Potential investors should consider carefully all the information set out in this document and, in particular, should evaluate the following risks associated with the investment in our Shares. You should pay particular attention to the fact that we conduct our operations in the PRC, the legal and regulatory environment of which in some respects may differ from that in Hong Kong. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition or on the [**REDACTED**] *of our Shares, and could cause you to lose all or part of your investment.*

RISKS RELATING TO OUR BUSINESS AND OUR INDUSTRY

We are dependent on the market recognition of our brands. Our failure to maintain or enhance our brand recognition could materially and adversely affect our business, financial condition and result of operations.

We are a leading large scale vocational training education group in China, operating various Schools under five well-recognized brands, namely New East Culinary Education, Omick Education of Western Cuisine and Pastry, Xinhua Internet Technology Education, Wisezone Data Technology Education and Wontone Automotive Education. We also operate customized catering experience centers under Cuisine Academy. We believe that our success heavily depends on the market recognition of the brand and reputation of 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 network as well as program 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', parents' and customers' satisfaction levels with our programs, teachers/instructors and quality of our services, the number of our graduates being able to secure satisfactory employment, accidents on campus, teacher/instructor or student scandals, misconduct of our employees, negative press, improper use of our brand name by our employees, cooperative partners or other third parties, lawsuits and regulatory investigations against us or otherwise relating to our services, disruptions to our services, failure to pass an inspection by a government authority, loss of certifications and approvals required for our operation and unaffiliated parties using our brand without adhering to our standards of services. 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 enrollment and customer registration , which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our new student enrollment and new customer registration to a large extent are driven by our brands recognition in the industry. Therefore reputation is extremely important to our future success. In the meanwhile, we also employ other marketing methods to promote our brand from time to time, such as websites, advertisements and 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 programs and services, or if we are required to incur excessive marketing and promotional expenses in order to remain competitiveness, our business, financial condition and results of operations may be materially and adversely affected. There were 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/customers and teachers/instructors from attending or joining our Schools and centers 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.

We face intense competition in the PRC vocational education industry and our business, financial condition and results of operations may be adversely affected if we are unable to compete effectively.

The vocational education sector in China is rapidly evolving and competitive, and we expect competition in this sector to persist and intensify. We primarily compete with private vocational education providers that offer similar educational programs. We compete with these private vocational education providers across a range of factors, including, among others, brand recognition, program and curriculum offerings, level of tuition, schools' location, facilities and teaching equipment, career services, enterprise partner relationships and internship opportunities, quality of curriculums and competency of teachers. Our competitors may adopt similar curriculums and marketing strategies, 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 services and respond more quickly than we can to the changes in student demands. They may also offer free promotional services and programs in their marketing campaigns or significantly lower the prices of their services and programs in order to attract students and capture additional market share.

We also face competition from many different companies that focus on one area of our business and are able to devote all of their resources to that business line. These companies may be able to adapt to changing technologies, student preferences and market conditions more quickly in these markets than we can. These companies may, therefore, have a competitive advantage over us with respect to these business areas.

Our student enrollments may decrease due to intense competition, and we may be required to reduce course fees or increase spending in response to competition in order to retain or attract students or pursue new market opportunities. As a result, our revenue and profitability may decrease. We cannot assure you that we will be able to compete effectively with such present and future competitors or to adjust effectively to the changing market conditions and trends. Our failure to compete effectively could erode our market share, result in a decrease in the number of our students, or lead to price reductions or increase of spending on marketing and promotion of our courses, any of which may materially and adversely affect our profitability.

Our graduates' employment rates may decrease and satisfaction with our vocational training programs may otherwise decline.

We position our Schools as vocational 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 transition into the working environment smoothly. We believe that, as a result, graduates of our Schools have been able to achieve 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 curriculums 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, such as general economic condition and the capability of students. Any negative development of our graduates' employment rates 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.

We may not be able to improve the content of our existing courses or to develop new courses on a timely basis and in a cost-effective manner.

We constantly update and improve the content of our existing courses and develop new courses to meet market demands. Revisions to our existing courses and our newly developed courses may not always be well received by existing or prospective students or their parents. New industry sectors emerge as a result of technological and economic developments and create market demand for trained professionals and skilled workers, which represents business and growth opportunities for us. If we cannot respond effectively to changes in market demands and develop new majors and courses that address those changes in a timely manner, our business may be adversely affected. Even if we are able to develop new courses that are well received, we may not be able to introduce them as quickly as our students may require due to limitations such as teaching resources. If we do not respond adequately to changes in market requirements in a timely manner, our ability to attract and retain students could be impaired and our financial results could be materially and adversely affected.

Offering new courses or modifying existing courses may require us to make investments in content development, hire experts in certain areas, increase marketing efforts and re-allocate resources away from other uses. We may have limited experience with the content of new courses and may need to modify our systems and strategies to incorporate new courses into our existing course offerings. If we are unable to improve the content of our existing courses, offer new courses on a timely basis and in a cost-effective manner, our results of operations and financial condition could be adversely affected.

If we are not able to continue to attract students to enroll in our Schools and centers, our business and prospects will be materially and adversely affected.

The success of our business depends primarily on the number of students enrolled in our Schools and the number of customers registered in our centers. Therefore, our ability to continue to attract students to enroll in our Schools and customers to register in our programs is critical to the continued success and growth of our business. This in turn will depend on several factors, including our reputation, which is mainly driven by the perceived effectiveness and quality of our courses, the employment rate of our graduates and their compensation, our ability to develop new courses and enhance existing courses to respond to changes in market trends and student demands, ability to retain qualified teachers and instructors, ability to manage our growth while maintaining consistent and high teaching quality, effectiveness of the marketing of our programs to a broader base of prospective students and customers, our ability to develop additional high-quality educational content and respond effectively to competitive pressures. If we are unable to continue to attract students to enroll in our courses and customers to register in our programs, our revenue may decline, which may have a material and adverse effect on our business, financial condition and results of operations.

Furthermore, our business performance is sensitive to demographic changes in China. Student enrollment in private education in China is directly affected by the number of potential students in an area, which in turn may be directly affected by the various external factors, including policies of the PRC government on family planning and the rate of urbanization. Should the PRC government introduce policies that further restrict child birth in the future, it could have a negative impact on the growth of the education industry in China, resulting in further competitive pressure on us. If we build our Schools in areas where the rate of urbanization slows down or does not grow as quickly as we envisage, the number of potential students in such area would also reduce and would adversely affect our business and prospects. If we are unable to continue to attract students and parents without significantly decreasing tuition or incurring significant increases in our selling and marketing expenses, our revenue may decline or we may not be able to maintain profitability, either of which could have a material and adverse effect on our business, financial condition, and results of operations.

We face potential competition from PRC formal education industry and our business, financial condition and results of operations may be adversely affected if we are unable to compete effectively.

Formal education is comprised of fundamental education, secondary vocational education and higher education. Formal education grants diplomas and degrees recognized by PRC governmental authorities, whereas the non-formal education merely issues completion certificates for the training and learning courses students have taken. Students aged from 15 to 21 years old are the target population of both formal education and non-formal education.

We currently primarily provide non-formal vocational training education. As of December 31, 2018, only 26 out of the 145 Schools we operate provide secondary vocational education which is part of the formal education in the PRC. According to the Frost & Sullivan Report, with the increasing emphasis on academic degrees in recent years, the number of formal education school students has increased, posing a threat to student recruitment of vocational training education. Graduates from formal education with official diplomas and degrees recognized by the PRC government may become more competitive in their search for jobs. If we are not able to train our students with the necessary knowledge and competitive practical skills, the number of our student enrollment may not grow as we planned. As such, we may be required to reduce tuition fees in order to retain or attract students or pursue new market opportunities. If we are unable to successfully compete for new students, maintain or increase our tuition levels, enhance the quality of our educational services, our business, financial condition and results of operations may be materially and adversely affected.

Failure to effectively and efficiently manage the expansion of our school and center network may materially and adversely affect our ability to capitalize on new business opportunities.

Our business has experienced significant growth in recent years. The number of our Schools and centers in operation increased from 90 as of December 31, 2016 to 163 as of December 31, 2018. We plan to continue to expand our operations in different geographic markets in China. Establishing new Schools and centers poses challenges and requires us to make investments in management, capital expenditures, marketing expenses and other resources. The expansion has resulted, and will continue to result in substantial demands on our management and staff as well as our financial, operational, technological and other resources. Our planned expansion will also place significant pressure on us to maintain the teaching quality and uniform standards, controls and policies to ensure that our brand does not suffer as a result of any decrease, whether actual or perceived, in the quality of our training programs. To manage and support our expansion, we must improve our existing operational, administrative and technological systems and our financial and management controls, and recruit, train and retain additional qualified teachers and instructors and management personnel as well as other administrative and marketing personnel. We cannot assure you that we will be able to effectively and efficiently manage the growth of our operations, maintain or accelerate our current growth rate, recruit and retain qualified teachers and instructors and management personnel, successfully integrate new learning centers into our operations and otherwise effectively manage our growth. Our failure to effectively and efficiently manage our expansion may materially and adversely affect our ability to capitalize on new business opportunities, which in turn may have a material adverse impact on our financial condition and results of operations.

We also plan to expand our network abroad by establishing a vocational training education institution in the State of California in the United States. On November 16, 2018, we filed an application with the BPPE to apply for a provisional operating license for the Xinhua Training School US. See "History and Corporate Structure — School to be Established — New School in the United States" for further information. However, we have no prior experience in establishing and/or operating Schools and centers outside China, in particular, in the United States, and we may encounter barriers and challenges upon entering into such markets, including the failure to obtain relevant regulatory approvals, which may result in delays or our inability to carry out our overseas expansion plans. In addition, we may need to make significant investments in developing Schools and centers overseas and may not be able to effectively manage our costs or generate sufficient revenue to justify the investments we make. We cannot assure you we will be able to successfully establish and/or operate Schools and centers overseas. If we are unable to do so, our business, financial condition and results of operations may be materially and adversely affected.

We may not be able to implement our growth strategies or manage our growth effectively, which may hinder our ability to capitalize on new business opportunities, which may cause us to lose the anticipated benefits from such investments and to incur significant additional expenses. Our gross profit margin may also be negatively impacted by our newly established Schools.

Our growth strategies require us to acquire land and construct new school facilities to establish our regional centers, expand our school network with additional Schools domestically and internationally, continue to innovate curriculums, improve our practical training methods and facilities, and further emphasize our social responsibilities. We may not succeed in implementing our growth strategies due to a number of factors, including, without limitation, the following:

- we may fail to identify new areas with sufficient growth potential into which we expand our network;
- it may be difficult to increase student enrollment in our existing Schools;
- we may fail to effectively market our services in new markets or promote new courses in existing markets;

- we may not be able to replicate our successful growth model in other geographic markets;

- our analysis for selecting suitable new locations may not be accurate and the demand for our services at such new locations may not materialize or increase as rapidly as we expect;

- we may fail to obtain the requisite licenses and permits necessary to open new Schools at our desired locations from local authorities;

- we may fail to achieve the benefits we expect from our expansion.

Our expansion plans and the increase in student and customer enrollment may result in substantially higher demand for resources such as teachers, instructors, facilities and management personnel, which will increase pressure on 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, facilities maintenance and expansion, and the construction and operation of new campuses. As a result, the establishment of new Schools may negatively impact our gross profit margin. During the initial ramp-up period after a new School commences operations, we incur the same fixed costs relating to staff compensation, costs relating to student and teaching activities, rent, maintenance and renovation, depreciation and amortization, and other fixed costs while initial revenue from the new Schools may be limited due to the relatively small number of student enrollment.

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

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

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

Our results of operations are affected by the pricing of our services. We determine our fee rates primarily based on the demand for our courses, the cost of our operations, the geographic market where we operate our Schools and centers, the fee rates charged by our competitors, our pricing strategy to gain market share and general economic conditions in the PRC. Our ability to maintain the premium fee level or raise service fees is primarily dependent on the high-quality services we offer and service fees and the perception of our brands. Although we have been able to increase the tuition we charge our students and customers in the past, we cannot assure you that we will be able to maintain or increase our fee rates in the future without adversely affecting the demand for our services.

