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OVERVIEW

We are the largest vocational training education provider in China with a market share of approximately 1.7% and 2.5% in terms of average students enrolled and revenue generated for the year ended December 31, 2017, according to the Frost & Sullivan Report. Our business focuses on providing innovative vocational training education to students to increase their employability in the ever-changing employment market, as well as supporting China's evolving workforce requirements driven by its sustained economic growth, urbanization and industrial upgrade.

Our vocational training education mainly covers three industry sectors, namely, culinary arts, information technology and internet technology, as well as auto services, whereby we ranked first in each sector in terms of average students enrolled for the year ended December 31, 2017, according to the Frost & Sullivan Report. We serve these three industry sectors under five renowned school brands, namely New East Culinary Education, Omick Education of Western Cuisine and Pastry, Xinhua Internet Technology Education, Wontone Automotive Education and Wisezone Data Technology Education. Between December 31, 2016 and December 31, 2018, the number of our Schools and our average students enrolled grew at a CAGR of 26.9% and 8.6%, respectively. As of December 31, 2018, we operated 145 Schools with 123,957 average students enrolled for the year ended December 31, 2018. Our comprehensive nationwide school network covers 29 of the 31 provinces in mainland China and Hong Kong. We also provide customized catering experience services in 18 centers under our Cuisine Academy as of December 31, 2018. The following chart sets forth the information of our five school brands and Cuisine Academy as of the Latest Practicable Date:

Segments	Brands	Logo	No. of Schools in operation as of the Latest Practicable Date	Average students enrolled as of the Latest Practicable Date
Culinary Arts	New East		52	66,634
	Omick		24	4,140
Information Technology and Internet Technology	Xinhua Internet		24	37,681
	Wisezone		22	1,119
Auto Services	Wontone		27	20,465
TOTAL			149	130,039

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Segment	Brand	Logo	No. of centers in operation as of the Latest Practicable Date	Average number of customers registered as of the Latest Practicable Date
Customized Catering Experience Center	Cuisine Academy		19	535

We are a pioneer in providing vocational training education in China. Our tailor-made curriculums aim to address unmet demand for vocational training education to bridge the supply and demand gap between employers and students. Our primary goal is to provide students with solid knowledge and practical skills in their chosen professions that are tailored to the employers' needs with a view to increasing graduates' employability and their compensation. Our curriculum includes long-term and short-term programs as illustrated in the table below. Our long-term programs have a duration of one year or longer, primarily targeting middle school and high school graduates aged between 15 and 21 who wish to equip themselves with applicable skills for employment. Our short-term programs have a duration of less than one year, primarily targeting students who wish to enhance specific technical skills at work or supplement their learning through continuing education. We integrate practical training and work project simulation into the daily training of our students throughout the duration of most of our courses. Additionally, we have a well-developed student career development system to help to enhance the employment rates of our graduates.

Programs	Average students enrolled					
	Year ended December 31,					
	2016	%	2017	%	2018	%
Long-term	94,337	89.8	105,130	90.2	112,243	90.5
— One to less than two years	12,821	12.2	12,443	10.7	11,438	9.2
— Two to less than three years	70,042	66.6	76,618	65.7	76,638	61.8
— Three years	11,474	10.9	16,069	13.8	24,167	19.5
Short-term	10,758	10.2	11,410	9.8	11,714	9.5
TOTAL	105,095	100	116,540	100	123,957	100

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Our mission is to provide the best vocational training education in China. This initiative is in line with the PRC government plan to provide the Chinese population with sufficient quality vocational training to fulfill the market demand for developing a significant working population equipped with readily applicable technical skills. To support the plan, the PRC government has promulgated specific policies to drive industry growth, including:

- The *2015 Opinion on Deepening the Promotion of Vocational Education Group Management* issued by the MOE which states the importance of accelerating the development of modern vocational education, increasing the participation rates of vocation training groups and improving the operating environment of vocational education service providers by implementing policies to further encourage vocational training managed by a group;
- The *2016 Notice on the 13th Five Year Plan for Technical Education* issued by the MHRSS which emphasizes the need to improve the technical training environment through policy support, capital support, project support and marketing support; and
- The *2017 Opinion on Further Promoting the Development of Informatization of Vocational Education* issued by the MOE to promote the allocation of resources to accommodate market needs, encourage social capital to participate in building informatized vocational education and to develop protection mechanisms for intellectual property as well as benefits sharing.

We believe that our curriculums and teaching methods enable us to benefit from such policies. Because our educational focus is in line with the policy direction of the government, which is to encourage collaboration between schools and enterprises and to develop the vocational education industry, we are able to enjoy various governmental grants. Also, our participation in governmental poverty alleviation programs brings good publicity and strengthens our reputation. Not only do we offer curriculums that are tailored to the prevailing market demand, but we also strive to keep abreast of latest industry developments and continue to develop innovative and industry-leading vocational courses in emerging sectors, such as big data, e-sports and AI, among others.

As a leading vocational training education provider, we place emphasis on the importance of employment and career development. We have developed strong relationships with employers and have entered into school-enterprise cooperation programs with over 28,000 enterprises. For the years ended 2016, 2017 and 2018, 9,826, 15,345 and 27,931 students enrolled in the employer-tailored training programs, respectively. Students enrolled in employment-oriented school-enterprise cooperation programs have easier access to internships and job opportunities offered by the enterprises in those programs. In addition, we provide career advice and guidance to our students through career advice centers at each of our Schools overseen by our career advice department at our headquarters. As a result, we have achieved an average recommended employment rate of approximately 93.7% for our long-term programs for the year ended December 31, 2018.

Our success is attributable to our centralized and standardized management system across our business operations throughout China, which enables us to effectively expand our school network into new geographic markets while maintaining our quality standards. We centrally manage our operations across functions such as teaching, logistics, procurement, accounting and finance, research and design of our

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curriculums, career advice services, and talent cultivation to ensure the same quality standards are applied in each School. While we use consistent guidelines to streamline various aspects of our operations, we allow flexibility and encourage differentiated management approaches in each School based on their local economic, demographic and cultural environment.

