 2017.

Employees

The five highest paid individuals of the Group included 2, 2, 2, 2 (unaudited) and 3 directors for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 30 June 2017 respectively whose emoluments are included in the disclosures above. The emoluments of the remaining 3, 3, 3, 3 (unaudited) and 2 individuals for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 30 June 2017, respectively, are as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries and other benefits	1,504	1,369	2,178	708	824
Retirement benefit scheme contributions	82	109	107	24	31
	1,586	1,478	2,285	732	855

The number of the highest paid individuals, other than directors of the Company, whose emoluments fell within the following bands is as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
				(Unaudited)	
Nil to HK$1,000,000	3	3	3	3	2

During the Track Record Period, no emoluments was paid by the Group to the directors of the Company or the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

None of the directors of the Company or the chief executive of the Company waived or agreed to waive any emolument during the Track Record Period.

13. DIVIDENDS

No dividend has been paid or proposed by the Company during the Track Record Period, nor has any dividend been proposed subsequent to 30 June 2017.

14. EARNINGS PER SHARE

For continuing operations

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 profit attributable to the owners of the Company from continuing operations of RMB309,426,000, RMB361,901,000, RMB423,351,000, RMB217,416,000 (unaudited) and RMB193,013,000 for the years ended 31 December 2014, 2015, 2016 and six months ended 30 June 2016 and 2017, respectively, and the weighted average number of 1,500,000,000 shares outstanding during the years ended 31 December 2014, 2015, 2016 and six months ended 30 June 2016 and 2017 after retrospective adjustment and on the assumption that the Reorganisation and the share allotments of 1,500,000,000 shares subsequent to 30 June 2017 as described in note 39 had been in effective on 1 January 2014.

No diluted earnings per share is presented as there was no potential dilutive shares during the Track Record Period.

For continuing and discontinued operations

The calculation of the basic earnings per share from continuing and discontinued operations attributable to the owners of the Company for the Track Record Period is based on the consolidated profit attributable to the owners of the Company and the denominators detailed above for basic earnings per share.

For discontinued operations

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
				(unaudited)	
(Loss) earnings per share for (loss) profit attributable to equity holders of the Company, basic (RMB cents)	(0.04)	(0.95)	(0.80)	(0.32)	0.49

Basic (loss) earnings per share for the discontinued operation for the years ended 31 December 2014, 2015, 2016 and six months ended 30 June 2016 and 2017, respectively, are calculated based on the (loss) profit for the year/period from the discontinued operations and the denominators detailed above for basic earnings per share.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvements	Motor vehicles	Furniture and fixtures	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST						
At 1 January 2014	1,813,736	72,413	36,952	305,031	59,120	2,287,252
Additions	–	88,964	1,682	55,057	73,111	218,814
Transfer	4,540	–	–	7,216	(11,756)	–
Disposals	(3,049)	(6)	(523)	(8,187)	–	(11,765)
At 31 December 2014	1,815,227	161,371	38,111	359,117	120,475	2,494,301
Additions	–	84,978	1,441	61,381	206,053	353,853
Transfer	185,165	–	–	185	(185,350)	–
Disposals	–	–	(2,722)	(33,629)	–	(36,351)
At 31 December 2015	2,000,392	246,349	36,830	387,054	141,178	2,811,803
Additions	–	81,920	739	75,617	140,023	298,299
Transfer	263,029	–	–	–	(263,029)	–
Disposals	–	–	(1,074)	(6,047)	–	(7,121)
At 31 December 2016	2,263,421	328,269	36,495	456,624	18,172	3,102,981
Additions	–	17,476	21	14,043	11,100	42,640
Transfer	–	12,372	–	–	(12,372)	–
Disposals	–	–	(3,266)	(4,198)	–	(7,464)
Disposal of subsidiaries (note 33)	–	(14,960)	(197)	(29,280)	–	(44,437)
At 30 June 2017	2,263,421	343,157	33,053	437,189	16,900	3,093,720
DEPRECIATION						
At 1 January 2014	206,538	5,621	25,620	220,439	–	458,218
Provided for the year	34,469	10,131	3,857	26,704	–	75,161
Eliminated on disposals	(886)	–	(448)	(7,169)	–	(8,503)
At 31 December 2014	240,121	15,752	29,029	239,974	–	524,876
Provided for the year	35,510	18,031	2,825	32,751	–	89,117
Eliminated on disposals	–	–	(2,586)	(30,283)	–	(32,869)
At 31 December 2015	275,631	33,783	29,268	242,442	–	581,124
Provided for the year	40,356	29,246	2,237	40,866	–	112,705
Eliminated on disposals	–	–	(859)	(5,686)	–	(6,545)
At 31 December 2016	315,987	63,029	30,646	277,622	–	687,284
Provided for the period	19,268	14,684	775	25,347	–	60,074
Eliminated on disposals	–	–	(2,026)	(3,048)	–	(5,074)
Disposal of subsidiaries (note 33)	–	(1,237)	(45)	(5,944)	–	(7,226)
At 30 June 2017	335,255	76,476	29,350	293,977	–	735,058
CARRYING VALUES						
At 31 December 2014	1,575,106	145,619	9,082	119,143	120,475	1,969,425
At 31 December 2015	1,724,761	212,566	7,562	144,612	141,178	2,230,679
At 31 December 2016	1,947,434	265,240	5,849	179,002	18,172	2,415,697
At 30 June 2017	1,928,166	266,681	3,703	143,212	16,900	2,358,662

The above items of property, plant and equipment, other than construction in progress, after taking into account their estimated residual value, are depreciated on a straight-line basis at the following useful life:

Leasehold land and buildings	over the shorter of 50 years or the terms of the leases
Leasehold improvements	over the shorter of 10 years or the terms of the leases
Motor vehicles	4-5 years
Furniture and fixtures	4-5 years

At 31 December 2014, 2015 and 2016 and 30 June 2017, the Group is in the process of obtaining the property certificates for the leasehold land and buildings with carrying value of approximately RMB196,939,000, RMB192,331,000, RMB214,978,000 and RMB212,904,000 which are located in the PRC. In the opinion of management of the Group, the absence of formal title does not impair the value of the relevant leasehold land and buildings. In the opinion of the management of the Group, the formal title of these leasehold land and buildings will be granted to the Group in due course.

16. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise leasehold land in the PRC and are analysed for reporting purposes as:

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	53,305	51,984	50,663	50,003
Current assets	1,321	1,321	1,321	1,321
	54,626	53,305	51,984	51,324

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.

At 31 December 2014, 2015 and 2016 and 30 June 2017, the carrying value of the prepaid lease payments of RMB28,468,000, RMB27,670,000, RMB26,872,000 and RMB26,474,000 respectively is allocated by the government, which have no definite lease term stated in the relevant land use rights certificates. However, without the relevant administrative authorities' permission, the Group cannot transfer, lease or pledge as security such land use rights allocated by the government.

17. INVESTMENT IN A SUBSIDIARY

	At 30 June 2017
	RMB'000
The Company	
Unlisted shares, at cost	1

Investment in a subsidiary mainly represents the investment cost in China Education Group Holdings (BVI) Limited ("BVI China Education Group").

18. AVAILABLE-FOR-SALE INVESTMENT/HELD FOR TRADING INVESTMENTS

(a) Available-for-sale investment

	At 31 December			At 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted equity security in the PRC	1,000	1,000	–	–

The above unlisted equity investment represented investment in a private entity in the PRC at 31 December 2014 and 2015, as detailed below:

Name of company	Place of establishment	Equity interest held by the Group		
		2014	2015	2016
廣東藍天大學生就業市場經營有限公司 (Guangdong Blue Sky University Job Market Operation Company Ltd.) ("Blue Sky University Job Market")	The PRC	20%	20%	–

During the years ended 31 December 2014 and 2015, the Group held 20% of the equity interest in Blue Sky University Job Market with no representative on board of directors in accordance with the articles of association. The management of the Group consider that the Group did not have significant influence over Blue Sky University Job Market and it is therefore classified as an available-for-sale investment. On 23 May 2016, the Group disposed of the available-for-sale investment to an independent third party at a cash consideration of RMB5,600,000 and recognised a gain on disposal of RMB4,600,000.

The unlisted equity security was measured at cost less impairment at 31 December 2014 and 2015. The investment was not measured at fair value because the range of reasonable fair value estimates was so significant that the directors of the Company were of opinion that their fair values cannot be measured reliably.

(b) Held for trading investments

	At 31 December			At 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity securities listed in the PRC	12,142	10,260	7,356	6,820

At the end of each reporting period, the investments held for trading are carried at their fair values determined by reference to bid prices quoted in active markets. Details of the fair value measurement for the held for trading investments are set out in note 32(c)(i).

19. STRUCTURED DEPOSITS

As at 31 December 2014, 2015, 2016 and 30 June 2017, the structured deposits were issued by banks in the PRC.

The structured deposits are with expected rates of return (not guaranteed), depending on the market price of underlying financial instruments, including listed shares, bonds, debentures and other financial assets, as follow:

	At 31 December			At 30 June
	2014	2015	2016	2017
Structured deposits	4.30% to 6.30%	2.15% to 6.30%	1.80% to 5.10%	1.80% to 4.30%

As at 31 December 2014, 2015, 2016 and 30 June 2017, the Group has the rights to redeem the structured deposits at expected maturity dates ranging from 26 to 84 days, from 21 to 54 days, from 8 to 102 days and from 9 to 58 days respectively after the end of each reporting period or at any time with prior notice.

The structured deposits are designated at FVTPL on initial recognition as they contain non-closely related embedded derivatives. The management of the Group considers the fair values of the structured deposits, which are based on the prices provided by the counterparty banks which represented the prices they would pay to redeem the deposits at the end of each reporting period, approximate to their carrying values at the same day.

20. DEPOSITS PAID FOR PREPAID LEASE PAYMENTS

The amount represented the deposit paid to local government authorities for prepaid lease payments mainly located in Guangdong province, the PRC.

21. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

The Group	At 31 December			At 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables *(Note i)*	13,089	10,040	10,312	5,435
Loans to third parties *(Note ii)*	1,000	800	7,315	7,292
Staff advances	3,131	1,944	1,512	7,512
Other receivables	5,055	5,784	4,601	14,816
Deposits	5,455	5,013	4,365	4,350
Prepayments	2,759	5,103	11,507	5,846
Deferred listing expenses	–	–	–	3,050
Prepaid listing expenses	–	–	–	951
Total	30,489	28,684	39,612	49,252

The Company	At 30 June 2017
	RMB'000
Deferred listing expenses	3,050
Prepaid listing expenses	951
	4,001

Notes:

i. The students are required to pay tuition fees and boarding fees in advance for the upcoming school years, which normally commences in September except for adult education which normally commences in January, February or March. The outstanding receivables represent amounts related to students who have applied for the delayed payment of tuition fees and boarding fees. There is no fixed term for delayed payments. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of individual students, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

ii. The amounts of loan to third parties are unsecured, repayable on demand and non-interest bearing as at 31 December 2014, 2015, 2016 and 30 June 2017 respectively. All outstanding amounts as at 30 June 2017 have been subsequently settled.

As at 31 December 2014, 2015, 2016 and 30 June 2017, the Group's entire trade receivable balance with aggregate carrying amount of RMB13,089,000, RMB10,040,000, RMB10,312,000 and RMB5,435,000 which are all past due as at reporting date for which the Group has not provided for impairment loss.

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Ageing of trade receivables which are past due but not impaired				
0-90 days	49	81	157	–
91-120 days	5,145	5,967	5,074	93
121-365 days	–	–	–	–
Over 365 days	7,895	3,992	5,081	5,342
Total	13,089	10,040	10,312	5,435

Receivables that were past due but not impaired are attributable to a number of independent students who are in temporary financial difficulties. Based on the individual assessment, the management of the Group is of the opinion that no impairment is necessary in respect of amount of tuition fee outstanding attributable to each individual student based on historical settlement pattern from students.

22. BANK BALANCES AND CASH

Bank balance and cash comprise cash and short-term deposits held by the Group with an original maturity of three months or less.

As at 31 December 2014, 2015 and 2016 and 30 June 2017, the Group's bank deposits carried weighted-average interest rates of 0.79%, 0.97%, 1.16% and 0.67% per annum, respectively.

23. DEFERRED REVENUE

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Tuition fees	537,088	548,345	534,039	214,352
Boarding fees	37,845	34,349	39,262	19,879
Ancillary services	6,935	7,407	7,372	2,692
Government grants (Note)	8,336	12,186	14,535	16,572
	590,204	602,287	595,208	253,495
Non-current				
Government grants (Note)	12,620	19,903	25,722	23,470
	602,824	622,190	620,930	276,965

Note: The amounts represent subsidies receipt in advance from government mainly for procurement of laboratory apparatus and equipments and conducting educational programmes.

24. TRADE PAYABLES

The credit period granted by suppliers on purchase of consumables and provision of services ranged from 30 days to 60 days.

The following is an aged analysis of trade payables presented based on invoice date at end of each reporting period.

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0-30 days	3,607	3,424	5,349	122
31-90 days	217	132	104	133
91-365 days	178	2,026	2,943	3,551
Over 365 days	108	1,262	900	434
	4,110	6,844	9,296	4,240

25. OTHER PAYABLES AND ACCRUED EXPENSES

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Group				
Discretionary government subsidies receipt in advance (Note)	36,454	45,996	40,386	52,831
Receipt on behalf of ancillary services providers	58,999	66,471	74,990	72,696
Retention money payables	8,523	16,072	18,872	18,365
Construction cost payables	–	–	15,698	15,698
Amounts due to former related parties	–	–	–	36,318
Accrued staff benefits and payroll	24,914	19,258	21,917	11,034
Accrued listing expenses	–	–	–	6,839
Other payables and accruals	34,583	34,851	27,999	11,654
Other taxes payables	4,658	5,592	7,822	7,373
	168,131	188,240	207,684	232,808
The Company				
Accrued listing expenses	–	–	–	6,839

Note: The amounts represent scholarships received from the government to be distributed to students and teachers of the universities.

26. BANK BORROWINGS

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings:				
– Secured	226,000	206,370	240,700	108,000
– Unsecured	62,000	254,275	212,376	318,376
Total borrowings	288,000	460,645	453,076	426,376
Analysed as:				
– Fixed rate	2,000	60,000	–	40,000
– Variable rate	286,000	400,645	453,076	386,376
	288,000	460,645	453,076	426,376
Carrying amounts repayable:				
– Within one year	51,000	195,000	209,936	211,936
– More than one year, but not exceeding two years	69,000	113,205	106,920	135,920
– More than two years, but not exceeding five years	148,000	142,440	136,220	78,520
– More than five years	20,000	10,000	–	–
	288,000	460,645	453,076	426,376
Less: Amounts due within one year shown under current liabilities	(51,000)	(195,000)	(209,936)	(211,936)
	237,000	265,645	243,140	214,440

Notes:

i. The Group has variable-rate borrowings which carry interest with reference to the Benchmark Borrowing Rate of The People's Bank of China. The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
Effective interest rate:				
Fixed rate bank borrowings	4.92%	6.77%	N/A	4.85%
Variable-rate bank borrowings	5.94% – 6.55%	4.64% – 6.15%	4.62% – 5.51%	4.64% – 5.51%

ii. All of the borrowings are denominated in RMB which is the same as the functional currency of the relevant group entities.

iii. The Group's bank borrowings were secured by the rights to receive the tuition fees and boarding fees of Jiangxi University of Technology and the respective rights have been released subsequently.

iv. As at 31 December 2014, 2015 and 2016 and 30 June 2017, bank borrowings amounting RMB264,000,000, RMB344,646,000, RMB324,076,000 and RMB318,376,000 are guaranteed by certain related parties and a third party, respectively, at no cost. The guarantee amounts provided by the related parties and the third party at 31 December 2014, 2015 and 2016 and 30 June 2017 are as follows:

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Yu	250,000	250,000	250,000	250,000
Mr. Xie	50,000	–	–	–
Mr. Yu and his spouse	300,000	300,000	300,000	–
Mr. Yu and his spouse and 江西藍天駕駛培訓中心有限公司 (Jiangxi Lantian Driving Training Centre Company Limited) ("Lantian Driving") and a third party*	–	558,000	558,000	558,000
	600,000	1,108,000	1,108,000	808,000

* Lantian Driving was controlled by a close family member of Mr. Yu, one of the Controlling Equity Holders of the Company. During the six months ended 30 June 2017, Lantian Driving has been disposed of to a third party by the relevant related party.

The guarantees by these related parties have been fully released subsequently.

27. AMOUNTS DUE FROM (TO) RELATED PARTIES/AMOUNTS DUE FROM (TO) DIRECTORS

The Group

						Maximum amount outstanding during			
Amounts due from directors	**As at 1 January**	**At 31 December**			**At 30 June**	**Year ended 31 December**			**Six months ended 30 June**
Name of directors	**2014**	**2014**	**2015**	**2016**	**2017**	**2014**	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Yu *(Note i)*	64,871	154,934	305,289	367,287	396,077	183,155	319,742	425,106	411,559
Mr. Xie *(Note ii)*	3,500	22,652	39,452	78,745	79,939	40,605	80,819	90,387	91,247
	68,371	177,586	344,741	446,032	476,016				
Analysed for reporting purpose as:									
Currents assets	68,371	122,857	191,296	446,032	476,016				
Non-current assets	–	54,729	153,445	–	–				
	68,371	177,586	344,741	446,032	476,016				
Amounts due from related parties									
Name of related parties									
廣州白雲工商高級技工學校 (廣州市白雲工商技師學院) (Guangzhou Baiyun Senior Technician School of Business and Technology (Guangzhou Baiyun Technician College of Business and Technology)) ("Baiyun Technician College") *(Note iii)*	19,566	50,167	95,418	165,552	179,283	55,283	100,801	168,579	181,058
廣東阿博特數碼紙業有限公司 (Guangdong Abote Digital and Paper Company Limited) ("Abote") *(Note iv)*	–	15,973	1,526	1,526	–	15,973	15,973	1,526	1,526
南昌市二手裝飾工程有限公司 (Nanchang Erhu Decoration Engineering Company Limited) ("Erhu") *(Note v)*	2,000	–	5,000	3,400	–	30,000	55,000	5,000	3,400
南昌新景川企業管理諮詢有限公司 (Nanchang Xinjingchuan Enterprise Management Company Limited) ("Xinjingchuan") *(Note v)*	–	–	–	–	11,000	N/A	N/A	10,000	11,000
	21,566	66,140	101,944	170,478	190,283				

Amounts due from related parties Name of related parties	As at 1 January 2014	2014	At 31 December 2015	2016	At 30 June 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Analysed for reporting purpose as:					
Current assets	21,566	38,084	52,325	168,952	190,283
Non-current assets	–	28,056	49,619	1,526	–
	21,566	66,140	101,944	170,478	190,283
Amounts due to a director					
Name of director					
Dr. Yu *(Note viii)*	–	–	–	–	3,898
Amounts due to related parties					
Name of related parties					
江西江科駕駛培訓有限公司 (Jiangxi Jiangke Driving Training Company Limited) ("Jiangxi Driving") *(Note vi)*	–	19,395	34,532	34,532	–
廣州雲濤教育科技有限公司 (Guangzhou Yuntao Education Technology Company Limited) ("Yuntao") *(Note vii)*	–	–	–	3,570	–
Baiyun Technician College *(Note iii)*	–	–	186	211	–
Abote *(Note iv)*	–	48	104	165	200
	–	19,443	34,822	38,478	200

The Company

(a) **Amount due to a director**	At 30 June 2017
	RMB'000
Name of director	
Dr. Yu *(Note viii)*	3,270

(b) The amounts due from shareholders and amount due to a subsidiary are unsecured, non-interest bearing and repayable on demand.

Notes:

i. Included in the amount due from a director of the Group were advances by the Group to Mr. Yu with carrying amounts of RMB34,577,000 and RMB137,754,000 as at 31 December 2014 and 2015 respectively classified as non-current assets and RMB239,134,000 and RMB239,672,000 as at 31 December 2016 and 30 June 2017 respectively classified as current assets. These advances were non-trade in nature, unsecured, non-interest bearing and the management of the Group expected the advances would not be settled within one year from the dates of the advance. The nominal value of the advances as at 31 December 2014, 2015, 2016 and 30 June 2017 were RMB40,285,000, RMB150,640,000, RMB243,730,000 and RMB243,730,000 with effective interest rate of 6.1%, 5.4%, 4.8% and 4.8% per annum respectively. The imputed interest income recognised in profit or loss for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 were RMB145,000, RMB2,408,000, RMB9,482,000 and RMB5,538,000, respectively.

   The remaining amount due from a director is non-trade in nature, unsecured, non-interest bearing and repayable on demand. All the outstanding amount as at 30 June 2017 has been subsequently settled.

ii. Included in the amount due from a director of the Group were advances by the Group to Mr. Xie, one of the Controlling Equity Holders with carrying amount of RMB20,152,000 and RMB15,691,000 as at 31 December 2014 and 2015 respectively classified as non-current assets and RMB17,972,000 and RMB19,303,000 as at 31 December 2016 and 30 June 2017 respectively classified as current assets. These advances were non-trade in nature, unsecured, non-interest bearing and the management of the Group expected the advances would not be settled within one year from the dates of the advance. The nominal value of the advances as at 31 December 2014, 2015, 2016 and 30 June 2017 were

RMB23,479,000, RMB19,772,000, RMB19,772,000 and RMB19,772,000 with effective interest rate of 6.1%, 5.4%, 4.8% and 4.8% per annum respectively. The imputed interest income recognised in profit or loss for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 were RMB282,000, RMB1,540,000, RMB2,281,000 and RMB1,331,000, respectively.

The remaining amount due from a director is non-trade in nature, unsecured, non-interest bearing and repayable on demand. All the outstanding amount as at 30 June 2017 has been subsequently settled.

iii. Baiyun Technician College was a related party which was wholly owned by Mr. Xie, one of the Controlling Equity Holders of the Company. The amounts due from Baiyun Technician College are unsecured, non-interest bearing and repayable on demand. Except for the amounts of RMB14,054,000, RMB46,351,000, RMB93,526,000 and RMB98,776,000 as at 31 December 2014, 2015 and 2016 and 30 June 2017 which are trade in nature, the remaining amounts are non-trade in nature. Out of the outstanding amounts as at 30 June 2017, RMB93,526,000 has been subsequently settled.

The following is an aged analysis of the trade balance presented based on the date of debit note at the end of each reporting period:

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0-90 days	14,054	32,297	26,542	5,250
91-120 days	–	–	–	–
121-365 days	–	–	20,633	26,542
Over 365 days	–	14,054	46,351	66,984
	14,054	46,351	93,526	98,776

The amount due to Baiyun Technician College is non-trade in nature, unsecured, non-interest bearing and repayable on demand.

iv. As at 31 December 2014, the amounts due from Abote, which is controlled by the sister and the nephew of Mr. Xie, one of the Controlling Equity Holders of the Company, is non-trade in nature, unsecured, carried interest at 7.5% per annum and repaid during the year ended 31 December 2015. The amount due from Abote as at 31 December 2015 and 2016 and 30 June 2017, is non-trade in nature, unsecured, non-interest bearing and repayable on demand. All the outstanding amounts as at 30 June 2017 has been subsequently settled.

The amount due to Abote is trade in nature, unsecured, non-interest bearing and repayable on demand with ageing of 0-90 days at 31 December 2014, 2015 and 2016 and 30 June 2017.

v. The amounts due from Erhu and Xinjingchuan, which are controlled by Mr. Yu, one of the Controlling Equity Holders of the Company, are non-trade in nature, unsecured, non-interest bearing and repayable on demand. All the outstanding amounts as at 30 June 2017 has been subsequently settled.

vi. The amount due to Jiangxi Driving, which is controlled by the son of Mr. Yu, one of the Controlling Equity Holders of the Company, is non-trade in nature, unsecured, non-interest bearing and repayable on demand. During the six months ended 30 June 2017, Jiangxi Driving has been disposed of to a third party by the relevant related party.

vii. The amount due to Yuntao, which is controlled by a sister of Mr. Xie, one of the Controlling Equity Holders of the Company, is trade in nature, unsecured, non-interest bearing and repayable on demand, and with ageing of 0-90 days based on invoice date at 31 December 2016 and 30 June 2017. During the six months ended 30 June 2017, Yuntao has been disposed of to third parties by the relevant related party.

viii. The amount due to Dr. Yu, director of the Company, is non-trade in nature, unsecured, non-interest bearing and repayable on demand.

28. SHARE CAPITAL/PAID-IN CAPITAL

The Company

	Number of shares	Amount	Amount	Shown in the Historical Financial Information as
		US$	*RMB*	*RMB'000*
Ordinary shares of US$1.00 each				
Authorised				
At date of incorporation and 30 June 2017	50,000	50,000	344,830	N/A
Issued and fully paid				
At date of incorporation and 30 June 2017	100	100	688	1

On 19 May 2017, Blue Sky BVI acquired one share in the Company at par value and 49 shares were further issued and allotted to Blue Sky BVI as fully-paid at par value; and another 50 shares were issued and allotted to White Clouds BVI as fully-paid at par value.

The Group

The paid-in capital as at 31 December 2014, 2015 and 2016 represented the combined paid-in capital of Jiangxi University of Technology and Guangdong Baiyun University. The share capital as at 30 June 2017 represented the share capital of the Company following the completion of Reorganisation.

29. RESERVE

The Company

	Accumulated losses
	RMB'000
At date of incorporation	–
Loss and other comprehensive expense for the period	10,187
At 30 June 2017	10,187

30. RETIREMENT BENEFIT PLANS

The employees of the Group in the PRC are members of a state-managed 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 contributions 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.

31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continues as a going concern while maximising the return to equity holders 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 net debt, which includes borrowings disclosed in note 26, net of cash and cash equivalent, and equity attributable to owners of the Group, comprising share capital, reserves and accumulated profits.

The management of the Group reviews the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through new share issues as well as the issue of new debts as well as the redemption of the existing debts.

32. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	The Group				The Company
	At 31 December			At 30 June	At 30 June
	2014	2015	2016	2017	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets					
Available-for-sale investment	1,000	1,000	–	–	–
Designated at FVTPL– structured deposits	207,001	257,001	418,201	298,900	–
Held for trading investments	12,142	10,260	7,356	6,820	–
Loans and receivables (including cash and cash equivalents)	603,537	844,120	891,748	897,834	1
	823,680	1,112,381	1,317,305	1,203,554	1
Financial liabilities					
Amortised cost	424,606	643,423	663,537	647,059	14,189

(b) Financial risk management objectives and policies

The Group's and the Company's major financial instruments include trade receivables, deposits and other receivables, amounts due from (to) related parties, bank balances and cash, amounts due from (to) directors, amount due to a subsidiary, amounts due from shareholders, available-for-sale investment, held for trading investments, structured deposits, trade payables, other payables and bank borrowings. Details of these financial instruments are disclosed in the respective notes.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. These risks include market risk (interest rate risk, other price risk), credit risk and liquidity risk.