We may face complaints, disputes or legal actions relating to refund of tuition, which may materially and adversely affect our reputation, business, financial condition and results of operations.

We have refund policies in place under each business segment for students who withdraw from our Schools. For more information about our refund policies, see "Business — Pricing Policy — Student/customer withdrawal and refund policy" in this document. Prior to the commencement of our training programs, we generally enter into training contracts with our students. The training contracts together with their attachments set forth the total tuition and refund policies of our education services. However, a few local government authorities, have issued guidelines or notices in relation to the refund of tuition for private schools or private non-formal education schools, specifying circumstances and conditions for allowing full or partial refund of tuition fees and/or for refusal of tuition refund. Our refund policies set out in the training contracts in our schools deviated from the local guidelines or notices issued by some local governments, including Beijing, Hunan, Hangzhou, Wenzhou, Liaoning, Dalian, Guangdong and Shandong. In particular, the guidelines or notices in Dalian, Guangdong and Hunan may have certain implications on us. Our refund policies set out in the training contracts in our Schools in Dalian, Guangdong and Hunan deviated from such local guidelines or notices to a certain extent (for example, the conditions to be met and the time schedule for eligibility for a full refund or partial refund may differ), primarily because we implemented the same refund policies at our Schools across China under the same brand to maintain consistency, and our refund policies were determined by reference to a number of other competitors. The policy in Guangdong province provides that, if the school fails to refund tuition fees as required in the prescribed amount within the prescribed period of time, the competent authorities may order such school to make the refund within a specified timeframe, and failure to comply with the order from the competent authorities can result in such school being suspended or fails their annual inspections; the policies in Hunan province and Dalian city provide that private schools which fail to comply with the refund policies prescribed in the relevant guidelines or notices may be subject to penalties imposed by local pricing authorities according to relevant pricing laws and regulations, but the relevant pricing laws and regulations have not specified the amount of fines or penalties that would be applied in case of such deviation. Except as mentioned above, there is no specific legal consequence stipulated by other guidelines or notices. To the extent applicable, all of our Schools across the nation, including Guangdong, Hunan and Dalian have passed their respective annual inspections during the Track Record Period and none of them had been investigated or were subject to any legal or administrative proceedings or penalized by the Guangdong, Hunan and Dalian competent authorities for such deviation. As advised by our PRC

Legal Advisors, deviation of the our refund policies from that of certain local authorities would not result in any significant penalties or have any material adverse effect on our Group, based on the following: (i) we have rectified and revised the deviation of refund policies to be in compliance with that of the certain local authorities; (ii) as of the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant governmental authorities, with respect to such deviation of refund policies from that of the certain local governments; and (iii) as of the Latest Practicable Date, for most of the regions (except for Dalian, Guangdong and Hunan) where our refund policies deviate from that of the relevant local governments, no legal consequences have been specified by the local government in such policies, and pursuant to the *Law of the People's Republic of China on Administrative Penalty* (《中華人民共和國行政處罰法》), if any administrative penalty is imposed without legal basis, such penalty shall be invalid. We cannot assure you that the students will not seek further refunds of their tuition fees if they believe that the amount of tuition fees refunded to them was less than what they would have received under the local pricing authority policies. As of December 31, 2018, the discrepancy in the amount of refunds that may be further sought by students withdrawn during the Track Record Period was RMB1.3 million. We have amended the refund policies in the training contracts entered into with our students in accordance with the relevant local guidelines or notices and will refund the tuition accordingly in future.

In addition, when disputes arise, even if there are no local guideline or policies relating to the refund of tuition in such provinces, municipality of cities, there are risks that our refund policies may not be enforced by the relevant PRC courts due to a variety of reasons, such as the relevant terms are stated in small font and not made clear enough or the court may rule that the circumstance gives the withdrawing student other rights upon withdrawal having regard to the refunds. From time to time, we may receive complaints or be subject to disputes or legal actions relating to the refund of our tuition. Even if the underlying refund policies are in line with PRC laws and regulations and even if we defend ourselves vigorously in such litigations or legal proceedings, there is no assurance that the implementation of such policies would not be subject to disputes or that we will prevail in litigations on legal proceeding that questions the implementation of such policies. Participation in such 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 our students or third parties. 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 cannot assure you that we will be able to continue to recruit and retain qualified teachers and/or instructors, who are critical to the success of our business as well as the quality and effective delivery of our services.

Our teachers are critical to maintaining the quality of our vocational training education and our reputation. We seek to hire teachers who have expertise in their respective subject areas, and in particular, possess industry experience in relevant areas. We also seek to hire qualified instructors for our customized catering experience centers under Cuisine Academy. There is a limited pool of qualified teachers or instructors and we must provide competitive compensation packages to attract and retain them. In addition, the number of qualified teachers or instructors is more limited in smaller cities. We have not experienced major difficulties in recruiting, training or retaining qualified teachers or instructors in the past. However, we may not always be able to recruit and retain a sufficient number of qualified teachers or instructors in the future to keep pace with our growth and maintain consistent education quality. A shortage of qualified teaching staff, or a significant increase in compensation to retain qualified teachers or instructors would have a material and adverse effect on our business, reputation, financial condition and results of operations.

Higher labor costs, particularly increasing teachers' and/or instructors' salaries, may adversely affect our business and our profitability.

Our teaching staff salaries constitute a substantial portion of our total costs of revenue. For the years ended December 31, 2016, 2017 and 2018, our teaching staff salaries and benefits represent 30.1%, 29.4% and 30.9% of our total costs of revenue, respectively. Labor costs in China have risen in recent years as a result of social development and increasing inflation in China. As of December 31, 2018, we had 10,111 employees in China. The increases in labor cost may erode our profitability and materially harm our business, financial condition and results of operations. If labor costs in China continue to increase, our operating costs will increase. We may not be able to pass on these increased costs to our customers by increasing our tuition fees or service fees in light of competitive pressure in the markets. In such circumstances, our profit margin may decrease, which could have adverse effect on our business, financial condition and results of operations.

The loss of any government grants that we have enjoyed or interest income we received could materially and adversely affect our results of operations.

We received other income of RMB21.6 million, RMB34.4 million and RMB61.8 million, respectively, during the Track Record Period. Our other income and expenses consists of asset-related government grants, unconditional government grants, interest income from banks, interest income from related parties, interest income from third parties, and others. See "Financial Information — Key Components of Our Results of Operations — Continuing Operations — Other Income" for details. Our other income is of a non-recurring nature and there is no assurance that we would continue to enjoy the government grants and interest income at the historical levels, or at all. Any change, suspension or termination of these government grants or interest income we have received could materially and adversely affect our business, financial condition and results of operations.

Our historical financial and operating results, growth rates and profitability may not be indicative of future performance.

We experienced significant growth in terms of revenues during the Track Record Period. For the years ended December 31, 2016, 2017 and 2018, our total revenue from continuing operations was RMB2,335.7 million, RMB2,850.2 million and RMB3,265.0 million, respectively. Any evaluation of our business and our prospects must be considered in light of the risks and uncertainties encountered by companies at our stage of development. Our historical growth was primarily driven by the increases in our average students enrolled and the level of tuition fees we charge. The increased average students enrolled was primarily driven by the increase in the number of Schools we established and operated and the expansion of existing campuses during the Track Record Period. Furthermore, our results of operations may vary from period to period in response to a variety of other factors beyond our control, including our ability to maintain and increase student enrollment and maintain and raise tuition fees, general economic conditions and regulations or government actions pertaining to the private education service sector in China, changes in spending on private education, our ability to control cost of revenue and operating expenses, our expenditures in building new Schools or expanding existing Schools and non-recurring charges incurred in connection with acquisitions or other extraordinary transactions or under unexpected circumstances. For the year ended December 31, 2018, we commenced operations of 19 new Schools, which incurred a large amount of fixed costs but the student enrollments were small. Our profitability may be negatively impacted by such new Schools. Due to the above factors, we believe that our historical financial and operating results, growth rates and profitability may not be indicative of our future performance and you should not rely on our past results or our historic growth rates as indications of our future performance.

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 or we failed to discharge our duty of education or management for our students 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 employees 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, on June 16, 2015, a student enrolled at one of our Schools under New East Cuisine Education committed suicide on campus by falling from the student dormitory. Parents of the student initiated legal proceedings against us in 2015 and the relevant PRC court ruled that we were 30% at fault as we were negligent in school management and student protection. During the Track Record Period, a total of 14 legal proceedings initiated against us that were related to injuries or suicides of our students or employees were entered into judgement. 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 enrollment and retention. Even if it is unsuccessful, such a claim could create unfavorable 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 outsource food and meal catering services of our on-campus stores and canteens to third party service providers and as a result, we cannot guarantee the quality and price of the food they serve to our students. We may be exposed to potential liabilities if we cannot maintain food quality standards.

We outsource certain our food and meal catering services of our on-campus stores and canteens to third party service providers. While we have internal control over the quality of such service providers, such as conducting due diligence on requisite licenses, and qualifications, it is impractical for us to monitor the day-to-day operation of these service providers. Thus, we cannot assure you that we will be able to ensure the quality of food, monitor the meal preparation process to ensure its quality or require such third-party service provider to adhere to our food quality standards. In the event poor food quality results in any serious health violations or medical emergencies, such as mass food poisoning, our business and reputation could be materially and adversely affected.

Certain of our Schools had not obtained approvals from local civil affairs authorities for their amended articles of association to reflect change of school sponsors.

As of the Latest Practicable Date, Shanghai Fengxian District East Delicacy Vocational Training School* (上海奉賢區東方美食職業培訓學校) ("Shanghai Fengxian School"), Jiangsu New East Culinary Training School* (江蘇新東方烹飪技術學校) ("Jiangsu School") and Nanjing Xinhua Computer Institute* (南京新華電腦專修學院) ("Nanjing Institute") had not obtained approvals from local civil affairs authorities for their respective amended articles of association which reflect the change of school sponsors. Our PRC Legal Advisors have advised us that we are required to obtain approvals from the competent local authorities of MHRSS or local education authorities for change of school sponsors of a private school, which is not subject to approval by the relevant civil affairs authorities but will inevitably result in an amendment to the articles of association which requires approval from civil affairs authorities. The local civil affairs authorities have not yet accepted applications for approval of the amendment to articles of association to reflect the change of school sponsors on the basis that a "sponsor" refers to the "initial sponsor" of the school and it is a statement of historical fact, therefore cannot be the subject of change. We are in the process of communicating with the respective civil affairs authorities, respectively. However, we cannot assure you that the relevant civil affairs authorities will approve the change. If such Schools fail to obtain approvals from the relevant competent authorities, our rights as being school sponsors of these Schools may not be recognized or may be challenged by third parties. As such, our business, financial condition and results of operations may be adversely affected.

Failure to open social insurance fund and housing provident fund accounts and failure to make adequate contributions to various social security plans as required by PRC regulations may subject us to penalties.

Our PRC subsidiaries are required to participate in various employee benefit plans, including pension insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance and housing provident fund and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where they operate their businesses. As of the Latest Practicable Date, (i) certain of our Schools and other entities failed to open social insurance fund and/or housing provident fund accounts mainly because no employees are hired by such entities; and (ii) we did not make full contributions to the social insurance plans and housing provident fund based on the actual salaries of our employees. See "Business — Legal Proceedings and Compliance" in this document for further details. We cannot assure you that our employees will not complain to the relevant authorities by reporting our failure to make contributions to the social security and housing provident fund or 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 contributions and/or imposing penalties and overdue fines on us, among other things. Such regulatory intervention may adversely affect our financial condition.