Our highly scalable business model together with our proven track record have enabled us to build strong brand recognition nationwide and to achieve significant growth in our revenue during the Track Record Period. Our revenue from continuing operations increased from RMB2,335.7 million for the year ended December 31, 2016 to RMB2,850.2 million for the year ended December 31, 2017, and further to RMB3,265.0 million for the year ended December 31, 2018, representing a CAGR of approximately 18.2%. Our average students enrolled increased from 105,095 for the year ended December 31, 2016 to 116,540 for the year ended December 31, 2017 and further to 123,957 for the year ended December 31, 2018, representing a CAGR of approximately 8.6%. The average number of customers registered in Cuisine Academy has also reached 577 for the year ended December 31, 2018.

	Year ended December 31,			2016-18 CAGR
	2016	2017	2018	
Revenue (RMB million)	2,335.7	2,850.2	3,265.0	18.2%
Average students enrolled at our Schools	105,095	116,540	123,957	8.6%
Average number of customers registered in Cuisine Academy ⁽¹⁾	—	63	577	—

Note:

- (1) Our average number of customers registered for a year represents the sum of the number of customers registered at Cuisine Academy at the end of each month divided by the number of months during such period, without taking into account any withdrawal.

OUR COMPETITIVE STRENGTHS

We seek to leverage our competitive strengths to strengthen our market position and expand our business operations. We believe that the following competitive strengths have contributed to our success and will continue to distinguish us from our competitors:

Largest vocational training education provider in China with a portfolio of renowned brands

We are the largest vocational training education provider in China in terms of average students enrolled for the year ended December 31, 2017, according to the Frost & Sullivan Report. Our business focuses on providing innovative vocational training education to students to increase their employability in the ever-changing employment market, as well as supporting China's workforce requirement amid the rising economy and the continuous trend of urbanization and industrial upgrade.

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Our vocational training education mainly covers three segments, namely, culinary arts, information technology and auto services, whereby we were ranked first in each segment in terms of average students enrolled for the year ended December 31, 2017, according to the Frost and Sullivan Report. The following table sets forth our leadership positions in each segment:

Segments	Description	Average students enrolled for the year ended December 31, 2018
Culinary Arts	<ul style="list-style-type: none"> • No. 1 culinary arts vocational training education provider in China⁽¹⁾ • Brands: New East, Omick • Curriculums: administrative chef, hotel management, western cuisines chef, fashionable western pastry and Chinese herbal cuisine, pastry baking, etc. 	72,247
Information Technology and Internet Technology	<ul style="list-style-type: none"> • No. 1 Information Technology vocational training education provider in China⁽¹⁾ • Brands: Xinhua Internet and Wisezone • Curriculums: 3D and graphic design, internet network, e-commerce, software development, e-sports, virtual reality, AI, internet security, big data, etc. 	32,387
Auto Services.	<ul style="list-style-type: none"> • No. 1 auto services vocational training education provider in China⁽¹⁾ • Brands: Wontone • Curriculums: automobile remodeling, new energy automobile, automobile inspection and repair, automobile plating and painting, automobile detailing, and automobile quick repair and maintenance 	19,323
TOTAL		123,957

Note:

(1) According to the Frost & Sullivan Report, rankings are based on average students enrolled for the year ended December 31, 2017 for each segment.

We have a long and successful track record of providing vocational training education in the three segments we operate. Our ability to identify, address and adapt to the evolving demands of employers and the job market have been key to our success and we have been able to consistently delivering outstanding results for our students. The average recommended employment rate of our long-term program graduates from New East Culinary Education and Xinhua Internet Technology Education reached over 90%, and Wontone Automotive Education reached over 95% for the year ended December 31, 2018. Our vocational training education strategically focuses on the industries that aim to serve the daily necessities of the Chinese population amid the rising China economy. According to the Frost & Sullivan Report, the supply and demand gap for skilled workers increased from 6.1 million in 2013 to 13.9 million in 2017, in the culinary arts, information technology and internet technology, as well as auto services industries, and is expected to reach 28.6 million in 2022. Such significant increase is largely attributed by the continuous urbanization progress in China, the structural industrial upgrade to a more servicing economy and ever-changing employment requirements.

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As a result of our leading market positions and the strong growth in the vocational training education in which we operate, we achieved significant growth in our revenue and average students enrolled during the Track Record Period. Leveraging our market leadership, extensive operational experience and unparalleled nationwide network, we believe that we are well-positioned to capture the significant growth potential in the vocational education industry in China.

Nationwide self-operated school and center network empowered by our highly replicable business model

We have a nationwide presence in 29 out of the 31 provinces in the PRC and Hong Kong, with a network of 145 self-owned Schools, and over 1.59 million sq.m. of aggregate gross floor area as of December 31, 2018. Our Schools have spacious campuses housing modern classrooms and practical training studios, each equipped with advanced facilities and technologies, which distinguishes us from other vocational training education service providers in China. As of December 31, 2018, we also operated 18 customized catering experience centers under Cuisine Academy. The following table sets forth the number of Schools under each of our five school brands and the number of customized catering experience centers of Cuisine Academy as of December 31, 2018, the number of provinces covered, average gross floor area for each School and center and number of Schools and centers to be established.

Segments	Brands	Number of Schools/centers in operation as of December 31, 2018	Number of provinces covered ¹	Average gross floor area for each School/ center <i>(approximate, sq.m.)</i>	Number of new Schools/ centers commencing operation ⁽²⁾	Number of Schools/ centers under planning ⁽³⁾
Culinary Arts	New East	50	29	16,400	2	3
	Omick	23	22	4,700	1	3
Information Technology and Internet Technology	Xinhua Internet	24	17	17,300	-	1
	Wisezone	22	21	1,400	-	N/A
Auto Services	Wontone	26	21	18,500	1	3
Total Schools		145			4	10
Cuisine Academy	—	18	14	1,000	1	1

Notes:

- (1) The number of schools and centers include provinces in mainland China and Hong Kong.
- (2) The number of new Schools/centers commencing operations are calculated from the end of Track Record Period to the Latest Practicable Date.
- (3) The number of Schools/centers under planning are calculated as of the Latest Practicable Date.