Market risk

(i) Interest rate risk

The Group's fair value interest rate risk relates primarily to its fixed-rate borrowings. The Group is also exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly bank balances and cash and variable-rate bank borrowings (see note 26 for details). The Group cash flow interest rate risk is mainly concentrated on the fluctuation of Benchmark Borrowing Rate of the People's Bank of China. It is the Group's policy to keep certain borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate bank borrowings and bank balances at the end of each reporting period and assumed that the amount outstanding at the end of each reporting period was outstanding for the whole year/period. A 10 basis point increase or decrease for bank balances and 50 basis point increase or decrease for variable-rate bank borrowings are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 10 or 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the years ended 31 December 2014, 2015 and 2016 and for the six months ended 30 June 2017 would decrease/increase by RMB823,000, RMB1,222,000, RMB1,514,000 and RMB1,305,000, respectively. This is mainly attributable to the Group's exposure to interest rates on its bank balances and bank borrowings with variable rate.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year/period end exposure at the end of the reporting period does not reflect the exposure during the respective years/periods.

(ii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments operating in different industry sectors quoted in the Shanghai Stock Exchange and the Shenzhen Stock Exchange. The Group will consider hedging the risk exposure should the need arise. The price risk on structured deposits is limited because maturity period of these investments is short.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of each reporting period. If the prices of the respective equity investments had been 5% higher/lower, the Group's post-tax profit for the years ended 31 December 2014, 2015 and 2016 and for the six months ended 30 June 2017 would increase/decrease by RMB455,000, RMB385,000, RMB276,000 and RMB256,000, respectively, as a result of the changes in fair value of held-for-trading investments.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform its obligations is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk on other receivables, amounts due from related parties and amounts due from directors, 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 directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables. In addition, the credit risk on amounts due from related parties and directors are reduced as the Group can closely monitor the repayment of the related parties.

The credit risk on bank balances and structured deposits are limited because the counterparties are reputable financial institutions.

Liquidity risk

In management of the liquidity risk, the Group and the Company monitor and maintain levels of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows. The Group relies on bank loans as a significant source of liquidity.

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows. To the extent that interest rates are 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 month	1-3 months	3 months to 1 year	1-5 years	>5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The Group								
Trade and other payables	–	117,163	–	–	–	–	117,163	117,163
Amounts due to related parties	–	19,443	–	–	–	–	19,443	19,443
Bank borrowings								
– fixed rate	4.92	2,005	–	–	–	–	2,005	2,000
– variable rate	6.38	1,453	2,906	61,041	243,041	21,143	329,584	286,000
At 31 December 2014		140,064	2,906	61,041	243,041	21,143	468,195	424,606
Trade and other payables	–	147,956	–	–	–	–	147,956	147,956
Amounts due to related parties	–	34,822	–	–	–	–	34,822	34,822
Bank borrowings								
– fixed rate	6.77	339	677	61,693	–	–	62,709	60,000
– variable rate	5.64	17,776	15,903	119,360	278,835	10,327	442,201	400,645
At 31 December 2015		200,893	16,580	181,053	278,835	10,327	687,688	643,423
Trade and other payables	–	171,983	–	–	–	–	171,983	171,983
Amounts due to related parties	–	38,478	–	–	–	–	38,478	38,478
Bank borrowings								
– variable rate	5.13	1,937	16,373	191,510	285,845	–	495,665	453,076
At 31 December 2016		212,398	16,373	191,510	285,845	–	706,126	663,537
Trade and other payables	–	216,585	–	–	–	–	216,585	216,585
Amounts due to related parties	–	200	–	–	–	–	200	200
Amounts due to a director	–	3,898	–	–	–	–	3,898	3,898
Bank borrowings								
– fixed rate	4.85	162	323	1,455	40,140	–	42,080	40,000
– variable rate	5.13	58,564	2,744	162,329	183,091	–	406,728	386,376
At 30 June 2017		279,409	3,067	163,784	223,231	–	669,491	647,059
The Company								
Amount due to a subsidiary	–	4,080	–	–	–	–	4,080	4,080
Amount due to a director	–	3,270	–	–	–	–	3,270	3,270
Accrued listing expenses	–	6,839	–	–	–	–	6,839	6,839
At 30 June 2017		14,189	–	–	–	–	14,189	14,189

(c) Fair value measurements of financial instruments

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Held for trading investments	As at 31 December 2014: RMB12,142,000 As at 31 December 2015: RMB10,260,000 As at 31 December 2016: RMB7,356,000 As at 30 June 2017: RMB6,820,000	Level 1	Quoted prices in active markets	N/A	N/A
Structured deposits	As at 31 December 2014: RMB207,001,000 As at 31 December 2015: RMB257,001,000 As at 31 December 2016: RMB418,201,000 As at 30 June 2017: RMB298,900,000	Level 3	Discounted cash flow – Future cash flows are estimated based on estimated return, and discounted at a rate that reflects the credit risk of various counterparties	Estimated return	The higher the estimated return, the higher the fair value, vice versa

(ii) Reconciliation of Level 3 Measurements

The following table presents the reconciliation of Level 3 Measurements of the structured deposits throughout the Track Record Period:

	RMB'000
At 1 January 2014	220,900
Purchase of structured deposits	1,007,151
Redemption of structured deposits	(1,024,736)
Net gain on structured deposits	3,686
At 31 December 2014	207,001
Purchase of structured deposits	1,140,600
Redemption of structured deposits	(1,094,245)
Net gain on structured deposits	3,645
At 31 December 2015	257,001
Purchase of structured deposits	1,031,300
Redemption of structured deposits	(876,140)
Net gain on structured deposits	6,040
At 31 December 2016	418,201
Purchase of structured deposits	242,000
Redemption of structured deposits	(365,712)
Net gain on structured deposits	4,411
At 30 June 2017	298,900

(iii) Fair value of financial instruments that are recorded at amortised cost

During the Track Record Period, the management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values at the end of each reporting period.

33. DISPOSAL OF SUBSIDIARIES

(I) Disposal of Tianxing Social Services Centre

On 24 May 2017, Guangdong Baiyun University entered into an equity transfer agreement with an independent third party, pursuant to which Guangdong Baiyun University agreed to dispose of its 100% equity interest in Tianxing Social Services Centre at a consideration of RMB30,000. The management of the Group considered that it was commercially beneficial to enter into the disposal since the entity was not related to higher education. The disposal was completed on 24 May 2017.

(II) Disposal of Baiyun Human Resources

On 19 May 2017, Guangdong Baiyun University entered into an equity transfer agreement with an independent third party, pursuant to which Guangdong Baiyun University agreed to dispose of its 70% equity interest in Baiyun Human Resources at a consideration of RMB3,500,000. The management of the Group considered that it was commercially beneficial to enter into the disposal since the entity was not related to higher education. The disposal was completed on 23 May 2017.

(III) Disposal of Jiangxi Technology Park

On 3 May 2017, Jiangxi University of Technology entered into an equity transfer agreement with two independent third parties, pursuant to which Jiangxi University of Technology agreed to dispose of its 100% equity interest in Jiangxi Technology Park for RMB5,800,000, which was effective upon approval from shareholders. The management of the Group considered that it was commercially beneficial to enter into the disposal since the entity was not related to higher education. The disposal was completed on 9 May 2017.

(IV) Disposal of Jiangxi Affiliated High School

On 20 April 2017, Jiangxi University of Technology entered into a transfer agreement with an independent third party, pursuant to which Jiangxi University of Technology assigned the sponsorship license of the Jiangxi Affiliated High School to an independent third party. Pursuant to the transfer agreement, Jiangxi University of Technology agreed to transfer the entire sponsor interest for RMB26,000,000. The management of the Group considered that it was commercially beneficial to enter into the disposal since the entity was not related to higher education. All relevant approvals from the competent regulatory authorities in the PRC under the applicable PRC laws and regulations for the transfer have been obtained, and the transfer was completed on 27 May 2017.

Further details of the consideration, and assets and liabilities disposed of in the above disposals are set out below:

	Tianxing Social Services Centre	Baiyun Human Resources	Jiangxi Technology Park	Jiangxi Affiliated High School	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Consideration					
Cash received	–	–	5,800	26,000	31,800
Consideration receivables	30	3,500	–	–	3,530
Total consideration	30	3,500	5,800	26,000	35,330
Analysis of assets and liabilities over which control was lost:					
Property, plant and equipment	286	30	1,282	35,613	37,211
Deposits paid for acquisition of property, plant and equipment	–	–	–	973	973
Amount due from a former related party	–	1,526	–	–	1,526
Inventories	–	–	–	64	64
Trade and other receivables	883	3	–	3,676	4,562
Bank balances and cash	100	11,735	5,399	23,837	41,071
Deferred revenue	–	–	–	(37,837)	(37,837)
Amount due to former group company	(2,000)	–	–	(5,218)	(7,218)
Trade and other payables	(229)	(5,866)	(610)	(11,014)	(17,719)
Income tax payable	–	(905)	–	–	(905)
Net (liabilities) assets disposed of	(960)	6,523	6,071	10,094	21,728
Gain on disposal					
Consideration	30	3,500	5,800	26,000	35,330
Net liabilities (assets) disposed of	960	(6,523)	(6,071)	(10,094)	(21,728)
Non-controlling interests	–	1,957	–	–	1,957
	990	(1,066)	(271)	15,906	15,559
Net cash inflow arising on disposal					
Cash consideration received	–	–	5,800	26,000	31,800
Less: bank balances and cash disposed of	(100)	(11,735)	(5,399)	(23,837)	(41,071)
	(100)	(11,735)	401	2,163	(9,271)

34. OPERATING LEASES

The Group as lessee

At the end of each reporting period, the Group's commitments for future minimum lease payments under non-cancellable operating leases fall due as follows:

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	4,952	9,662	6,815	6,820
In the second to fifth year inclusive	20,773	26,966	25,040	23,742
Over five years	18,677	37,577	33,558	31,696
	44,402	74,205	65,413	62,258

Operating lease payments represent rentals payable by the Group for certain of its academic and dormitory premises. Leases are negotiated and rentals are fixed for lease terms of one to ten years.

35. CAPITAL COMMITMENTS

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Capital expenditure contracted for but not provided in the Historical Financial Information in respect of the acquisition of				
– property, plant and equipment	42,684	73,693	16,435	21,774
– prepaid lease payment	78,338	75,691	43,802	40,067
	121,022	149,384	60,237	61,841

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Accrued issue costs	Bank borrowings	Amounts due to related parties/ directors	Amounts due to a former related party
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	–	294,000	–	–
Financing cash flow *(Note)*	–	(25,183)	19,395	–
Finance cost recognised	–	19,183	–	–
At 31 December 2014	–	288,000	19,395	–
Financing cash flow *(Note)*	–	148,114	15,323	–
Finance cost recognised	–	24,531	–	–
At 31 December 2015	–	460,645	34,718	–
Financing cash flow *(Note)*	–	(34,494)	25	–
Finance cost recognised	–	26,925	–	–
At 31 December 2016	–	453,076	34,743	–
Financing cash flow *(Note)*	(1,810)	(38,064)	3,687	–
Reclassification	–	–	(34,532)	34,532
Issue costs accrued/ Finance cost recognised	3,050	11,364	–	–
At 30 June 2017	1,240	426,376	3,898	34,532
At 1 January 2016	–	460,645	34,718	–
Financing cash flow (unaudited) *(Note)*	–	59,851	(463)	–
Finance cost recognised (unaudited)	–	14,620	–	–
At 30 June 2016 (unaudited)	–	535,116	34,255	–

Note: The cash flows represent the addition of and repayment of borrowings and interest paid in the consolidated statements of cash flows.

37. RELATED PARTIES DISCLOSURES

During the Track Record Period, the Group entered into the following transactions with related parties:

Related party	Relationship	Nature of transactions	Year ended 31 December 2014	Year ended 31 December 2015	Year ended 31 December 2016	Six months ended 30 June 2016	Six months ended 30 June 2017
			RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Baiyun Technician College	Controlled by Mr. Xie, one of the Controlling Equity Holders of the Company	Consultancy income received	14,054	32,297	47,175	20,633	5,250
Yuntao	Controlled by a close family member of Mr. Xie, one of the Controlling Equity Holders of the Company	Online course service fee paid	–	–	4,120	–	–
Lantian Driving	Controlled by a close family member of Mr. Yu, one of the Controlling Equity Holders of the Company	Donation income received	–	1,000	–	–	–
Abote	Controlled by a close family member of Mr. Xie, one of the Controlling Equity Holders of the Company	Purchase of paper products	36	56	61	28	35
		Interest income	974	551	–	–	–

During the Track Record Period, the Group grants Lantian Driving and Jiangxi Driving the right to use of certain properties and other plant and equipment held by Jiangxi University of Technology in connection with the business of Lantian Driving and Jiangxi Driving at nil consideration.

During the Track Record Period, Baiyun Technician College grants Guangdong Baiyun University the right to use of certain properties and other plant and equipment held by Baiyun Technician College in connection with the operation of Guangdong Baiyun University at nil consideration.

Balances with related parties are set out in the consolidated statements of financial position on pages IA-6, IA-7 and in note 27.

Compensation of key management personnel

The remuneration of directors of the Company and other members of key management of the Group during the Track Record Period are as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Short-term benefits	2,246	2,212	3,213	431	1,103
Post-employment benefits	68	124	126	62	78
	2,314	2,336	3,339	493	1,181

The remuneration of director and key executives is determined having regard to the performance of individuals and market trends.

38. PARTICULARS OF SUBSIDIARIES

As at the date of this report, the Company has the following subsidiaries:

Name of Subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interests attributable to the Group: As at 31 December 2014	2015	2016	As at 30 June 2017	Date of this report	Principal activities
Directly owned								
BVI China Education Group	17 May 2017 BVI	US$100	N/A	N/A	N/A	100%	100%	Investment Holding
Indirectly owned								
China Education Group (Hong Kong) Limited ("HK China Education Group")	25 May 2017 Hong Kong	HK$100	N/A	N/A	N/A	100%	100%	Investment Holding
Huajiao Education	13 June 2017 The PRC	HK$10,000,000	N/A	N/A	N/A	100%	100%	Provision of educational consultancy services
Jiangxi University of Technology*	20 July 1999 The PRC	RMB51,680,000	100%	100%	100%	100%	100%	Operation of private higher education institution
Jiangxi Affiliated High School	14 May 2015 The PRC	RMB26,000,000	N/A	100%	100%	N/A *(Note i)*	N/A *(Note i)*	Provision of primary and secondary education
Jiangxi Technology Park	30 December 2015 The PRC	RMB6,000,000	N/A	100%	100%	N/A *(Note ii)*	N/A *(Note ii)*	Provision of research and development consultation service and property management

Name of Subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interests attributable to the Group					Principal activities
			As at 31 December			As at 30 June	Date of this report	
			2014	2015	2016	2017		
Jiangxi Foundation	18 September 2009 The PRC	RMB2,000,000	100%	100%	100%	N/A *(Note iii)*	N/A *(Note iii)*	Operation of poverty relief fund, together with fund for scholarship
Jiangxi Red Green and Blue	17 December 2015 The PRC	RMB5,000,000	N/A	100%	100%	N/A *(Note ii)*	N/A *(Note ii)*	Provision of services related to electronic products and research and development consultancy services
Guangdong Baiyun University*	12 March 1999 The PRC	RMB130,000,000	100%	100%	100%	100%	100%	Operation of private higher education institution
Baiyun Technician College	9 April 1996 The PRC	RMB60,000,000	–	–	–	–	100%	Provision of vocational education for technical workers and technicians in the PRC
Baiyun Human Resource	9 February 2004 The PRC	RMB5,000,000	17.5%**	70%	70%	N/A *(Note iv)*	N/A *(Note iv)*	Provision of career related services for post-graduates and under-graduates
Tianxing Social Service Centre	8 June 2012 The PRC	RMB30,000	100%	100%	100%	N/A *(Note v)*	N/A *(Note v)*	Provision of spectrum of services to address the needs of individuals and families in the community
University of Science and Technology	10 July 2017 The United States	US$100	N/A	N/A	N/A	N/A	100%	Provision of higher education in the California
贛州市華方教育諮詢有限公司 (Ganzhou Huafang Education Consulting Company Limited)	2 August 2017 The PRC	RMB4,800,000	N/A	N/A	N/A	N/A	100%	Provision of education consulting services
禮和教育諮詢(贛州)有限公司 (Lihe Education Consulting (Ganzhou) Company Limited)	26 July 2017 The PRC	RMB4,800,000	N/A	N/A	N/A	N/A	100%	Provision of education consulting services

* The English names are for identification purpose only.

** The remaining 82.5% equity interest of the subsidiary was held by Ms. Xie, sister of Mr. Xie, one of the Controlling Equity Holders. As Ms. Xie has agreed to align all her votes with the instructions given from Guangdong Baiyun University since she became the majority shareholder of the subsidiary, which is reiterated by an agreement signed on 25 August 2017, the directors of the Company concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Baiyun Human Resources.

Notes:

i. Jiangxi Affiliated High School was disposed of on 27 May 2017. Details of the disposal are included in note 33.

ii. Jiangxi Technology Park, together with its wholly owned subsidiary Jiangxi Red Green and Blue, were disposed of on 9 May 2017. Details of the disposal are included in note 33.

iii. Jiangxi Foundation was liquidated on 6 June 2017.

iv. Baiyun Human Resource was disposed of on 23 May 2017. Details of the disposal are included in note 33.

v. Tianxing Social Services Centre was disposed of on 24 May 2017. Details of the disposal are included in note 33.

Each of the Company and its subsidiaries has adopted 31 December as their financial year end date.

The statutory financial statements of the following subsidiaries established in the PRC were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises and were audited by the following certified public accountants registered in the PRC.

Name of subsidiaries	Financial year/ period ended	Name of auditors
Jiangxi University of Technology	31 December 2014, 2015 and 2016	江西淵明會計師事務所有限責任公司 Jiangxi YuanMing Certified Public Accountants (LLP)
Jiangxi Affiliated High School	31 December 2015 and 2016	南昌中海會計師事務所 Nanchang Zhonghai Certified Public Accountants (LLP)
Jiangxi Technology Park	31 December 2015 and 2016	南昌中海會計師事務所 Nanchang Zhonghai Certified Public Accountants (LLP)
Jiangxi Foundation	31 December 2014, 2015 and 2016	江西大信誠信會計師事務所 Jiangxi Daxin Chengxin Certified Public Accountants (LLP)
Jiangxi Red Green and Blue	31 December 2015 and 2016	南昌中海會計師事務所 Nanchang Zhonghai Certified Public Accountants (LLP)
Guangdong Baiyun University	31 December 2014, 2015 and 2016	廣東惠建會計師事務所有限公司 Guangdong Huijian Certified Public Accountants Co.,Ltd
Baiyun Human Resources	31 December 2014, 2015 and 2016	廣州城鵬會計師事務所 Guangzhou Chenpeng Certified Public Accountants
Tianxing Social Service Centre	31 December 2014, 2015 and 2016	廣東惠建會計師事務所有限公司 Guangdong Huijian Certified Public Accountants Co.,Ltd

No statutory financial statements have been prepared for BVI China Education Group as it was incorporated in jurisdictions where there are no statutory audit requirements.

No audited financial statements were issued for Huajiao Education and HK China Education Group as these companies were established or incorporated during the six months ended 30 June 2017.

39. EVENTS AFTER REPORTING PERIOD

The following events took place subsequent to the reporting date:

On 14 August 2017, Huajiao Education, Mr. Xie and Baiyun Technician College entered into an acquisition framework agreement (the "Acquisition Agreement") pursuant to which Huajiao Education will acquire Baiyun Technician College (the "Acquisition") through entering into contractual arrangements (the "Technician College Contractual Arrangements") for a consideration of RMB750 million. Huajiao Education is required to settle the consideration in full on or before 31 December 2017. The Acquisition is accounted for using the acquisition method. The consideration was determined by reference to a valuation conducted by an independent valuer. Baiyun Technician College is engaged in the provision of vocational education for technical workers and technicians in the PRC. The directors of the Company are of the view that the completion of the Acquisition would significantly expand and diversify the Group's schools portfolio, complement the Group's existing business and give rise to further synergy through economies of scale (including shared management and operational resources of Baiyun Technician College and Guangdong Baiyun University, as well as the expansion and further leverage of the "Baiyun" brand name). The acquisition was completed on the same date and the consideration of RMB750 million was subsequently settled in full in August 2017. The Group is still in the process of assessing the acquisition-date fair values of identifiable assets recognised and liabilities assumed.

Pursuant to the Acquisition Agreement, Mr. Xie guaranteed to Huajiao Education that profit after taxation of Baiyun Technician College (after adding back the fees payable by Baiyun Technician College to Huajiao Education pursuant to the Technician College Contractual Arrangements) (the "Adjusted Net Profit") for the year ending 31 December 2018 shall be no less than RMB60,000,000. If the actual Adjusted Net Profit for the year ending 31 December 2018 is less than RMB60,000,000, Mr. Xie shall compensate Huajiao Education with a cash sum calculated according to the formula set out in "History, Reorganisation and Corporate Structure" to the Prospectus.

On 30 August 2017, the authorised share capital of the Company was increased by HK$500,000 divided into 50,000,000,000 Shares of par value HK$0.00001 each. On the same day, the Company allotted and issued 750,000,000 Shares for a subscription price of HK$7,500 to each of Blue Sky BVI and White Clouds BVI. Immediately following the allotment and issue of the 1,500,000,000 Shares, the Company repurchased 50 shares of par value US$1.00 each from each of Blue Sky BVI and White Clouds BVI at a consideration of HK$7,500 which was paid out of the proceeds of the aforesaid subscription. Immediately following the repurchase, the authorised share capital of the Company was reduced by the cancellation of 50,000 shares of par value US$1.00 each and became HK$500,000 divided into 50,000,000,000 Shares.

In November 2017, 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 29 November 2017" in Appendix V to the Prospectus.

In November 2017, the Share Option Schemes and Share Award Scheme (as defined in the Prospectus) were conditionally approved and adopted by the Board, of which the principal terms are set out in "Appendix V – D. Share Option Schemes and Share Award Scheme" to the Prospectus.

40. 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 aggregate amount of the Directors' fee and other emoluments for the year ending 31 December 2017 is estimated to be approximately RMB16,000,000.

41. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 30 June 2017.

The following is the text of a report, prepared for inclusion in this document, 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 GUANGZHOU BAIYUN SENIOR TECHNICIAN SCHOOL OF BUSINESS AND TECHNOLOGY (GUANGZHOU BAIYUN TECHNICIAN COLLEGE OF BUSINESS AND TECHNOLOGY) (廣州白雲工商高級技工學校(廣州市白雲工商技師學院)) TO THE DIRECTORS OF CHINA EDUCATION GROUP HOLDINGS LIMITED AND BNP PARIBAS SECURITIES (ASIA) LIMITED

Introduction

We report on the historical financial information of Guangzhou Baiyun Senior Technician School of Business and Technology (Guangzhou Baiyun Technician College of Business and Technology) (廣州白雲工商高級技工學校(廣州市白雲工商技師學院)) (the "Target") set out on pages IB-4 to IB-36, which comprises the statements of financial position of the Target as at 31 December 2014, 2015 and 2016 and 30 June 2017, 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 December 2016 and the six months ended 30 June 2017 (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-4 to IB-36 forms an integral part of this report, which has been prepared for inclusion in the prospectus of China Education Group Holdings Limited dated 5 December 2017 (the "Prospectus") in connection with the initial listing of shares of China Education Group Holdings Limited 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 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 2 to the Historical Financial Information, and for such internal control as the directors of the Target 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 China Education Group Holdings Limited are responsible for the contents of the Prospectus in which the Historical Financial Information of the Target is included, and such information is prepared based on accounting policies materially consistent with those of China Education Group Holdings Limited.

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 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, 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's financial position as at 31 December 2014, 2015 and 2016 and 30 June 2017 and of its financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation 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 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 30 June 2016 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Target 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 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-4 have been made.