According to the *Reform Plan of the State Tax and Local Tax Collection Administration System* (《國稅地稅徵管體制改革方案》) issued by the General Office of the Communist Party of China, from January 1, 2019, tax authorities will be responsible for the collection of social insurance contributions. The MHRSS issued an *Urgent Notice of the General Office of the Ministry of Human Resources and Social Security on Implementing the Spirit of the Executive Meeting of the State Council in Stabilizing the Collection of Social Security Contributions* (《人力資源社會保障部辦公廳關於貫徹落實國

務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) in September 2018 and the General Office of the State Administration of Taxation issued the *Notice by the General Office of the State Administration of Taxation of Conducting the Relevant Work Concerning the Administration of Collection of Social Insurance Premiums in a Steady, Orderly and Effective Manner* (《國家稅務總局辦公廳關於穩妥有序做好社會保險費徵管有關工作的通知》) on September 13, 2018, pursuant to which the tax authorities and the local authorities of MHRSS are strictly forbidden to collectively initiate or proactively recover the unpaid social security contributions from enterprises. Although the government of the PRC does not intend to trace back to or enforce past non-compliance of unpaid social security contributions, there are uncertainties in connection with implementation of such regulations and enforcement of social security contributions could be more stringent. We cannot assure you that the relevant local government authorities will not require us to pay the outstanding amount within a prescribed time and impose late fees or fines on us, which may materially and adversely affect our business, financial condition and results of operations.

Our success depends on the continuing efforts of our management team and other key personnel and our business may be harmed if we lose their services.

Our future success heavily depends on the continuing services of our management team and key school management personnel at each of our Schools. If any member of our core 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 vocational 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 core management and key personnel. There is no guarantee that we can recruit and retain experienced management members or other qualified school management personnel in the future. In the event we lose their services, or if any member of our 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.

Capacity constraints of our teaching facilities could cause us to lose students to our competitors.

The teaching facilities of our physical network are limited in size and number of classrooms. We may not be able to admit all students who would like to enroll in our courses due to the capacity constraints of our teaching facilities. This would deprive us of the opportunity to serve them and to potentially develop a long-term relationship with them for continued services. If we fail to expand our physical capacity as quickly as the demand for our classroom-based services grows, we could lose potential students to our competitors, and our results of operations and business prospects could be materially and adversely affected.

We may not be able to obtain all necessary approvals, licenses and permits and to make all necessary registration and filings for our education and other services in the PRC and Hong Kong.

We are required to obtain and maintain various approvals, licenses 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 operating permit from the local authorities of MHRSS or the local education authorities. We are also required to register with the local civil affairs authorities or local authorities of SAMR to obtain a certificate of registration for a private non-enterprise entity or business license. In addition, we need to pass annual inspections conducted by the local civil affairs authorities and/or local authorities of MHRSS and/or local education authorities. We also need to file annual reports to local authorities of SAMR for the companies. Except as disclosed in "Business — Legal Proceedings and Compliance" of this document, we had obtained all material requisite permits and completed the necessary filings, renewals and registrations for our Schools in operation as of the Latest Practicable Date. 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.

As of the Latest Practicable Date, two Schools of New East Culinary Education had branch campuses that differ from the addresses set out on their respective school operating licenses or business licenses. As advised by our PRC Legal Advisors, establishing a branch campus of a private school should file registration with the relevant local education authorities or the local authorities of MHRSS as required by the relevant PRC laws and regulations. If we fail to add the address of relevant branches to the operating licenses or business licenses of our Schools, we may not be allowed to operate these branches. As a result, our business, financial condition and results of operations may be materially and adversely affected.

There is no law or regulation in Hong Kong specifically requiring that the operation of training center of culinary art needs to obtain food license. In addition, we have made an anonymous enquiry with the Food and Environmental Hygiene Department of Hong Kong (the "**FEHD**") regarding the licensing requirements applicable to cooking training centres in Hong Kong and was informed by the FEHD that a food business license should not be required for operation of a cooking training centre. As of the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant Hong Kong government authorities with respect to the operation of training center of culinary art by HK New Oriental without food license. However, if the relevant regulations change or the authorities change the interpretation of the regulation requirements, the Group may be required to obtain food licenses or satisfy other certificate requirements for operation of training center of culinary art in Hong Kong, and if so required, we undertake to comply with all relevant regulatory requirements in full. Full compliance with such requirements may have negative impacts on our financial condition or results of operation. In addition, as of the Latest Practicable Date, four Schools of New East Culinary Education in the PRC, and Xinhua Internet Technology Education operated on-campus canteens to offer catering services to students, but failed to obtain or renew food administration permits (食品經營許可證). As advised by our PRC Legal Advisors, companies engaging in food sales and catering services in the PRC are required to obtain food administration permits according to the relevant PRC laws and regulations. Failing to obtain or renew the requisite licenses may subject us to fines and confiscation of illegal income derived from operating on-campus canteens without obtaining the requisite permits. As of the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant PRC government authorities with respect to the aforesaid issues, nor had our Schools been required to rectify the aforesaid issues. In addition, we had closed and ceased to operate these canteens as of the Latest Practicable Date. If the relevant government authorities change their position or policies with respect to the aforesaid issues, we may be subject to fines, confiscation of the gains derived from the catering services we provided, or be subject to other penalties or administrative actions, which may materially and adversely affect our business, financial condition and results of operations. See "Business — Legal Proceedings and Compliance" for details.

Our teachers, instructors and staff may not comply with our internal rules and any misconduct relating to our teachers, instructors and staff may adversely affect our brand and we may be held jointly liable for the damages caused.

While we have internal policies over the professional ethics of our teachers, instructors and other employees, it is impractical for us to control the conduct and behaviors of them. For example, a teacher employed by one of our Schools under Xinhua Internet Technology Education was convicted of fraud and sentenced to imprisonment in 2018 as he deceived 12 students that he could assist them in applying for a diploma of junior college-undergraduate programs or professional qualification certificates of associate constructor. In addition, a student at one of our Schools under Wontone Automotive Education initiated legal proceedings against us in 2016 seeking damages for his injuries as a result of physical conflicts with a teacher in class. The court held that we, as the employer of the teacher, were jointly liable for the economic losses of the student which amounted to less than RMB22,000.

We are committed to continually enhancing our ethical education for teachers, instructors and other employees. However, in some cases, it is very difficult for us to discover fraud activities especially when they are conducted in an unprecedented manner. We cannot guarantee you that similar incidents will not occur in the future. Any negative press releases regarding such incidents may also adversely affect our reputation. 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 enrollment, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We had net current liabilities position as of December 31, 2018.

As of December 31, 2018, we had net current liabilities of RMB612.8 million, respectively. See "Financial Information — Discussion of Selected Items from the Consolidated Statements of Financial Position — Current Assets and Current Liabilities" in this document for details. We may have net current liabilities in the future. Having significant net current liabilities could constrain our operational flexibility and adversely affect our ability to expand our business. If we do not generate sufficient cash flow from our operations to meet our present and future financial needs, we may need to rely on additional external borrowings for funding. If adequate funds are not available, whether on satisfactory terms or at all, we may be forced to delay or abandon our development and expansion plans, and our business, financial condition and results of operations may be materially and adversely affected.

We are exposed to fair value change for other financial assets measured at fair value through profit or loss.

We are exposed to fair value change for other financial assets measured at fair value through profit or loss ("FVTPL"). For the years ended December 31, 2016, 2017 and 2018, we recorded net gains from fair value changes of other financial assets measured at FVTPL of RMB27.5 million, RMB61.1 million and RMB58.0 million, respectively. Future fair value change for other financial assets measured at FVTPL may negatively impact our financial condition and performance.

Future application of HKFRS 16 "Leases" could affect our operating results, financial position and certain financial ratios due to our operating lease commitments.

We are a lessee of various properties, including our teaching buildings, dormitory buildings and offices, under which the relevant leases are classified as operating leases, details of which are set forth in Note 31 of the Accountant's Report in Appendix I to this document. Our current accounting policy for such leases is set forth in Note 3 to the Accountant's Report in Appendix I to this document.

As of December 31, 2018, the lease commitments amounted to RMB2,302.2 million and all of them had an original lease term of over one year, which are currently classified under operating leases and are not reflected in our consolidated statement of financial position. HKFRS 16 "Leases", which is required to apply for the first time for our financial year beginning on January 1, 2019, provides new provisions for the accounting treatment of leases and will in the future upon adoption of the standard no longer allow lessees to recognise certain leases outside of the consolidated statement of financial position. Instead, for all leases with a term of more than 12 months, unless the underlying asset is of low value, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The initial adoption of HKFRS 16 will therefore result in increase in right-of-use assets and related lease liabilities and this will affect our related financial ratios, such as an increase in debt to equity ratio. The combination of straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to the profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term, but there is no impact on the total expenses recognised over the lease term. There is no assurance that the application of HKFRS 16 will not significantly affect the financial position and performance in the future.

Certain of our Schools do not have the necessary private school operating license.

All of our Schools are required to obtain private school operating license prior to the commencement of operation. As of the Latest Practicable Date, 29 Schools in operation under our Omick Education of Western Cuisine and Pastry, Wontone Automotive Education, Xinhua Internet Technology Education and Wisezone Data Technology Education brand did not have the private school operating license. See "Business — Legal Proceedings and Compliance — Non-Compliance License" for more information. *The Law for Promoting Private Education of the PRC* (《中華人民共和國民辦教育促進法》) was promulgated in December 2002, amended in June 2013, and was further amended in November 2016 and took effect from September 1, 2017. However, due to the uncertainties with respect to the interpretation and lack of local implementation rules of the newly enacted law, the local authorities of MHRSS and the local education authorities responded that they were not in a position to issue private school operating license to some of our Schools in operation. Although we are making efforts to apply to the local authorities for such licenses, there are risks that they would not accept application of private school operating license from companies before the relevant local implementation rules take effect. If we are not able to obtain the requisite license, we may become subject to administrative fines and other penalties or even be ordered to shut down our operation, which may have a material and adverse effect on our business, prospects, financial condition and results of operations.

Some of our secondary vocational Schools lack on-site infirmaries as required under the relevant PRC laws and regulations.

As of the Latest Practicable Date, nine of our secondary vocational Schools, namely Zhengzhou Xinhua Secondary Vocational School* (鄭州新華中等專業學校), Yunnan Xinhua Computer Secondary Vocational School* (雲南新華計算機中等專業學校), Guiyang City Xinhua Computer Secondary Vocational School* (貴陽市新華電腦中等職業學校), Jiangxi Nanchang Xinhua Computer Secondary Vocational School* (江西南昌新華電腦中專學校), Jiangxi Nanchang New East Culinary Secondary Vocational School* (江西南昌新東方烹飪中專學校),Yunnan New East Culinary School* (雲南新東方烹飪學校), Lanzhou Xinhua Internet Secondary Vocational School Co., Ltd.* (蘭州新華互聯網中等職業學校有限公司), Guiyang City New East Culinary Secondary Vocational School* (貴陽市新東方烹飪中等職業學校) and Shijiazhuang New East Secondary Vocational School* (石家莊新東方中等專業學校) did not have on-site medical infirmaries to offer medical diagnosis and the prescription of medication and treatments, as well as basic healthcare services to our students. In situations of emergency or when necessary and appropriate, we generally promptly send our students to nearby hospitals for medication and treatments.

Our PRC Legal Advisors have advised us that, under the relevant PRC laws and regulations, boarding secondary vocational schools should have a licensed on-site infirmary to provide medical services to students, but such requirement does not attach with it any administrative proceedings, fines or penalties for failure to comply. As of the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant PRC government authorities with respect to the lack of licensed on-site infirmaries at our Schools. However, we cannot assure you that the competent PRC government authorities will not further issue guidelines or policies on rectification reasons or otherwise require us to rectify this matter within a prescribed period in the future. If we receive such order but fail to obtain requisite licenses and hire competent professionals for operating on-site infirmaries at our Schools within a prescribed period, our reputation, business and results of operations may be adversely affected. See "Business — Legal Proceedings and Compliance — Minor Legal Defects" for details.

Several of our Schools providing correspondence education services are not registered with relevant government authorities and such services may be suspended.