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We have adopted a centralized and standardized management system across our business operations throughout China, which we believe is essential to our success as it enables us to quickly expand our school and center network into new geographic markets and replicate our business in an efficient manner while maintaining our quality standards. We centrally manage our teaching, logistics, procurement, finance, the research and design of our curriculums, and career counseling services, so that all of our Schools are able to maintain the same high standards in terms of their quality of education, business operations and efficiencies of financial management, while utilizing and sharing our resources across China effectively. While we use consistent guidelines to streamline various aspects of our operations, we allow flexibility and encourage differentiated management approaches in each School and center to a certain extent based on their local economic, demographic and cultural environment. Our headquarters in Hefei and the management team of each of our Schools and centers work together to establish specific goals to be accomplished by that School each year, having regard to the specific circumstances of the region and each School. The principals and managers at each School and center as well as the head of each of our brands are required to make monthly reports on the operations of the Schools and centers to our senior management and our management department at our headquarters. We believe that our efficient centralized, standardized and differentiated management with flexibility as well as stringent internal control allow us to expand our school and center network rapidly and to capitalize on the business opportunities in China's private vocational training education industry.

At our headquarters and under each brand, we have a management department which centrally manages all Schools and centers under the relevant brand and coordinates other functional departments to allocate relevant resources under our Schools and centers across China. Before we establish a new school and center, the relevant business segment management department coordinates with our other functional departments to first send a market research team to conduct research on the local market, then assign construction and finance management personnel to monitor the construction of school facilities, and finally send human resources personnel and assemble a teaching team for the new school. As a result of our centralized and standardized management, we are able to utilize our available resources throughout the country and nationally recognized brand names for the establishment of each new School and center and quickly replicate our success in new geographical markets. We commenced operations of 19, 36 and 19 new Schools in 2016, 2017 and 2018, respectively. For the year ended December 31, 2018, we commenced operations of 12 new customized catering experience centers of Cuisine Academy, respectively.

Our nationwide presence has allowed us to take advantage of the rapid economic development and urbanization in China. Such economic development and urbanization have caused the influx of migrant workers from rural areas to developed areas, which has led to the urban population in China steadily increasing since the 1990s, according to the Frost & Sullivan Report. China's urban population increased from 731.1 million to 813.5 million from 2013 to 2017, and is expected to further increase to 934.5 million by 2022, according to the Frost & Sullivan Report. The shift in population distribution has led to greater competition for skilled employment and an increase in demand for skilled workers. To address these changes, the State Council promulgated the "National Plan on New Urbanization" (國家新型城鎮化規劃(2014-2020年)) in 2014 to encourage rural workforce to receive appropriate education, acquire technical skills and become employed as skilled workers. In January 2019, the State Council promulgated the "Implementation Plan for the Nationwide Reform of Vocational Education" (國家職業教育改革實施方案), which clearly states that (i) vocational education is to be given a more prominent role in the education reform and social and economic development in China, (ii) the government will promote the transition of vocational education from primarily

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sponsored by the government to the private sector and (iii) the government will support and cooperate with the private sector to improve the quality of vocational education in China. We focus on providing high-quality vocational training education programs, primarily targeting job seekers from rural areas looking for employment in cities, in particular the group aged between 15 and 21 who are entering the job market for the first time and typically want to enroll in long-term vocational training education programs to obtain the necessary skills for employment and improve their employment prospects. Most of our students are enrolled in programs ranging from one to three years in length, which meets the needs of our target student group, allows sufficient time to ensure positive training results, and provides us with a stable source of revenue from tuition fees. We believe that our business is aligned with PRC government policy directions, and that we are well-positioned to capitalize on market opportunities created under PRC government guidance.

Our nationwide school and center network allows us to build a wide student base and a strong reputation across China. In addition, we are able to serve a large network of potential employers and tap the significant potential market demand for well-trained workers with practical skills. We believe that our proven track record of replicating our success across the country and establishing a wide-ranging school and center network also helps us to further grow our business and expand into additional geographic markets.

Innovative work simulation teaching methodologies to equip our students with readily applicable job skills

Our primary goal is to provide students with solid knowledge and practical skills in their chosen professions that are tailored to the needs of employers with a view to increasing graduates' employability and their average compensation levels. As such, we focus on providing our students with real-life simulated workplace training to help them develop practical and readily applicable skills and acquire first-hand experience to address demands that are likely to arise in real-life work situations. Most of our practical training classes are delivered in a small-group of less than 40 students whereby our interactive and project based teaching methodologies help to increase students' participation, enhance their technical skills and improve their learning experience. For example, our Schools under New East Culinary Education have simulated kitchens and restaurants equipped with advanced facilities and high-quality stainless steel stoves and utensils, our Schools under Xinhua Internet Technology Education have various online skill training platforms and practical training studios with well-known information technology and internet technology enterprises which allow our students to practice in a real world setting, and we have cooperated with certain popular car brands to establish training centers for our Schools under Wontone Automotive Education so that our students are well-trained in the maintenance and repair of those brands' vehicles.

We have developed strong relationships with prospective employers and have entered into school-enterprise cooperation programs with over 28,000 enterprises with the purpose to increase our students' chance in searching for employment. For example, we have been cooperating with Baidu Inc. (the "Baidu") since January 2017 to establish the Baidu-Xinhua Internet Marketing Laboratories (百度新華互聯網營銷實驗室) for our students in different programs to gain practical training in internet marketing and data analysis. Furthermore, we also help students who are interested in setting up their own businesses in gaining entrepreneurial experience. For example, we have set up an e-commerce training base in Yiwu, Zhejiang province to give our students enrolled at Schools under Xinhua Internet Technology Education and Wisezone Data Technology Education opportunities to work with business owners, vendors and suppliers in Yiwu before they graduate and gain hands-on knowledge and experience on how to run a business.