Dividends

We refer to note 14 to the Historical Financial Information which states that no dividends have been paid by the Target in respect of the Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
5 December 2017

HISTORICAL FINANCIAL INFORMATION OF THE TARGET

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 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 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 December			Six months ended 30 June	
	Notes	**2014**	**2015**	**2016**	**2016**	**2017**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	*6*	151,745	163,778	179,566	88,647	89,762
Cost of revenue		(101,894)	(103,179)	(106,998)	(50,825)	(42,630)
Gross profit		49,851	60,599	72,568	37,822	47,132
Investment income	*7*	1,383	2,981	3,890	1,875	2,089
Other income	*8*	6,071	9,581	5,389	3,830	546
Other gains and losses	*9*	(68)	125	1,065	123	500
Selling expenses		(12,218)	(9,713)	(5,878)	(506)	(618)
Administrative expenses		(19,847)	(15,110)	(15,259)	(6,713)	(8,107)
Consultancy fee	*31*	(14,054)	(32,297)	(47,175)	(20,633)	(5,250)
Finance costs	*10*	(80)	(19)	(118)	(118)	–
Profit before taxation		11,038	16,147	14,482	15,680	36,292
Taxation	*11*	(153)	(185)	(119)	–	(27)
Profit and total comprehensive income for the year/period attributable to owners of the Target	*12*	10,885	15,962	14,363	15,680	36,265

STATEMENTS OF FINANCIAL POSITION

	Notes	At 31 December 2014	At 31 December 2015	At 31 December 2016	At 30 June 2017
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	15	251,217	261,997	260,019	252,182
Prepaid lease payments	16	6,159	5,974	5,789	5,696
Structured deposits	17	3,000	–	–	–
Amounts due from related parties	24	20,654	60,934	–	–
Deposits paid for acquisition of property, plant and equipment		–	492	–	–
		281,030	329,397	265,808	257,878
CURRENT ASSETS					
Deposits, prepayments and other receivables	18	17,519	22,118	21,816	22,448
Amounts due from related parties	24	17,540	16,226	89,872	92,766
Prepaid lease payments	16	185	185	185	185
Structured deposits	17	15,000	53,000	143,500	106,500
Bank balances and cash	19	37,796	44,761	6,078	41,315
		88,040	136,290	261,451	263,214
CURRENT LIABILITIES					
Deferred revenue	20	95,096	111,744	116,403	70,350
Trade payables	21	2,325	2,022	1,423	1,121
Other payables and accrued expenses	22	26,067	32,352	42,155	34,107
Amounts due to related parties	24	73,383	118,944	169,301	181,265
Income tax payable		145	256	283	290
Bank borrowings	23	–	16,568	–	–
		197,016	281,886	329,565	287,133
NET CURRENT LIABILITIES		(108,976)	(145,596)	(68,114)	(23,919)
NET ASSETS		172,054	183,801	197,694	233,959
CAPITAL AND RESERVES					
Paid-in capital	25	60,000	60,000	60,000	60,000
Reserves		112,054	123,801	137,694	173,959
		172,054	183,801	197,694	233,959

STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital	Other reserve	Statutory surplus reserve	Accumulated profits	Total
	RMB'000	*RMB'000 (Note i)*	*RMB'000 (Note ii)*	*RMB'000*	*RMB'000*
At 1 January 2014	60,000	–	104,856	–	164,856
Profit and total comprehensive income for the year	–	–	–	10,885	10,885
Deemed distribution to equity holder	–	(3,687)	–	–	(3,687)
Transfer	–	–	10,885	(10,885)	–
At 31 December 2014	60,000	(3,687)	115,741	–	172,054
Profit and total comprehensive income for the year	–	–	–	15,962	15,962
Deemed distribution to equity holder	–	(4,215)	–	–	(4,215)
Transfer	–	–	15,962	(15,962)	–
At 31 December 2015	60,000	(7,902)	131,703	–	183,801
Profit and total comprehensive income for the year	–	–	–	14,363	14,363
Deemed distribution to equity holder	–	(470)	–	–	(470)
Transfer	–	–	14,363	(14,363)	–
At 31 December 2016	60,000	(8,372)	146,066	–	197,694
Profit and total comprehensive income for the period	–	–	–	36,265	36,265
Transfer	–	–	36,265	(36,265)	–
At 30 June 2017	60,000	(8,372)	182,331	–	233,959
At 1 January 2016	60,000	(7,902)	131,703	–	183,801
Profit and total comprehensive income for the period	–	–	–	15,680	15,680
Deemed distribution to equity holder	–	(299)	–	–	(299)
Transfer	–	–	15,680	(15,680)	–
At 30 June 2016 (unaudited)	60,000	(8,201)	147,383	–	199,182

Notes:

i. The deemed distribution to equity holder represents the differences between the fair value of the lower-than-market interest rate advances to Mr. Xie Ketao ("Mr. Xie"), the sole equity holder, and the principal amount of the advances at initial recognition. Details of the advances to Mr. Xie is included in note 24.

ii. Pursuant to the relevant laws in the People's Republic of China (the "PRC"), the Target shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the directors of the Target.

According to the relevant PRC laws and regulations, for private school that does not require for reasonable return, it is required to appropriate to statutory surplus reserve of not less than 25% of the annual increase of net assets of the relevant schools as determined in accordance with generally accepted accounting principles in the PRC. The statutory surplus reserve shall be, upon approval by the directors of the Target, used for the construction or maintenance of the Target or procurement or upgrading of educational equipment.

STATEMENTS OF CASH FLOWS

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
OPERATING ACTIVITIES					
Profit before taxation	11,038	16,147	14,482	15,680	36,292
Adjustments for:					
Interest income on bank	(108)	(201)	(88)	(56)	(31)
Imputed interest income from amounts from related parties	(1,275)	(2,780)	(3,802)	(1,819)	(2,058)
Amortisation of prepaid lease payment	185	185	185	93	93
Depreciation of property, plant and equipment	19,792	21,145	21,354	10,353	9,700
Net gain on structured deposits	(40)	(277)	(1,151)	(181)	(728)
Loss on written-off on property, plant and equipment	108	152	86	58	228
Finance costs	80	19	118	118	–
Operating cash flows before movements in working capital	29,780	34,390	31,184	24,246	43,496
Decrease (increase) in deposits, prepayments and other receivables	6,466	(4,599)	302	(1,360)	(632)
Increase (decrease) in deferred revenue	10,831	16,648	4,659	(47,287)	(46,053)
Increase (decrease) in trade payables	2,325	(303)	(599)	(1,219)	(302)
Increase (decrease) in other payables and accrued expenses	73	6,285	9,803	6,454	(8,048)
Increase in amounts due to related parties	14,154	32,340	47,754	20,655	4,735
Cash generated from (used in) operations	63,629	84,761	93,103	1,489	(6,804)
Income tax paid	(52)	(74)	(92)	–	(20)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	63,577	84,687	93,011	1,489	(6,824)

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
INVESTING ACTIVITIES					
Interest income received	108	201	88	56	31
Payments for property, plant and equipment	(22,468)	(32,569)	(18,970)	(6,866)	(2,091)
Redemption of structured deposits	3,040	25,277	216,151	60,181	37,728
Purchase of structured deposits	(18,000)	(60,000)	(305,500)	(60,000)	–
Advances to related parties	(23,066)	(41,901)	(29,180)	(5,172)	(1,150)
Repayment from related parties	3,650	1,500	19,800	386	314
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(56,736)	(107,492)	(117,611)	(11,415)	34,832
FINANCING ACTIVITIES					
Advances from related parties	22,144	21,087	20,603	–	7,341
Repayment to related parties	(481)	(7,866)	(18,000)	–	(112)
Proceeds from bank borrowings	18,000	16,568	18,000	–	–
Repayment of bank borrowings	(18,000)	–	(34,568)	(16,568)	–
Interest paid	(80)	(19)	(118)	(118)	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	21,583	29,770	(14,083)	(16,686)	7,229
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	28,424	6,965	(38,683)	(26,612)	35,237
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	9,372	37,796	44,761	44,761	6,078
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, REPRESENTING BANK BALANCES AND CASH	37,796	44,761	6,078	18,149	41,315

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

The Target was established as a technician school in the PRC in accordance with the laws of the PRC under the name "Guangzhou Baiyun Technician College of Business and Technology (廣州白雲工商技工學校)"on 9 April 1996. On 12 June 2003, the Target changed its name to "Guangzhou Baiyun Senior Technician School of Business and Technology (廣州白雲工商高級技工學校)". On 4 March 2005, the Target obtained approval as a technician college and changed its name to Guangzhou Baiyun Technician College of Business and Technology (廣州市白雲工商技師學院). On 28 October 2015, the Target changed its name to "Guangzhou Baiyun Senior Technician School of Business and Technology (Guangzhou Baiyun Technician College of Business and Technology) (廣州白雲工商高級技工學校 (廣州市白雲工商技師學院))". From its date of establishment to 14 August 2017, Mr. Xie has been the sole school sponsor and equity holder of the Target. On 14 August 2017, Mr. Xie disposed of his equity interest to Lihe Education Consulting (Ganzhou) Company Limited (a company controlled by China Education Group Holdings Limited through contractual agreements), which became the sole school sponsor and equity holder of the Target thereafter. The address of registered office and principal place of business of the Target is No. 13, Tiannan Road, Jianggao Town, Baiyun District, Guangzhou, Guangdong Province, the PRC.

The principal activity of the Target is engaged in the provision of vocational education for technical workers and technicians in the PRC.

The Historical Financial Information is presented in RMB which is also the functionary currency of the Target.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on accounting policies set out in note 3 which conform with IFRSs issued by IASB.

3. ADOPTION OF IFRSs

For the purposes of preparing and presenting the Historical Financial Information for the Track Record Period, the Target 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 January 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 has not early adopted these standards, amendments and interpretations in the preparation of the Historical Financial Information for the Track Record Period.

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contract[4]
IFRIC 22	Foreign Currency Transactions and Advance Consideration [1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]
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 28	Long-term Interests in Associates and Joint Ventures[2]
Amendment to IAS 40	Transfers of Investment Property[1]
Amendment to IFRSs	Annual Improvements to IFRSs 2014-2016 Cycle except for amendments to IFRS 12[1]

[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 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 investments 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 words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Target's financial instruments and risk management policies as at 30 June 2017, except for the expected credit loss model which may result in early provision of credit losses that are not yet incurred in relation to the Target's financial assets measured at amortised cost, the directors of the Target do not anticipate that the application of IFRS 9 will have a material impact on the Target's future financial statements.

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 considerations, as well as licensing application guidance.

The directors of the Target anticipate that the application of IFRS 15 in the future may result in more disclosures, however, the directors of the Target do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

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 Target currently presents other operating lease payments 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.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 30 June 2017, the Target has non-cancellable operating lease commitments of approximately RMB7,020,000 as disclosed in note 29. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Target 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. In addition, the application of new requirements may result in changes in more disclosure as indicated above. The directors of the Target do not expect the adoption of IFRS 16 as compared with the current accounting policy would result in significant impact on the Target's financial performance in future.

Except as described above, the directors of the Target anticipates that the application of other new and amendments to IFRSs will have no material impact on the Historical Financial Information of the Target.

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 except for certain financial investments that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for 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 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".

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 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.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Target and when specific criteria have been met for each of the Target's activities, as described below.

Tuition and boarding fees received are generally paid in advance at the beginning of school term, and are initially recorded as deferred revenue. Tuition and boarding fees are recognised proportionately over the relevant period of the applicable programme. The portion of tuition and boarding payments received from students but not earned is recorded deferred revenue and is reflected as a current liability as such amounts represent revenue that the Target expects to earn within one year.

Ancillary service income is recognised when services are provided.

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 the 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.

The Target as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

When a lease includes both land and building elements, the Target assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Target, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the statements of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease.

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 Target 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 recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Target with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to 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 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 it further excludes items that are never taxable or deductible. The Target'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 Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and 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 assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment 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.

Properties in the course of construction for production, 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'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.

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.

Impairment of assets

At the end of each reporting period, the Target reviews the carrying amounts of its assets 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 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 is estimated to be less than its carrying amount, the carrying amount of the asset 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 to the other assets on a pro-rata basis based on the carrying amount of each asset 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.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when an 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 of financial assets at fair value through profit or loss are recognised immediately in profit or loss. Transaction costs that are directly attributable to the acquisition of financial assets and financial liabilities (other than financial assets 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.

Financial assets

The Target's financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL") and 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 purchase 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 financial asset 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 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 asset, 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 other than those financial assets classified as at FVTPL, of which interest income is included in other gains or losses.

Financial asset at FVTPL

A financial asset may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Target's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the other gains or losses line item. Fair value is determined in the manner described in note 28.

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 other receivables, amounts due from related parties and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment for a portfolio of receivables could include the Target's past experience of collecting payments, an increase in the number of delayed payments in the portfolio observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of 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. 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 impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset 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 an entity are classified either as 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 the Target after deducting all of its liabilities. Equity instruments issued by an entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Other financial liabilities including trade and other payables, amounts due to related parties and bank borrowings, are subsequently measured at amortised cost, using the effective interest method.

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.

Derecognition

The Target derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Target derecognises financial liability when, and only when, the Target'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. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target's accounting policies, which are described in note 4, management of the Target is required to make 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.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

(a) Useful life and impairment of property, plant and equipment

The Target'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 assesses 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 increase the depreciation charge where useful lives are estimated to be shorter than previously estimated, or will write off or write down obsolete assets that have been abandoned or impaired. As at 31 December 2014, 2015 and 2016 and 30 June 2017, the carrying amount of property, plant and equipment are RMB251,217,000, RMB261,997,000, RMB260,019,000 and RMB252,182,000, respectively. Any change in these estimates may have a material impact on the results of the Target.

(b) Useful life and recoverability of prepaid lease payments

The Target's management determines the estimated useful lives and the amortisation method in determining the related amortisation charges for its prepaid lease payments. During the Track Record Period, the Target's prepaid lease payments are amortised on a straight-line basis over a period of 50 years. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of prepaid lease payments may not be recoverable. Management will increase the amortisation charge where useful lives are estimated to be shorter than previously estimated, or will write off or write down obsolete assets that have been abandoned or impaired. As at 31 December 2014, 2015 and 2016 and 30 June 2017, the carrying amount of prepaid lease payments are RMB6,344,000, RMB6,159,000, RMB5,974,000 and RMB5,881,000, respectively. Any change in these estimates may have a material impact on the results of the Target.

(c) Income taxes

Significant judgement is required in interpreting the relevant tax rules and regulation so as to determine whether the Target is subject to corporate income tax. This assessment relies on estimates and assumptions about future events. New information may become available that causes the Target to change its judgement regarding the adequacy of the tax liabilities. Such changes to tax liabilities will impact tax expense in the period that such determination is made.

6. REVENUE AND SEGMENT INFORMATION

The Target is mainly engaged in the provision of vocational education for technical workers and technicians in the PRC.

Revenue represents service income from tuition fees, boarding fees and ancillary services.

The Target's operating activities are attributable to a single operating segment focusing on the provision of vocational education for students, technical workers and technicians 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"), Mr. Li Mengqiang, being the executive director of the Target, for the purpose of allocating resources and assessing its performance. The CODM reviews the Target's profit for the year/period as a whole for performance assessment. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM.

Revenue from major services

The following is an analysis of the Target's revenue from the major service lines:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Tuition fees	135,789	145,957	161,748	79,724	80,883
Boarding fees	13,329	14,825	14,789	7,407	7,370
Ancillary services	2,627	2,996	3,029	1,516	1,509
	151,745	163,778	179,566	88,647	89,762

Geographical information

The Target operates in the PRC. All of Target's customers and the non-current assets of the Target are located in the PRC.

Information about major customers

No single customer contributes over 10% or more of total revenue of the Target during the Track Record Period.

7. INVESTMENT INCOME

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest income from bank	108	201	88	56	31
Imputed interest income from amounts due from related parties	1,275	2,780	3,802	1,819	2,058
	1,383	2,981	3,890	1,875	2,089

8. OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Academic administration income	3,756	4,431	1,414	770	429
Management fee income	256	80	163	7	6
Government grants *(Note)*	225	2,123	2,635	2,011	–
Others	1,834	2,947	1,177	1,042	111
	6,071	9,581	5,389	3,830	546

Note: Government grants mainly represent unconditional subsidies from government for organising college activities and improving the quality of technician education.

9. OTHER GAINS AND LOSSES

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Net gain on structured deposits	40	277	1,151	181	728
Loss on written-off on property, plant and equipment, net	(108)	(152)	(86)	(58)	(228)
	(68)	125	1,065	123	500

10. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest expenses on bank borrowings	(80)	(19)	(118)	(118)	–

11. TAXATION

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
The income tax expense comprises:					
Current tax:					
PRC Enterprise Income Tax ("EIT")	153	185	119	–	27

The income tax expense 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 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit before taxation	11,038	16,147	14,482	15,680	36,292
Tax at PRC EIT rate of 25%	2,760	4,037	3,621	3,920	9,073
Tax effect of income not taxable for tax purposes	(37,742)	(42,033)	(45,740)	(22,853)	(22,795)
Tax effect of expenses not deductible for tax purposes	35,135	38,181	42,238	18,933	13,749
Taxation for the year/period	153	185	119	–	27

The Target is subject to the PRC EIT of 25% during the Track Record Period.

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, which providing academic qualification education, are eligible to enjoy income tax exemption treatment if the school sponsors of such schools do not require reasonable returns. The Target has been granted enterprise income tax exemption for the certain tuition fees, boarding fees, government grant and interest income from relevant local tax authority. During the years ended 31 December 2014, 2015 and 2016 and six months ended 30 June 2016 and 2017, the non-taxable income amounted to RMB150,968,000, RMB168,132,000, RMB182,960,000, RMB91,412,000 (unaudited) and RMB91,180,000, respectively, and the related non-deductible expense amounted to RMB140,540,000, RMB152,724,000, RMB168,952,000, RMB75,732,000 (unaudited) and RMB54,996,000, respectively.

12. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit and total comprehensive income for the year/period has been arrived at after charging (crediting):					
Staff costs, including directors' remuneration *(Note 13)*					
– salaries and other allowances	41,469	49,622	64,492	31,489	29,827
– retirement benefit scheme contributions	5,970	6,107	6,947	3,413	3,464
Total staff costs	47,439	55,729	71,439	34,902	33,291
Depreciation of property, plant and equipment	19,792	21,145	21,354	10,353	9,700
Amortisation of prepaid lease payment	185	185	185	93	93
Auditor's remuneration	55	36	59	–	–
Minimum operating lease rental expense in respect of rented premises	2,778	6,281	6,231	3,115	1,619

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

Details of the emoluments paid to the directors of the Target during the Track Record Period are as follows:

For the year ended 31 December 2014

	Directors' fee	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Li Mengqiang	–	220	310	23	553
Mr. Xie Zhanpeng *(Note)*	–	103	100	–	203
	–	323	410	23	756

For the year ended 31 December 2015

	Directors' fee	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Li Mengqiang	–	221	340	25	586
Mr.Xie Zhanpeng *(Note)*	–	103	97	–	200
	–	324	437	25	786

For the year ended 31 December 2016

	Directors' fee	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Li Mengqiang	–	221	400	24	645
Mr. Xie Zhanpeng *(Note)*	–	9	–	–	9
	–	230	400	24	654

For the six months ended 30 June 2016 (unaudited)

	Directors' fee	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Li Mengqiang	–	110	–	12	122
Mr. Xie Zhanpeng *(Note)*	–	9	–	–	9
	–	119	–	12	131

For the six months ended 30 June 2017

	Directors' fee	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director					
Mr. Li Mengqiang	–	110	–	12	122

Note: Mr. Xie Zhanpeng retired as director on 31 January 2016

The executive directors' emoluments shown above were paid for their services in connection with the management of affairs of the Target during the Track Record Period. The executive directors of the Target are entitled to discretionary bonus which are determined having regard to the performance of individuals and market trends.

Employees

The five highest paid individuals of the Target included 1 director for each of the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 (unaudited) and 30 June 2017 whose emoluments are included in the disclosures above. The emoluments of the remaining 4 individuals for each of the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 (unaudited) and 30 June 2017, are as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries and other benefits	1,103	1,256	1,283	334	374
Retirement benefit scheme contributions	147	177	173	41	44
	1,250	1,433	1,456	375	418

The number of the highest paid individuals, other than directors of the Target, whose emoluments fell within the following bands is as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
				(Unaudited)	
Nil to HK$1,000,000	4	4	4	4	4

During the Track Record Period, no emoluments was paid by the Target to the directors or the five highest paid employees as an inducement to join or upon joining the Target or as compensation for loss of office.

None of the directors of the Target waived or agreed to waive any emoluments during the Track Record Period.

14. DIVIDENDS

No dividend has been paid or proposed by the Target during the Track Record Period, nor has any dividend been proposed subsequent to 30 June 2017.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvements	Motor vehicles	Furniture and fixtures	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST						
At 1 January 2014	261,511	41,593	4,256	89,861	–	397,221
Additions	–	7,848	612	7,339	6,669	22,468
Transfer	2,642	3,404	–	–	(6,046)	–
Disposals	–	–	(80)	(1,986)	–	(2,066)
At 31 December 2014	264,153	52,845	4,788	95,214	623	417,623
Additions	4,042	9,512	206	3,303	15,014	32,077
Transfer	8,676	4,946	–	–	(13,622)	–
Disposals	–	–	(39)	(2,896)	–	(2,935)
At 31 December 2015	276,871	67,303	4,955	95,621	2,015	446,765
Additions	–	1,603	433	10,456	6,970	19,462
Transfer	8,985	–	–	–	(8,985)	–
Disposals	–	–	(1)	(1,689)	–	(1,690)
At 31 December 2016	285,856	68,906	5,387	104,388	–	464,537
Additions	–	807	204	454	626	2,091
Transfer	–	–	–	–	–	–
Disposals	–	–	–	(3,834)	–	(3,834)
At 30 June 2017	285,856	69,713	5,591	101,008	626	462,794
DEPRECIATION						
At 1 January 2014	73,294	14,920	1,837	58,521	–	148,572
Provided for the year	4,980	4,408	540	9,864	–	19,792
Eliminated on disposals	–	–	(80)	(1,878)	–	(1,958)
At 31 December 2014	78,274	19,328	2,297	66,507	–	166,406
Provided for the year	5,080	5,315	603	10,147	–	21,145
Eliminated on disposals	–	–	(37)	(2,746)	–	(2,783)
At 31 December 2015	83,354	24,643	2,863	73,908	–	184,768
Provided for the year	5,654	6,593	627	8,480	–	21,354
Eliminated on disposals	–	–	(1)	(1,603)	–	(1,604)
At 31 December 2016	89,008	31,236	3,489	80,785	–	204,518
Provided for the period	2,400	3,373	404	3,523	–	9,700
Eliminated on disposals	–	–	–	(3,606)	–	(3,606)
At 30 June 2017	91,408	34,609	3,893	80,702	–	210,612
CARRYING VALUES						
At 31 December 2014	185,879	33,517	2,491	28,707	623	251,217
At 31 December 2015	193,517	42,660	2,092	21,713	2,015	261,997
At 31 December 2016	196,848	37,670	1,898	23,603	–	260,019
At 30 June 2017	194,448	35,104	1,698	20,306	626	252,182

The above items of property, plant and equipment, other than construction in progress, after taking into account their estimated residual value, are depreciated on a straight-line basis at the following useful life:

Leasehold land and buildings	Over the shorter of 50 years or the terms of leases
Leasehold improvements	Over the shorter of 10 years or the terms of leases
Motor vehicles	5 years
Furniture and fixtures	5 years

At 31 December 2014, 2015 and 2016 and 30 June 2017, the Target is in the process of obtaining the property certificates for the leasehold land and buildings with carrying value of approximately RMB116,562,000, RMB123,003,000, RMB120,616,000 and RMB119,072,000 which are located in the PRC. In the opinion of the directors of the Target, the absence of formal title does not impair the value of the relevant buildings. In the opinion of the directors of the Target, formal title of these leasehold land and buildings will be granted to the Target in due course.

16. PREPAID LEASE PAYMENTS

The Target's prepaid lease payments comprise leasehold land in the PRC and are analysed for reporting purpose as:

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	6,159	5,974	5,789	5,696
Current assets	185	185	185	185
	6,344	6,159	5,974	5,881

The Target is in the process of obtaining the land use right certificates which are located in the PRC. In the opinion of management of the Target, the absence of formal title does not impair the value of the relevant prepaid lease payments and the formal title of prepaid lease payments will be granted to the Target in due course.

17. STRUCTURED DEPOSITS

As at 31 December 2014, 2015 and 2016 and 30 June 2017, the structured deposits of RMB18,000,000, RMB53,000,000, RMB143,500,000 and RMB106,500,000 respectively were issued by banks in the PRC.

The structured deposits are with expected rates of return (not guaranteed), depending on the market price of underlying financial instruments, including listed shares, bonds, debentures and other financial assets, are as follow:

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
Structured deposits	2.00% to 6.30%	2.00% to 6.30%	1.90% to 4.60%	1.90% to 4.60%

As at 31 December 2014, 2015 and 2016, the Target has the rights to redeem the structured deposits at expected maturity dates ranging from 1 month to 19 months, from 1 to 7 months, from 5 to 8 months after the end of each reporting period, respectively or at any time with prior notice. The structured deposits at 30 June 2017 are redeemable at any time with prior notice.

The structured deposits are designated at FVTPL on initial recognition as they contain non-closely related embedded derivatives. The management of the Target considers the fair values of the structured deposits, which are based on the prices provided by the counterparty banks which represented the prices they would pay to redeem the deposits at the end of each reporting period, approximate to their carrying values at the same day.

Analysed for reporting purpose as:

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	15,000	53,000	143,500	106,500
Non-current assets	3,000	–	–	–
	18,000	53,000	143,500	106,500

18. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Staff advances	–	–	–	1,305
Other deposits	213	1,363	597	597
Receivables from education bureau	15,908	19,262	20,605	19,360
Other receivables	858	957	374	940
Prepayments	540	536	240	246
	17,519	22,118	21,816	22,448

19. BANK BALANCES AND CASH

Bank balance and cash comprise cash and short-term deposits held by the Target with an original maturity of three months or less.

As at 31 December 2014, 2015 and 2016 and 30 June 2017, the Target's bank deposits carried a weighted-average interest rate of 0.35%, 0.35%, 0.30% and 0.30% per annum, respectively.

20. DEFERRED REVENUE

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tuition fees	82,353	97,282	101,944	63,390
Boarding fees	9,495	10,023	9,795	5,776
Ancillary services	3,248	4,439	4,664	1,184
	95,096	111,744	116,403	70,350

21. TRADE PAYABLES

The credit period granted by suppliers on purchase of goods and provision of service ranged from 7 to 30 days. The Target has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

The following is an aged analysis of trade payables presented based on date of goods receipt or services rendered.

	At 31 December			At 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0-30 days	2,257	1,641	1,174	906
31-90 days	43	252	9	213
91-365 days	21	18	110	2
>365 days	4	111	130	–
	2,325	2,022	1,423	1,121

22. OTHER PAYABLES AND ACCRUED EXPENSES

	At 31 December			At 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accrued staff benefits and payroll	14,090	12,972	25,952	14,806
Deposits received	2,571	1,203	985	365
Other payables and accruals	9,057	17,441	14,049	18,204
Other tax payable	349	736	1,169	732
	26,067	32,352	42,155	34,107

23. BANK BORROWINGS

	At 31 December			At 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured bank borrowings which are repayable within one year	–	16,568	–	–

The Target's fixed-rate borrowings are subject to interest at one-year People's Bank of China Base Rate. The effective interest rates on the Target's borrowings were as follows:

	At 31 December			At 30 June
	2014	2015	2016	2017
	%	%	%	%
Fixed-rate borrowings	N/A	4.88%	N/A	N/A

The Target's bank borrowings were secured by the rights to receive the tuition fees and boarding fees and were also guaranteed by Mr. Xie, the equity holder of the Target with the guarantee amounts of RMB50,000,000 as at 31 December 2015.