As of December 31, 2018, 28 Schools under New East Culinary Education, Xinhua Computer Education, Omick Education of Western Cuisine and Pastry and Wontone Automotive Education provided correspondence education services to students in cooperation with higher education institutions and such higher education institutions have not completed registration with the relevant local education authorities prior to the commencement of such services. According to *Interim Regulations on Correspondence Education Tutoring Centers for Higher Education Institutions* (《普通高等學校函授教育輔導站暫行規程》), higher educations institutions providing such correspondence education services are required to register with local education authorities prior to the commencement of the services, and failure to comply with such requirement may result in receiving public criticism from relevant authorities, mandatory rectification within prescribed time, and the suspension of such education services. As we are not the entity who should seek such registration, we are not the party in control of ensuring compliance with this requirement. In addition, pursuant to the relevant PRC laws and regulations, we are not subject to any penalties or other liabilities for the non-registration. Besides, we are not obligated to indemnify or undertake any responsibilities in relation to the non-registration according to our cooperative agreements with our partnering higher education institutions. If our partnering higher education institutions fails to comply, we will lose income from such correspondence education services if any suspension order is issued to our cooperative higher education institutions by relevant education authorities. If we are forced to shut down our correspondence education services, our business, financial condition and result of operations may be materially and adversely affected. For the years ended December 31, 2016, 2017 and 2018, the revenue from our correspondence education services provided by the 28 Schools was RMB17.0 million, RMB17.2 million and RMB23.2 million, respectively. According to the cooperative agreements with the higher education institutions, the higher education institutions are generally responsible for designing course curriculums, assigning teachers to work at our Schools, granting diplomas and degrees recognized by PRC governmental authorities for students who meet relevant requirements. We are responsible for providing venues and facilities that meet the teaching requirements and our teachers work together with the assigned teachers to organize the education work. The higher education institutions are generally entitled to receive 30% to 60% of the tuition fees we collected. Such cooperative agreements generally have a term ranging from three to six years, which are renewable by mutual consent.

We are subject to uncertainties brought by the 2016 Decision and the MOJ Draft for Comments.

The 2016 Decision

Our business is regulated by, among others, the *Law for Promoting Private Education of the PRC* (《中華人民共和國民辦教育促進法》). The 2016 Decision that became effective on September 1, 2017 introduced a number of amendments. Under the 2016 Decision, school sponsors of an existing not-for-profit private school may elect to register the school as a non-profit or for-profit private school at their own discretion. As of December 31, 2018, apart from 47 Schools out of our 144 Schools in the PRC which have been established as for-profit private schools in the first place, school sponsors of 21 Schools out of our 144 Schools in the PRC have elected to register as for-profit private schools. As of the Latest Practicable Date, these 21 Schools have finished the registrations as for-profit private schools. We incline to apply the for-profit business model to all of our Schools in the PRC and our planned Schools in future expansion, but our selection is still subject to the relevant policies and regulations promulgated by the PRC government authorities. As of the Latest Practicable Date, 29 provinces, including Anhui, Zhejiang, Jiangsu, Shandong, Guangdong, Hainan, Jiangxi, Beijing, Hubei, Guizhou, Yunnan, Hebei, Henan, Shaanxi, Shanxi, Gansu, Liaoning, Jilin, Sichuan, Qinghai, Inner Mongolia, Ningxia, Guangxi, Hunan, Heilongjiang, Tibet, Chongqing, Tianjin and Shanghai, have issued implementation opinions (the "Implementation Opinions"). Most of these Implementation Opinions provide a transition period ranging from one to six years. The school sponsors of existing not-for-profit private schools can elect to register the schools as either for-profit or non-profit private schools during the transition period. As of the Latest Practicable Date, other regions had not yet issued such implementation opinions. For a general description of the key differences between a non-profit private school and a for-profit private school under the framework of the 2016 Decision, see the section headed "Regulations — Regulations on Private Education in the PRC — The Decision on Amending the Law for Promoting Private Education of the PRC, or the 2016 Decision" for further details. Some of the differences may result in significant changes to the competitive landscape among private schools. In particular, a for-profit private school may determine the level of its schools fees based on its operating conditions, while that of a non-profit private school is subject to standards stipulated by local governments, and a non-profit private school may receive additional support from the government than a for-profit private school.

The 2016 Decision was recently promulgated and PRC government authorities may further formulate regulations to implement the 2016 Decision. It remains uncertain as to whether such implementation regulations would have any material adverse impact on our business. There are uncertainties regarding the interpretation and enforcement of the 2016 Decision and relevant regulations by government authorities.

The MOJ Draft for Comments

On April 20, 2018, the MOE issued the MOE Draft for Comments to seek public comments, and on August 10, 2018, the MOJ issued the MOJ Draft for Comments based on a revised version of the MOE Draft for Comments, namely, the *Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (the Draft for Examination and Approval)* (《中華人民共和國民辦教育促進法實施條例(修訂草案)(送審稿)》), to seek public comments. The MOJ Draft for Comments intends to further promote the development of private education by providing that a private school shall enjoy rights or preferential policies stipulated by laws equivalent to those applicable to a public school, which shall primarily include: (i) a non-profit private school shall enjoy the same tax policies as that enjoyed by a public school and the relevant tax concession, and a for-profit private school shall enjoy tax preferential treatments and other preferential policies applied to industries encouraged by the state for development, of which the specific provisions shall be formulated jointly by the administrative department for finance, taxation and other relevant administrative departments of the State Council; and (ii) the local people's governments shall grant preferential treatments in terms of land use by means of allocation in accordance with the principle of treating non-profit private schools equally as public schools, and for schools that provide education for academic credentials, may provide lands by means of bid invitation, auction or listing, assigning contracts, long-term lease or combination of sale as well as rental, and may give appropriate preferential treatment on charges for the assignment or rental of land, and may permit payment in installments.

The MOJ Draft for Comments stipulates further provisions on the operation and management of private schools. Among other things, (i) a non-profit private school shall use the accounts filed with the competent authorities for charging fees and financial transactions, and a for-profit private school shall deposit the income into a specific settlement account of its own; and (ii) a private school shall conduct any connected transactions in a manner that is open, justified and fair and shall establish disclosure mechanisms for such transactions. With respect to requirement (ii) above, our Structured Contracts may be regarded as connected transactions of our private schools and we may incur substantial compliance costs for establishing disclosure mechanisms. Such process may not be in our control and may be highly complicated and burdensome and may divert management attention.

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

Implementation Rules under the 2016 Decision

As of the Latest Practicable Date, 29 provinces have issued the Implementation Opinions. Most of these Implementation Opinions provide a transition period ranging from one to six years. The school sponsors of existing not-for-profit private schools can elect to register the schools as either for-profit or non-profit private schools during the transition period. As of the Latest Practicable Date, other regions had not yet issued such implementation opinions. There is no assurance that we will be able to operate our business in full compliance with the 2016 Decision or any relevant regulations in a timely manner, or at all. Should we fail to fully comply with the 2016 Decision or any relevant regulations as interpreted by the relevant government authorities, we may be subject to administrative fines or penalties or face other negative consequences that could materially and adversely affect our brand name and reputation, and, in turn our business, financial condition and results of operations.

According to the Implementation Regulations for Classification Registration of Private Schools (《民辦學校分類登記實施細則》) promulgated by five PRC government authorities, including the MOE, on December 30, 2016, existing not-for-profit private schools are required to choose to register as non-profit private schools or for-profit private schools with competent government authorities:

- if we elect to register our Schools in the PRC as for-profit private schools, we will be required to (i) undertake financial liquidation, (ii) have the property rights of the relevant assets, such as land, school buildings and net balance being authenticated by the relevant governmental authorities, (iii) pay the relevant taxes and fees, and (iv) register with relevant authorities to continue the school operations. In the absence of any detailed implementation rules, we are not be able to predict or estimate the potential costs and expenses involved and the process necessary to adjust our structure to complete such registration, which may materially and adversely affect our business, financial condition and results of operations; or

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

We face regulatory risks and uncertainties associated with our teachers' lack of teacher licenses or teacher qualifications.

According to the *Regulations on Management of Teacher Licenses* (《教師資格證書管理規定》), personnel engaged in teaching activities in various types of secondary formal education and schools and other educational institutions must obtain teacher licenses (教師資格證). According to the *Notice on Issuing Qualifications of Teachers in Vocational Schools and Employment Training Centers and Other Vocational Training Institutions* (《關於做好技工學校和就業訓練中心及其他職業培訓機構教師上崗資格認定工作的通知》), all personnel engaged in the education and teaching activities at technical schools and employment training centers and other vocational training institutions should obtain teacher qualifications (教師上崗證). In December 2016, several PRC government agencies, including the MOE, the SAMR, and the MHRSS, jointly promulgated *the Implementation Rules on the Supervision and Administration of For-profit Private Schools*, (the "Rules"). Under the Rules, the teachers employed by a for-profit private school shall obtain the teaching licenses or relevant professional skill qualifications required by PRC laws and regulations, although the definition or the scope of the "relevant professional skill qualifications" is not explicitly stated in the Rules. Less than 10% of our teachers of our secondary vocational Schools currently do not hold teaching licenses, and less than 70% of our teachers of technical Schools and vocational training Schools do not hold teachers qualifications.

As of the Latest Practicable Date, we have not received any notice of warning or been subject to any penalties or disciplinary action from government authorities due to the lack of teaching licenses or teachers qualifications. Although we have informed all teachers who do not have the teaching licenses or teachers qualifications to obtain such licenses or transfer to another non-teaching position, we cannot assure you that they can meet the requirements for obtaining teaching licenses or teachers qualifications. If our teachers are not able to apply for and obtain the teaching licenses or relevant professional skill qualifications on a timely basis, or at all, we may be ordered to rectify such noncompliance or subject to penalties under the then-effective PRC laws and regulations, in which case our business may be disrupted, and our financial condition, reputation and prospects would be materially and adversely affected. See "Business — Our Teachers and Instructors — Teacher and instructor recruitment" and "Business — Legal Proceedings and Compliance" for details.

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

The private education industry in the PRC is subject to regulations in various aspects. Relevant rules and regulations could be changed to accommodate the development of the education, in particular, the private education markets from time to time. For example, *the Law for Promoting Private Education of the PRC* (《中華人民共和國民辦教育促進法》) was promulgated in December 2002, amended in June 2013, and was further amended in November 2016 and took effect from September 1, 2017. Pursuant to the latest amendments, (i) school sponsors of a private school which provides education services may choose for the school to be a for-profit private school or a non-profit private school, provided that, a private school which provides compulsory education is not allowed to become a for-profit private school; (ii) school sponsors of a for-profit private school are allowed to receive operating profits, while school sponsors of a non-profit private school are not allowed to do so; (iii) a non-profit private school is entitled to the same preferential tax treatment as public schools, while a for-profit private school is able to enjoy the preferential tax treatment as stipulated by the State; and (iv) a for-profit private school may determine the tuition by itself while a non-profit private school shall collect tuition pursuant to the measures stipulated by the provincial governments. See "Regulations — Regulations on Private Education in the PRC — The Decision on Amending the Law for Promoting Private Education of the PRC, or the 2016 Decision."

As uncertainties exist with respect to the interpretation and enforcement of new and existing laws and regulations that may be proposed, we cannot assure you that we will be in compliance with these or any other new rules and regulations, interpretation of which may remain uncertain, or that we would be able to efficiently change our business practice in line with any regulatory environment. Any such failure could materially and adversely affect our business, financial condition and results of operations.

We have granted, and may continue to grant, employee share options and other share-based compensation, which may materially impact our future results of operations.