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We place strong emphasis in investing teaching resources, and our teachers and instructors possess both conceptual and work technical skills as well as intensive industry experience. As of the Latest Practicable Date, we have a team of 4,232 full-time teaching staff and instructors and most of them have over five years of experience working in the relevant industries, including their experience in teaching at our Schools and centers. As of the Latest Practicable Date, we have 335 part-time teachers and 46 part-time instructors. Our high-caliber team of teachers and instructors are well-recognized for their advanced teaching methods, diligent efforts and high quality standards. Our teachers and instructors have received numerous awards and recognitions such as the group gold award and individual awards at the eighth "World Culinary Competition (第八屆中國烹飪世界大賽)" and the "2017 National Skill Competition for Teachers in Automotive Majors at Vocational Schools" ("2017全國職業院校汽車專業教師能力大賽").

Renowned track record in offering well-established curriculums catering the economy needs

We are a pioneer in providing vocational training education in China. Our tailor-made curriculums are aimed at address the unmet demand in vocational training education to bridge the supply and demand gap between employers and students. Our primary goal is to provide students with solid knowledge and practical skills in their chosen professions that are tailored to the employers' needs with a view to increasing graduates' employability and their average compensation levels.

According to the Frost & Sullivan Report, a long-term program generally refers to program that lasts for one year or longer. Our long-term programs have a duration of one year or longer, primarily targeting at middle and high schools graduates aged between 15 and 21 years old who wish to be equipped with applicable skills for employment. Our short-term programs have a duration of less than one year, primarily targeting students who wish to enhance specific technical skills in job or supplement their learning through continuing education. For the years ended December 31, 2016, 2017 and 2018, the range of the class hours for our long-term programs was approximately 876 to 4,268, 880 to 4,268, 640 to 4,268, respectively. For the same periods, the range of the class hours, excluding Cuisine Academy, for our short-term programs was approximately six to 886, six to 980, six to 1,240, respectively. We integrate practical training and work project simulation into the daily training of our students throughout the duration of most of our courses. Long-term education programs generally command higher tuition and we believe that the long-term nature of our programs enables our students to gain solid knowledge and technical and practical skills in their chosen profession and help to increase the average compensation level of our graduates. For the years ended 2016, 2017 and 2018, average students enrolled in our long-term programs accounted for 89.8%, 90.2% and 90.5%, respectively, of our total average students enrolled for the corresponding periods. For the same periods, average students enrolled in our long-term programs which last for two to less than three years account for 66.6%, 65.7% and 61.8%, respectively, of our total average students enrolled for the corresponding periods. We believe our relatively long program length ensures the quality of our education services and differentiates us from other vocational education providers that focus on short-term training or are examination oriented.

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Most of our vocational training education programs are primarily designed with the goal of enhancing the employability of our graduates. As such, we need to continually develop new courses and adjust existing courses to adapt to the evolving needs of employers. To this end, we have established a curriculum research and development center under four of our school brands (except for Omick). Each research center is responsible for researching industry trends and employer needs, reviewing the existing curriculums and development plans of the Schools in each segment, and integrating our available Schools and expert resources to develop new majors and maintain the competitiveness of existing majors. At each research center, we have a dedicated team of experts who have industry expertise and experience in the relevant fields. We also have research centers in our geographical markets, which conduct group research activities regularly and submit their results to each segment's research centers, which has regular meetings on curriculum design, research and management. In addition, we also organize innovation competition and teaching and research competition, the result of which is taken into account for individual promotions.

In designing our curriculums, we focus on the professions and industries with high growth potential and significant market demand for talent driven by an existing gap in supply and demand. According to the Frost and Sullivan Report, the culinary arts, information technology and internet technology, as well as auto services have experienced and continue to experience a gap in the supply and demand of skilled workers. To address this market demand and help our students capture future career opportunities, we have developed comprehensive course offerings catering to the new rapid evolving industries with well-established curriculums. For example, as of December 31, 2018:

- New East Culinary Education offers 12 long-term and 29 short-term majors, including popular majors of administrative chef, hotel management, western cuisine chef, fashionable western pastry, and Chinese herbal cuisine;
- Omick Education of Western Cuisine and Pastry offers eight short-term majors, covering pastry baking, western cuisine, bartending and barista skills;
- Xinhua Internet Technology Education offers 13 long-term and nine short-term majors, including (i) four existing popular majors, namely 3D and graphic design, internet network, e-commerce and software development; and (ii) four newly-developed popular majors, namely e-sports, virtual reality, AI and internet security;
- Wisezone Data Technology Education offers 16 short-term majors, including innovative and popular majors for big data, AI, and internet technologies; and
- Wontone Automotive Education offers seven long-term majors and 36 short-term majors, including popular majors of new energy automobile, automobile remodeling, automobile inspection and repair, automobile plating and painting, automobile detailing, and automobile repair and maintenance.

Through our school-enterprise cooperation programs, we have collaborated with enterprise partners who are also prospective employers to formulate and design applicable curriculums and practical training, and we offer targeted training tailored to the needs of the enterprises to our students who want to work for these enterprises upon graduation. Our capabilities of offering such employer-tailored training programs have successfully attracted enterprises in a wide range of industries to cooperate with us, including well-recognized industry leaders. We believe that by leveraging our innovative and vigorous curriculum development, we are able to keep up with evolving market needs and increase our addressable market, share group-wide resources to realize synergies across our nationwide network effectively and enhance our overall competitiveness.

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Strong job placement results supplemented by our professional career counselling services and alumni network

As a leading vocational training education provider, we believe that high quality graduate employment is of vital importance to our students' career prospects, brand recognition and future success. Our strong career placement support system together with our extensive alumni network help to achieve optimal job placement results for our students. We support our graduates in their search for satisfactory employment through a variety of employment-related resources and services provided by our Schools, including, among others, graduate placement through diversified school-enterprise cooperation programs, career counselling service, recruitment information on our online platform and nationwide alumni network.