24. AMOUNTS DUE FROM (TO) RELATED PARTIES

	At 1 January 2014	At 31 December 2014	At 31 December 2015	At 31 December 2016	At 30 June 2017	Maximum amount outstanding during Year ended 31 December 2014	2015	2016	Six months ended 30 June 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related parties									
Name of related parties									
Mr. Xie *(Note i)*	21,190	38,194	76,974	89,872	92,766	40,605	80,819	90,387	92,766
廣東白雲學院 (Guangdong Baiyun University) *(Note ii)*	–	–	186	–	–	–	186	186	–
	21,190	38,194	77,160	89,872	92,766				
Amounts due to related parties									
Name of related parties									
Mr. Xie *(Note i)*	(18,000)	(18,000)	(18,000)	–	–				
廣東白雲學院 (Guangdong Baiyun University) *(Note ii)*	(19,566)	(41,229)	(54,450)	(75,053)	(82,282)				
江西科技學院 (Jiangxi University of Technology) *(Note iii)*	–	(14,054)	(46,351)	(93,526)	(98,776)				
廣東阿博特數碼紙業有限公司 (Guangdong Abote Digital and Paper Limited) ("Abote")*(Note iv)*	–	(100)	(143)	(189)	(207)				
廣州雲濤教育科技有限公司 (Guangzhou Yuntao Education Technology Company Limited) ("Yuntao") *(Note v)*	–	–	–	(533)	–				
	(37,566)	(73,383)	(118,944)	(169,301)	(181,265)				
Analysed for reporting purposes as:									
Current assets	21,190	17,540	16,226	89,872	92,766				
Non-current assets	–	20,654	60,934	–	–				
	21,190	38,194	77,160	89,872	92,766				
Current liabilities	(37,566)	(73,383)	(118,944)	(169,301)	(181,265)				

Notes:

(i) Included in the amount due from equity holder was advance provided by the Target to the equity holder with carrying amounts of RMB20,654,000 and RMB60,934,000 as at 31 December 2014 and 2015 classified as non-current assets and RMB69,152,000 and RMB71,210,000 as at 31 December 2016 and 30 June 2017 classified as current assets. The advance was non-trade in nature, unsecured, interest bearing and the management of the Target expected the advance would not be recovered within one year. The nominal values of the advance as at 31 December 2014, 2015 and 2016 and 30 June 2017 were RMB23,065,000, RMB64,779,000, RMB73,723,000 and RMB73,723,000 with effective interest rate of 6.1%, 5.4%, 4.8% and 4.8% per annum respectively. The imputed interest income recognised in profit or loss for each of the years ended 31 December 2014, 2015 and 2016 and for the six months ended 30 June 2017 were RMB1,275,000, RMB2,780,000, RMB3,802,000 and RMB2,058,000 respectively.

The remaining amount due from/(to) equity holder is non-trade in nature, unsecured, non-interest bearing and repayable on demand.

(ii) The amount due from (to) Guangdong Baiyun University, which is controlled by Mr. Xie, the equity holder of the Target, are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

(iii) The amount due to Jiangxi University of Technology, a wholly-owned subsidiary of China Education Group Holdings Limited, which is collectively controlled by Mr. Xie and Mr. Yu Guo ("Mr. Yu") as concert parties, is trade in nature, unsecured, non-interest bearing and repayable on demand. On 14 August 2017, China Education Group Holdings Limited became the holding company of the Target.

The following is an aged analysis of the trade balance presented based on the date of debit note.

	At 31 December			At 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0-90 days	14,054	32,297	26,542	5,250
91-120 days	–	–	–	–
121-365 days	–	–	20,633	26,542
>365 days	–	14,054	46,351	66,984
	14,054	46,351	93,526	98,776

(iv) The amount due to Abote, which is controlled by close family members of Mr. Xie, the equity holder of the Target, is trade in nature, unsecured, non-interest bearing and repayable on demand with aging of 0-90 days as at 31 December 2014, 2015 and 2016 and 30 June 2017.

(v) The amount due to Yuntao, which was controlled by a close family member of Mr. Xie, the equity holder of the Target, is trade in nature, unsecured, non-interest bearing and repayable on demand with aging of 0-90 days as at 31 December 2016 presented based on the invoice date. During the six months ended 30 June 2017, Yuntao has been disposed to third parties.

Except for the amounts due to Jiangxi University of Technology of RMB5,250,000, all of the remaining outstanding amounts due from/(to) related parties as at 30 June 2017 have been settled by the relevant parties subsequently.

25. PAID-IN CAPITAL

The paid-in capital as at the end of each reporting period represented the paid-in capital of the Target.

26. RETIREMENT BENEFIT PLANS

The employees of the Target are members of a state-managed retirement benefits scheme operated by the PRC government. The Target 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 with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

The amounts of contributions made by the Target in respect of the retirement benefit scheme during the Track Record Period are disclosed in note 12.

27. CAPITAL RISK MANAGEMENT

The Target manages its capital to ensure that it will be able to continue as a going concern while maximising the return to equity holder through the optimisation of the debt and equity balance. The Target's overall strategy remains unchanged from prior years.

The capital structure of the Target consists of net debt, which includes bank borrowings disclosed in note 23, net of cash and cash equivalents in note 19, amounts due to related parties in note 24 and equity attributable to equity holders of the Target, comprising paid-in capital, reserves and accumulated profits.

The directors review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Target will balance its overall capital structure through raising of new capital, payment of dividend as well as the issue of new debts or the redemption of the existing debts.

28. FINANCIAL INSTRUMENT

(a) Categories of financial instruments

	At 31 December			At 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Designated at FVTPL-structured deposits	18,000	53,000	143,500	106,500
Loans and receivables (including cash and cash equivalents)	92,756	142,140	116,929	154,381
	110,756	195,140	260,429	260,881
Financial liabilities				
Amortised cost	82,908	148,468	175,795	195,640

(b) Financial risk management objectives and policies

The Target's major financial instruments include other receivables, amounts due from related parties, structured deposits, bank balances and cash, trade and other payables, amounts due to related parties and bank borrowings. Details of these financial instruments are disclosed in the respective notes.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The directors of the Target manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. These risks include interest rate risk, credit risk and liquidity risk.

Market risk

(i) Interest rate risk

The Target's fair value interest rate risk relates primarily to its fixed-rate bank borrowings. The Target is also exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial asset, mainly bank balances (note 19 for details) which carried at prevailing market interest rates. The Target currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the directors of the Target will consider hedging significant interest rate risk should the need arise.

The sensitivity analysis is not presented as Target's exposure to interest rate risk on bank balances is insignificant during the Track Record Period.

(ii) Other price risk

The Target is exposed to price risk through its structured deposits. The price risk on structured deposits is limited because maturity period of these investments is short.

Credit risk

The Target's carrying amounts of the respective recognised financial assets as stated in the statements of financial position best represent the Target's maximum exposure to credit risk in the event of the counterparties' failure to perform its obligations.

In order to minimise the credit risk on 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 directors believe that there is no material credit risk inherent in the Target's outstanding balance of other receivables. In addition, the credit risk on amounts due from related parties are reduced as the Target can closely monitor the repayment of the related parties.

The credit risk on bank balances and structured deposits are limited because the counterparties are reputable financial institutions.

Liquidity risk

As at 31 December 2014, 2015 and 2016 and 30 June 2017, the Target recorded net current liabilities of RMB108,976,000, RMB145,596,000, RMB68,114,000 and RMB23,919,000 respectively. In view of these circumstances, the directors have given consideration of the future liquidity and performance of the Target and its available sources of finance in assessing whether the Target will have sufficient financial resources to continue as a going concern. The Target's net current liabilities as of 31 December 2014, 2015 and 2016 and 30 June 2017 were primarily as a result of: (i) other payables and accrued expenses, which consist primarily other payables and accruals and accrued staff benefits and payroll; (ii) deferred revenue, which consist of tuition fee, boarding fee and ancillary services; and (iii) amounts due to related parties, which primarily consist of amounts due to directors and subsidiaries of China Education Group Holdings Limited.

The directors of the Target are satisfied that the Target will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future by taking into account the financial support from Mr. Xie, the Target's cash flow projection and the directors of the Target consider that it has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, the Historical Financial Information has been prepared on a going concern basis.

In management of the liquidity risk, the Target monitors and maintains levels of cash and cash equivalents deemed adequate by the management to finance the Target's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Target's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target can be required to pay. The table includes both interest and principal cash flows.

	Weighted Average Effective interest rate	On demand or less than 1 month	1-3 months	3 months to 1 year	1-5 years	>5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-derivative financial liabilities								
Trade and other payables	–	9,525	–	–	–	–	9,525	9,525
Amounts due to related parties	–	73,383	–	–	–	–	73,383	73,383
At 31 December 2014		82,908	–	–	–	–	82,908	82,908
Non-derivative financial liabilities								
Trade and other payables	–	12,956	–	–	–	–	12,956	12,956
Amounts due to related parties	–	118,944	–	–	–	–	118,944	118,944
Bank borrowings – fixed rate	4.88%	–	16,587	–	–	–	16,587	16,568
At 31 December 2015		131,900	16,587	–	–	–	148,487	148,468
Non-derivative financial liabilities								
Trade and other payables	–	6,494	–	–	–	–	6,494	6,494
Amounts due to related parties	–	169,301	–	–	–	–	169,301	169,301
At 31 December 2016		175,795	–	–	–	–	175,795	175,795
Non-derivative financial liabilities								
Trade and other payables	–	14,375	–	–	–	–	14,375	14,375
Amounts due to related parties	–	181,265	–	–	–	–	181,265	181,265
At 30 June 2017		195,640	–	–	–	–	195,640	195,640

(c) Fair value measurements of financial instruments

(i) Fair value of the Target's financial assets that are measured at fair value on a recurring basis

Certain of the Target's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial asset	Fair value	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Structured deposits	As at 31 December 2014: RMB18,000,000 As at 31 December 2015: RMB53,000,000 As at 31 December 2016: RMB143,500,000 As at 30 June 2017: RMB106,500,000	Level 3	Discounted cash flow – future cash flows are estimated based on estimated return, and discounted at a rate that reflects the credit risk of various counterparties.	Estimated return	The higher the estimated return, the higher the fair value, vice versa

(ii) Reconciliation of Level 3 Measurement

The following table presents the reconciliation of Level 3 Measurement of the structured deposits:

	RMB'000
At 1 January 2014	3,000
Net gain on structured deposits	40
Purchase of structured deposits	18,000
Redemption of structured deposits	(3,040)
At 31 December 2014	18,000
Net gain on structured deposits	277
Purchase of structured deposits	60,000
Redemption of structured deposits	(25,277)
At 31 December 2015	53,000
Net gain on structured deposits	1,151
Purchase of structured deposits	305,500
Redemption of structured deposits	(216,151)
At 31 December 2016	143,500
Net gain on structured deposits	728
Purchase of structured deposits	–
Redemption of structured deposits	(37,728)
At 30 June 2017	106,500

(iii) Fair value of financial instruments that are recorded at amortised cost

During the Track Record Period, the directors of the Target consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values at the end of the reporting period.

29. OPERATING LEASES

The Target as lessee

At the end of each reporting period, the Target's commitments for future minimum lease payments under non-cancellable operating leases fall due as follows:

	At 31 December			At 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	3,462	5,901	6,218	4,052
In the second to fifth year inclusive	4,077	4,846	2,339	1,333
Over five years	2,269	2,015	1,762	1,635
	9,808	12,762	10,319	7,020

Operating lease payments represent rentals payable by the Target for certain of its academic and dormitory premises. Leases are negotiated and rentals are fixed for lease terms of one to twenty-five years.

30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank borrowings	Amounts due to related parties (non-trade)
	RMB'000	*RMB'000*
At 1 January 2014	–	37,566
Financing cash flow *(Note)*	(80)	21,663
Finance cost recognised	80	–
At 31 December 2014	–	59,229
Financing cash flow *(Note)*	16,549	13,221
Finance cost recognised	19	–
At 31 December 2015	16,568	72,450
Financing cash flow *(Note)*	(16,686)	2,603
Finance cost recognised	118	–
At 31 December 2016	–	75,053
Financing cash flow *(Note)*	–	7,229
Finance cost recognised	–	–
At 30 June 2017	–	82,282
At 1 January 2016	16,568	72,450
Financing cash flow (unaudited) *(Note)*	(16,686)	–
Finance cost recognised (unaudited)	118	–
At 30 June 2016 (unaudited)	–	72,450

Note: The cash flows represent the proceeds from and repayment of bank borrowings and interest paid in the statements of cash flows.

31. RELATED PARTY TRANSACTIONS AND BALANCES

During the Track Record Period, the Target entered into the following transactions with related parties, which are controlled by Mr. Yu, one of the controlling equity holders and director of China Education Group Holdings Limited, and/or Mr. Xie, the sole equity holder of the Target and his close family member:

Related party	Relationship	Nature of transaction	Year ended 31 December			Six months ended 30 June	
			2014	2015	2016	2016	2017
			RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Jiangxi University of Technology	Collective management and controlled by Mr. Xie and Mr. Yu as concert parties	Consultancy fee *(Note)*	(14,054)	(32,297)	(47,175)	(20,633)	(5,250)
Yuntao	Controlled by a close family member of Mr. Xie	Service fee	–	–	(540)	–	–
Abote	Controlled by a close family member of Mr. Xie	Purchase of paper products	(101)	(42)	(47)	(22)	(18)

Note: The amount represents the consultancy fee paid for the exclusive service provided by Jiangxi University of Technology for development of school network. The service focus on providing the Target with opportunities for inter-school cooperation with other education institutions and school-enterprise cooperation and facilitating the fruition of such programmes. In particular, Jiangxi University of Technology shall introduce potential cooperation partners, help facilitate the communications and negotiations with potential cooperation partners, assist in the collection and transmission of related documents and facilitate other related arrangements.

During the Track Record Period, the Target grants a right to use of the land and building element of certain properties and other plant and equipment held by the Target to Guangdong Baiyun University in connection with the operation of Guangdong Baiyun University at nil consideration.

Compensation of key management personnel

The remuneration of directors and other members of key management of the Target during the Track Record Period are as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Short-term benefits	1,795	1,785	1,871	370	373
Post-employment benefits	219	225	185	93	90
	2,014	2,010	2,056	463	463

The remuneration of directors and key executives is determined having regard to the performance of individuals and market trends.

Balances with related parties are set out in the statements of financial position on page IB-6 and in note 24.

32. EVENTS AFTER REPORTING PERIOD

Saved as disclosed in this report, the following events took place subsequent to 30 June 2017.

On 14 August 2017, the Target became an indirect wholly-owned subsidiary of China Education Group Holdings Limited after acquisition of the Target's equity interest by Lihe Education Consulting (Ganzhou) Company Limited.

In November 2017, the Share Option Schemes and Share Award Scheme (as defined in the Prospectus) were conditionally approved and adopted by the Board of Directors of China Education Group Holdings Limited, of which the principal terms are set out in "Appendix V – D. Share Option Schemes and Share Award Scheme" to the Prospectus.

33. DIRECTORS' REMUNERATION

As disclosed in this report, certain remuneration was paid or payable by the Target to the directors of the Target in respect of the Track Record Period. Under the arrangement currently in force, the aggregate amount of the directors' fee and other emoluments for the year ending 31 December 2017 is estimated to be approximately RMB450,000.

34. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target have been prepared in respect of any period subsequent to 30 June 2017.

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

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

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

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

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

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

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

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

Notes:

(1) The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2017 are based on audited consolidated net assets of the Group attributable to the owners of the Company as at 30 June 2017 of approximately RMB2,741,216,000, as set out in Appendix IA to this document.

(2) The estimated net proceeds from the Global Offering are based on 500,000,000 Shares to be issued under the Global Offering and the Offer Price of HK$5.86 and HK$7.02 per Offer Share, respectively, being the low-end and high-end of the stated Offer Price range, per Share, after deduction of the underwriting fees and other related expenses to be incurred by the Group (other than expenses already recognised in profit or loss up to 30 June 2017) and assuming the Over-allotment Option is not exercised and no Shares are issued upon the exercise of options that may be granted under the Share Option Schemes or pursuant to grants under the Share Award Scheme or allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix V to this document. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into RMB at an exchange rate of HK$1 to RMB0.8821, which was the rate prevailing on 30 June 2017. No representation is made that the Hong Kong dollars amounts have been, could have been or could be converted into Renminbi, or vice versa, at that rate or at any other rates or at all.

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

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

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

(B) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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

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

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

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

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

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

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

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

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

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

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

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

1. The amounts are extracted from the audited consolidated statement of financial position of the Group as at 30 June 2017, and the audited consolidated statements of profit or loss and other comprehensive income of the Group for the year ended 31 December 2016 and the six months ended 30 June 2017 as set out in Appendix IA to this document.

2. The amounts are extracted from the audited statement of financial position of the Target as at 30 June 2017 and the audited statements of profit or loss and other comprehensive income of the Target for the year ended 31 December 2016 and the six months ended 30 June 2017 as set out in Appendix IB to this document.

3. The adjustments represent the elimination of intercompany balances and transactions between the Group and the Target.

4. Pursuant to an acquisition framework agreement and a series of contractual arrangements (collectively the "Acquisition Arrangements"), the consideration of the Acquisition is RMB750,000,000 which will be satisfied by cash in full before 31 December 2017. The consideration payable of RMB750,000,000 is included in the "other payable" line item as at 30 June 2017 for the purpose of the Unaudited Pro Forma Financial Information.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6. The adjustments relate to additional amortisation of the intangible asset of RMB7,490,000 and RMB3,745,000 for the year ended 31 December 2016 and six months ended 30 June 2017, respectively, calculated with respect to respective pro forma fair values of student roster and useful lives of 4 years, which is assumed to be provided for the year/period as if the Acquisition had been completed on 1 January 2016. This adjustment is expected to have continuing effect on the Enlarged Group's consolidated statement of profit or loss and other comprehensive income. For the purpose of pro forma financial information, the fair values of the intangible assets of the Target as at 30 June 2017 is assumed to be the same as at 1 January 2016.

7. The adjustment represents the deferred tax credit relating to additional amortisation of the intangible asset of RMB1,873,000 and RMB936,000 for the year ended 31 December 2016 and six months end 30 June 2017, respectively, which is assumed to be provided for the year/period as if the Acquisition had been completed on 1 January 2016. This adjustment is expected to have continuing effect on the Enlarged Group's consolidated statement of profit or loss and other comprehensive income.

8. Other than the above adjustments, no adjustments have been made to reflect any trading results or other transactions of the Group and the Target entered into subsequent to 30 June 2017.

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

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

Notes:

i. The unaudited pro forma consolidated net tangible assets of the Enlarged Group attributable to owners of the Company as at 30 June 2017 are based on the unaudited pro forma consolidated net assets of the Enlarged Group attributable to the owners of the Company as at 30 June 2017 of approximately RMB2,741,216,000, after deduction of the pro forma fair value adjustment to intangible assets and goodwill amounting to approximately RMB229,286,000 and RMB344,077,000, respectively, as extracted from the "Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group as at 30 June 2017" on page II-4 of this Appendix.

ii. The estimated net proceeds from the Global Offering are based on 500,000,000 Shares to be issued under the Global Offering and the Offer Price of HK$5.86 and HK$7.02 per Offer Share, respectively, being the low-end and high-end of the stated Offer Price range, per Share, after deduction of the underwriting fees and other related expenses to be incurred by the Group (other than expenses already recognised in profit or loss up to 30 June 2017) and assuming the Over-allotment Option is not exercised and no Shares are issued upon the exercise of options that may be granted under the Share Option Schemes or pursuant to grants under the Share Award Scheme or allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix V to this document. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into RMB at an exchange rate of HK$1 to RMB0.8821, which was the rate prevailing on 30 June 2017. No representation is made that the Hong Kong dollars amounts have been, could have been or could be converted into Renminbi, or vice versa, at that rate or at any other rates or at all.

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

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

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

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

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

Deloitte. 德勤

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

TO THE DIRECTORS OF CHINA EDUCATION GROUP HOLDINGS LIMITED

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

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of (i) the global offering on the Group's financial position as at 30 June 2017 as if the global offering had taken place at 30 June 2017; and (ii) the acquisition of Guangzhou Baiyun Senior Technician School of Business and Technology (Guangzhou Baiyun Technician College of Business and Technology) (廣州白雲工商高級技工學校(廣州市白雲工商技師學院)) (the "Target") on the Group's financial position as at 30 June 2017 and the Group's financial performance for the year ended 31 December 2016 and the six months ended 30 June 2017 as if the acquisition had taken place at 30 June 2017 and 1 January 2016, respectively. As part of this process, information about the Group's financial position and financial performance has been extracted by the Directors from the Group's historical financial information for the year ended 31 December 2016 and the six months ended 30 June 2017, on which an accountants' report on historical financial information has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

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

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

Reporting Accountants' Responsibilities

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

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

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

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

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

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

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

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

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

OPINION

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
5 December 2017

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this document received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of value of the property interests of China Education Group Holdings Limited as at 30 September 2017.

CUSHMAN & WAKEFIELD
戴德梁行

16/F
Jardine House
1 Connaught Place
Central
Hong Kong

5 December 2017

The Directors
China Education Group Holdings Limited
Jiangxi University of Technology
No. 115 Ziyang Avenue
Qingshanhu District
Nanchang
Jiangxi Province
the PRC

Dear Sirs,

INSTRUCTIONS, PURPOSE & VALUATION DATE

In accordance with your instructions for us to value the property interests of China Education Group Holdings Limited (referred to as the "Company") and its subsidiaries (together referred to as the "Group") in the People's Republic of China (the "PRC") (as more particularly described in the attached valuation certificates), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of such property interests as at 30 September 2017.

DEFINITION OF MARKET VALUE

Our valuations of each of the properties represent its Market Value. The definition of Market Value adopted in The HKIS Valuation Standards 2012 Edition follows the International Valuation Standards published by the International Valuation Standards Council ("IVSC"). Market Value is defined by the IVSC 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".

VALUATION BASIS AND ASSUMPTIONS

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules governing the Listing of Securities published by The Stock Exchange of the Hong Kong Limited, and The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors.

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the properties in the PRC, we have assumed that, unless otherwise stated, the transferable land use rights of the properties for their respective terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Company and its legal adviser, Commerce & Finance Law Offices (通商律師事務所) regarding the title to each of the properties and the interests of the Group in the properties. In valuing the properties, we have assumed that the Group has an enforceable title to each of the properties and has free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired land use term as granted.

In respect of the properties situated in the PRC, the status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Group are set out in the notes of the respective valuation certificates.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses 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.

METHOD OF VALUATION

In valuing properties in Group I, which are owned by the Group in the PRC, we have used Depreciated Replacement Costs ("DRC") Approach, which requires a valuation of the market value of the land in its existing use and an estimate of the new replacement cost of the buildings and structures, from which deductions are made to allow for the age, condition and functional obsolescence. The reported market value by Depreciated Replacement Cost Approach only applies to the whole of the property as a unique interest, and no piecemeal transaction of the property is assumed. The market value is subject to adequate potential profitability of the business from the use of the property as a whole.

In valuing properties in Group II and III, which are held by the Group under development and for future development respectively in the PRC, we have valued them on the basis that they will be developed and completed in accordance with the latest development proposals provided to us by the Group (if any). We have assumed that all consents, approvals and licences from relevant government authorities for the development proposals have been or will be obtained without onerous conditions or delays. We have also assumed that the design and construction of the developments are in compliance with the local planning and other relevant regulations and have been or will be approved by the relevant authorities. In arriving at our valuations, we have adopted the Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the expended construction costs as well as the costs that will be expended to complete the developments. The "estimated Market Value as if completed" represents our opinion of the aggregate selling prices of the development assuming that it was completed as at the Valuation Date.

In valuing the properties in Group IV, which are leased and occupied by the Group in the PRC, we consider that the properties have no commercial value due mainly to the prohibition against assignment and subletting or otherwise to the lack of substantial profit rents.

SOURCES OF INFORMATION

We have been provided by the Group with extracts of documents in relation to the titles to the properties. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuation, we have relied to a very considerable extent on the information given to us by the Group and its legal adviser, Commerce & Finance Law Offices (通商律師事務所) regarding the title to each of the properties and the interests of the Group in the properties. We have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, completion date of buildings, particulars of occupancy, site and floor areas, interest attributable to the Group and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificates are based on information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

TITLE INVESTIGATION

We have been provided with extracts of documents relating to the titles of the properties in the PRC, but no searches have been made in respect of the properties. We have not searched the original documents to verify ownership or to ascertain any amendment which may not appear on the copies handed to us. We are also unable to ascertain the title of the properties in the PRC and we have therefore relied on the advice given by the Group regarding the Group's interests in the PRC properties.

SITE INSPECTION

Our valuer, Mr. Victor Li, inspected the exterior and, whenever possible, the interior of the properties in June 2017. Mr. Victor Li has about 3 years' experience in property valuation in the PRC. However, we have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period. No structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the properties and we have assumed that the area shown on the documents handed to us are correct.

CURRENCY

Unless otherwise stated, all sums stated in our valuations are in Renminbi, the official currency of the PRC.

We enclose herewith a summary of our valuations and our valuation certificates.

Yours faithfully,
for and on behalf of
Cushman & Wakefield Limited
Andrew K.F. Chan
Registered Professional Surveyor (General Practice)
Registered China Real Estate Appraiser
MSc., M.R.I.C.S., M.H.K.I.S.
Regional Director
Greater China
Valuation & Advisory Services

Note: Mr. Andrew K. F. Chan is a Registered Professional Surveyor who has over 29 years of experience in the valuation of properties in the PRC.