On December 7, 2018, we conditionally adopted the [**REDACTED**] Share Option Scheme, under which we issued options to purchase up to a total of [**REDACTED**] Shares to our Director, senior management and employees for their contribution to our Group and to attract and retain key personnel. As of the Latest Practicable Date, share options to subscribe for [**REDACTED**] Shares had been granted and were outstanding under the [**REDACTED**] Share Option Scheme, as adjusted pursuant to the Capitalization Issue. The fair value of the services received in exchange for the grant of these share options will be recognized as share-based compensation expenses, which will have an ongoing adverse impact on our profitability throughout the vesting period of the share options. In addition, exercise of the share options we have granted or plan to grant will increase the number of our Shares in circulation. As such, there will be a dilution or reduction to the shareholding percentage interest of the Shareholders which will result in a dilution or reduction of the earnings per Share or net asset value per Share. As mentioned, the fair value of the options granted to the eligible participants under the [**REDACTED**] Share Option Scheme will be charged to the consolidated comprehensive income statement of our Group over the vesting periods of the options. Besides, we have conditionally adopted the Share Option Scheme on May 21, 2019, under which we may issue options to purchase up to a total of [**REDACTED**] Shares to our Directors, senior management, employees and other eligible persons for their contribution to our Group and to attract and retain key personnel. The principal terms of which are set out in the section headed "F. [**REDACTED**] Share Option Scheme and Share Option Scheme — 2. Share Option Scheme" in Appendix V to this document. The fair value of the services received in exchange for the grant of these share options will be recognized as share-based compensation expenses, which will have an adverse effect on our profits. Moreover, exercise of the share options we plan to grant will increase the number of our Shares in circulation which will result in a dilution or reduction to the shareholding percentage interest of the Shareholders and it will also result in a dilution or reduction of the earnings per Share or net asset value per Share. Upon the exercise of all the share options under the [**REDACTED**] Share Option and the Share Option Scheme, the shareholding of the Shareholders will be diluted by approximately [**REDACTED**] as calculated based on [**REDACTED**] Shares then in issue. Accordingly, the financial results and profitability of our Group may be adversely affected on an ongoing basis as and when the share options are vested. Any actual or perceived sales of the additional Shares acquired upon the exercise of the share options we have granted or plan to grant may adversely affect the market price of our Shares.

Our allocated land use rights may be recovered by the government without compensation or required to be used for a fee.

As of the Latest Practicable Date, six parcels of land occupied by our Anhui New East Culinary Institute* (安徽新東方烹飪專修學院), Anhui Xinhua Computer Institute* (安徽新華電腦專修學院) and Anhui Wontone Automobile Maintenance Institute* (安徽萬通汽車專修學院) in Anhui province and one parcel of land occupied by Chengdu Tianji in Sichuan province are government allocated lands. As advised by our PRC Legal Advisors, pursuant to the relevant PRC laws and regulations, competent government authorities may recover the allocated land use rights without compensation according to public interests, needs of urban development and requirements of urban planning. Allocated land used for for-profit educational purposes may also be required or limited by competent government authorities to paid use, according to the relevant PRC laws and regulations. If government authorities recover the allocated land use rights without compensation, the buildings on these lands may be ordered to be demolished, our school operations may be interrupted and we may be forced to relocate our Schools within a prescribed time limit, which may incur additional costs. There is no assurance that we will be able to relocate to comparable alternative premises without any adverse effect on our business, financial condition, results of operations and prospects.

We are subject to governmental approvals and compliance requirements 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 by us 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 inspection, approvals for passing fire control design assessments, approvals for passing fire control acceptance inspection, construction completion inspection registration for passing acceptance inspections upon construction completion.

Some of the properties we use for our school 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, (i) among the 52 buildings we owned/occupied, 19 buildings occupied by our Anhui New East Culinary Professional Institute, Anhui Xinhua Computer Institute and Anhui Wontone Automobile Maintenance Institute in Hefei, Anhui province with an aggregate gross floor area of 92,607.78 sq.m. have been put into use without completing required acceptance procedures and/or filings; and (ii) among the 18 buildings owned/occupied by Chengdu Tianji, 16 buildings with a total gross floor area of 44,252.29 sq.m. have been used by us as teaching buildings, dormitories, practical training studios, office buildings and canteen. We could not obtain building ownership certificates for these 16 buildings, because the construction documents which are necessary for completing the relevant acceptance procedures and filings requisite to applying for the building ownership certificates were missing at the time of the acquisition. 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 commenced construction of buildings without completing the environmental protection acceptance procedures, we may be subject to a fine ranging from 1% to 5% of the total amount of investment in the construction project and a rectification order;

- for the properties that we have commenced construction without construction planning permit, we may be subject to an order to rectify the impact and/or a fine ranging from 5% to 10% of the construction cost, or an order to demolish the buildings and/or a fine of not more than 10% of the construction cost;

- for the properties that we have commenced construction without construction commencement permit, we may be subject to a fine ranging from 1% to 2% of the contract price of constructing the buildings and/or a rectification order;

- for the properties of which we have commenced construction without completing fire control assessment procedures, we may be subject to a fine ranging from RMB30,000 to RMB300,000 and/or suspension from using such buildings;

- for the properties that we have put into use without completing the construction quality and completion acceptance procedures, we may be subject to a fine ranging from 2% to 4% of the contract price of constructing the buildings and/or a rectification order; and

- for the properties that we have put into use without completion of filing of the result the construction quality and completion acceptance, we may be subject to a fine ranging from RMB200,000 to RMB500,000 and/or a rectification order.

With respect to the above 19 buildings we owned/occupied in Heifei, we estimate that the maximum penalties we may be subject to will be approximately RMB19.1 million. The book value of the 19 buildings as of December 31, 2018 was approximately RMB54.5 million. If we are forced to relocate due to suspension of the use of relevant buildings without completing fire control assessment procedure, we estimate that the relocation process will take three to six months and we will spend approximately RMB4.0 million for the decoration and refurbishment of new campuses and such amount will be capitalized according to the relevant accounting standards. Assuming that such relocation will be completed within six months and all business operations have to be suspended during such period of relocation, we estimate we will lose approximately 25%-50% of the revenue of those relevant Schools should they operate as usual.

With respect to the above 16 buildings owned/occupied by Chengdu Tianji, we estimate that the maximum penalty we may be subject to is approximately RMB13.0 million. The revenue of Chengdu Wontone Automobile Vocational Training School Co., Ltd.* (成都萬通汽車培訓職業技能學校有限公司) ("Sichuan Wontone"), which is operated in these buildings, were approximately RMB48.9 million, RMB46.8 million and RMB37.0 million, representing 2.1%, 1.6%, and 1.1% of the total revenue of our Group for the years ended December 31, 2016, 2017 and 2018, respectively. The market value of the 16 buildings as of December 31, 2018, which is set out in Appendix III to this document for illustrative purpose, was RMB74.33 million. If we are forced to relocate, we estimate that the relocation process will take three to six months and we will spend approximately RMB7.0 million for the decoration and refurbishment of new campuses and such amount will be capitalized according to the relevant accounting standards. Assuming in the extreme scenario that such relocation will be completed within six months and all business operation has to be suspended during such period of relocation, we estimate we will lose approximately 25% to 50% of the revenue of those relevant Schools should they operate as usual.

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 or impose penalties on us. In the event that we lose the rights to any of our buildings, our use of such buildings may become limited, or we may be forced to relocate our Schools and incur additional costs, or be imposed penalties 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. Please refer to "Immaterial Non-compliance Incidents" in Business section for more details.

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

Some of our properties that we leased from third parties for our school operations are not in compliance with applicable laws and regulations in the PRC. As of the Latest Practicable Date, (i) we had not been provided with the land use rights certificates and/or building ownership certificates by the landlords, or by the sub-lessors with the proofs of having the right to sublease the properties to us for 77 campuses; (ii) we had not been provided by landlords/sub-lessors with the fire control acceptance records for 46 campuses; (iii) with respect to 51 leased properties with permitted use for "industrial" purposes, or other purposes, our use is inconsistent with their permitted use for educational purposes; (iv) we leased properties located on collective lands which may not be used for construction or non-agricultural purpose for 21 campuses; and (v) one leased property is military property, the lease of which is forbidden by the PRC Laws. 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 or sub-lessors 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 Advisors, in the event those landlords do not have valid building ownership certificates and land use rights, or sublease the properties without the consent of the owners, or the use of the properties is not consistent with the land use right certificates, the relevant lease agreements may be deemed invalid or may encounter challenges from property owners or other third parties to the sub-lessor's rights. Pursuant to the relevant PRC laws and regulations, it is the relevant landlords, not our Group, who are obligated to meet all pre-requisite requirement for obtaining real property certificates, or entitlements to lease the properties to others for permitted use. Therefore, the relevant landlords, instead of our Group, may be subject to liabilities or penalties for such non-compliances. Notwithstanding the foregoing, however we may still face the risk of losing the ability to use the leased properties in the worst case scenario. Relocation costs will be incurred if we are required to relocate our Schools that are operated on such leased properties. For example, the capital expenditures incurred by renovation costs in 2017 in relation to the relocations of our Beijing City Chaoyang District New East Cuisine Vocational Training School* (北京市朝陽區新東方烹飪職業技能培訓學校), Wuhan Xinhua Computer Vocational Training School* (武漢新華電腦培訓學校) and Yunnan Wontone Automobile Vocational Training School* (雲南萬通汽訓職業培訓學校) due to the expiry of lease agreements were RMB2.4 million, RMB2.8 million and RMB7.2 million, respectively. Please refer to "Immaterial Non-compliance Incidents" in Business section for more details. In addition, the lease terms for certain of our leased properties are more than 20 years. As advised by our PRC Legal Advisors, if the lease term of properties exceeds 20 years, the excessive part is void according to the *PRC Contract Law* (《中華人民共和國合同法》). As a result, the excessive part of our small number of leases which have a term over 20 years will not be protected by PRC laws. In addition, we may not be able to renew the leases on terms acceptable to us upon their expiry. If any of our leases were terminated or deemed invalid or unable to be renewed 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.

Properties leased by certain of our Schools were located on collective land.

As of the Latest Practicable Date, the properties leased by our 21 campuses were located on collective land. As advised by our PRC Legal Advisors, pursuant to the relevant PRC laws and regulations, the right to use collectively owned land is not allowed to be transferred or leased for non-agricultural construction. If the land is illegally occupied or the agricultural land is used for other purposes without authorization, buildings constructed on such land may be required to be demolished within a time limit or our relevant lease agreements will be held void, according to the relevant PRC laws and regulations. We leased properties on the collective land to provide education services, if such properties are ordered to demolish by government authorities or our leases were terminated for any reason, our business operations will be interrupted and we may be forced to relocate our Schools within a time limit, which may materially and adversely affected our business, financial condition and results of operations. Relocation costs will be incurred if we are ordered to relocate these 21 campuses. Please refer to "— Our legal right to certain leased properties could be challenged by property owners or other third parties" of this document for more details.

We may face penalties for non-registration of our leases in the PRC.

As of the Latest Practicable Date, except 44 leased properties, our other leased properties, accounting for most of the total gross floor area of our leased properties, have not been filed for registration with the relevant government authorities as required under PRC laws. Non-registration of leases does not affect our relevant rights or entitlements to lease the properties from sub-lessors, or the legality and effectiveness of the lease agreements between the parties to the agreements. However, as advised by our PRC Legal Advisors, pursuant to the relevant PRC laws and regulations, we may be subject to penalties ranging between RMB1,000 and RMB10,000 for the non-registration of leases imposed by the local authorities. As of the Latest Practicable Date, we have neither been penalized for the non-registration of our leases nor received request from any government authority to complete the registration formalities. Nevertheless, we cannot assure you that we would not be subject to any penalties and/or requests for undertaking the registrations in the future, any of which may incur additional expenses and adversely affect our business and financial condition.

Our legal right to certain leased properties may be adversely affected by pre-existing mortgages on these properties.

As of the Latest Practicable Date, properties leased and occupied by two of our Schools under the brand of Omick Education of Western Cuisine and Pastry had been mortgaged before we leased for our school operations. There is a risk that the lender may have disputes with regards to the relevant loans under the applicable loan agreements or the mortgagee may seek to enforce its security interests under the properties. As advised by our PRC Legal Advisors, in the event that the mortgage is fulfilled, we may not be able to continue to use the leased properties and may need to find alternative premises for relocation of our Schools, which may incur extra costs and materially and adversely affected our business, financial condition and results of operations.

The appraisal values of our properties may be different from their actual realizable 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 realizable values or a forecast of their realizable 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.