(1) Career counselling service complemented by group-wide job matching capabilities

We offer career counselling service to all of our students. Our highly dedicated and experienced staff at our career advice centers provide customized services and help students define a customized vision for their career and lifelong goals, and connect our students to resources, organizations and opportunities that will enable them to realize that vision. We offer services, resources and learning-based programs that support our students to develop practical job seeking skills and lifelong career management skills. We place particular emphasis on proactively helping our students enhance their confidence, interpersonal skills and overall competitiveness.

In addition to helping our graduates find jobs, our school-level career advice centers conduct regular market research to understand the evolving market trends and needs of employers. Such research includes actively communicating with potential employers in the three segments we operate in to understand their on-going human resources needs, the skill set required, salary expectations, and geographical locations of jobs, among others. In addition, we established a career advice department at our headquarters in 2017 to optimize resource allocation and facilitate information sharing across the Group. As a result of our strong career placement support system, the average recommended employment rate of our graduates of long-term programs from New East Culinary Education, Xinhua Internet Technology Education and Wontone Automotive Education increased during the Track Record Period, according to our internal record.

The following table sets forth the recommended employment rate of our long-term program graduates for our three school brands for the year ended December 31, 2018:

Brands⁽¹⁾	Recommended employment rate⁽²⁾
New East	93.2%
Xinhua Internet	93.1%
Wontone	97.3%

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Notes:

- (1) Omick and Wisezone were not included because the Schools under these brands had not provided long-term programs of one year or more during the Track Record Period. We also provide graduate placement service to students of our short-term programs. However, students enrolled in our short-term programs generally have different study goals and expectations, such as to enhance a specific skill or with a view to set up their own business, as compared to students of our long-term programs who are generally more focused on seeking long-term employment or to begin a new career. As a result, we do not keep record of the recommended employment rate of graduates from our short-term program.
- (2) We provide graduate placement service to all students of our long-term programs. The recommended employment rate represents the total number of students of long-term programs who are hired through our graduate placement service program in a certain period, excluding students who start their own business ventures or are employed through other channels divided by the total number of graduates of long-term programs during such period.

(2) Close school-enterprise relationship

To better assist our graduate in launching their career, we have cooperated with a wide range of enterprises in the three segments we operate in. Students who have enrolled in employment-oriented school-enterprise cooperation programs will have easier access to internships and job opportunities offered by the cooperative enterprises. For example, Schools of New East Culinary Education have cooperated with local branches of some renowned brands in the culinary arts industry, including, among others, Hilton Garden Hotel, Crowne Plaza Hotel, Grandma's Home. Schools of Xinhua Internet Technology Education have partnered with JD.com and Lenovo to offer employer-tailor training programs. Schools of Wontone Automotive Education have established cooperative relationship with various well-known enterprises in the automotive industry, such as Chery Automobile and Chexiang Home. As of December 31, 2018, we have established cooperation with over 28,000 enterprises and established 388, 219 and 92 employer-tailored training programs under New East Culinary Education, Xinhua Internet Technology Education and Wontone Automotive Education, respectively.

We generally enter into legally-binding agreements with those enterprises we cooperate. We set forth below a summary of typical key terms of such agreements:

- *Employment preference:* The cooperative enterprises generally agree to consider employing our graduates and give them priority for potential employment under the same conditions if they pass the examination jointly designed by the cooperative enterprises and us and subject to the general process of recruitment.
- *Salary of our graduates:* Some agreements we entered into with cooperative enterprises set out the minimum salary of our graduates once they are hired by the cooperative enterprises, which is subject to adjustment by mutual agreement taking into account the evolving market conditions of the relevant year. In addition, some agreements stipulate that the salary and benefits shall be the same as those enjoyed by graduates from Schools under the same brand under the same conditions.

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- *Cooperation mode:* The agreements may include one or more of the following modes of cooperation: (i) target class: cooperative enterprises may choose a certain number of students with the requisite skills to form a target class to participate in the teaching programs jointly designed by the cooperative enterprises and us which generally last for about three months close to graduation; (ii) joint training: cooperative enterprises and we may each be responsible for the training for certain period of time; (iii) internship base: cooperative enterprises agree to provide internship opportunities for our students and give them practical guidance during the cooperation period; (iv) specific order: we recruit students according to the specific needs and requirements of the cooperative enterprises such as the specialties, degrees, number and geographic origin of the students. In this mode, the agreements generally stipulate that the cooperative enterprises will consider providing employment for all the graduates who pass the examination and we will follow up on the performance of those graduates for a year after employment.
- *Duration:* The agreements generally have a term of one to three years.
- *Non-disclosure:* Both parties agree to keep the information and documents obtained under the agreements confidential.
- *Termination:* The agreements may be terminated in the event of major changes in laws or policies or force majeure that render fulfillment of the agreements impossible.
- *Dispute resolution:* If the dispute cannot be resolved by amicable negotiation, it shall be submitted to the local court.

(3) Nationwide alumni network

We have a strong alumni network with over 500,000 alumni spread across the country, with whom we have maintained relationships with our graduates to facilitate information exchange and communication. Through social media and alumni associations, our alumni have introduced job opportunities and business connections which may help our students. We also invite our alumni to give talks on career orientation and to share their working experience in the work force.

Our highly coordinated efforts ensure that our graduates are given the targeted course focus and are able to find employment in their chosen professions within a short period of time after graduation.