SUMMARY OF VALUATIONS

Group I – Properties owned by the Group in the PRC

	Property	Market value in existing state as at 30 September 2017	Interest attributable to the Group	Market value in existing state attributable to the Group as at 30 September 2017
		(RMB)	*(%)*	*(RMB)*
1.	The campus of Jiangxi University of Technology, No. 115 Ziyang Avenue, Nanchang County, Nanchang, Jiangxi Province, the PRC 中國江西省南昌市南昌縣紫陽大道115號江西科技學院校園	No commercial value	100	No commercial value
2.	The campus of Jiangxi University of Technology, Jingdong Avenue, Qingshanhu District, Nanchang, Jiangxi Province, the PRC 中國江西省南昌市青山湖區京東大道江西科技學院校園	No commercial value	100	No commercial value
3.	The campus of Jiangxi University of Technology, No. 320 National Highway, Nan'an Villager's Committee, Quanling Town, Jinxian County, Nanchang, Jiangxi Province, the PRC 中國江西省南昌市進賢縣泉嶺鄉320國道南岸村委會江西科技學院校園	52,470,000	100	52,470,000

	Property	Market value in existing state as at 30 September 2017	Interest attributable to the Group	Market value in existing state attributable to the Group as at 30 September 2017
		(RMB)	*(%)*	*(RMB)*
4.	The campus of Guangdong Baiyun University, Xueyuan Road, Jianggao Town, Baiyun District, Guangzhou, Guangdong Province, the PRC 中國廣東省廣州市白雲區江高鎮學苑路廣東白雲學院校園	No commercial value	100	No commercial value
5.	The group of 6-dormitories building in District A of Zhujiang Dormitories of Guangdong Baiyun University, Xueyuan Road, Jianggao Town, Baiyun District, Guangzhou, Guangdong Province, the PRC 中國廣東省廣州市白雲區江高鎮學苑路廣東白雲學院珠江公寓A區6棟宿舍樓	No commercial value	100	No commercial value

	Property	Market value in existing state as at 30 September 2017	Interest attributable to the Group	Market value in existing state attributable to the Group as at 30 September 2017
		(RMB)	*(%)*	*(RMB)*
6.	A parcel of land and 4 dormitory buildings of Huadu Xincheng of Guangdong Baiyun University, Xueyuan Road, Jianggao Town, Baiyun District, Guangzhou, Guangdong Province, the PRC 中國廣東省廣州市白雲區江高鎮學苑路廣東白雲學院華都新城土地及4棟宿舍樓	No commercial value	100	No commercial value
7.	The campus of Guangzhou Baiyun Senior Technical School of Business and Technology, No. 13 Datian South Road, Jianggao Town, Baiyun District, Guangzhou, Guangdong Province, the PRC 中國廣東省廣州市白雲區江高鎮大田南路13號廣州白雲工商高級技工學校校園	No commercial value	100	No commercial value
	Sub-total of Group I:	52,470,000		52,470,000

SUMMARY OF VALUATIONS

Group II – Property held by the Group under development in the PRC

	Property	Market value in existing state as at 30 September 2017	Interest attributable to the Group	Market value in existing state attributable to the Group as at 30 September 2017
		(RMB)	*(%)*	*(RMB)*
8.	The under construction development for Phase I of North Campus of Guangdong Baiyun University, Dengtang Village, Zhongluotan Town, Baiyun District, Guangzhou, Guangdong Province, the PRC 中國廣東省廣州市白雲區鐘落潭鎮登塘村廣東白雲學院北校區校園首期在建工程	No commercial value	100	No commercial value
	Sub-total of Group II:	No commercial value		No commercial value

SUMMARY OF VALUATIONS

Group III – Property held by the Group for future development in the PRC

	Property	Market value in existing state as at 30 September 2017	Interest attributable to the Group	Market value in existing state attributable to the Group as at 30 September 2017
		(RMB)	*(%)*	*(RMB)*
9.	Development site for Phase II of North Campus of Guangdong Baiyun University, Dengtang Village, Zhongluotan Town, Baiyun District, Guangzhou, Guangdong Province, the PRC 中國廣東省廣州市白雲區鐘落潭鎮登塘村廣東白雲學院北校區校園二期待建土地	No commercial value	100	No commercial value
	Sub-total of Group III:	No commercial value		No commercial value

SUMMARY OF VALUATIONS

Group IV – Properties leased and occupied by the Group in the PRC

	Property	Market value in existing state as at 30 September 2017	Interest attributable to the Group	Market value in existing state attributable to the Group as at 30 September 2017
		(RMB)	*(%)*	*(RMB)*
10.	A basketball court leased for Guangdong Baiyun University, Xueyuan Road, Jianggao Town, Baiyun District, Guangzhou, Guangdong Province, the PRC 中國廣東省廣州市白雲區江高鎮學苑路廣東白雲學院租賃學校籃球場	No commercial value	100	No commercial value
11.	A parcel of land and No. 11, 12 dormitory buildings leased for Guangdong Baiyun University, Xueyuan Road, Jianggao Town, Baiyun District, Guangzhou, Guangdong Province, the PRC 中國廣東省廣州市白雲區江高鎮學苑路廣東白雲學院租賃一塊土地和11號、12號宿舍樓	No commercial value	100	No commercial value

	Property	Market value in existing state as at 30 September 2017	Interest attributable to the Group	Market value in existing state attributable to the Group as at 30 September 2017
		(RMB)	*(%)*	*(RMB)*
12.	A parcel of land and 6 dormitory buildings in District B of Zhujiang Dormitories leased for Guangdong Baiyun University, Xueyuan Road, Jianggao Town, Baiyun District, Guangzhou, Guangdong Province, the PRC 中國廣東省廣州市白雲區江高鎮學苑路廣東白雲學院租賃珠江公寓B區土地和6棟宿舍樓	No commercial value	100	No commercial value
13.	A parcel of land and 4 buildings leased for Guangzhou Baiyun Senior Technical School of Business and Technology, No. 13 Datian South Road, Jianggao Town, Baiyun District, Guangzhou, Guangdong Province, the PRC 中國廣東省廣州市白雲區江高鎮大田南路13號廣州白雲工商高級技工學校租賃一塊土地和4棟樓	No commercial value	100	No commercial value

	Property	Market value in existing state as at 30 September 2017	Interest attributable to the Group	Market value in existing state attributable to the Group as at 30 September 2017
		(RMB)	*(%)*	*(RMB)*
14.	A parcel of land leased for Guangzhou Baiyun Senior Technical School of Business and Technology, No. 13 Datian South Road, Jianggao Town, Baiyun District, Guangzhou, Guangdong Province, the PRC 中國廣東省廣州市白雲區江高鎮大田南路13號廣州白雲工商高級技工學校租賃一塊土地	No commercial value	100	No commercial value
15.	Block A student dormitory in District C of Zhujiang Dormitories leased for Guangzhou Baiyun Senior Technical School of Business and Technology, No. 13 Datian South Road, Jianggao Town, Baiyun District, Guangzhou, Guangdong Province, the PRC 中國廣東省廣州市白雲區江高鎮大田南路13號廣州白雲工商高級技工學校租賃珠江公寓C區學生公寓A棟	No commercial value	100	No commercial value

	Property	Market value in existing state as at 30 September 2017	Interest attributable to the Group	Market value in existing state attributable to the Group as at 30 September 2017
		(RMB)	*(%)*	*(RMB)*
16.	Block B student dormitory in District C of Zhujiang Dormitories leased for Guangzhou Baiyun Senior Technical School of Business and Technology, No. 13 Datian South Road, Jianggao Town, Baiyun District, Guangzhou, Guangdong Province, the PRC 中國廣東省廣州市白雲區江高鎮大田南路13號廣州白雲工商高級技工學校租賃珠江公寓C區學生公寓B棟	No commercial value	100	No commercial value
17.	Block C student dormitory in District C of Zhujiang Dormitories leased for Guangzhou Baiyun Senior Technical School of Business and Technology, No. 13 Datian South Road, Jianggao Town, Baiyun District, Guangzhou, Guangdong Province, the PRC 中國廣東省廣州市白雲區江高鎮大田南路13號廣州白雲工商高級技工學校租賃珠江公寓C區學生公寓C棟	No commercial value	100	No commercial value

	Property	Market value in existing state as at 30 September 2017	Interest attributable to the Group	Market value in existing state attributable to the Group as at 30 September 2017
		(RMB)	*(%)*	*(RMB)*
18.	Unit Nos. 1, 2, 7 on Level 6 of Block No. 2 of Yangming International Centre, No. 18 New Ganzhou Avenue, Zhanggong District, Ganzhou City, Jiangxi Province, the PRC 中國江西省贛州市章貢區新贛州大道18號陽明國際中心2號樓6層1、2、7號單元	No commercial value	100	No commercial value
	Sub-total of Group IV:	No commercial value		No commercial value
	Grand total of Groups I to IV:	52,470,000		52,470,000

VALUATION CERTIFICATE

Group I – Properties owned by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2017
1.	The campus of Jiangxi University of Technology, No. 115 Ziyang Avenue, Nanchang County, Nanchang, Jiangxi Province, the PRC 中國江西省南昌市南昌縣紫陽大道115號江西科技學院校園	The property is a campus developed on three parcels of adjoining land with a total site area of approximately 1,132,612.30 sq m. Completed in the period between 2004 and 2016, the property comprises various teaching buildings, dormitories and related ancillary facilities. The property has a total gross floor area of approximately 520,265.26 sq m, in which 517,443.56 sq m with Real Estate Title Certificates and 2,821.70 sq m without Real Estate Title Certificates. The details of the gross floor area are as follows:	As at the valuation date, the property was occupied by the Group as a campus.	No commercial value

Use	Approximate gross floor area
	(sq m)
Teaching Buildings	168,654.31
Dormitories	270,844.51
Ancillary facilities	80,766.44
Total:	520,265.26

The property is held with allocated land use rights for education use.

Notes:

(1) The land use rights of the property are allocated in nature and cannot be freely transferred. We have therefore ascribed no commercial value to the property.

For illustrative purpose, had the Group obtained valid Real Estate Title Certificates (Land Transfer) of the property for education use, the market value of the property as at the valuation date would be RMB1,371,080,000.

(2) According to three State-owned Land Use Rights Certificates (Land Allocation) issued by 南昌市人民政府 (Nanchang People's Government) on 16 April 2012, the land use rights of the property with a total site area of approximately 1,132,612.30 sq m have been vested in 江西科技學院 (Jiangxi University of Technology) for education use with details as follows:–

No.	Certificate no.	Expiry date of land use term	Gross site area (sq m)
1	(2012) D016	n/a	796,214.50
2	(2012) D017	n/a	42,985.20
3	(2012) D018	n/a	293,412.60
		Total:	1,132,612.30

(3) According to 55 Real Estate Title Certificates (Land Allocation) issued by 南昌市住房保障和房產管理局 (Nanchang Housing Security and Management Bureau), the land use rights and building ownership of the property have been vested in 江西科技學院 (Jiangxi University of Technology) with details as follows:

No.	Certificate no.	Date of issue	Location in Jiangxi University of Technology	Gross floor area (sq m)
1	1458	11 May 2012	Teaching Building No. 1	20,071.41
2	1456	11 May 2012	Teaching Building No. 2	12,481.79
3	1452	11 May 2012	Teaching Building No. 3	6,493.59
4	1453	11 May 2012	Teaching Building No. 4	8,909.95
5	1459	11 May 2012	Teaching Building No. 5, 6, 7	4,836.15
6	1470	11 May 2012	Teaching Building No. 8	7,464.30
7	1471	11 May 2012	Teaching Building No. 9	7,547.13
8	1478	11 May 2012	Teaching Building No. 10	12,665.25
9	1641	3 April 2015	Teaching Building No. 11, 12, 13	21,191.34
10	1472	11 May 2012	Music Building	9,699.60
11	1473	11 May 2012	Fashion Building	5,154.97
12	1642	3 April 2015	Dancing Building	2,429.40
13	1434	11 May 2012	Practical Training Building No. 1	12,486.63
14	1445	11 May 2012	Practical Training Building No. 2	7,743.53
15	1433	11 May 2012	Practical Training Building No. 3	3,523.70
16	1474	11 May 2012	Practical Training Building No. 4	9,586.37
17	1469	11 May 2012	Automobile Practical Training Centre	10,303.79
18	1475	11 May 2012	Theatre	4,845.20
19	1477	11 May 2012	Gymnasium	9,580.46
20	1476	11 May 2012	Library	32,750.51
21	1447	11 May 2012	Administrative Building	6,705.84
22	1446	11 May 2012	Report Hall	2,531.62
23	1454	11 May 2012	Logistics Centre Building	4,358.46
24	1435	11 May 2012	Canteen No. 1	5,334.25
25	1448	11 May 2012	Canteen No. 2	3,574.37
26	1449	11 May 2012	Canteen No. 3	8,264.03
27	1436	11 May 2012	Student Dormitory No. 1	9,608.32
28	1441	11 May 2012	Student Dormitory No. 2	9,608.32
29	1437	11 May 2012	Student Dormitory No. 3	9,608.32
30	1455	11 May 2012	Student Dormitory No. 4	10,885.78
31	1438	11 May 2012	Student Dormitory No. 5	9,608.32
32	1439	11 May 2012	Student Dormitory No. 6	9,608.32
33	1440	11 May 2012	Student Dormitory No. 7	13,568.46
34	1442	11 May 2012	Student Dormitory No. 8	13,568.46
35	1443	11 May 2012	Student Dormitory No. 9	13,411.25
36	1444	11 May 2012	Student Dormitory No. 10	13,411.25

No.	Certificate no.	Date of issue	Location in Jiangxi University of Technology	Gross floor area
				(sq m)
37	1457	11 May 2012	Student Dormitory No. 11	9,838.36
38	1450	11 May 2012	Student Dormitory No. 12	9,608.32
39	1451	11 May 2012	Student Dormitory No. 13	9,608.32
40	1460	11 May 2012	Student Dormitory No. 14	10,992.84
41	1461	11 May 2012	Student Dormitory No. 15	10,396.62
42	1462	11 May 2012	Student Dormitory No. 16	10,396.62
43	1463	11 May 2012	Student Dormitory No. 17	9,441.33
44	1464	11 May 2012	Student Dormitory No. 18	9,441.33
45	1465	11 May 2012	Student Dormitory No. 19	9,441.33
46	1466	11 May 2012	Student Dormitory No. 20	10,896.21
47	1467	11 May 2012	Student Dormitory No. 21	9,752.28
48	1468	11 May 2012	Teacher Dormitory	6,248.33
49	1637	3 April 2015	Student Dormitory No. 23	6,023.91
50	1638	3 April 2015	Student Dormitory No. 24	6,259.48
51	1639	3 April 2015	Student Dormitory No. 25	6,649.52
52	1640	3 April 2015	Teacher Dormitory No. 26	11,839.08
53	(2017) 0064299	28 March 2017	Student Dormitory No. 27	5,007.28
54	(2017) 0064299	28 March 2017	Student Dormitory No. 28	6,116.55
55	1479	11 May 2012	Driving School Comprehensive Building	6,065.41
			Total:	517,443.56

(4) According to Registration Certificate of Private Non-enterprise Entities No. 52360000F376319566 issued by Civil Affairs Department of Jiangxi Province on 30 May 2016, 江西科技學院 (Jiangxi University of Technology) has been established as a private non-enterprise entity with a registered capital of RMB51,680,000 for a valid operation period from 30 May 2016 to 30 May 2021.

(5) According to Private School Operating Licence No. 036011100000010 issued by the PRC Ministry of Education, 江西科技學院 (Jiangxi University of Technology) has been established as a general institute of higher education (undergraduate course) for a valid operation period from 2010 to 2018.

(6) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:–

(i) The State-owned Land Use Rights Certificates (Land Allocation) and Real Estate Title Certificates (Land Allocation) of the property are legal and valid under the PRC laws;

(ii) The land use rights and building ownership of the property have been vested in 江西科技學院 (Jiangxi University of Technology);

(iii) 江西科技學院 (Jiangxi University of Technology) is the legal land user of the property; and

(iv) 江西科技學院 (Jiangxi University of Technology) has the right to freely occupy and use the land use rights and building ownership of the property.

(7) The status of the title and grant of major approvals and licences in accordance with the information provided to us are as follows:–

State-owned Land Use Rights Certificates (Land Allocation)	Yes
Real Estate Title Certificates (Land Allocation)	Yes
Registration Certificate of Private Non-enterprise Entities	Yes
Private School Operating Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2017
2.	The campus of Jiangxi University of Technology, Jingdong Avenue, Qingshanhu District, Nanchang, Jiangxi Province, the PRC 中國江西省南昌市青山湖區京東大道江西科技學院校園	The property is a campus developed on a parcel of land with a site area of approximately 47,202.00 sq m. Completed in the period between 1997 and 2015, the property comprises various teaching buildings, dormitories and related ancillary facilities. The property has a total gross floor area of approximately 73,527.58 sq m, in which 54,556.58 sq m with Real Estate Title Certificates and 18,971.00 sq m without Real Estate Title Certificates. The details of the gross floor area are as follows:	As at the valuation date, the property was occupied by an independent third party as a campus.	No commercial value

Use	Approximate gross floor area
	(sq m)
Teaching Buildings	39,893.49
Dormitories	24,447.09
Ancillary facilities	9,187.00
Total:	73,527.58

The property is held with allocated land use rights for education use.

Notes:

(1) The land use rights of the property are allocated in nature and cannot be freely transferred. We have therefore ascribed no commercial value to the property.

For illustrative purpose, had the Group obtained valid Real Estate Title Certificates (Land Transfer) of the property for education use, the market value of the property as at the valuation date would be RMB176,700,000.

(2) According to State-owned Land Use Rights Certificate (Land Allocation) No. (2012) D0090 issued by 南昌市人民政府 (Nanchang People's Government) on 21 June 2012, the land use rights of the property with a total site area of approximately 47,202.00 sq m have been allocated to 江西科技學院 (Jiangxi University of Technology) for education use.

(3) According to 8 Real Estate Title Certificates (Land Allocation) issued by 南昌市住房保障和房產管理局 (Nanchang Housing Security and Management Bureau), the land use rights and building ownership of the property have been vested in 江西科技學院 (Jiangxi University of Technology) with details as follows:

No.	Certificate no.	Date of issue	Location in campus	Gross floor area
				(sq m)
1	1001080909	4 June 2015	Block No. 1 on Jingdong South Road	12,142.65
2	1001080911	4 June 2015	Block No. 2 on Jingdong South Road	12,947.84
3	1000621805	9 April 2012	Teacher Dormitory No. 1	3,682.96
4	1000621800	9 April 2012	Teacher Dormitory No. 2	4,049.15
5	1000621709	9 April 2012	Student Dormitory No. 7, 8	7,474.36
6	1000621806	9 April 2012	Student Dormitory No. 9, 10	3,690.62
7	1000621802	9 April 2012	Teaching Building No. 5	6,425.94
8	1000621804	9 April 2012	Teaching Building No. 6	4,143.06
			Total:	54,556.58

(4) According to Registration Certificate of Private Non-enterprise Entities No. 52360000F376319566 issued by Civil Affairs Department of Jiangxi Province on 30 May 2016, 江西科技學院 (Jiangxi University of Technology) has been established as a private non-enterprise entity with a registered capital of RMB51,680,000 for a valid operation period from 30 May 2016 to 30 May 2021.

(5) According to Private School Operating Licence No. 036011100000010 issued by the PRC Ministry of Education, 江西科技學院 (Jiangxi University of Technology) has been established as a general institute of higher education (undergraduate course) for a valid operation period from 2010 to 2018.

(6) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:–

(i) The State-owned Land Use Rights Certificate (Land Allocation) and Real Estate Title Certificates (Land Allocation) of the property are legal and valid under the PRC laws;

(ii) The land use rights and building ownership of the property have been vested in 江西科技學院 (Jiangxi University of Technology);

(iii) 江西科技學院 (Jiangxi University of Technology) is the legal land user of the property; and

(iv) 江西科技學院 (Jiangxi University of Technology) has the right to freely occupy and use of the land use rights and building ownership of the property.

(7) The status of the title and grant of major approvals and licences in accordance with the information provided to us are as follows:–

State-owned Land Use Rights Certificate (Land Allocation)	Yes
Real Estate Title Certificates (Land Allocation)	Yes
Registration Certificate of Private Non-enterprise Entities	Yes
Private School Operating Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2017
3.	The campus of Jiangxi University of Technology, No. 320 National Highway, Nan'an Villager's Committee, Quanling Town, Jinxian County, Nanchang, Jiangxi Province, the PRC 中國江西省南昌市進賢縣泉嶺鄉320國道南岸村委會江西科技學院校園	The property is a campus developed on a parcel of land with a site area of approximately 93,333.00 sq m. Completed in 2015, the property comprises 3 teaching buildings and 1 dormitory building with a total gross floor area of approximately 13,151.82 sq m with Real Estate Title Certificates. The details of the gross floor area are as follows: Use — Approximate gross floor area (sq m) Teaching Buildings — 8,660.91 Dormitories — 4,490.91 Total: — 13,151.82 The property is held with land use rights for a term due to expire on 1 April 2064 for science and education use.	As at the valuation date, the property was occupied by an independent third party as a campus of a driving training centre.	RMB52,470,000 (100% interest attributable to the Group: RMB52,470,000)

Notes:

(1) According to State-owned Land Use Rights Certificate (Land Transfer) No. (2014) 821 issued by 進賢縣人民政府 (Jinxian County People's Government) on 17 July 2014, the land use rights of the property with a total site area of approximately 93,333.00 sq m have been vested in 江西科技學院 (Jiangxi University of Technology) for a term due to expire on 1 April 2064 for science and education use.

(2) According to 4 Real Estate Title Certificates (Land Transfer) issued by 進賢縣房屋所有權登記發證辦公室 (Jinxian County Housing Ownership Registration and Licence Office) on 28 December 2015, the land use rights and building ownership of the property have been vested in 江西科技學院 (Jiangxi University of Technology) with details as follows:

No.	Certificate No.	Location in campus	Gross floor area (sq m)
1	0057524	Teaching Building No. 1	4,785.72
2	0057525	Teaching Building No. 2	2,336.85
3	0057526	Teaching Building No. 3	1,538.34
4	0057527	Dormitory No. 1	4,490.91
		Total:	13,151.82

(3) According to Registration Certificate of Private Non-enterprise Entities No. 52360000F376319566 issued by Civil Affairs Department of Jiangxi Province on 30 May 2016, 江西科技學院 (Jiangxi University of Technology) has been established as a private non-enterprise entity with a registered capital of RMB51,680,000 for a valid operation period from 30 May 2016 to May 2020.

(4) According to Private School Operating Licence No. 036011100000010 issued by the PRC Ministry of Education, 江西科技學院 (Jiangxi University of Technology) has been established as a general institute of higher education (undergraduate course) for a valid operation period from 2010 to 2018.

(5) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:–

(i) The State-owned Land Use Rights Certificate (Land Transfer) and Real Estate Title Certificates (Land Transfer) of the property are legal and valid under the PRC laws;

(ii) The land use rights and building ownership of the property have been vested in 江西科技學院 (Jiangxi University of Technology);

(iii) 江西科技學院 (Jiangxi University of Technology) is the legal land user of the property; and

(iv) 江西科技學院 (Jiangxi University of Technology) has the right to freely occupy, use, lease, transfer and dispose the land use rights and building ownership of the property.

(6) The status of the title and grant of major approvals and licences in accordance with the information provided to us are as follows:–

State-owned Land Use Rights Certificate (Land Transfer)	Yes
Real Estate Title Certificates (Land Transfer)	Yes
Registration Certificate of Private Non-enterprise Entities	Yes
Private School Operating Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2017
4.	The campus of Guangdong Baiyun University, Xueyuan Road, Jianggao Town, Baiyun District, Guangzhou, Guangdong Province, the PRC 中國廣東省廣州市白雲區江高鎮學苑路廣東白雲學院校園	The property is a campus developed on a parcel of land with a site area of approximately 115,335.45 sq m. Completed in the period between 2002 and 2016, the property comprises various teaching buildings, dormitories and related ancillary facilities. The property has a total gross floor area of approximately 156,281.20 sq m, in which 86,371.17 sq m with Real Estate Title Certificates and 69,910.03 sq m without Real Estate Title Certificates. The details of the gross floor area are as follows:	As at the valuation date, the property was occupied by the Group as a campus.	No commercial value

Use	Approximate gross floor area
	(sq m)
Teaching Buildings	64,103.04
Dormitories	73,530.64
Ancillary facilities	18,647.52
Total:	156,281.20

The property is held with allocated land use rights for public buildings use.

Notes:

(1) The land use rights of the property are allocated in nature and cannot be freely transferred. We have therefore ascribed no commercial value to the property.

For illustrative purpose, had the Group obtained valid Real Estate Title Certificates (Land Transfer) of the property for public buildings use, the market value of the property as at the valuation date would be RMB755,980,000.

(2) According to 8 Real Estate Title Certificates (Land Allocation) issued by 廣州市國土資源和房屋管理局 (Guangzhou Land Resources and Housing Management Bureau) on 6 June 2006, the land use rights with a site area of approximately 115,335.45 sq m and building ownership of the property have been vested in 廣東白雲學院 (Guangdong Baiyun University) with details as follows:

No.	Certificate no.	Location in Guangdong Baiyun University	Gross floor area
			(sq m)
1	C4657325	Practical Training Building	10,323.72
2	C4657326	Dormitory Block No. 3	5,534.69
3	C4657328	Dormitory Block No. 2	10,074.30
4	C4657329	Dormitory Block No. 21	20,598.79
5	C4657330	Gymnasium	4,256.63
6	C4657331	Teaching Building No. 2	10,792.72
7	C4657332	Library	14,130.89
8	C4657333	Teaching Building No. 1	10,659.43
		Total:	86,371.17

(3) According to Registration Certificate of Private Non-enterprise Entities No. 52440000707692397E issued by Civil Affairs Department of Guangdong Province on 25 August 2017, 廣東白雲學院 (Guangdong Baiyun University) has been established as a private non-enterprise entity with a registered capital of RMB130,000,000 for a valid operation period from 25 August 2017 to 24 August 2021.

(4) According to Private School Operating Licence No. 044011100000010 issued by the PRC Ministry of Education, 廣東白雲學院 (Guangdong Baiyun University) has been established as a general institute of higher education (undergraduate course) for a valid operation period from 2009 to 2017.

(5) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:–

(i) The Real Estate Title Certificates (Land Allocation) of the property are legal and valid under the PRC laws;

(ii) The land use rights and building ownership of the property have been vested in 廣東白雲學院 (Guangdong Baiyun University);

(iii) 廣東白雲學院 (Guangdong Baiyun University) is the legal land user of the property; and

(iv) 廣東白雲學院 (Guangdong Baiyun University) has the right to freely occupy and use of the land use rights and building ownership of the property.

(6) The status of the title and grant of major approvals and licences in accordance with the information provided to us are as follows:–

Real Estate Title Certificates (Land Allocation)	Yes
Registration Certificate of Private Non-enterprise Entities	Yes
Private School Operating Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2017
5.	The group of 6-dormitories building in District A of Zhujiang Dormitories of Guangdong Baiyun University, Xueyuan Road, Jianggao Town, Baiyun District, Guangzhou, Guangdong Province, the PRC 中國廣東省廣州市白雲區江高鎮學苑路廣東白雲學院珠江公寓A區6棟宿舍樓	The property is developed on a parcel of land with a site area of approximately 8,000.04 sq m. Completed in 2008, the property comprises a group of 6-dormitories buildings and has a total gross floor area of approximately 34,036.15 sq m without Real Estate Title Certificates. Relevant certificates and approval in respect of the construction of the property have not been obtained from the government. The property is held for education use.	As at the valuation date, the property was occupied by the Group as dormitories.	No commercial value

Notes:

(1) According to the Transfer Agreement of State-owned Land Use Rights entered into between 廣州市個體私營經濟試驗區管理委員會 (Guangzhou Individual Economy Pilot Zone Management Committee) and 廣東白雲學院 (Guangdong Baiyun University) on 8 January 2008, 廣東白雲學院 (Guangdong Baiyun University) agreed to purchase a parcel of land with a site area of approximately 8,000.04 sq m for a consideration of RMB1,920,000 for education use.