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, instructors and other school personnel, our suppliers, contractors and other parties involved in our business. We cannot assure you that when legal actions arise in the ordinary course of our business, any of the legal actions will be resolved in our favor. In the event that such legal actions cannot be resolved in our favor, we may be subject to uncertainties as to the outcome of such legal proceedings and our business operations may be disrupted.

From time to time and with the expansion of our school network, we engage third-party contractors to carry out various services relating to renovation and construction projects on our school premises. We endeavor to engage third-party contractors with requisite licenses and qualifications, strong reputation and track record, high performance reliability and adequate financial resources. However, there may be safety incidents or disputes between the third-party contractors and their employees arising from or relating to the construction work on our school premises. We may be subject to legal actions in relation to the disputes and may be held liable for such incidents.

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.

Unauthorized 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, teachers, instructors and other employees is primarily stored in our computer databases located at each of our Schools and customized catering experience centers. 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, our brand and business may be materially and adversely affected.

Unauthorized 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 authorization. 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.

We continuously develop our culinary vocational training education through the "New East Culinary" and "新東方烹飪" brand name and we have been developing our IT vocational training education under the "Xinhua Internet" and "新華電腦". However, "New East" or "New Oriental" or "新東方" is not able to be registered as such brand names are generic or are very close to other already registered trademarks. In addition, there are other companies which use "New East", "New Oriental" or "新東方" or "新華" as part of their trademarks who may also be in the education industry or the IT industry. Negative publicity or disputes relating to these companies may be wrongly attributed to us which may in turn materially and adversely affect the public perception of our brand, which may harm our reputation and materially and adversely affect our business, financial condition and results of operations.

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 unauthorized 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 brands, including use of our school's names. For example, we may face disputes relating to "New East" or "新東方" which are very close to other trademarks which have already been registered by other third parties. If such claims are initiated against us, the courts may take into account a wide range of factors including the factual circumstances and the supporting evidence from each party on a case by case basis. Therefore, we cannot assure you that the courts will not rule against us or accept our counter-claims if any of such third party claims against us. 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 licenses 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 programs 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.

For example, according to the terms on the trademark licenses granted to Xinhua Internet Technology Education, the trademark will expire in 2021. We cannot assure you that the trademarks could be renewed or we are able to continue to use such trademarks.

We maintain limited insurance coverage.

The insurance industry in China is still at an early stage of development. We do not maintain any business interruption insurance or product liability insurance or occupiers liability insurance, which are not mandatory under the PRC laws. We do not maintain insurance policies covering damages to our technical infrastructure or any insurance policies for our premises. Consequently, we are exposed to various risks associated with our business and operations. See "Business — Insurance" in this document for more information. We are exposed to risks including, but not limited to, accidents or injuries in our Schools that are beyond the scope of our insurance coverage, fires, explosions or other accidents for which we do not currently maintain insurance, loss of key management and personnel, business interruption, natural disasters, terrorist attacks and social instability or any other events beyond our control. The insurance industry in the PRC is still at an early stage of development. Insurance companies in the PRC offer limited business-related insurance, occupiers' liability products. We do not have any business disruption insurance, product liability insurance or key-man life insurance. Any business disruption, litigation or legal proceedings or natural disaster, such as epidemics, pandemics or earthquakes, or other events beyond our control could result in substantial costs and the diversion of our resources. Our business, financial condition and results of operations may be materially and adversely affected as a result.

Any non-compliance with PRC advertising laws and regulations by us may subject us to penalties.

We are obligated to ensure our advertising content to comply with applicable PRC laws, rules and regulations. We advertise our Schools through a variety of methods, including print media, through the internet, social media and television advertisements. During the Track Record Period, we have been fined for a total of RMB125,000 for breach of PRC Advertisement Law (《中華人民共和國廣告法》) for misleading advertisements. Although we endeavour to comply with PRC advertising laws and regulations, some of the contents or wording used in our Schools' advertisement may be considered in violation of these laws and regulations, which may give rise to fines and penalties. Any violations of these laws and regulations may subject us to governmental penalties, impair our brand and adversely impact our financial condition and results of operations.

We face risks related to natural disasters, health epidemics, terrorist attacks and other outbreaks in China, which could significantly disrupt our operations.

Our business could be materially and adversely affected by natural disasters, such as earthquakes, typhoons, floods, landslides, outbreaks of health epidemics such as avian influenza, severe acute respiratory syndrome (SARS), or Influenza A virus, such as H5N1 subtype and H5N2 subtype flu viruses, as well as terrorist attacks, other acts of violence or war or social instability in the region in which we operate or those generally affecting China. Any of the above may cause material disruptions to our operations, such as temporary closure of our learning centers, which in turn may materially and adversely affect the PRC economy and demographics of the affected regions, which could cause significant declines in the number of our students enrolled in our learning centers. If this takes place, our business, financial condition and results of operations could be materially and adversely affected.

RISKS RELATING TO OUR STRUCTURED CONTRACTS

The PRC government may find that the Structured Contracts 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 thus we are classified as a foreign enterprise under the PRC laws.

Even foreign investment in vocational education and vocational training business is not explicitly prohibited, our Company is unable to independently or jointly operate most of our vocational education and vocational training business as confirmed with the relevant authorities. See "Structured Contracts — Background of the Structured Contracts". Accordingly, we have been and are expected to continue to be dependent on our Structured Contracts to operate most of our businesses.

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

- revoking the business and operating licenses of our PRC Consolidated Affiliated Entities;
- discontinuing or restricting the operations of any related-party transactions among our PRC Consolidated Affiliated Entities;
- imposing fines or other requirements with which we or our PRC Consolidated Affiliated Entities may not be able to comply;
- requiring us to restructure our operations in such a way as to compel us to establish new entities, re-apply for the necessary licenses or relocate our businesses, staff and assets;
- imposing additional conditions or requirements with which we may not be able to comply; or
- restricting the [**REDACTED**] from our additional public offering or financing to finance our business and operations in China.

If any of the above penalties are imposed on us, our business may be materially and adversely affected.

Substantial uncertainties exist with respect to the interpretation and implementation of the FIL and how it may impact the viability of our current corporate structure, corporate governance and business operations.

On March 15, 2019, the National People's Congress approved the FIL which will come into effect on January 1, 2020. The FIL will replace the *Sino-Foreign Equity Joint Venture Enterprise Law* (《中外合資經營企業法》), the *Sino-Foreign Cooperative Joint Venture Enterprise Law* (《中外合作經營企業法》) and the *Wholly Foreign-Invested Enterprise Law* (《外資企業法》) to become the legal foundation for foreign investment in the PRC. The FIL defines foreign investment as any investment activity directly or indirectly carried out in the PRC by one or more foreign natural persons, enterprises or other organizations ("Foreign Investor(s)"), and specifically stipulates four forms of investment activities as foreign investment, namely, (a) establishment of a foreign-invested enterprise in the PRC by a Foreign Investor, either individually or collectively with any other investor, (b) obtaining shares, equities, assets interests or any other similar rights or interests of an enterprise in the PRC by a Foreign Investor; (c) investment in any new construction project in the PRC by a Foreign Investor, either individually or collectively with any other investor, and (d) investment in any other manners stipulated under laws, administrative regulations or provisions prescribed by the State Council.

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including us, to obtain and maintain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions or prohibitions in China. The FIL stipulates four forms of investment activities as foreign investment. However, the FIL does not explicitly stipulate the contractual arrangements as a form of foreign investment.

Notwithstanding the above, the FIL stipulates that "investment in any other manners stipulated under laws, administrative regulations or provisions prescribed by the State Council." Therefore, there are possibilities that future laws, administrative regulations or provisions of the State Council may stipulate contractual arrangements as a way of foreign investment, and then whether our Structured Contracts will be recognized as foreign investment, whether our Structured Contracts will be deemed to be in violation of the foreign investment access requirements and how our Structured Contracts will be handled are uncertain.

In the extreme scenario, we may be required to unwind the Structured Contracts and/or dispose of our PRC Consolidated Affiliated Entities, which could have a material and adverse effect on our business, financial condition and result of operations. In the event that our Company no longer has a sustainable business after the aforementioned unwinding of the Structured Contracts or disposal or such measures are not complied with, the Stock Exchange may take enforcement actions against us which may have a material adverse effect on the trading of our Shares or even result in [**REDACTED**] of our Company. For details of the FIL and the Negative List and its potential impact on our Company, please see "Structured Contracts — Development in the PRC Legislation on Foreign Investment" in this document.

Therefore, there is no guarantee that our Structured Contracts and the business of our PRC Consolidated Affiliated Entities will not be materially and adversely affected in the future.

The Structured Contracts may not be as effective in providing control over our PRC Consolidated Affiliated Entities as direct ownership.

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

If the parties under such Structured Contracts refuse to carry out our directions in relation to the everyday business operations of our PRC Consolidated Affiliated Entities, we will be unable to maintain effective control over the operations of our PRC Consolidated Affiliated Entities. If we were to lose effective control over our PRC Consolidated Affiliated Entities, certain negative consequences would result, including our being unable to consolidate the financial results of our PRC Consolidated Affiliated Entities with our financial results. Given that revenue from our PRC Consolidated Affiliated Entities constituted approximately 99.3%, 99.6% and 99.0% of the total revenue in our consolidated financial statements during the years ended December 31, 2016, 2017 and 2018, our financial position would be materially and adversely impacted if we were to lose effective control over our PRC Consolidated Affiliated Entities. In addition, losing effective control over our PRC Consolidated Affiliated Entities may negatively impact our operational efficiency and brand image. Further, losing effective control over our PRC Consolidated Affiliated Entities may impair our access to their cash flow from operations, which may reduce our liquidity.

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

Our control over PRC Consolidated Affiliated Entities is based upon the Structured Contracts with our PRC Consolidated Affiliated Entities, the Registered Shareholders, Mr. Ge Xiaoliang (葛孝良), one of the school sponsors of Nanjing School. The Registered Shareholders and Mr. Ge may potentially have conflicts of interest with us and breach their contracts or undertaking if it would further their own interest or if they otherwise act in bad faith. We cannot assure you that when conflicts of interest arise between us on the one hand and our PRC Consolidated Affiliated Entities on the other, the Registered Shareholders and Mr. Ge will act completely in our interest or that the conflicts of interest will be resolved in our favor. In the event that such conflict of interest cannot be resolved in our favor, we would have to rely on legal proceedings which could result in disruption to our business and we are subject to any uncertainty as to the outcome of such legal proceedings. If we are unable to resolve such conflicts, including where the Registered Shareholders or Mr. Ge breached their contracts or undertakings with us and as a result or otherwise subject us to claims from third parties, our business, financial condition and operations could be materially and adversely affected.

Our exercise of the option to acquire the equity interest of Anhui Xinhua Education may be subject to certain limitations and we may incur substantial costs and expend significant resources to enforce the Structured Contracts if Anhui Xinhua Education fails to perform its obligations thereunder.

Pursuant to the Foreign Investment Catalog and the Sino-Foreign Regulation and as confirmed by the MOE and MHRSS, the foreign investor in Sino-foreign joint venture schools offering non-formal and secondary vocational education must be a foreign educational institution with relevant qualification and experience (the "Qualification Requirement") and hold less than 50% of the capital in a Sino-foreign educational institute (the "Foreign Ownership Restriction") and the domestic party must play a dominant role (the "Foreign Control Restriction"). Based on our consultation with the Ministry of Education and the MHRSS, there is no implementing measures or specific guidance promulgated pursuant to the Qualification Requirement and the vocational training school that we operate in HK does not meet the Qualification Requirement. As of the Latest Practicable Date, while we do not meet the Qualification Requirement as we have no experience in operating schools or universities outside of the PRC, we have taken concrete steps towards the compliance with the Qualification Requirement. See

"Structured Contracts — Background of the Structured Contracts — Plan to Comply with the Qualification Requirement" in this document for details.