We believe our graduates, having been trained, are in high demand in the job market. We, from time to time, communicate with potential employers on expected salary standards for our graduates and we may include such standards as guidance in our school-enterprise cooperation agreements. We help our students find opportunities to showcase their talent and skills not only in the professional employment market but also on the world stage. Our students have received international and domestic awards such as the Second Place in Baja SAE China organized by China Automobile Engineering Association (中國汽車工程協會“巴哈大賽”), the Grand Prize of ACA World Skill Competition, China Division, (ACA世界技能大賽中國區), Team Gold Award given by the World Association of Chinese Cuisine (世界中餐業聯合會) at the Eighth World Culinary Competition in the Netherlands, and third place at the “Star of Tomorrow” National Competition of Culinary Skills (“明日之星”廚師大賽全國總決賽) organized by HOTELEX for 2017 and 2018, the Team Champion and Individual Runner-up at SWLAC Latte Art

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Skill (上海世界拉花大賽) organized by Korea Barista Association (韓國咖啡師協會) in 2017. In addition, in recognition of our capabilities and success in vocational training education, we have been recognized as a National Model Base for Cultivating Professionals in Hotel Industry (全國飯店業人才培訓示範基地) by China Hospitality Association (中國飯店協會), a "national virtual reality talent training model base (VR專業人才培養全國示範基地)" by National Information Technology Training and Certification Management Office (國家信息化培訓認證管理辦公室), a national e-sports professional education model base (電子競技專業人才培養全國示範基地) by the China Internet Industrial Association.

Visionary, strong and stable management team

We are a pioneer in the vocational training education industry. We also have a professional and experienced management team with a proven track record of highly successful results. Members of our core management team have deep expertise in vocational training education and management experience. They have an average of over 20 years of experience with our Group and are passionate about our mission. Mr. Wu Wei, chairman of the Board and the executive Director of our Group, has over 30 years of experience in the PRC vocational training education industry and possesses abundant school administrative experience. He obtained the qualification of senior economist granted by the Personnel Bureau of Hefei (合肥市人事局) in 2004 and received an executive master of business administration from Tsinghua University School of Economics and Management (清華大學經濟管理學院) in 2009. In addition, we have a group of school management with extensive experience in education industry. Mr. Xu Shaobing, the executive vice president of the Group, has over 20 years of experience in education. Mr. Xu Shaobing is the vice president of the China Hospitality Association* (中國飯店協會副會長) and the vice president of International Culinary Education of the World Federation of Chinese Catering Industry (世界中國烹飪聯合會國際烹飪教育分會副主席). Mr. Xu Shaobing obtained various honors and awards, including, among others, the "Global Chinese Education Leader" ("全球華人教育領軍人物") recognized by Phoenix Education (鳳凰衛視集團•鳳凰教育). Mr. Sha Xu, the vice president of our Group, has more than 19 years of experience in education. Mr. Sha Xu is the deputy director of Professional Evaluation Committee for Evaluating Management Talents in Corporate Finance under the Enterprise Financial Management Association of China (中國企業財務管理協會企業財務管理人才水平評價專業委員會副主任). He has also been recognized by Tencent Holdings Limited as the "10 Years of Tencent Internet — Education Business Leader (騰訊網十年中國教育企業領袖人物)". Our management team understands operations well, equips us with knowledge and experience, and builds a cohesive company with a sense of mission.

We believe that our strong management capability as evidenced by our successful operation of 145 self-owned Schools and 18 customized catering experience centers as of December 31, 2018, together with our well-established centralized operational management system, enable us to replicate our success to newly established schools quickly and maintain the high quality of education services that we provide in each of our Schools.

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OUR BUSINESS STRATEGIES

Our mission is to provide the best vocational training education in China. We intend to continue to expand our business and school and center network and enhance our market position. To achieve these goals, we plan to pursue the following business strategies:

Continue to strengthen our market leadership and reputation

Establishing our Regional Centers

We plan to establish five self-owned regional centers in China's five major geographical regions (the "Regional Centers"), namely, Beijing, Shanghai, Guangzhou, Chengdu and Xi'an (together the "Major Regions"). The Regional Centers are expected to be equipped with advanced teaching and practical training facilities for all of our five School brands, namely, New East Culinary Education, Omick Education of Western Cuisine and Pastry, Xinhua Internet Technology Education, Wontone Automotive Education and Wisezone Data Technology Education, as well as our customized catering experience center, Cuisine Academy. The Regional Centers will also house our research and development, human resources and marketing centers and serve as the continuing education and training centers for our teaching staff, in each case in their respective designated regions.

There are multiple reasons and benefits for establishing these Regional Centers, including:

- *Solidifying our market leadership and enhancing our brand position.* Strategically, the establishment of large regional centers in the Major Regions that could comprehensively house all of our brands and our customized catering experience center in each Major Region at one location is indicative that our operations have reached significant size and scale. We believe that this will greatly enhance our brand recognition and further solidify our reputation as the leading vocational training and education service provider in China. Leveraging our brand name and utilizing the geographic, economic and transportation advantages of the Major Regions, our Regional Centers will be in a position to reach out to students from a wider geographical area, potentially serving a population base of several hundred million in multiple provinces. For example, our southwestern regional center in Chengdu is expected to accommodate students from Yunnan, Guizhou, Chongqing and Sichuan. We believe that housing all our students across our brands together in one self-owned Regional Center in each Major Region will enhance their integration, improve the overall campus environment, enhance our education service quality, foster a positive brand image and develop a greater sense of pride and loyalty among our students.
- *Establishing our self-owned premises is necessary for stable and sustainable development.* Currently, most of our Schools are located on leased premises. Our leasing costs as a percentage of our total costs of revenue have increased steadily during the Track Record Period from 15.6% for 2016 to 16.9% for 2017 and 17.6% for 2018. This trend is expected to continue and will be more pronounced in the Major Regions which are major commercial centers in China. From time to time our landlords may decide not to renew the leases of our Schools at terms we are satisfied with or at all, in which case we would need to relocate our Schools. Such relocation would incur significant additional costs for purchasing equipment and setting up new premises. Although we have developed our operations in the past primarily using leased premises, as the supply of suitable premises becomes more constrained and leasing costs continue to rise, we need to adopt new strategies to position ourselves to meet these challenges as we further expand. Having our self-owned premises will allow us to grow sustainably.