(2) Valid Real Estate Title Certificates (Land Transfer) have not been obtained by the Group. We have therefore ascribed no commercial value to the property.

For illustrative purpose, had the Group obtained valid Real Estate Title Certificates (Land Transfer) of the property for education use, the market value of the property as at the valuation date would be RMB134,170,000.

(3) According to Registration Certificate of Private Non-enterprise Entities No. 52440000707692397E issued by Civil Affairs Department of Guangdong Province on 25 August 2017, 廣東白雲學院 (Guangdong Baiyun University) has been established as a private non-enterprise entity with a registered capital of RMB130,000,000 for a valid operation period from 25 August 2017 to 24 August 2021.

(4) According to Private School Operating Licence No. 044011100000010 issued by the PRC Ministry of Education, 廣東白雲學院 (Guangdong Baiyun University) has been established as a general institute of higher education (undergraduate course) for a valid operation period from 2009 to 2017.

(5) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:–

(i) 廣東白雲學院 (Guangdong Baiyun University) can submit application for the Real Estate Title Certificates (Land Transfer) and the Real Estate Title Certificates (Land Transfer) will be issued by the relevant departments upon completion of the application procedures; and

(ii) 廣東白雲學院 (Guangdong Baiyun University) has the right to occupy and use the land use rights and building ownership of the property.

(6) The status of the title and grant of major approvals and licences in accordance with the information provided to us are as follows:–

Transfer Agreement of State-owned Land Use Rights	Yes
Registration Certificate of Private Non-enterprise Entities	Yes
Private School Operating Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2017
6.	A parcel of land and 4 dormitory buildings of Huadu Xincheng of Guangdong Baiyun University, Xueyuan Road, Jianggao Town, Baiyun District, Guangzhou, Guangdong Province, the PRC 中國廣東省廣州市白雲區江高鎮學苑路廣東白雲學院華都新城土地及4棟宿舍樓	As advised by the Group, the property is developed on a parcel of land with an site area of approximately 20,218.00 sq m. Completed in 1998, the property comprises 4 dormitory buildings and has a total gross floor area of approximately 28,310.14 sq m without Real Estate Title Certificates. Relevant certificates and approval in respect of the construction of the property have not been obtained from the government. The property is held for dormitory use.	As at the valuation date, the property was occupied by the Group as dormitories.	No commercial value

Notes:

(1) Valid Real Estate Title Certificates (Land Transfer) have not been obtained by the Group. We have therefore ascribed no commercial value to the property.

For illustrative purpose, had the Group obtained valid Real Estate Title Certificates (Land Transfer) of the property, the market value of the property as at the valuation date would be RMB105,100,000.

(2) According to the Transfer Agreement of Huadu Xincheng Project entered into between 中信廣州發展公司 (CITIC Guangzhou Development Company) and 民辦白雲職業技術學院 (Private Baiyun Vocational and Technical College) on 25 January 2000, 民辦白雲職業技術學院 (Private Baiyun Vocational and Technical College) agreed to purchase Huadu Xincheng Project with 4 commodity buildings for a consideration of RMB40,500,000.

(3) According to 41 Pre-sale Agreements for Commodity Housing entered into between 中信廣州發展公司 (CITIC Guangzhou Development Company) and 民辦白雲職業技術學院 (Private Baiyun Vocational and Technical College), 民辦白雲職業技術學院 (Private Baiyun Vocational and Technical College) agreed to purchase 4 commodity buildings with a total gross floor area of approximately 28,310.14 sq m with details as follows:

No.	Certificate no.	Building	Lift	Level	Unit no.	Gross floor area
						(sq m)
1	2000016574	South Building No. 1	–	1	1-22	894.00
2	2000016902	South Building No. 1	A	2	1-4	318.10
3	2000016903	South Building No. 1	A	3	1-4	318.10
4	2000016904	South Building No. 1	A	4	1-4	318.10
5	2000016582	South Building No. 1	A	5	01	87.42
6	2000016581	South Building No. 1	A	5	02	87.42
7	2000016605	South Building No. 1	A	5	03	71.63
8	2000016580	South Building No. 1	A	5	04	71.63
9	2000016599	South Building No. 1	A	6	1-4	318.10
10	2000016901	South Building No. 1	A	7	1-4	318.10
11	2000016600	South Building No. 1	A	8	1-4	318.10
12	2000016583	South Building No. 1	A	9	01, 02	200.36
13	2000016596	South Building No. 1	B	2	1-4	318.10
14	2000016597	South Building No. 1	B	3	1-4	318.10
15	2000016598	South Building No. 1	B	4	1-4	318.10
16	2000016578	South Building No. 1	B	5	01	87.42
17	2000016577	South Building No. 1	B	5	02	87.42
18	2000016603	South Building No. 1	B	5	03	71.63
19	2000016576	South Building No. 1	B	5	04	71.63
20	2000016593	South Building No. 1	B	6	1-4	318.10
21	2000016594	South Building No. 1	B	7	1-4	318.10
22	2000016595	South Building No. 1	B	8	1-4	318.10
23	2000016575	South Building No. 1	B	9	01, 02	200.36
24	2000016565	South Building No. 2	–	1	1-32	1,341.00
25	2000016592	South Building No. 2	A, B, C	2-8	01-06	7,281.00
				9	01-02	
26	2000016905	North Building No. 1	B	2	1-4	303.77
27	2000016906	North Building No. 1	B	3	1-4	303.77
28	2000016907	North Building No. 1	B	5	1-4	303.77
29	2000016908	North Building No. 1	B	6	1-4	303.77
30	2000016909	North Building No. 1	B	7	1-4	303.77
31	2000016910	North Building No. 1	B	8	1-4	303.77
32	2000016589	North Building No. 1	–	1	01-20	869.64
33	2000016570	North Building No. 1	A	2-8	01-14	2,288.19
				9	01-02	
34	2000016586	North Building No. 1	B	4	01	77.61
35	2000016587	North Building No. 1	B	4	02	77.61
36	2000016588	North Building No. 1	B	4	04	68.42
37	2000016604	North Building No. 1	B	9	02	83.49
38	2000016602	North Building No. 1	B	9	01	83.49
39	2000016607	North Building No. 1	B	4	03	80.13
40	2000016591	North Building No. 2	–	1	01-30	1,304.46
41	2000016590	North Building No. 2	A, B, C	2-8	01-06	7,184.36
				9	01-02	
					Total:	28,310.14

(4) According to Registration Certificate of Private Non-enterprise Entities No. 52440000707692397E issued by Civil Affairs Department of Guangdong Province on 25 August 2017, 廣東白雲學院 (Guangdong Baiyun University) has been established as a private non-enterprise entity with a registered capital of RMB130,000,000 for a valid operation period from 25 August 2017 to 24 August 2021.

(5) According to Private School Operating Licence No. 044011100000010 issued by the PRC Ministry of Education, 廣東白雲學院 (Guangdong Baiyun University) has been established as a general institute of higher education (undergraduate course) for a valid operation period from 2009 to 2017.

(6) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:–

(i) 廣東白雲學院 (Guangdong Baiyun University) can submit application for the Real Estate Title Certificates (Land Transfer) and the Real Estate Title Certificates (Land Transfer) will be issued by the relevant departments upon completion of the application procedures; and

(ii) Had the Group obtained valid Real Estate Title Certificates (Land Transfer) of the property, 廣東白雲學院 (Guangdong Baiyun University) has the rights to occupy, use, lease, transfer and dispose the land use rights and building ownership of the property.

(7) The status of the title and grant of major approvals and licences in accordance with the information provided to us are as follows:–

Transfer Agreement of Huadu Xincheng Project	Yes
Pre-sale Agreements for Commodity Housing	Yes
Registration Certificate of Private Non-enterprise Entities	Yes
Private School Operating Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2017
7.	The campus of Guangzhou Baiyun Senior Technical School of Business and Technology, No. 13 Datian South Road, Jianggao Town, Baiyun District, Guangzhou, Guangdong Province, the PRC 中國廣東省廣州市白雲區江高鎮大田南路13號廣州白雲工商高級技工學校校園	The property is a campus developed on three parcels of adjoining land with a total site area of approximately 43,606.50 sq m. Completed in the period between 1993 and 2006, the property comprises various teaching buildings, dormitories and related ancillary facilities. The property has a total gross floor area of approximately 54,378.08 sq m, in which 48,967.99 sq m with Real Estate Title Certificates and 5,410.09 sq m without Real Estate Title Certificates. The details of the gross floor area are as follows:	As at the valuation date, the property was occupied by the Group as a campus.	No commercial value

Use	Approximate gross floor area
	(sq m)
Teaching Buildings	36,967.20
Dormitories	10,615.08
Ancillary facilities	6,795.80
Total:	54,378.08

The property is held with allocated land use rights for school use.

Notes:

(1) The land use rights of the property are allocated in nature and cannot be freely transferred. We have therefore ascribed no commercial value to the property.

For illustrative purpose, had the Group obtained valid Real Estate Title Certificates (Land Transfer) of the property for school use, the market value of the property as at the valuation date would be RMB249,300,000.

(2) According to three Real Estate Title Certificates (Land Allocation) issued by 廣州市國土資源和房屋管理局 (Guangzhou Land Resources and Housing Management Bureau), the land use rights with a total site area of approximately 43,606.50 sq m and building ownership of the property with a total gross floor area of approximately 48,967.99 sq m have been vested in 廣州白雲職業培訓學院 (Guangzhou Baiyun Vocational Training College) for school use with details as follows:–

No.	Certificate no.	Date of issue	Location in Baiyun Technician College	Site area	Gross floor area
				(sq m)	*(sq m)*
1	0112541	30 April 2003	Teaching Building No. 1 (West) and Practical Training Building No. 1	6,187.00	8,922.78
2	1006252	4 March 2005	Teaching Building No. 1 (East) and Library	23,811.08	18,451.00
3	1006253	4 March 2005	Dormitory No. 1, 2, 3, 4, Teaching Building No. 2 and Practical Training Building No. 3	13,608.42	21,594.21
			Total:	43,606.50	48,967.99

(3) According to Registration Certificate of Private Non-enterprise Entities No. 52440100G34103725B issued by Civil Affairs Department of Guangdong Province on 9 August 2016, 廣州白雲工商高級技工學校 (Guangzhou Baiyun Senior Technical School of Business and Technology) has been established as a private non-enterprise entity with a registered capital of RMB60,000,000 for a valid operation period from 9 August 2016 to 19 October 2018.

(4) According to Private School Operating Licence No. 4401003100002 issued by Guangzhou Human Resources and Social Security Bureau on 20 October 2015, 廣州白雲工商高級技工學校 (Guangzhou Baiyun Technician School of Business and Technology) has been established as a technician training college for a valid operation period from 20 October 2015 to 19 October 2018.

(5) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:–

(i) The Real Estate Title Certificates (Land Allocation) of the property are legal and valid under the PRC laws;

(ii) The land use rights and building ownership of the property have been vested in 廣州白雲工商高級技工學校 (Guangzhou Baiyun Technician School of Business and Technology);

(iii) 廣州白雲工商高級技工學校 (Guangzhou Baiyun Technician School of Business and Technology) is the legal land user of the property; and

(iv) 廣州白雲工商高級技工學校 (Guangzhou Baiyun Technician School of Business and Technology) has the right to freely occupy and use the land use rights and building ownership of the property.

(6) The status of the title and grant of major approvals and licences in accordance with the information provided to us are as follows:–

Real Estate Title Certificates (Land Allocation)	Yes
Registration Certificate of Private Non-enterprise Entities	Yes
Private School Operating Licence	Yes

VALUATION CERTIFICATE

Group II – Properties held by the Group under development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2017
8.	The under construction development for Phase I of North Campus of Guangdong Baiyun University, Dengtang Village, Zhongluotan Town, Baiyun District, Guangzhou, Guangdong Province, the PRC 中國廣東省廣州市白雲區鐘落潭鎮登塘村廣東白雲學院北校區校園首期在建工程	The property comprises a parcel of land with a site area of approximately 188,666.00 sq m. As advised by the Group, Phase I of the proposed campus is scheduled to be completed in 2019. Upon completion, the proposed development has a planned above-ground gross floor area of approximately 286,183.00 sq m. The property is held for science and education use.	As at the date of valuation, the property was under construction.	No commercial value

Notes:

(1) The land use rights of the property are allocated in nature and cannot be freely transferred. We have therefore ascribed no commercial value to the property.

For illustrative purpose, had the Group obtained valid Real Estate Title Certificates (Land Transfer) of the property for science and education use, the market value of the property as at the valuation date would be RMB450,540,000.

(2) According to Real Estate Title Certificate (Land Allocation) No. (2017) 00244957 issued by 廣州市國土資源和規劃委員會 (Guangzhou Land Resources and Planning Committee) on 18 August 2017, the land use rights of the property with a site area of approximately 188,666.00 sq m have been allocated to 廣東白雲學院 (Guangdong Baiyun University) for science and education use.

(3) According to Planning Permit for Construction Use of Land No. (2017) 123 issued by 廣州市國土資源和規劃委員會 (Guangzhou Land Resources and Planning Committee) on 29 March 2017, the construction site of a parcel of land with a site area of approximately 188,666.00 sq m is in compliance with the urban planning requirements.

(4) According to Approval Letter of Detailed Construction Planning No. (2013) 190 issued by 廣州規劃局 (Guangzhou Planning Bureau) on 8 October 2013, the construction works of the development with a construction scale of approximately 286,183.00 sq m have been permitted.

(5) According to Commencement Permit for Construction Works No. 440111201709190101 issued by 廣州市白雲區住房和建設水務局 (Housing, Construction and Water Affairs Bureau of Baiyun District, Guangzhou) on 19 September 2017, the construction works of the development with a construction scale of approximately 101,074.60 sq m are in compliance with the requirements for works commencement and have been permitted.

(6) As advised by the Group, the total expended construction cost of the property as at the Valuation Date was RMB2,000,000 whilst the outstanding construction cost for completion of the property as at the Valuation Date was RMB750,338,000.

(7) As at the valuation date, the estimated Market Value as if completed of the proposed development is estimated approximately RMB1,357,009,000.

(8) According to Registration Certificate of Private Non-enterprise Entities No. 52440000707692397E issued by Civil Affairs Department of Guangdong Province on 25 August 2017, 廣東白雲學院 (Guangdong Baiyun University) has been established as a private non-enterprise entity with a registered capital of RMB130,000,000 for a valid operation period from 25 August 2017 to 24 August 2021.

(9) According to Private School Operating Licence No. 044011100000010 issued by the PRC Ministry of Education, 廣東白雲學院 (Guangdong Baiyun University) has been established as a general institute of higher education (undergraduate course) for a valid operation period from 2009 to 2017.

(10) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:-

(i) The Real Estate Title Certificate (Land Allocation) of the property is legal and valid under the PRC laws;

(ii) The land use rights and building ownership of the property have been vested in 廣東白雲學院 (Guangdong Baiyun University);

(iii) 廣東白雲學院 (Guangdong Baiyun University) is the legal land user of the property; and

(iv) 廣東白雲學院 (Guangdong Baiyun University) has the right to freely occupy and use the land use rights and building ownership of the property.

(11) The status of the title and grant of major approvals and licences in accordance with the information provided to us are as follows:-

Real Estate Title Certificates (Land Allocation)	Yes
Planning Permit for Construction Use of Land	Yes
Approval Letter of Detailed Construction Planning	Yes
Commencement Permit for Construction Works	Yes (portion)
Registration Certificate of Private Non-enterprise Entities	Yes
Private School Operating Licence	Yes

VALUATION CERTIFICATE

Group III – Properties held by the Group for future development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2017
9.	Development site for Phase II of North Campus of Guangdong Baiyun University, Dengtang Village, Zhongluotan Town, Baiyun District, Guangzhou, Guangdong Province, the PRC 中國廣東省廣州市白雲區鐘落潭鎮登塘村廣東白雲學院北校區校園二期待建土地	The property comprises a parcel of land with a site area of approximately 186,687.00 sq m. As advised by the Group, Phase II of the proposed campus is scheduled to be completed in 2021. Upon completion, the proposed development has a planned above-ground gross floor area of approximately 224,025.00 sq m. Relevant Real Estate Title Certificate (Land Allocation) in respect of the property have not been obtained from the government. The property is held for science and education use.	As at the date of valuation, the property was bare land.	No commercial value

Notes:

(1) Valid Real Estate Title Certificate (Land Transfer) of the property has not been obtained by the Group. We have therefore ascribed no commercial value to the property.

For illustrative purpose, had the Group obtained valid Real Estate Title Certificates (Land Transfer) of the property for science and education use, the market value of the property as at the valuation date would be RMB352,680,000.

(2) According to Planning Permit for Construction Use of Land No. (2017) 335 issued by 廣州市國土資源和規劃委員會 (Guangzhou Land Resources and Planning Committee) on 14 July 2017, the construction site of a parcel of land with a site area of approximately 186,687.00 sq m is in compliance with the urban planning requirements.

According to I – Planning Conditions of Planning Permit for Construction Use of Land No. (2017) 335 issued by 廣州市國土資源和規劃委員會 (Guangzhou Land Resources and Planning Committee) on 14 July 2017, the construction works of the development with a construction scale of approximately 224,025.00 sq m have been permitted.

(3) According to Registration Certificate of Private Non-enterprise Entities No. 52440000707692397E issued by Civil Affairs Department of Guangdong Province on 25 August 2017, 廣東白雲學院 (Guangdong Baiyun University) has been established as a private non-enterprise entity with a registered capital of RMB130,000,000 for a valid operation period from 25 August 2017 to 24 August 2021.

(4) According to Private School Operating Licence No. 044011100000010 issued by the PRC Ministry of Education, 廣東白雲學院 (Guangdong Baiyun University) has been established as a general institute of higher education (undergraduate course) for a valid operation period from 2009 to 2017.

(5) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:–

(i) The Real Estate Title Certificate (Land Allocation) of the property is legal and valid under the PRC laws;

(ii) The land use rights and building ownership of the property have been vested in 廣東白雲學院 (Guangdong Baiyun University);

(iii) 廣東白雲學院 (Guangdong Baiyun University) is the legal land user of the property; and

(iv) 廣東白雲學院 (Guangdong Baiyun University) has the right to freely occupy and use the land use rights and building ownership of the property.

(6) The status of the title and grant of major approvals and licences in accordance with the information provided to us are as follows:–

Real Estate Title Certificates (Land Allocation)	No
Planning Permit for Construction Use of Land	Yes
Registration Certificate of Private Non-enterprise Entities	Yes
Private School Operating Licence	Yes

VALUATION CERTIFICATE

Group IV – Properties leased and occupied by the Group in the PRC

	Property	Description and particulars of tenancy	Market value in existing state as at 30 September 2017
10.	A basketball court leased for Guangdong Baiyun University, Xueyuan Road, Jianggao Town, Baiyun District, Guangzhou, Guangdong Province, the PRC 中國廣東省廣州市白雲區江高鎮學苑路廣東白雲學院租賃學校籃球場	The property comprises a parcel of land used as a basketball court with a site area of approximately 3,581.41 sq m leased for Guangdong Baiyun University. The property is leased from an independent third party to 廣東白雲學院 (Guangdong Baiyun University) from 1 July 2004 to 30 June 2029 at a prevailing monthly rent of RMB4,343. According to the PRC legal opinion, the lessor is entitled to lease the property and the lease agreement is valid. However, the lease term of longer than 20 years is invalid under PRC laws and regulations. The lease agreement was not registered with the relevant PRC government authorities. According to the PRC legal opinion, the non-registration of such lease agreement would not affect the lease's validity.	No commercial value

VALUATION CERTIFICATE

	Property	Description and particulars of tenancy	Market value in existing state as at 30 September 2017
11.	A parcel of land and No. 11, 12 dormitory buildings leased for Guangdong Baiyun University, Xueyuan Road, Jianggao Town, Baiyun District, Guangzhou, Guangdong Province, the PRC 中國廣東省廣州市白雲區江高鎮學苑路廣東白雲學院租賃一塊土地和11號、12號宿舍樓	The property comprises a parcel of land with a site area of approximately 5,000.00 sq m and 2 dormitory buildings with a total gross floor area of approximately 10,243.20 sq m erected on the land leased for Guangdong Baiyun University. The property is leased from an independent third party to 廣東白雲學院 (Guangdong Baiyun University) from 1 August 2007 to 30 July 2032 at a prevailing monthly rent of RMB96,740. According to the PRC legal opinion, there is uncertainty with respect to the validity of the lease agreement due to failure by the relevant landlord to provide the relevant ownership certificates. The lease agreement was not registered with the relevant PRC government authorities.	No commercial value

VALUATION CERTIFICATE

	Property	Description and particulars of tenancy	Market value in existing state as at 30 September 2017
12.	A parcel of land and 6 dormitory buildings in District B of Zhujiang Dormitories leased for Guangdong Baiyun University, Xueyuan Road, Jianggao Town, Baiyun District, Guangzhou, Guangdong Province, the PRC 中國廣東省廣州市白雲區江高鎮學苑路廣東白雲學院租賃珠江公寓B區土地和6棟宿舍樓	The property comprises a parcel of land with a site area of approximately 10,292.00 sq m and 6 dormitory buildings with a total gross floor area of approximately 17,500.00 sq m erected on the land leased for Guangdong Baiyun University. The property is leased from an independent third party to 廣東白雲學院 (Guangdong Baiyun University) from 11 August 2009 to 10 August 2021 at a prevailing monthly rent of RMB99,850. According to the PRC legal opinion, there is uncertainty with respect to the validity of the lease agreement due to failure by the relevant landlords to provide the relevant ownership certificates. The lease agreement was not registered with the relevant PRC government authorities.	No commercial value

VALUATION CERTIFICATE

	Property	Description and particulars of tenancy	Market value in existing state as at 30 September 2017
13.	A parcel of land and 4 buildings leased for Guangzhou Baiyun Senior Technical School of Business and Technology, No. 13 Datian South Road, Jianggao Town, Baiyun District, Guangzhou, Guangdong Province, the PRC 中國廣東省廣州市白雲區江高鎮大田南路13號廣州白雲工商高級技工學校租賃一塊土地和4棟樓	The property comprises a parcel of land with a site area of approximately 4,905.32 sq m and 4 buildings with a total gross floor area of approximately 9,614.20 sq m erected on the land leased for Baiyun Technician College. Apart from the 4 buildings stated in the lease agreement, 2 buildings with a total gross floor area of approximately 5,002.63 sq m were constructed on this parcel of land and were occupied by the Group as a teaching building and an academic communication centre respectively. The property is leased from an independent third party to 廣州白雲工商高級技工學校 Guangzhou Baiyun Senior Technical School of Business and Technology from 1 August 2017 to 31 August 2023 at a prevailing monthly rent of RMB92,656. According to the PRC legal opinion, there is uncertainty with respect to the validity of the lease agreement due to failure by the relevant landlords to provide the relevant ownership certificates. The lease agreement was not registered with the relevant PRC government authorities.	No commercial value

VALUATION CERTIFICATE

	Property	Description and particulars of tenancy	Market value in existing state as at 30 September 2017
14.	A parcel of land leased for Guangzhou Baiyun Senior Technical School of Business and Technology, No. 13 Datian South Road, Jianggao Town, Baiyun District, Guangzhou, Guangdong Province, the PRC 中國廣東省廣州市白雲區江高鎮大田南路13號廣州白雲工商高級技工學校租賃一塊土地	The property comprises a parcel of land with a site area of approximately 13,270.00 sq m leased for Baiyun Technician College. 5 buildings with a total gross floor area of approximately 34,491.51 sq m were constructed on this parcel of land and were occupied by the Group for various uses as a teaching building, 3 dormitory buildings and a covered court. The property is leased from an independent third party to 廣州白雲工商高級技工學校 (Guangzhou Baiyun Senior Technical School of Business and Technology) from 1 September 2003 to 31 August 2028 at a prevailing monthly rent of RMB19,751. According to the PRC legal opinion, the lessor is entitled to lease the property and the lease agreement is valid. However, the lease term of longer than 20 years is invalid under PRC laws and regulations. The lease agreement was not registered with the relevant PRC government authorities. According to the PRC legal opinion, the non-registration of such lease agreement would not affect the lease's validity.	No commercial value

VALUATION CERTIFICATE

	Property	Description and particulars of tenancy	Market value in existing state as at 30 September 2017
15.	Block A student dormitory in District C of Zhujiang Dormitories leased for Guangzhou Baiyun Senior Technical School of Business and Technology, No. 13 Datian South Road, Jianggao Town, Baiyun District, Guangzhou, Guangdong Province, the PRC 中國廣東省廣州市白雲區江高鎮大田南路13號廣州白雲工商高級技工學校租賃珠江公寓C區學生公寓A棟	The property comprises a building with a gross floor area of approximately 3,325.90 sq m leased for Baiyun Technician College as a student dormitory building. The property is leased from an independent third party to 廣州白雲工商高級技工學校 Guangzhou Baiyun Senior Technical School of Business and Technology from 1 September 2017 to 31 August 2018 at a prevailing monthly rent of RMB45,003. According to the PRC legal opinion, the lessor is entitled to lease the property and the lease agreement is valid. The lease agreement was not registered with the relevant PRC government authorities. According to the PRC legal opinion, the non-registration of such lease agreement would not affect the lease's validity.	No commercial value

VALUATION CERTIFICATE

	Property	Description and particulars of tenancy	Market value in existing state as at 30 September 2017
16.	Block B student dormitory in District C of Zhujiang Dormitories leased for Guangzhou Baiyun Senior Technical School of Business and Technology, No. 13 Datian South Road, Jianggao Town, Baiyun District, Guangzhou, Guangdong Province, the PRC 中國廣東省廣州市白雲區江高鎮大田南路13號廣州白雲工商高級技工學校租賃珠江公寓C區學生公寓B棟	The property comprises a building with a gross floor area of approximately 3,259.00 sq m leased for Baiyun Technician College as a student dormitory building. The property is leased from an independent third party to 廣州白雲工商高級技工學校 Guangzhou Baiyun Senior Technical School of Business and Technology from 1 September 2016 to 31 August 2018 at a prevailing monthly rent of RMB43,260. According to the PRC legal opinion, the lessor is entitled to lease the property and the lease agreement is valid. The lease agreement was not registered with the relevant PRC government authorities. According to the PRC legal opinion, the non-registration of such lease agreement would not affect the lease's validity.	No commercial value

VALUATION CERTIFICATE

	Property	Description and particulars of tenancy	Market value in existing state as at 30 September 2017
17.	Block C student dormitory in District C of Zhujiang Dormitories leased for Guangzhou Baiyun Senior Technical School of Business and Technology, No. 13 Datian South Road, Jianggao Town, Baiyun District, Guangzhou, Guangdong Province, the PRC 中國廣東省廣州市白雲區江高鎮大田南路13號廣州白雲工商高級技工學校租賃珠江公寓C區學生公寓C棟	The property comprises a building with a gross floor area of approximately 3,291.00 sq m leased for Baiyun Technician College as a student dormitory building. The property is leased from an independent third party to 廣州白雲工商高級技工學校 (Guangzhou Baiyun Senior Technical School of Business and Technology) from 1 September 2016 to 31 August 2018 at a prevailing monthly rent of RMB43,634. According to the PRC legal opinion, the lessors are entitled to lease the property and the lease agreement is valid. The lease agreement was not registered with the relevant PRC government authorities. According to the PRC legal opinion, the non-registration of such lease agreement would not affect the lease's validity.	No commercial value

VALUATION CERTIFICATE

	Property	Description and particulars of tenancy	Market value in existing state as at 30 September 2017
18.	Unit Nos. 1, 2, 7 on Level 6 of Block No. 2 of Yangming International Centre, No. 18 New Ganzhou Avenue, Zhanggong District, Ganzhou City, Jiangxi Province, the PRC 中國江西省贛州市章貢區新贛州大道18號陽明國際中心2號樓6層1,2,7號單元	The property comprises the Unit Nos. 1, 2, 7 on Level 6 of Block No. 2 of Yanming International Centre with a total gross floor area of approximately 485.94 sq m leased for Huajiao Education Technology (JiangXi) Company Limited (華教教育科技(江西)有限公司) as office. The property is leased from an independent third party to Huajiao Education Technology (JiangXi) Company Limited (華教教育科技(江西)有限公司) for a lease term from 1 June 2017 to 31 May 2018 at nil rent. According to the PRC legal opinion, there is uncertainty with respect to the validity of the lease due to the landlord has not provided the construction planning permit of the property. The lessees may not be able to use the property under normal circumstances.	No commercial value

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 Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 19 May 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 29 November 2017. 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 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 ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 19 May 2017 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company 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 (2011 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 (2011 Revision).