We cannot assure you that we will be able to meet the Qualification Requirement in the future and the plan we have adopted will be sufficient to satisfy the Qualification Requirement. If the Foreign Ownership Restriction and Foreign Control Restriction are lifted, we may be unable to unwind the Structured Contracts by acquiring the equity interest in our PRC Consolidated Affiliated Entities before we are in a position to comply with the Qualification Requirement. If we otherwise attempt to unwind the Structured Contracts by acquiring the equity interest in our PRC Consolidated Affiliated Entities before we satisfy the Qualification Requirement, we may be considered by the regulatory authorities as ineligible for operating Schools and forced to cease operation of our PRC Consolidated Affiliated Entities, which could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, we may incur substantial cost on our part to exercise the option to acquire the equity interest in our PRC Consolidated Affiliated Entities. In the event that WFOE or its designated entity acquires the equity interest in our PRC Consolidated Affiliated Entities pursuant to the Structured Contracts and the relevant PRC authorities determine that the purchase price for acquiring the equity interest of our PRC Consolidated Affiliated Entities is below market value, WFOE or its designated entity may be required to pay enterprise income tax with reference to the market value such that the amount of tax may be substantial, which could materially and adversely affect our business, financial condition and results of operations.

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

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the Exclusive Service Agreement we have with our PRC Consolidated Affiliated Entities does not represent an arm's-length price and adjust any of those entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could increase our tax liabilities. In addition, PRC tax authorities may have reason to believe that our subsidiaries or PRC Consolidated Affiliated Entities are dodging their tax obligations, and we may not be able to rectify 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 Structured Contracts may not be enforceable under PRC laws.

The Structured Contracts 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 Structured Contracts contain provisions to the effect that the arbitral body may award remedies over the equity interests and/or assets of our PRC Consolidated Affiliated Entities, award injunctive relief and/or order the winding up of our PRC Consolidated Affiliated Entities. In addition, the Structured Contracts contain provisions to the effect that courts in Hong Kong and the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, we have been advised by our PRC Legal Advisors, under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final winding-up order to preserve the assets of or any equity interest in our PRC Consolidated Affiliated Entities in case of disputes. Therefore, such remedies may not be available to us, notwithstanding the relevant contractual provisions contained in the Structured Contracts. PRC laws allow an arbitral body to award the transfer of assets of or equity interest in our PRC Consolidated Affiliated Entities in favor of an aggrieved party. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support the award of an arbitral body when deciding whether to take enforcement measures. Under PRC laws, courts of judicial authorities in the PRC generally would not grant injunctive relief or the winding-up order against our PRC Consolidated Affiliated Entities as interim remedies to preserve the assets or equity interests in favor of any aggrieved party. Our PRC Legal Advisors are also of the view that, in case the Structured Contracts provide that courts in Hong Kong and the Cayman Islands may grant and/or enforce interim remedies or in support of arbitration, such interim remedies (even if so granted by courts in Hong Kong or the Cayman Islands in favor of an aggrieved party) may still not be recognized or enforced by PRC courts. As a result, in the event that our PRC Consolidated Affiliated Entities or any of the Registered Shareholders breaches any of the Structured Contracts, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our PRC Consolidated Affiliated Entities and conduct our education business could be materially and adversely affected. Please see "Structured Contracts — Dispute Resolution" in this document for further details of the enforceability of the dispute resolution provisions in the Structured Contracts as opined by our PRC Legal Advisors.

We rely on dividend and other payments from WFOE to pay dividends and other cash distributions 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. WFOE's income in turn depends on the service fees paid by our PRC Consolidated Affiliated Entities. The amount of dividends paid to our Company by WFOE depends solely on the services fees paid to WFOE from our PRC Consolidated Affiliated Entities. However, there are restrictions under PRC laws for the payment of dividends to us by WFOE. For example, under PRC laws and regulations, WFOE shall make up its losses of previous years when conducting outward remittance. WFOE is required to set aside at least 10% of its after-tax profits based on PRC accounting standards each year to fund a statutory reserve until the accumulated amount of such reserve has exceeded 50% of its registered capital and may only be distribute after-tax dividends after deduction of statutory reserve and other expenses as required by the regulations. These reserves are not distributable as cash dividends.

The Law for Promoting Private Education has been amended by the 2016 Decision, namely the *Decision of the Standing Committee of the National People's Congress on Amending the Law for Promoting Private Education of the PRC* (《全國人民代表大會常務委員會關於修改<中華人民共和國民辦教育促進法>的決定》) on November 7, 2016, which came into effect on September 1, 2017. Pursuant to the 2016 Decision, school sponsors of private school may choose to establish non-profit or for-profit private schools and will no longer be required to indicate whether they require reasonable returns or not requiring reasonable returns. School 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 school sponsors pursuant to the PRC Company Law (as defined below) and other relevant laws and regulations. School sponsors of non-profit private schools are not entitled to any distribution of profits or revenue from the non-profit schools they operate and all operation surpluses of the schools shall be used for the operation of the schools. However, the 2016 Decision remains silent on the requirement of the development fund of the non-profit private schools or for-profit private schools. For further details of the 2016 Decision, see the section headed "Regulations — Regulations on Private Education in the PRC — The Decision on Amending the Law for Promoting Private Education of the PRC, or the 2016 Decision" in this document.

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

We currently conduct our operations in China through Structured Contracts. As part of these arrangements, substantially all of our education-related assets, permits and licenses that are important to the operation of our business are held by our PRC Consolidated Affiliated Entities. If any of these PRC Consolidated Affiliated Entities is wound up, 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 PRC Consolidated Affiliated Entities undergoes a voluntary or involuntary liquidation proceeding, its equity owner or unrelated third-party creditors may claim rights relating to some or all of these assets, which would hinder our ability to operate our business and could materially and adversely affect our business, our ability to generate revenue and the market price of our Shares. As a result, we may not be able to exercise our rights in a timely manner and our business, financial condition and operations may be materially and adversely affected.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

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

The economic, political and social conditions in the PRC differ from those in more developed countries in many respects, including structure, government involvement, level of development, growth rate, control of foreign exchange, capital reinvestment, allocation of resources, rate of inflation and trade balance position. Before the adoption of its reform and opening up policies in 1978, the PRC was primarily a planned economy. In recent years, the PRC government has been reforming the PRC economic system and government structure. For example, the PRC government has implemented economic reform and measures emphasizing the utilization of market forces in the development of the PRC economy in the past three decades. These reforms have resulted in significant economic growth and social prospects. Economic reform measures, however, may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country. We cannot predict whether the resulting changes will have any adverse effect on our current or future business, financial condition or results of operations. 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 students' and their parents' consumer credit or consumer banking business, and may also affect our ability to obtain external financing, which may reduce our ability to implement our expansion strategies. We cannot assure you that the PRC government will not implement any additional measures to tighten credit or lending standards, or that, if any such measure is implemented, it will not adversely affect our future results of operations or profitability.

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

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

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

The discontinuation of any preferential tax treatments currently available to us, in particular the tax exempt status of certain 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. During the Track Record Period, our six existing not-for-profit private schools located in Hebei, Jiangxi and Jiangsu provinces have received EIT exemption confirmations from relevant local tax authorities, which have confirmed that income from provision of academic qualification education services are eligible to enjoy income tax exemption treatment if the school sponsors of such schools do not require reasonable returns. Our PRC Tax Consultant has also confirmed the EIT exemption status of the six existing not-for-profit private schools. For the years ended December 31, 2016, 2017 and 2018, the amount of tax benefits enjoyed by our Group from the tax exemption treatment was approximately RMB6.5 million, RMB19.5 million and RMB26.8 million, respectively. However, there is a possibility that the PRC government may promulgate relevant tax regulations that will eliminate such preferential tax treatment, or the local tax bureaus may change their policy, in each such case, our six Schools will be subject to PRC enterprise income tax going forward. Pursuant to the 2016 Decision which took effect on September 1, 2017, private schools will be entitled to preferential tax treatments of which the specific provisions shall be formulated jointly by the administration department for finance, taxation and other relevant administration departments of the State Council. As of December 31, 2018, apart from 47 Schools out of our 144 Schools in the PRC which have been established as for-profit private schools in the first place, school sponsors of 21 Schools out of our 144 Schools in the PRC have elected to register as for-profit private schools. As of the Latest Practicable Date, these 21 Schools have finished the registrations as for-profit private schools. We incline to apply the for-profit business model to all of our Schools in the PRC and our planned schools in future expansion, but our selection is still subject to the relevant policies and regulations promulgated by the

PRC government authorities. The specific taxation policies applicable to for-profit private schools under the 2016 Decision are yet to be introduced. There is no guarantee that the preferential tax treatment that currently applies to our Schools will not change in the future. In addition, during the Track Record Period, as advised by our PRC Tax Consultant, some of our subsidiaries were eligible to enjoy the 15% preferential tax rate as they are located in the western region of China pursuant to the "Western Region Development Plan" ("西部大開發計劃") promulgated by the State Council of the PRC, or because they were recognized as high and new technology enterprises by relevant authorities. The preferential tax treatment that certain of our subsidiaries located in the western region of China entitled to will expire on December 31, 2020 and the continuation of such tax preferential treatment is subject to new policies issued by relevant government authorities in China. Besides, the recognition of high and new technology enterprises that certain of our subsidiaries entitled to will expire in or before 2020, which is renewable subject to the approval by the relevant government authorities. For the years ended December 31, 2016, 2017 and 2018, the amount of tax benefits enjoyed by our Group pursuant to the "Western Region Development Plan" ("西部大開發計劃") and recognitions of high and new technology enterprises was approximately RMB37.9 million, RMB40.2 million and RMB28.6 million, respectively. Moreover, pursuant to the *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 May 1, 2016, formal education services are exempt from the value-added tax. As a result, certain of our Schools which provide such services are exempt 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.

PRC regulations of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the [REDACTED] of the [REDACTED] to make loans or additional capital contributions to our PRC Consolidated Affiliated Entities, which could materially and adversely affect our liquidity and our ability to fund and expand our business operations.

In utilizing the [**REDACTED**] of the [**REDACTED**] in the manner described in "Future Plans and [**REDACTED**]" in this document, as an offshore holding company of our PRC subsidiary, we may (i) make loans to our PRC Consolidated Affiliated Entities, (ii) make additional capital contributions to our PRC subsidiaries, (iii) establish new subsidiaries and make additional new capital contributions to these new PRC subsidiaries, and (iv) acquire offshore entities with business operations in China in an offshore transaction. However, most of these uses are subject to PRC regulations and approvals. For example:

- loans by us to Xinhua Chuangzhi, our PRC subsidiary and a foreign-invested enterprise, cannot exceed statutory limits and must be registered with SAFE, or its local counterparts, or its subsidiaries;
- loans by us to our PRC Consolidated Affiliated Entities, once over a certain threshold, must be approved by the relevant government authorities and must also be registered with SAFE or its local counterparts; and
- capital contribution to our PRC Consolidated Affiliated Entities must be approved by the MOE and the Ministry of Civil Affairs or their respective local counterparts.

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

PRC governmental control on the convertibility of Renminbi may affect the value of your investment.

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

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

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

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

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

The economy of China has been experiencing significant growth, leading to inflation and increased labor costs. According to the National Bureau of Statistics of China, the year-over-year percent change in the consumer price index in China was 3.7% in 2018. 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 labor may materially and adversely affect our profitability and results of operations unless we are able to pass on these costs to our students or customers by increasing tuition and service fees.

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

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

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

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

Most of our assets are situated in the PRC and most of our Directors and managements reside in, and most of their respective assets are located in the PRC. As a result, it may be difficult to effect service of process outside the PRC upon most of our Directors and managements. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom and many other countries or jurisdictions. Consequently, it may be difficult for you to enforce any judgments rendered by non-PRC courts against us or our Directors or managements in the PRC.

On July 14, 2006, 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相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "2006 Arrangement") was signed between the Supreme People's Court of the PRC and the government of Hong Kong, which was revised on July 3, 2008. Pursuant to the 2006 Arrangement, a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition ad enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the 2006 Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against our assets or Directors in the PRC in order to seek recognition and enforcement of foreign judgments in the PRC.