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- *On self-owned premises, we can build more advanced and higher standard training facilities and dormitories to better serve our students.* We provide vocational education services and, as such, our requirements for school facilities are very different from those of traditional schools and after-school tutoring service providers. Our courses focus on practical training and a key part of our education services is providing workplace simulation training to allow our students to seamlessly transition from school to workplace. We therefore need to build specially tailored practical training studios that cater to the different requirements of the courses we offer. These practical training studios need to be equipped with actual tools, equipment and fixtures of real workplaces in order to provide the best possible simulation experience to our students. For example, in order to cater to the needs of different courses, we have built simulated kitchens of restaurants, simulated coffee shops and bars, simulated VR studios and simulated game broadcasting studios, among other types of specialized practical training studios. Further, with respect to our Schools under Wontone Automotive Education, large open areas are needed to accommodate the vehicles and equipment used to train our students. Therefore, unlike traditional schools that focus on academic skill training and where students attend classes in traditional classrooms, the nature of our teaching and our courses necessarily entails that we have significantly greater need for space and that our classrooms need to be fitted with a range of advanced tools, equipment and fixtures that are costly to purchase and install. We believe that if we continue to rely on leased premises, our ability to grow would be hindered as (i) to meet our needs for space, we need to rent from multiple landlords of multiple addresses which reduce our flexibility to negotiate our rent and synchronize the duration of our leases; and (ii) leased premises are not specifically built to accommodate our needs for installing fixtures, we therefore face significant challenges in finding premises that could meet the conditions and the requisite specifications that our practical training studios require. In addition, the uncertainties as to whether we could successfully renew our leases means that it might not be the best economic decision to incur significant capital expenditure to upgrade our fixtures and teaching equipment because we may be forced to abandon them if we move. By buying our own land and building our own Regional Centers, we will have the flexibility to design our Schools and practical training studios tailored to our courses and our students.

After establishing a permanent campus site on our self-owned land, we intend to build better and more advanced facilities with advanced teaching equipment. We will also have the space to build dormitories and related facilities to better serve the needs of our full time and long-term students. We believe that by improving our teaching equipment and facilities as well as providing dormitories facilities, we will be able to improve our students' living and learning environment and as a result further enhance our students' satisfaction with our services. These efforts will (i) incentivize our students to stay with us; and (ii) attract more students from outside the Major Regions.

Further, our Regional Centers are located in major commercial centers in China where there are ample employment opportunities. We believe that having all our talents located together in one large Regional Center with more advanced teaching facilities and specialized training areas will increase prospective employers' confidence in us, further solidify our reputation, enhance our brand image, and thereby making us a more attractive counterparty to collaborate with in our school-enterprise cooperation efforts.

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This will in turn provide greater employment opportunities for our students, which we believe will be a key driver for demand for our services.

- *Economies of scale and costs synergies.* With a larger Regional Center, we will be able to enjoy the economies of scale resulting from (i) a larger pool of students; (ii) costs synergies to be created across brands; and (iii) the centralized and standardized management within one Regional Center. The economies of scale will make it easier to justify the development of new high-end and niche courses as well as offering more flexible and customized courses with higher tuition and service fee rates. We intend to offer certain customized courses delivered on a one-on-one basis and teachers for each class will be assigned based on their own expertise. We believe that in a single school environment where there is a smaller student pool and less cost sharing opportunities, it will be much more difficult for us to recover the costs of developing such courses. Being able to offer a diverse portfolio of courses on a cost-efficient basis is important in ensuring that we could continue to attract a larger pool of students and allowing us to react quickly to changing consumer preferences. Notwithstanding that each of our brand will have its own space in our Regional Center, we believe that costs synergies will be realized in multiple ways, including, among others (i) shared use of recreational areas, canteens, dormitory related facilities and other non-course related areas; (ii) shared operational and administrative services; and (iii) shared utilities.
- *Attracting and retaining teaching staff.* To sustainably grow our business, we need a stable teaching team. Having a permanent school site would be a key incentive for our teaching staff to stay with us as it eliminates concerns for disruption to their working environment or family life arising from relocation. We also intend to use our Regional Centers to provide continuing education and training to our staff in the designated regions, which is critical in ensuring our teaching quality. Having self-owned premises with advanced teaching equipment and facilities allows us to provide high-quality training to our staff on a continuous and consistent basis. We believe that the enhanced integration among our staff members by being located on one premise and through such training opportunities will further help strengthen our corporate culture, which will in turn enhance our brand image and create a greater sense of belonging among our teaching staff, all of which are important to maintaining a stable teaching team.
- *Extension of our centralized and standardized management from our Regional Centers in the further expansion of our School network.* The Regional Centers will house our research and development, human resources and marketing centers which will support the further expansion of our School network outside the Major Regions. Our current school network mainly covers provincial capital cities in China and we have limited presence in less developed areas with less population (the "Unserved Areas"). As demand for our services grow in the Unserved Areas, we will need to find ways to serve the unmet demand in such areas. Given the extensive administrative and management efforts required to reach students in the Unserved Areas, and as an extension of our centralized and standardized style of management, we believe that coordinating our expansion efforts and using our Regional Centers for our research and development, human resources, and marketing efforts in their designated regions would be more effective. In the future, we plan to establish Schools of relatively small size in the Unserved Areas which are not expected to offer a full range of courses, particular if there is insufficient local demand.

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Nevertheless, interested students from the Unserved Areas can take such courses in a nearby Regional Center, where our course offerings will be much more diverse due to the significantly larger population and geographical area it serves. We believe that this initiative will help us expand our school network and student base, allow us to more effectively use our resources, and give us first-hand information on student expectations and developments in the Unserved Areas. We believe we could further enhance our brand reputation and attract students on a nationwide basis while saving costs we otherwise would incur if we were to expand in smaller cities by renting additional school sites and hiring multiple sets of teaching staff.