The Company has obtained an undertaking for a period of 20 years from 16 August 2017.

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 30 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 19 May 2017 as an exempted company with limited liability. Our registered office address is at the offices of Walkers Corporate Limited, 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 Islands Company Law" in Appendix IV.

Our registered place of business in Hong Kong is at 17/F., Wheelock House, 20 Pedder Street, Central, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 2 August 2017 with the Registrar of Companies in Hong Kong. Dr. Yu Kai 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 17/F., Wheelock House, 20 Pedder Street, Central, Hong Kong.

As of the date of this document, our Company's head office is located at 17/F., Wheelock House, 20 Pedder Street, Central, Hong Kong.

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 19 May 2017, our Company allotted and issued 100 shares of par value US$1.00 each in the following manner:

  (i) one share to Vistra (Cayman) Limited, which was subsequently transferred to Blue Sky BVI on the same day;

  (ii) 49 shares to Blue Sky BVI; and

  (iii) 50 shares to White Clouds BVI.

(b) On 30 August 2017, the authorised share capital of our Company was increased by HK$500,000 divided into 50,000,000,000 Shares.

(c) On 30 August 2017, our Company allotted and issued 750,000,000 Shares for a subscription price of HK$7,500 to each of Blue Sky BVI and White Clouds BVI. On the same day, our Company repurchased 50 shares of par value US$1.00 each from each of Blue Sky BVI and White Clouds BVI at a consideration of HK$7,500 which was paid out of the proceeds of the aforesaid subscription.

(d) On 30 August 2017, the authorised share capital of our Company was reduced by the cancellation of 50,000 shares of par value US$1.00 each and became HK$500,000 divided into 50,000,000,000 Shares.

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 38 to the Accountants' Report as set out in Appendix IA.

There has been no alteration in the share capital of any of our subsidiaries and consolidated affiliated entities of our Company within the two years immediately preceding the date of this document.

Save for the subsidiaries mentioned in the Accountants' Report set out in Appendix IA, our Company has no other subsidiaries.

4. Resolutions of the Shareholders of our Company dated 29 November 2017

Written resolutions of the Shareholders of our Company were passed on 29 November 2017, 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 our Shareholders 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 which may fall to be issued pursuant to the exercise of the Over-allotment Option, the options granted under the Share Option Schemes 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 the requirement of the Listing Rules. Such number of Shares 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 which may be issued pursuant to the exercise of the Over-allotment Option and the options granted under the Share Option Schemes, and grants under the Share Award Scheme);

(iv) subject to passing of resolutions referred to in (a)(i) and (a)(ii) above, the general mandate referred to in (a)(ii) above is extended by the addition to the aggregate nominal value of Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the Repurchase Mandate;

(v) the rules of the Post-IPO Share Option Scheme were approved and adopted and the Directors were authorised to make such changes to the Post-IPO Share Option Scheme as may be required by the Stock Exchange and which they deem necessary and/or desirable and to grant options to eligible participants to acquire Shares thereunder and to allot, issue and deal with Shares pursuant thereto and to take all such actions as they consider necessary and/or desirable to implement or to give effect to the Post-IPO Share Option Scheme; and

(vi) the rules of the Share Award Scheme were approved and adopted with effect from the Listing Date (save for the Scheme Limit (as defined in the Share Award Scheme) that remains subject to the further approval of the Shareholders after the Listing) 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 Shares pursuant thereto 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 connected therewith notwithstanding that they or any of them may be interested in the same; and

(b) our Company conditionally approved and adopted the Memorandum and Articles of Association with effect from the Listing.

Each of the general mandates referred to in paragraphs (a)(ii) to (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 Shareholders in a general meeting.

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 our Shareholders on 29 November 2017, 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 which may be issued pursuant to the exercise of the Over-allotment Option and the options granted under the Share Option Schemes, and the Shares which may be granted 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. As a matter of 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 the 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 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 2,000,000,000 Shares in issue immediately following the completion of the Global Offering (assuming neither the Over-allotment Option nor the options granted under the Share Option Schemes are exercised and no Shares are granted under the Share Award Scheme), could accordingly result in up to 200,000,000 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 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:

(1) an acquisition framework agreement dated 30 June 2017 between WFOE, Mr. Xie and Baiyun Technician College, pursuant to which WFOE agreed to acquire control of Baiyun Technician College through certain contractual arrangements;

(2) a change of sponsor agreement dated 24 May 2017 between Guangdong Baiyun University, Zhang Guoan (張國安), Chen Feng (陳峰) and Zhang Zebin (張澤彬), pursuant to which Guangdong Baiyun University agreed to change the sponsor of Tianxing Social Services Centre (天星社會工作服務中心) located at Baiyun District (白雲區) of Guangzhou to Zhang Guoan, Chen Feng and Zhang Zebin;

(3) an equity transfer agreement dated 19 May 2017 between Guangdong Baiyun University and Zhang Guangqi (張光琪), pursuant to which Guangdong Baiyun University agreed to sell its 40% equity interest in Guangdong Baiyun University Students Human Resources Company Limited (廣東白雲大學生人才資源有限公司) to Zhang Guangqi for a total consideration of RMB2 million;

(4) an equity transfer agreement dated 19 May 2017 between Guangdong Baiyun University and Zhong Shiqiang (鍾世強), pursuant to which Guangdong Baiyun University agreed to sell its 30% equity interest in Guangdong Baiyun University Students Human Resources Company Limited (廣東白雲大學生人才資源有限公司) to Zhong Shiqiang for a total consideration of RMB1.5 million;

(5) an equity transfer agreement dated 3 May 2017 between Jiangxi University of Technology, Jia Jia (賈嘉) and Huang Ying (黃瑩), pursuant to which Jiangxi University of Technology agreed to sell its 100% equity interest in Jiangxi Jiangke Technology Park Management Company Limited (江西江科科技園管理有限公司) to Jia Jia and Huang Ying for a total consideration of RMB5.8 million;

(6) a change of sponsor and investor agreement dated 20 April 2017 between Mr. Yu, Jiangxi University of Technology and Nanchang Dada Education Consulting Company Limited (南昌大大教育諮詢有限公司), pursuant to which Mr. Yu and Jiangxi University of Technology agreed to assign the sponsor interest in and investment contribution to the Affiliated High School of Jiangxi University of Technology (江西科技學院附屬中學) to Nanchang Dada Education Consulting Company Limited for a total consideration of RMB26 million;

(7) a business cooperation agreement dated 30 June 2017 entered into between WFOE, Jiangxi University of Technology and Mr. Yu, pursuant to which WFOE agreed to, among other things, provide Jiangxi University of Technology with technical services, management support services, consulting services and intellectual property licences as required by private education activities of Jiangxi University of Technology, and in return, Jiangxi University of Technology shall pay service fees to WFOE with its accounts receivables being pledged to WFOE;

(8) a business cooperation agreement dated 30 June 2017 entered into between WFOE, Guangdong Baiyun University and Mr. Xie, pursuant to which WFOE agreed to, among other things, provide Guangdong Baiyun University with technical services, management support services, consulting services and intellectual property licences as required by private education activities of Guangdong Baiyun University, and in return, Guangdong Baiyun University shall pay service fees to WFOE with its accounts receivables being pledged to WFOE;

(9) a business cooperation agreement dated 30 June 2017 entered into between WFOE, Baiyun Technician College and Mr. Xie, pursuant to which WFOE agreed to, among other things, provide Baiyun Technician College with technical services, management support services, consulting services and intellectual property licences as required by private education activities of Baiyun Technician College, and in return, Baiyun Technician College shall pay service fees to WFOE with its accounts receivables being pledged to WFOE;

(10) a business cooperation agreement dated 31 July 2017 entered into between WFOE, Baiyun Technician College and Mr. Xie, pursuant to which WFOE agreed to, among other things, provide Baiyun Technician College with technical services, management support services, consulting services and intellectual property licences as required by private education activities of Baiyun Technician College, and in return, Baiyun Technician College shall pay service fees to WFOE with its accounts receivables being pledged to WFOE;

(11) a business cooperation agreement dated 14 August 2017 entered into between WFOE, Baiyun Technician College, Lihe Education, Huafang Education, Mr. Xie and Mr. Yu, pursuant to which WFOE agreed to, among other things, provide Baiyun Technician College, Lihe Education and Huafang Education with technical services, management support services, consulting

services and intellectual property licences as required by private education activities of Baiyun Technician College, Lihe Education and Huafang Education, and in return, Baiyun Technician College, Lihe Education and Huafang Education shall pay service fees to WFOE with the equity interests in Huafang Education held by Mr. Xie and Mr. Yu and the equity interests in Lihe Education held by Huafang Education being pledged to WFOE;

(12) an exclusive technical services and management consulting agreement dated 30 June 2017 entered into between WFOE and Jiangxi University of Technology pursuant to which WFOE agreed to, among other things, provide Jiangxi University of Technology with technical services, management and consulting services and other services reasonably requested by Jiangxi University of Technology on an exclusive basis, and in return, Jiangxi University of Technology shall pay service fees to WFOE;

(13) an exclusive technical services and management consulting agreement dated 30 June 2017 entered into between WFOE and Guangdong Baiyun University pursuant to which WFOE agreed to, among other things, provide Guangdong Baiyun University with technical services, management and consulting services and other services reasonably requested by Guangdong Baiyun University on an exclusive basis, and in return, Guangdong Baiyun University shall pay service fees to WFOE;

(14) an exclusive technical services and management consulting agreement dated 30 June 2017 entered into between WFOE and Baiyun Technician College pursuant to which WFOE agreed to, among other things, provide Baiyun Technician College with technical services, management and consulting services and other services reasonably requested by Baiyun Technician College on an exclusive basis, and in return, Baiyun Technician College shall pay service fees to WFOE;

(15) an exclusive technical services and management consulting agreement dated 31 July 2017 entered into between WFOE and Baiyun Technician College pursuant to which WFOE agreed to, among other things, provide Baiyun Technician College with technical services, management and consulting services and other services reasonably requested by Baiyun Technician College on an exclusive basis, and in return, Baiyun Technician College shall pay service fees to WFOE;

(16) an exclusive technical services and management consulting agreement dated 14 August 2017 entered into between WFOE, Baiyun Technician College, Lihe Education and Huafang Education pursuant to which WFOE agreed to, among other things, provide Baiyun Technician College, Lihe Education and Huafang Education with technical services, management and consulting services and other services reasonably requested by Baiyun Technician College, Lihe Education and Huafang Education on an exclusive basis, and in return, Baiyun Technician College, Lihe Education and Huafang Education shall pay service fees to WFOE;

(17) an exclusive call option agreement dated 30 June 2017 entered into between Mr. Yu, Jiangxi University of Technology and WFOE, pursuant to which Mr. Yu irrevocably granted WFOE or its designated purchaser the exclusive right to purchase all or part of his sponsor interest in Jiangxi University of Technology;

(18) an exclusive call option agreement dated 30 June 2017 entered into between Mr. Xie, Guangdong Baiyun University and WFOE, pursuant to which Mr. Xie irrevocably granted WFOE or its designated purchaser the exclusive right to purchase all or part of his sponsor interest in Guangdong Baiyun University;

(19) an exclusive call option agreement dated 30 June 2017 entered into between Mr. Xie, Baiyun Technician College and WFOE, pursuant to which Mr. Xie irrevocably granted WFOE or its designated purchaser the exclusive right to purchase all or part of his sponsor interest in Baiyun Technician College;

(20) an exclusive call option agreement dated 31 July 2017 entered into between Mr. Xie, Baiyun Technician College and WFOE, pursuant to which Mr. Xie irrevocably granted WFOE or its designated purchaser the exclusive right to purchase all or part of his sponsor interest in Baiyun Technician College;

(21) an exclusive call option agreement dated 14 August 2017 entered into between WFOE, Baiyun Technician College, Lihe Education, Huafang Education, Mr. Xie and Mr. Yu, pursuant to which Mr. Yu, Mr. Xie, Lihe Education and Huafang Education irrevocably granted WFOE or its designated purchaser the exclusive right to purchase all or part of their respective interests in Baiyun Technician College, Lihe Education and Huafang Education;

(22) a receivables pledge agreement dated 30 June 2017 entered into between WFOE, Jiangxi University of Technology and Mr. Yu, pursuant to which Jiangxi University of Technology agreed to, among other things, pledge and grant first priority pledge over, (i) its existing and future receivables from boarding fees and tuition fees, (ii) its existing and future creditor's rights arising from leasing the school's properties and (iii) its existing and future creditor's rights arising from its services, to WFOE;

(23) an account supervision agreement dated 15 August 2017 entered into between WFOE, Jiangxi University of Technology, Mr. Yu and Nanchang Rural Commercial Bank Company Limited Qingshanhu Branch (南昌農村商業銀行股份有限公司青山湖支行), pursuant to which WFOE shall engage Nanchang Rural Commercial Bank Company Limited Qingshanhu Branch to supervise the use of the bank accounts of Jiangxi University of Technology, for the purpose of enforcing a receivables pledge agreement;

(24) a receivables pledge agreement dated 30 June 2017 entered into between WFOE, Guangdong Baiyun University and Mr. Xie, pursuant to which Guangdong Baiyun University and Mr. Xie agreed to, among other things, pledge and grant first priority pledge over (i) the school's existing and future receivables from boarding fees and tuition fees, (ii) the school's existing and future creditor's rights arising from leasing the school's properties, (iii) the school's existing and future creditor's rights arising from its services and (iv) proceeds received by Mr. Xie from third parties due to sale, transfer, assignment or other forms of disposal of his sponsor interest in the school, to WFOE;

(25) an account supervision agreement dated 28 August 2017 entered into between WFOE, Guangdong Baiyun University, Mr. Xie and China Construction Bank Corporation Guangzhou Baiyun Branch (中國建設銀行股份有限公司廣州白雲支行) pursuant to which WFOE shall engage China Construction Bank Corporation Guangzhou Baiyun Branch to supervise the use of the bank accounts of Guangdong Baiyun University for the purpose of enforcing a receivables pledge agreement;

(26) a receivables pledge agreement dated 30 June 2017 entered into between WFOE, Baiyun Technician College and Mr. Xie, pursuant to which Baiyun Technician College agreed to, among other things, pledge and grant first priority pledge over, (i) its existing and future receivables from tuition fees, boarding fees, network information fee, teaching material fees, medical insurance fees and IC card fees, (ii) its existing and future creditor's rights arising from leasing the school's properties and (iii) its existing and future creditor's rights arising from its services, to WFOE;

(27) a receivables pledge agreement dated 31 July 2017 entered into between WFOE, Baiyun Technician College and Mr. Xie, pursuant to which Baiyun Technician College and Mr. Xie agreed to, among other things, pledge and grant first priority pledge over, (i) the school's existing and future receivables from boarding fees and tuition fees, (ii) the school's existing and future creditor's rights arising from leasing the school's properties, (iii) the school's existing and future creditor's rights arising from its services and (iv) proceeds received by Mr. Xie from third parties due to sale, transfer, assignment or other forms of disposal of his sponsor interest in the school, to WFOE;

(28) an equity pledge agreement dated 14 August 2017 entered into between WFOE, Lihe Education, Huafang Education, Mr. Xie and Mr. Yu, pursuant to which Mr. Yu, Mr. Xie and Huafang Education agreed to pledge and grant first priority pledge over, all of their existing and future respective equity interests in Huafang Education and Lihe Education together with all related rights, to WFOE;

(29) a school sponsors' and directors' rights entrustment agreement dated 30 June 2017 entered between Mr. Yu, the directors of Jiangxi University of Technology appointed by Mr. Yu (namely Yu Kai (喻愷), Cheng Yangguo (程樣國), Wang Hai (王海), Hu Jianfeng (胡劍鋒), Huang Huiling (黃輝玲) and Huang Weijun (黃衛軍)) and WFOE, pursuant to which: (i) Mr. Yu authorised and entrusted WFOE or person(s) designated by WFOE to exercise all his rights as school sponsor of Jiangxi University of Technology to the extent permitted by PRC laws; and (ii) each of the relevant directors of Jiangxi University of Technology authorised and entrusted WFOE or person(s) designated by WFOE to exercise all his/her rights as director of Jiangxi University of Technology to the extent permitted by PRC laws;

(30) a school sponsors' and directors' rights entrustment agreement dated 30 June 2017 entered into between Mr. Xie, the directors of Guangdong Baiyun University appointed by Mr. Xie (namely Xie Shaohua (謝少華), Liu Jianfeng (劉劍鋒), Zhao Juming (趙炬明) and Huang Daqian (黃大乾)) and WFOE, pursuant to which: (i) Mr. Xie authorised and entrusted WFOE or person(s) designated by WFOE to exercise all his rights as school sponsor of Guangdong Baiyun University to the extent permitted by PRC laws; and (ii) each of the relevant directors of Guangdong Baiyun University authorised and entrusted WFOE or person(s) designated by WFOE to exercise all his/her rights as director of Guangdong Baiyun University to the extent permitted by PRC laws;

(31) a school sponsors' and directors' rights entrustment agreement dated 30 June 2017 entered into between Mr. Xie, the directors of Baiyun Technician College appointed by Mr. Xie (namely Xie Shaohua (謝少華), Liu Jianfeng (劉劍鋒) and Li Mengqiang (李孟強)) and WFOE, pursuant to which: (i) Mr. Xie authorised and entrusted WFOE or person(s) designated by WFOE to exercise all his rights as school sponsor of Baiyun Technician College to the extent permitted by PRC laws; and (ii) each of the relevant directors of Baiyun Technician College authorised and entrusted WFOE or person(s) designated by WFOE to exercise all his/her rights as director of Baiyun Technician College to the extent permitted by PRC laws;

(32) a school sponsors' and directors' rights entrustment agreement dated 31 July 2017 entered into between Mr. Xie, the directors of Baiyun Technician College appointed by Mr. Xie (namely Xie Shaohua (謝少華), Liu Jianfeng (劉劍鋒) and Li Mengqiang (李孟強)) and WFOE, pursuant to which: (i) Mr. Xie authorised and entrusted WFOE or person(s) designated by WFOE to exercise all his rights as school sponsor of Baiyun Technician College to the extent permitted by PRC laws; and (ii) each of the relevant directors of Baiyun Technician College authorised and entrusted WFOE to exercise all his/her rights as director of Baiyun Technician College to the extent permitted by PRC laws;

(33) a school sponsors' and directors' rights entrustment agreement dated 14 August 2017 entered into between Lihe Education, the directors of Baiyun Technician College appointed by Lihe Education (namely Xie Shaohua (謝少華), Liu Jianfeng (劉劍鋒) and Li Mengqiang (李孟強)) and WFOE, pursuant to which: (i) Lihe Education authorised and entrusted WFOE or person(s) designated by WFOE to exercise all its rights as school sponsor of Baiyun Technician College to the extent permitted by PRC laws; and (ii) each of the relevant directors of Baiyun Technician College authorised and entrusted WFOE or person(s) designated by WFOE to exercise all his/her rights as director of Baiyun Technician College to the extent permitted by PRC laws;

(34) a shareholders' rights entrustment agreement dated 14 August 2017 entered into between WFOE, Huafang Education, Mr. Xie and Mr. Yu, pursuant to which Mr. Yu and Mr. Xie authorised and entrusted WFOE or person(s) designated by WFOE to exercise all their respective rights as shareholder of Huafang Education;

(35) a shareholders' rights entrustment agreement dated 14 August 2017 entered into between WFOE, Huafang Education and Lihe Education pursuant to which Huafang Education authorised and entrusted WFOE or person(s) designated by WFOE to exercise all its rights as shareholder of Lihe Education;

(36) a contract rescission agreement dated 31 July 2017 entered into by and between WFOE, Mr. Xie and Baiyun Technician College, pursuant to which the parties agreed to rescind the acquisition framework agreement dated 30 June 2017 and the related agreements;

(37) an acquisition framework agreement dated 31 July 2017 entered into by and between WFOE, Mr. Xie and Baiyun Technician College, pursuant to which WFOE agreed to acquire control of Baiyun Technician College through certain contractual arrangements;

(38) a contract rescission agreement dated 14 August 2017 entered into by and between WFOE, Mr. Xie and Baiyun Technician College, pursuant to which the parties agreed to rescind the acquisition framework agreement dated 31 July 2017 and the related agreements;

(39) an equity transfer agreement dated 14 August 2017 entered into between Lanyun Education and Huafang Education pursuant to which Lanyun Education agreed to transfer a 99% equity interest in Lihe Education to Huafang Education for a total consideration of RMB742.5 million;

(40) an equity transfer agreement dated 14 August 2017 entered into between Mr. Yu and Huafang Education pursuant to which Mr. Yu agreed to transfer a 1% equity interest in Lihe Education to Huafang Education for a total consideration of RMB7.5 million;

(41) the Deed of Indemnity;

(42) a cornerstone investment agreement dated 2 December 2017 entered into between our Company, International Finance Corporation and the Sole Sponsor, pursuant to which International Finance Corporation agreed to subscribe for our Shares in the amount of US$30 million;

(43) a cornerstone investment agreement dated 29 November 2017 entered into between our Company, GIC Private Limited and the Sole Sponsor, pursuant to which GIC Private Limited agreed to subscribe for our Shares in the amount of US$35 million;

(44) a cornerstone investment agreement dated 29 November 2017 entered into between our Company, Value Partners Hong Kong Limited and the Sole Sponsor pursuant to which Value Partners Hong Kong Limited agreed to procure investment funds or managed accounts that it or its subsidiary manages or advises to subscribe for our Shares in the amount of US$20 million;

(45) a cornerstone investment agreement dated 29 November 2017 entered into between our Company, Greenwoods Asset Management Limited and the Sole Sponsor, pursuant to which Greenwoods Asset Management Limited agreed to subscribe for our Shares in the amount of US$35 million; and

(46) the Hong Kong Underwriting Agreement.

2. Intellectual property rights

(a) *Trademarks*

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of registration	Registered owner	Class	Registration number	Expiry date (dd/mm/yyyy)
1	GUANGDONG BAIYUN UNIVERSITY 1989	PRC	Guangdong Baiyun University	41	10775894	27/06/2023
2	白云 Baiyun	PRC	Guangdong Baiyun University	41	3479333	20/08/2024
3		PRC	Baiyun Technician College	41	3152953	20/08/2023
4	A. B.	Hong Kong	Company	41	304184488	22/06/2027
5	中教控股	Hong Kong	Company	41	304184497	22/06/2027
6	中教控股 CHINA EDUCATION GROUP	Hong Kong	Company	41	304184505	22/06/2027
7	A. CHINA EDUCATION GROUP B. CHINA EDUCATION GROUP	Hong Kong	Company	41	304184514	22/06/2027

As of the Latest Practicable Date, we had applied for the registration of the following trademarks which we consider to be or may be material to our business :

No.	Trademark	Place of registration	Registered owner	Class	Application number	Application date (dd/mm/yyyy)
1	中教控股	PRC	WFOE	41	9170531491682	19/06/2017
2		PRC	WFOE	41	9170531491683	19/06/2017

(b) Copyrights

As of the Latest Practicable Date, we had no copyrights which we consider to be or may be material to our business.

(c) Patents

As of the Latest Practicable Date, we had no patents which we consider to be or may be material to our business.

3. 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 (dd/mm/yyyy)
1.	chinaeducation.hk	Company	11/03/2019
2.	educationgroup.cn	WFOE	10/03/2019
3.	jxut.edu.cn	Jiangxi University of Technology	NA
4.	baiyunu.edu.cn	Guangdong Baiyun University	NA
5.	byxy.com	Baiyun Technician College	21/01/2025
6.	bvtczsb.com	Baiyun Technician College	17/04/2020
7.	universityofscienceand technology.education	Company	28/06/2019
8.	uosat.org	Company	28/06/2019

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Particulars of Directors' service contracts and appointment letters

(a) Executive Directors

Each of our executive Directors entered into a service contract with our Company on 11 July 2017. The initial term for their service contracts shall commence from the date of his appointment/redesignation as an executive Director 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 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 Directors under the service contracts:

Executive Directors	**HK$**
Mr. Yu Guo (于果)	3,500,000
Mr. Xie Ketao (謝可滔)	3,500,000
Dr. Yu Kai (喻愷)	2,650,000
Ms. Xie Shaohua (謝少華)	2,650,000

(b) Independent non-executive Directors

Each of our independent non-executive Directors has entered into an appointment letter with our Company on 19 June 2017. 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 be entitled to an annual director's fee of HK$280,000 effective from the Listing Date.