On January 18, 2019, the *Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region* (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**2019 Arrangement**") was signed between the Supreme People's Court of the PRC and the government of Hong Kong. The 2019 Arrangement establishes a bilateral legal mechanism with greater clarity and certainty for reciprocal recognition and enforcement of judgments between Hong Kong and the PRC in civil and commercial matters under both Hong Kong and PRC law. The 2019 Arrangement sets forth, among others, the scope, specific types of matters to be covered or excluded, jurisdictional grounds for the purpose of recognition and enforcement as well as grounds for refusal of recognition and enforcement. The 2019 Arrangement will only take effect on a date to be announced by Hong Kong and the PRC, after both places have completed the necessary procedures to enable implementation and will apply to judgments made by the courts of Hong Kong and the PRC on or after the commencement date of the 2019 Arrangement. Upon effective date of the 2019 Arrangement, the 2006 Arrangement will be superseded. However, the 2006 Arrangement will remain applicable to a "choice of court agreement in writing" within the meaning of 2006 Arrangement which is made before the effective date of 2019 Arrangement.

Although the 2019 Arrangement has been signed, it remains unclear as to its effective date and uncertain as to the outcome and effectiveness of any action brought under the 2019 Arrangement.

If we are classified as a PRC "resident enterprise", we could be subject to PRC income tax at the rate of 25% on our worldwide income, and 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.

We are a holding company incorporated under the laws of Cayman Islands and indirectly hold interests in our PRC operating subsidiary. Pursuant to the EIT Law and the *Implementation Rules of the EIT Law* (《中華人民共和國企業所得稅法實施條例》), which became effective on January 1, 2008, dividends payable by a foreign-invested enterprise to its foreign corporate investors who are not deemed as PRC resident enterprises are subject to a 10% withholding tax, unless otherwise reduced or exempted by relevant tax treaties or similar arrangements.

The EIT Law provides that if an enterprise incorporated outside the PRC has "de facto management bodies" in the PRC, such enterprise may be deemed as a "PRC resident enterprise" for tax purposes and will be subject to an enterprise income tax at the rate of 25% on its global incomes. "De facto management body" is defined as the body that substantially carry out comprehensive management and control of the business operation, personnel, accounts and assets of enterprises. In April 2009, the SAT released the *Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies* (《國家稅務總局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》) to clarify certain criteria for the determination of the "de facto management body" for foreign enterprises controlled by PRC enterprises. Aforementioned criteria include: (i) the enterprise's day-to-day operational management is primarily exercised in the PRC; (ii) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by institutions or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders' meeting minutes are located or maintained in the PRC; and (iv) 50% or more of voting board members or senior executives of the enterprise habitually reside in the PRC. There have been no official implementation rules regarding the determination of the "de facto management body" for foreign enterprise which is not controlled by PRC enterprises. Therefore, it remains unclear how the tax authorities will deal with a case like ours. We cannot assure you that we will not be considered as a PRC resident enterprise for PRC enterprise income tax purposes and may be subject to the 25% enterprise income tax on our global income. Although the EIT Law provides that dividends paid between qualified PRC resident enterprises are exempted from enterprise income tax, it remains unclear as to the detailed qualification requirements for this exemption and whether dividends paid by our PRC incorporated subsidiaries to us will meet such qualification requirements even if we are considered a PRC resident enterprise for PRC tax purposes.

Dividends payable by us to our foreign investors and gains on sale of our Shares may be subject to withholding tax under the PRC tax laws.

Under the EIT Law and its implementation rules, we might be deemed as a PRC resident enterprise by the PRC tax authorities for tax purposes. As a result, dividends payable by us and gains obtained from sales of our Shares will be subject to PRC withholding tax since such income may be regarded as the PRC-sourced income. Under the circumstances, aforementioned dividends and gains obtained by our foreign corporate Shareholders, who are not deemed as PRC resident enterprises, may be subject to a 10% withholding income tax under the EIT Law, unless any such foreign corporate Shareholder is qualified for a preferential tax rate under relevant tax treaties. If the PRC tax authorities deem us to be a PRC resident enterprise, Shareholders who are not PRC tax residents and seek to enjoy preferential tax rates under relevant tax treaties need to apply to the PRC tax authorities to be recognized as eligible for such benefits in accordance with the *Announcement of the SAT on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers* (《非居民納税人享受税收協定待遇管理辦法》) (the "Circular 60"), which was issued on August 27, 2015 and amended on June 15, 2018. According to the Circular 60, the preferential tax rate does not automatically apply. With respect to dividends, the "beneficial owner" tests under the *Circular on Interpretation and Determination of Beneficial Owner under Tax Treaties* (《關於如何理解和認定税收協議中"受益所有人"的通知》) (the "Circular 601") will also apply. If determined to be ineligible for the abovementioned tax treaty benefits, gains obtained from sales of our Shares and dividends on our Shares paid to such Shareholders would subject to higher PRC tax rates. In such cases, the value of such Foreign Shareholders' investment in our Shares sold in the [**REDACTED**] may be materially and adversely affected.

The heightened scrutiny over acquisitions from the PRC tax authorities may have an adverse impact on our business or our acquisition or restructuring strategies.

On February 3, 2015, the SAT promulgated the *Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises* (《關於非居民企業間接轉讓財產企業所得税若干問題的公告》) (the "Circular 7"), which provides comprehensive guidelines relating to, and heightened the PRC tax authorities' scrutiny on indirect transfers, by a non-resident enterprise, of assets (including equity interests) of a PRC resident enterprise.

There is uncertainty as to the application of the Circular 7. The Circular 7 may be determined by the tax authorities to be applicable to our offshore restructuring transactions or sale of the shares of our offshore subsidiaries, where non-resident enterprises being transferors were involved. Furthermore, we, our non-resident enterprises and PRC subsidiaries may be required to spend valuable resources to comply with the Circular 7 or to establish that we and our non-resident enterprises should not be taxed under the Circular 7 for our previous and future restructuring or disposal of shares of our offshore subsidiaries, which may have a material adverse effect on our financial condition and results of operations.

PRC regulations relating to the establishment of offshore Special Purpose Vehicles by PRC residents may subject our PRC resident Shareholders to personal liability, limit our PRC subsidiaries' ability to distribute profits to us, or otherwise adversely affect our financial position.

SAFE has promulgated the *Circular of SAFE on Foreign Exchange Administration of Overseas Investments and Financing and Round-Trip Investments by Domestic Residents via Special Purpose Vehicles* (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "Circular 37") on July 4, 2014 to replace the *Circular of SAFE on Relevant Issues Concerning Foreign Exchange Administration for Financing and Return Investments by Domestic Residents through Special-Purpose Overseas Companies* (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (the "Circular 75"). According to the Circular 37, PRC residents (including PRC citizens and PRC enterprises) shall apply to SAFE or its local bureau to register foreign exchange for overseas investments before contributing to Special Purpose Vehicles (the "SPVs") with legitimate domestic and overseas assets or rights and interests. In the event of any alteration in the basic information of the registered SPVs, such as the change of a PRC citizen shareholder, name and operating duration; or in the event of any alternation in key information, such as increases or decreases in the share capital held by PRC citizens, or equity transfers, swaps, consolidations, or splits, the registered PRC residents shall timely submit a change in the registration of the foreign exchange for overseas investments with the foreign exchange bureaus.

Pursuant to the SAFE Circular 13, promulgated by the SAFE and become effective on June 3, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks.

To the best of our knowledge, as of the Latest Practicable Date, our Shareholders, who are PRC nationals, Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing, were required to make the foreign exchange registration under the SAFE Circular 37 and SAFE Circular 13 and completed such registration with relevant banks. However, we may not at all times be fully aware or informed of the identities of all our beneficiaries who are PRC nationals, and may not always be able to compel our beneficiaries to comply with the requirements of the SAFE Circular 37. As a result, we cannot assure you that all of our Shareholders or beneficiaries who are PRC nationals will at all times comply with, or in the future make or obtain any applicable registrations or approvals required by the SAFE Circular 37 or other related regulations. Under the relevant rules, failure to comply with the registration procedures set forth in the SAFE Circular 37 may result in restrictions on the foreign exchange activities of the relevant PRC enterprise and may also subject the relevant PRC resident to penalties under the PRC foreign exchange administration regulations.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our Shares and there can be no assurance that an active market would develop.

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

The liquidity, [REDACTED] and [REDACTED] of our Shares following the [REDACTED] may be volatile.

The price at which our Shares will [**REDACTED**] after the [**REDACTED**] will be determined by the marketplace, which may be influenced by many factors, some of which are beyond our control, including:

- our financial results;
- changes in securities analysts' estimates, if any, of our financial performance;
- the history of, and the prospects for, us and the industry in which we compete;
- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future revenues and cost structures such as the views of independent research analysts, if any;
- the present state of our development;
- the valuation of [**REDACTED**] companies that are engaged in business activities similar to ours;
- general market sentiment regarding private education industries and companies;
- changes in laws and regulations in China;
- our inability to compete effectively in the market; and
- political, economic, financial and social developments in China and worldwide.

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

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

Sales of substantial amounts of Shares in the public market after the completion of the [**REDACTED**], or the perception that these sales could occur, could adversely affect the market price of our Shares. There will be [**REDACTED**] Shares outstanding immediately following the [**REDACTED**], assuming no exercise of the [**REDACTED**] or any options that may be granted under the [**REDACTED**] Share Option Scheme or the Share Option Scheme. Our Controlling Shareholders, Mr. Wu Wei, Wu Wei Education, Mr. Xiao Guoqing and Xiao Guoqing Education agreed that any Shares held by them will be subject to a [**REDACTED**] after the [**REDACTED**]. See "[**REDACTED**]" in this document for further details. Lu Lu Education and Ms. Lu Lu have agreed that any Shares held by Lu Lu Education will be subject to a [**REDACTED**] period. See "History and Corporate Structure — Corporate Reorganization" in this document for further details. However, the [**REDACTED**] may release these securities from these restrictions and such Shares will be freely tradable after the expiry of the [**REDACTED**] period.

Shares which are not subject to a [**REDACTED**] arrangement represent approximately [**REDACTED**] of the total issued share capital immediately following the [**REDACTED**] (assuming no exercise of the [**REDACTED**] or any options that may be granted under the [**REDACTED**] Share Option Scheme or the Share Option Scheme) and will be freely tradable immediately following the [**REDACTED**].

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

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

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

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

We have significant discretion as to how we will use the [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them.

Our management may spend the [**REDACTED**] from the [**REDACTED**] in ways you may not agree with or that do not yield a favorable return to our Shareholders. We plan to use the [**REDACTED**] from the [**REDACTED**] in a number of ways, including the expansion of our school network and upgrade our school facilities. See "Future Plans and [**REDACTED**] — [**REDACTED**]" in this document for details. However, our management will have discretion as to the actual application of our [**REDACTED**]. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the [**REDACTED**] from this [**REDACTED**].

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

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

We cannot guarantee the quality or reliability of such facts and statistics. We have taken reasonable care to ensure that the facts and statistics presented are accurately extracted and reproduced from such publications and the Frost & Sullivan Report. However, these facts and statistics have not been independently verified by us, the Sole Sponsor, [**REDACTED**] or any other party involved in the [**REDACTED**] (excluding Frost & Sullivan in respect of the Frost & Sullivan Report and the information therein) and no representation is given as to its accuracy. We therefore make no representation as to the accuracy of such facts and statistics which may not be consistent with other information complied by other sources and prospective investors should not place undue reliance on any facts and statistics derived from public sources or the Frost & Sullivan Report contained in this document.

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

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

You may face difficulties in protecting your interests under the laws of the Cayman Islands.

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

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 [REDACTED]

There may be, subsequent to the date of this document but prior to the completion of the [**REDACTED**], press and media coverage regarding us and the [**REDACTED**], which contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the [**REDACTED**]. We have not authorized the disclosure of any such information in the press or other media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this 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 [**REDACTED**] 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 [**REDACTED**] 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 [**REDACTED**]. By applying to purchase our Shares in the [**REDACTED**], you will be deemed to have agreed that you will not rely on any information other than that contained in this document and the [**REDACTED**].