2. Remuneration of Directors

(a) Remuneration and benefits in kind of approximately RMB2.3 million, RMB2.3 million, RMB3.3 million and RMB0.5 million in aggregate were paid and granted by our Group to our Directors in respect of the years ended 31 December 2014, 2015 and 2016 and for the six months ended 30 June 2017, respectively.

(b) Each of our Directors will be entitled to an annual director's fee effective from the Listing Date (see "C. Further Information about our Directors – 1. Particulars of Directors' service contracts and appointment letters" in this section). Under the arrangements currently in force, our Directors will be entitled to receive remuneration and benefits in kind which, for the year ending 31 December 2017, is expected to be approximately RMB1.6 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 the options granted under the Share Option Schemes 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	Nature of Interest	Number and class of securities[1]	Approximate percentage of interest in our Company immediately after the Global Offering[1]
Mr. Yu[2]	Interest of a party to an agreement regarding interest in the Company	1,520,000,000	76.0%
Mr. Xie[2]	Interest of a party to an agreement regarding interest in the Company	1,520,000,000	76.0%
Dr. Yu	Beneficial owner[3]	10,000,000	0.2%
Ms. Xie Shaohua	Beneficial owner[4]	10,000,000	0.2%

Notes:

(1) The calculation is based on the total number of 2,000,000,000 Shares in issue immediately after completion of the Global Offering (assuming neither the Over-allotment Option nor the options granted under the Share Option Schemes are exercised and no Shares are granted under the Share Award Scheme).

(2) Immediately following completion of the Global Offering (assuming the options granted under the Share Option Schemes are not exercised and no shares are granted under the Share Award Scheme), our Company will be held as to 37.5% (assuming the Over-allotment Option is not exercised) or 36.1% (assuming the Over-allotment Option is exercised) by each of Blue Sky BVI (which is wholly owned by Mr. Yu) and White Clouds BVI (which is wholly owned by Mr. Xie). Separately, each of Mr. Yu and Mr. Xie will be entitled to receive up to 10,000,000 Shares pursuant to the exercise of options granted to him under the Pre-IPO Share Option Scheme, subject to the conditions (including the vesting conditions) of those options. Mr. Yu, Mr. Xie, Blue Sky BVI and White Clouds BVI entered into the Concert Party Agreement to align their shareholding interests in our Company. Pursuant to the Concert Party Agreement, Mr. Yu, Mr. Xie, Blue Sky BVI and White Clouds BVI agreed to vote in concert with each other for all operational and other matters at board meetings or shareholders' meetings of our Company (through himself, Blue Sky BVI or White Clouds BVI, as the case may be). The details of the Concert Party Agreement are set out in the section headed "History, Reorganisation and Corporate Structure – The Concert Party Agreement".

(3) Includes Dr. Yu's entitlement to receive up to 10,000,000 Shares pursuant to the exercise of options granted to him under the Pre-IPO Share Option Scheme, subject to the conditions (including the vesting conditions) of those options. See "D. Share Option Schemes and Share Award Scheme – 1. Pre-IPO Share Option Scheme – (d) Vesting Period" in this section.

(4) Includes Ms. Xie's entitlement to receive up to 10,000,000 Shares pursuant to the exercise of options granted to her under the Pre-IPO Share Option Scheme, subject to the conditions (including the vesting conditions) of those options. See "D. Share Option Schemes and Share Award Scheme – 1. Pre-IPO Share Option Scheme – (d) Vesting Period" in this section.

(ii) Interest in associated corporations

Name of Director or chief executive	Nature of Interest	Associated corporation	Amount of registered capital	Percentage of shareholding in the associated corporation
Mr. Yu	Beneficial owner	Jiangxi University of Technology	RMB51,680,000	100%
	Beneficial owner	Huafang Education	RMB4,800,000	50%
Mr. Xie	Beneficial owner	Guangdong Baiyun University	RMB130,000,000	100%
	Beneficial owner	Huafang Education	RMB4,800,000	50%

(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 which may be issued pursuant to the exercise of the Over-allotment Option and the options granted under the Share Option Schemes, 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 which may be issued pursuant to the exercise of the Over-allotment Option and the options granted under the Share Option Schemes, 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 which may be taken up under the Global Offering and allotted and issued pursuant to the exercise of the Over-allotment Option and the options granted under the Share Option Schemes 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. SHARE OPTION SCHEMES 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 27 November 2017. 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 any directors and employees of any member of our Group (including nominees and/or trustees of any employee benefit trusts established for them), who our Board considers, in its sole discretion, have contributed or will contribute to our Group, to take up options to subscribe for Shares.

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 45,500,000 Shares (the "**Scheme Limit**").

(d) Vesting Period

On every anniversary of the Listing Date (from the first anniversary to the fifth anniversary), a maximum of 20% of the underlying Shares in respect of the options may be vested in the grantee, subject to the satisfaction of performance condition as determined by the remuneration committee of the Board at its discretion. In determining whether the performance condition is satisfied, the remuneration committee of the Board will assess the overall financial position and operating conditions of our Group on each vesting date, with a focus on growth, reputation, closing price of our Company's shares on the Stock Exchange, return to shareholders, dividend paid and industry ranking. In particular, the remuneration committee of the Board will also benchmark our Group's key performance metrics that it considers appropriate against comparable companies in the education industry and listed on a recognised stock exchange. Notwithstanding the above, the remuneration committee may in its sole discretion amend the vesting schedule and vest any percentage of the underlying Shares in respect of the options.

(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 the 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 10 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 (f) 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 subparagraphs (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 latest practicable date for ascertaining certain information contained in this document prior to the printing of the document (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 on 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 which 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 any options which may be 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 any options which may be 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 the 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 the date immediately before the Listing Date. The overall limit on the number of underlying Shares pursuant to the Pre-IPO Share Option Scheme is 45,500,000 Shares. The number of underlying Shares pursuant to the outstanding options to be granted under the Pre-IPO Share Option Scheme will amount to 45,500,000 Shares, representing 2.275% of the issued Shares immediately following the completion of the Global Offering (assuming the options granted under the Share Option Schemes are not exercised and no Shares are granted under the Share Award Scheme). On the date immediately before the Listing Date, we will grant options to six 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 per Share of all the options to be granted under the Pre-IPO Share Option Scheme will be equal to the Offer Price.

(i) Directors and senior management

Our Directors and senior management will be granted options under the Pre-IPO Share Option Scheme to subscribe for a total of 45,500,000 Shares, representing approximately 2.275% of the issued share capital of our Company upon completion of the Global Offering (assuming neither the Over-allotment Option nor the options granted under the Share Option Schemes are exercised and no Shares are granted under the Share Award Scheme).

The table below sets out the details of options to be granted to our Directors and senior management on the date immediately before the Listing Date under the Pre-IPO Share Option Scheme:

Name of grantee	Address	Exercise price per share	Number of Shares under the options granted	Date of grant	Option period	Approximate percentage of issued Shares immediately after completion of the Global Offering *(Note)*
Mr. Yu Guo	Flat 601, Unit 2 159 Ganjiaqian Street Xihu District Nanchang Jiangxi province PRC	Offer Price	10,000,000	The date immediately before the Listing Date	10 years from the Listing Date	0.5%
Mr. Xie Ketao	1403, Block 1 Yuxiu Ge 3 Yihe Zhong Road Guangzhou Guangdong province PRC	Offer Price	10,000,000	The date immediately before the Listing Date	10 years from the Listing Date	0.5%
Dr. Yu Kai	Flat C, 16/F Queen's Cube 239 Queen's Road East Hong Kong	Offer Price	10,000,000	The date immediately before the Listing Date	10 years from the Listing Date	0.5%
Ms. Xie Shaohua	1403, Block 1 Yuxiu Ge 3 Yihe Zhong Road Guangzhou Guangdong province PRC	Offer Price	10,000,000	The date immediately before the Listing Date	10 years from the Listing Date	0.5%
Mr. Mok Kwai Pui Bill	2/F, 2A Wilson Road Jardine's Lookout Hong Kong	Offer Price	4,000,000	The date immediately before the Listing Date	10 years from the Listing Date	0.2%
Mr. Li Renyi	Room 801 No. 22, 1388 Nong, Xincun Road Putuo District Shanghai Municipal PRC	Offer Price	1,500,000	The date immediately before the Listing Date	10 years from the Listing Date	0.075%
Subtotal:	Six grantees		45,500,000			2.275%

Note: The above table assumes that the Over-allotment Option and the options granted or to be granted under the Share Option Schemes are not exercised and no Shares are issued pursuant to grants under the Share Award Scheme. On every anniversary of the Listing Date (from the first anniversary to the fifth anniversary), a maximum of 20% of the underlying Shares in respect of the options may be vested in the grantee, subject to the satisfaction of performance condition as determined by the remuneration committee of the Board at its discretion. In determining whether the performance condition is satisfied, the remuneration committee will assess the overall financial position and operating conditions of our Group on each vesting date, with a focus on growth, reputation, closing price of our Company's shares on the Stock Exchange, return to shareholders, dividend paid and industry ranking. In particular, the remuneration committee will also benchmark our Group's key performance metrics that it considers appropriate against comparable companies in the education industry and listed on a recognised stock exchange. Notwithstanding the above, the remuneration committee may in its sole discretion amend the vesting schedule and vest any percentage of the underlying Shares in respect of the options.

(ii) Other grantees

Save and except as set out above, no other options have been granted or agreed to be granted by the Company under the Pre-IPO Share Option Scheme.

(r) Ranking of Shares

Shares allotted and issued upon the exercise of an option shall be identical to the then existing issued shares of our Company 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 29 November 2017. The Share Award Scheme is not a share option scheme and is not subject to the provisions of Chapter 17 of the Listing Rules.

(a) Purpose

The purpose of the Share Award Scheme is to align the interests of Eligible Persons (as defined below) 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 (as defined in paragraph (c) below). 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) is conditionally set at 2% of the aggregate nominal amount of the issued capital of the Company (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options granted under the Share Option Schemes and grants under the Share Award Scheme) as of the Listing Date (i.e. 2% of 2,000,000,000 Shares) (the "**Share Award Scheme Limit**"). The Share Award Scheme Limit is subject to further Shareholders' approval after the Listing.

Under the current Share Award Scheme Limit (which is subject to Shareholders' approval after the Listing), up to 40,000,000 new Shares may be issued by the Company within 10 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 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.

(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.

As and when appropriate, application will be 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 the 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.

3. Post-IPO Share Option Scheme

The following is a summary of the principal terms of the share option scheme (the "**Post-IPO Share Option Scheme**") conditionally adopted by the resolutions in writing of our Shareholders passed on 29 November 2017.

(a) Purpose of the Post-IPO Share Option Scheme

The purpose of the Post-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 our Company and its Shares for the benefit of our Company and Shareholders as a whole. The Post-IPO Share Option Scheme will provide our Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to selected participants.

(b) Selected participants to the Post-IPO Share Option Scheme

Any individual, being an employee, director, officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to our Group is entitled to be offered and granted options. However, no individual who is resident in a place where the grant, acceptance or exercise of options pursuant to the Post-IPO Share Option Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, is eligible to be offered or granted options.

(c) Maximum number of Shares

The total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other schemes is 200,000,000, being no more than 10% of the Shares in issue on the date the Shares commence trading on the Stock Exchange (the "**Option Scheme Mandate Limit**") (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options granted under the Share Option Schemes and grants under the Share Award Scheme). Options which have lapsed in accordance with the terms of the rules of the Post-IPO Share Option Scheme (or any other share option schemes of the Company) shall not be counted for the purpose of calculating the Option Scheme Mandate Limit.

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 Post-IPO Share Option Scheme and any other share option schemes of the Company at any time (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the Shares in issue from time to time (the "**Option Scheme Limit**"). No options may be granted under any schemes of our Company (or its subsidiaries) if this will result in the Option Scheme Limit being exceeded.

The Option Scheme Mandate Limit may be refreshed at any time by obtaining prior approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time. However, the refreshed Option Scheme Mandate Limit cannot exceed 10% of the Shares in issue as at the date of such approval. Options previously granted under the Post-IPO Share Option Scheme and any other share option schemes of our Company (and to which provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, cancelled or lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the refreshed Option Scheme Mandate Limit.

Our Company may also grant options in excess of the Option Scheme Mandate Limit, provided such grant is to specifically identified selected participant and is first approved by Shareholders in general meeting.

(d) Maximum entitlement of a grantee

Unless approved by our Shareholders, the total number of Shares issued and to be issued upon exercise of the options granted and to be granted under the Post-IPO Share Option Scheme and any other share option scheme(s) of the Company to each selected participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue (the "**Individual Limit**"). Any further grant of options to a selected participant which would result in the aggregate number of Shares issued and to be issued upon exercise of all options granted and to be granted to such selected participant (including exercised, cancelled and outstanding options) in the 12 month period up to and including the date of such further grant exceeding the Individual Limit shall be subject to separate approval of our Shareholders (with such selected participant and his associates abstaining from voting).

(e) Performance target

The Post-IPO Share Option Scheme does not set out any performance targets that must be achieved before the options may be exercised. However, the Board or its delegate(s) may at their sole discretion specify, as part of the terms and conditions of any option, such performance conditions that must be satisfied before the option can be exercised.

(f) Subscription price

The amount payable for each Share to be subscribed for under an option ("**Subscription Price**") in the event of the option being exercised shall be determined by the Board but shall be not less than the greater of:

(i) the closing price of a Share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant;

(ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share on the date of grant.

(g) Rights are personal to grantee

An option is personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or *create* any interest in favour of or enter into any agreement with any other person over or in relation to any option, except for the transmission of an option on the death of the grantee to his personal representative(s) on the terms of the Post-IPO Share Option Scheme.

(h) Options granted to directors or substantial shareholders of the Company

Each grant of options to any director, chief executive or substantial shareholder of our Company (or any of their respective associates) must first be approved by the independent non-executive Directors (excluding any independent non-executive Director who is a proposed recipient of the grant of options).

Where any grant of options to a substantial shareholder or an independent non-executive Director of our Company (or any of their respective associates) would result in the number of Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange),

such further grant of options must also be first approved by the Shareholders (voting by way of poll) in a general meeting. In obtaining the approval, our Company shall send a circular to the Shareholders in accordance with and containing such information as is required under the Listing Rules. All connected persons of our Company shall abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular to be sent to the Shareholders in connection therewith.

(i) Grant offer letter and notification of grant of options

An offer shall be made to selected participants by a letter in duplicate which specifies the terms on which the option is to be granted. Such terms may include any minimum period(s) for which an option must be held and/or any minimum performance target(s) that must be achieved, before the option can be exercised in whole or in part, and may include at the discretion of the Board or its delegate(s) such other terms either on a case basis or generally.

An offer shall be deemed to have been accepted and the option to which the offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee with the number of Shares in respect of which the offer is accepted clearly stated therein, together with a remittance in favour of our Company of HK$1.00 by way of consideration for the grant thereof, which must be received by the Company within 20 business days from the date on which the offer letter is delivered to the grantee.

Any offer may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares or a multiple thereof. To the extent that the offer is not accepted within 20 business days from the date on which the letter containing the offer is delivered to that selected participant, it shall be deemed to have been irrevocably declined.

(j) Restriction of grant of options

No offer shall be made and no option shall be granted to any selected participant in circumstances prohibited by the Listing Rules or at a time when the selected participant would or might be prohibited from dealing in the Shares by the

Listing Rules or by any applicable rules, regulations or law. No offer shall be made and no option shall be granted to any selected participant where such person is in possession of any unpublished inside information in relation to our Company until such inside information has been published in an announcement in accordance with the Listing Rules. Furthermore, no offer shall be made and no option shall be granted:

(i) 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

(ii) 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.

Such period will also cover any period of delay in the publication of any results announcement.

(k) Time of exercise of an option

An option may, subject to the terms and conditions upon which such option is granted, be exercised in whole or in part by the grantee giving notice in writing to the Company in such form as the Board may from time to time determine stating that the option is thereby exercised and the number of Shares in respect of which it is exercised.

(l) Cancellation of options

Any breaches of the rules of the Post-IPO Share Option Scheme by a grantee may result in the options granted to such grantee being cancelled by the Company. Any options granted but not exercised may be cancelled if the grantee so agrees. Issuance of new options to the same grantee may only be made if there are unissued options available under the Post-IPO Share Option Scheme (excluding the cancelled options) and in compliance with the terms of the Post-IPO Share Option Scheme.

(m) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

(i) the expiry of the period within which an option may be exercised, which is to be determined and notified by the Board to each grantee at the time of making an offer, and shall not expire later than ten years from the date of grant (the "**Option Period**");

(ii) the expiry of any of the periods for exercising the option as referred to in paragraphs (p), (q) and (r) below; and

(iii) the date on which the grantee commits a breach of the rules of the Post-IPO Share Option Scheme.

(n) Voting and dividend rights

No dividends shall be payable and no voting rights shall be exercisable in relation to any options or Shares that are the subject of options that have not been exercised.

(o) Effects of alterations in the capital structure of the company

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 our 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 our Company as that to which that grantee was previously entitled prior to such adjustments, and no adjustments shall be made which 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) is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on our Company and the grantees. The costs of the auditors or financial advisor (as the case may be) shall be borne by our Company.

(p) Retirement, death or permanent physical or mental disability of an selected participant

If a grantee ceases to be selected participant by reason of (i) death of the grantee, (ii) termination of the grantee's employment or contractual engagement with the Group or its affiliate by reason of his/her permanent physical or mental disablement, (iii) retirement of the grantee, the option may be exercised within the Option Period, or such other period as the Board or its delegate(s) may decide in their sole discretion.

In the case of death of a grantee, the option may be exercised within that period by the personal representatives of the grantee. In the case where a grantee no longer has any legal capacity to exercise the option, the option may be exercised within that period by the persons charged with the duty of representing the grantee under the relevant laws in Hong Kong. If the option is not exercised within the time mentioned above, the option shall lapse.

If a grantee, being an employee whose employment is terminated by the Group or its affiliate (as applicable) by reason of the employer terminating the contract of employment without notice or payment in lieu of notice, or the grantee having been convicted of any criminal offence involving his integrity or honesty, the option shall immediately lapse.

If a grantee is declared bankrupt or becomes insolvent or makes any arrangements or composition with his creditors generally, the option shall immediately lapse.

If a grantee being an employee ceases to be selected participant due to termination of his or her employment or contractual engagement with the Group by reason of redundancy, the option may be exercised within three months of such cessation or within the Option Period, whichever is the shorter, or such other period as the Board or its delegate(s) may decide in their sole discretion.

If a grantee ceases to be selected participant other than in any of the circumstances described above, unless otherwise provided in the option agreement, a grantee may exercise his or her option within three months of such cessation or within the Option Period, whichever is the shorter, or such other period as the Board or its delegate(s) may decide in their sole discretion.

(q) Rights on takeover and schemes of compromise or arrangement

If a general offer by way of takeover is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror), and the offer becomes or is declared unconditional in all respects, the grantee shall be entitled to exercise the option (to the extent not already exercised) at any time within one month (or such other period as the Board or its delegate(s) may decide in their sole discretion) after the date on which the offer becomes or is declared unconditional. If the option is not exercised within the time specified, the option shall lapse.

If a compromise or arrangement between the Company and its members or creditors is proposed, our Company shall give notice to the grantee on the same date as it despatches the notice to each member or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon the grantee (or his personal representatives) may until the expiry of the period commencing with such date and ending with earlier of the date two calendar months thereafter or the date on which such compromise or arrangement is sanctioned by the court exercise any of his options (to the extent not already exercised) whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective, and upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the Post-IPO Share Option Scheme. Our Company may require the grantee to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the grantee in the same position, as nearly as possible, as would have been the case had such Shares been subject to such compromise or arrangement. If the option is not exercised within the time specified, the option shall lapse.

(r) Rights on a voluntary winding up

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees (together with a notice of the existence of the provisions of this sub-paragraph) and thereupon, each grantee (or his personal representatives) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid. If the option is not exercised within the time specified, the option shall lapse.

(s) Ranking of shares

The Shares to be allotted and issued upon the exercise of an option shall be identical to the then existing issued shares of the Company and subject to all the provisions of the memorandum and articles of association of the Company for the time being in force and will rank pari passu with the other fully paid Shares in issue on the date the name of the grantee is registered on the register of members of the Company or if that date falls on a day when the register of members of the 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.

(t) Duration

The Post-IPO Share Option Scheme shall be valid and effective for the period of ten years commencing on the Listing Date (after which, no further options shall be offered or granted under the Post-IPO Share Option Scheme), but in all other respects the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect 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 rules of the Post-IPO Share Option Scheme.

(u) Alteration of the Post-IPO Share Option Scheme

The Board may subject to the rules of the Post-IPO Share Option Scheme amend any of the provisions of the Post-IPO Share Option Scheme (including without limitation amendments in order to comply with changes in legal or regulatory requirements and amendments in order to waive any restrictions, imposed by the provisions of the Post-IPO Share Option Scheme, which are not found in Chapter 17 of the Listing Rules) at any time (but not so as to affect adversely any rights which have accrued to any grantee at that date).

Those specific provisions of the Post-IPO Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of selected participants, and no changes to the authority of the administrator of the Post-IPO Share Option Scheme in relation to any alteration of the terms of the Post-IPO Share Option Scheme shall be made, without the prior approval of Shareholders in general meeting. Any alterations to the terms of the Post-IPO Share Option Scheme which are of a material nature, or any change to the terms and conditions of options granted, must also, to be effective, be approved by the Shareholders in general meeting and the Stock Exchange, except where the alterations take effect automatically under the existing terms of the Post-IPO Share Option Scheme. The options and the Post-IPO Share Option Scheme so altered must comply with Chapter 17 of the Listing Rules. Any change to the authority of the Directors or scheme administrators in relation to any alternation to the terms of the Post-IPO Share Option Scheme must be approved by Shareholders in general meeting.

Notwithstanding any provisions to the contrary in the Post-IPO Share Option Scheme, if on the relevant date of exercise there are restrictions or conditions imposed by the relevant laws and regulations to which the grantee is subject and the grantee has not obtained approval, exemption or waiver from the relevant regulatory authorities for the subscription of and dealing in the Shares, the grantee may sell the options to such transferee, subject to the approval by the Board, which shall not unreasonably withhold or delay such approval. In the event that the options are transferred to a connected person of our Company, no Shares shall be allotted and issued upon the exercise of the options by a connected person of our Company unless the Board is satisfied that the allotment and issue of Shares will not trigger any breach of the Listing Rules, the Articles of Association, the Companies Law or the Takeovers Code.

(v) Termination

The Shareholders by ordinary resolution in general meeting or the Board may at any time resolve to terminate the operation of the Post-IPO Share Option Scheme prior to the expiry of the Post-IPO Share Option Scheme and in such event no further options will be offered or granted but the provisions of the Post-IPO Share Option Scheme shall remain in full 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 Post-IPO Share Option Scheme. Options complying with the provisions of Chapter 17 of the Listing Rules which are granted during the life of the Post-IPO Share Option Scheme and remain unexercised and unexpired immediately prior to the termination of the operation of the Post-IPO Share Option Scheme shall continue to be valid and exercisable in accordance with their terms of issue after the termination of the Post-IPO Share Option Scheme.

Details of the options granted, including options exercised or outstanding, under the Post-IPO Share Option Scheme shall be disclosed in the circular to the Shareholders seeking approval of the new scheme established after the termination of the Post-IPO Share Option Scheme.

E. OTHER INFORMATION

1. Deed of Indemnity

Our Controlling Shareholders entered into the Deed of Indemnity dated 29 November 2017 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 costs, expenses, claims, liabilities, penalties, losses or damages incurred or suffered by any member of our Group arising from or in connection with any litigation, arbitration, claims (including counter-claims), complaints, demands and/or legal proceedings, whether of criminal, administrative, contractual, tortuous or otherwise nature instituted by or against any member of our Group in relation to the Onshore Reorganisation. For further details of the Onshore Reorganisation, see "History, Reorganisation and Corporate Structure – Corporate Reorganisation – 2. Reorganisation in relation to Jiangxi University of Technology and Guangdong Baiyun University";

(b) any title or other defects that exist and existed on or before the date on which the Global Offering becomes unconditional (the "**Relevant Date**") with respect to our Group's owned or leased real estate properties as set out in "Business – Properties", other than the costs of constructing the school buildings and other facilities on the Zhongluotan Land or any corresponding relocation costs;

(c) 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 Relevant Date;

(d) the amount of any taxation falling on any member of the 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;

(e) 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), (b) and (c) above and this paragraph (e);

(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 judgment is given for it; and

(iv) the enforcement of any such settlement or judgment.

Our Controlling Shareholders shall not be liable to indemnify the 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 December 2016 and for the six months ended 30 June 2017; 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 the 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 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 which may fall to be issued pursuant to the exercise of the Over-allotment Option and the options which have been granted under the Share Option Schemes and Shares that may be granted 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
BNP Paribas Securities (Asia) Limited	A licensed corporation holding a licence under the SFO for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 6 (advising on corporate finance)
Deloitte Touche Tohmatsu	Certified public accountants
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
Walkers	Cayman Islands attorney-at-law
Commerce & Finance Law Offices	Qualified PRC lawyers
Cushman & Wakefield Limited	Independent property valuer

Name	Qualification
Asset Appraisal Limited	Independent valuer
Jiangxi ZhongHai Certified Tax Agents Limited Corporation	Qualified PRC tax consultant

As of the Latest Practicable Date, none of the experts named above had any shareholding interest in 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 prospectus

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 30 June 2017, the preliminary listing expenses incurred in relation to the Global Offering was approximately RMB10.1 million.

The Sole Sponsor will be paid by our Company a fee of US$1 million to act as a sponsor to the 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 any member of our Group 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 any member of our Group 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 any member of our Group.

(b) Save as disclosed in this document:

(i) there are no founder, management or deferred shares nor any debentures in any member of our Group;

(ii) no share or loan capital or debenture of any member of our Group 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 any member of our Group by our Company for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of any member of our Group.

(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; 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.

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 underlying financial statements of our Company for the three financial years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017;

(d) the PRC legal opinions issued by Commerce & Finance Law Offices, our legal adviser on PRC law, 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 Cushman & Wakefield 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 valuation report prepared by Asset Appraisal Limited, an independent valuer;

(j) the tax report prepared by Jiangxi ZhongHai Certified Tax Agents Limited Corporation, our PRC tax consultant;

(k) the written consents referred to in the section headed "Statutory and General Information – E. Other Information – 5. Consents of experts" in Appendix V;

(l) 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;

(m) 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;

(n) the terms of the Pre-IPO Share Option Scheme and a list of grantees under the Pre-IPO Share Option Scheme;

(o) the terms of the Share Award Scheme; and

(p) the terms of the Post-IPO Share Option Scheme.

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