Location, size and scale of our Regional Centers

We intend to build our Regional Centers in the suburbs of the Major Regions where land costs are generally lower and large pieces of land sufficient to accommodate our needs are still available. Benefiting from our brand name and the geographic, economic and transportation advantages of the Major Regions, our Regional Centers are expected to attract students and customers from a wider geographical areas. The following table sets out the cities and provinces expected to be covered by each of the Regional Centers, the number of Schools and centers, aggregate gross floor area and school/center capacities of our existing Schools and centers located in the Major Regions and the average students enrolled as of the Latest Practicable Date:

Regional Centers	Provinces/cities to be covered by the Regional Centers ⁽¹⁾	Number of existing Schools/centers	Aggregate gross floor area for the existing Schools/centers <i>(approximate, sq.m.)</i>	Average students enrolled in the existing Schools/centers	School/center capacities
Beijing	Beijing, Tianjin, Hebei, Inner Mongolia	13	156,898.0	13,097	14,627
Shanghai . . .	Shanghai, Jiangsu, Zhejiang	12	206,384.9	10,785	20,882
Guangzhou . .	Guangdong, Jiangxi, Hunan, Hainan, Fujian, Hong Kong	18	221,088.8	23,480	26,452
Chengdu . . .	Sichuan, Chongqing, Guizhou, Yunnan	15	332,256.9	29,470	39,405
Xi'an	Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang	13	174,073.5	10,009	16,676

Note:

- (1) The cities to be covered by each of the Regional Centers only reflect our current plans and we may adjust our plans according to the status of land acquisitions, evolving market conditions and various other factors we believe to be appropriate.

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We plan to gradually relocate our existing students enrolled in long-term courses (one year and longer) located in the Major Regions to our Regional Centers. We expect that our Regional Centers will provide sufficient dormitories for our students. Therefore, the capacity of our Regional Centers will need to be sufficiently large to accommodate our existing long-term students in the Major Regions and also take into account our future growth drivers as mentioned above. The need for capacity at our existing leased premises will correspondingly gradually reduce. However, we do expect that some of the existing premises will be maintained which are expected to be used to offer shorter term courses.

When selecting the location of the Regional Centers, we considered factors including the population covered, local general economic and social conditions, demand for the education services we provide in such area, and the level of local government support in promoting vocational education. The Regional Centers are located in the largest city in each geographical region and the population coverage of each Regional Center is expected to reach over 200 million. The exact gross site area of a Regional Center would depend on the sizes of land parcels available for sale in each Major Region. We target to establish Regional Centers with land areas ranging from approximately 200,000 sq.m. to 330,000 sq.m. which can each accommodate at least 10,000 to 15,000 students. Each center is expected to employ approximately 330 to 495 teachers and instructors to serve an expected student body of 10,000 to 15,000. We expect to start constructing one Regional Center every year after 2019 depending on the availability of the land. Each Regional Center is expected to incur approximately RMB500 million to RMB600 million, including approximately RMB200 million to RMB300 million on purchases of land, construction service fee of approximately RMB200 million and purchases of fixed assets of approximately RMB100 million. We plan to use cash generated from our daily operations and the proceeds from this [REDACTED] to fund these construction projects and acquire lands for the Regional Centers. During the Track Record Period, our capital expenditures primarily consisted of purchases of property and equipment and leasehold improvements, and amounted to RMB255.7 million, RMB693.5 million and RMB675.6 million, respectively, for the years ended December 31, 2016, 2017 and 2018. Our capital expenditure during the Track Record Period primarily related to renovation and maintenance of school premises and purchase of additional educational equipment. The significant difference between the expected capital expenditures of establishing a Regional Center and a school is largely in relation to (i) the cost of purchasing land; (ii) cost of constructing a full building (as opposed to just cost of renovation and fitting-out of classrooms), including dormitories; and (iii) installation of higher-end equipment and facilities.

Further strengthening our market leadership and reputation

Under the "National Plan on New Urbanization" ("國家新型城鎮化規劃 (2014-2020年)") promulgated by the Central Committee of the Communist Party of China and the State Council in 2014, one of the PRC government's key policy goals is to accelerate the urbanization development in China, ensure a reasonable distribution between urban and rural populations, and facilitate a smooth urbanization process. According to the Frost & Sullivan Report, the PRC government, through its policy guidance, encourages rural workforce to receive appropriate education, acquire technical skills and get employed as skilled workers. As our long-term vocational education programs primarily target to serve job seekers from rural areas looking for employment in cities, in particular the group aged between 15 and 21 who typically want to enroll in long-term vocational education programs to improve their employment prospects, we believe that our business model and future plans are aligned with PRC government policy directions, which should help us to further strengthen our market position.

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We believe that the reputation of a school is one of the most important criteria students consider when selecting a school for vocational training. To increase the student enrollment of our Schools and expand our business, we intend to continue to enhance our reputation. We believe that our high graduate employment rates and comprehensive curriculums with diversified and innovative offerings of practical training courses in a wide variety of industries distinguish us from our competitors and make us attractive to potential students. We plan to design new courses and adjust our existing courses to continue to reflect evolving market trends and meet the demand of potential employers. We intend to continue and expand our market research to better understand employer preferences and student needs. In addition, we plan to gather human resources plans from corporations and career plans from our students, and provide career planning and job placement counselling services to our students in order for them to find the most suitable positions. We plan to further enhance our reputation among well-known companies and other potential employers, establish long-term collaborative relationships with them, and create employment opportunities for our students. Moreover, we plan to enhance our well-developed graduate placement system with additional regional graduate placement centers, as well as develop our alumni network.

Expand school and center network domestically and internationally

Currently, our extensive school network covers most of the provincial capital cities in China. We intend to further expand our school network to cover all of the provincial capital cities in China. We plan to establish our presence in cities which have a population of over five million in densely populated provinces including, among others, Guangdong, Zhejiang, Jiangsu, Hunan, Hebei, Sichuan, Inner Mongolia and Heilongjiang, which we believe have significant unmet demand for skilled workers in culinary arts, information technology and internet technology, as well as auto services.

As of the Latest Practicable Date, provinces which we have in place plans to establish new schools and customized catering experience centers are set out in the table below. Those provinces that overlaps and not overlap with the Regional Centers are differentiated. We believe our expansion plan will complement our Regional Centers in the following ways. Firstly, each of our Regional Centers is expected to cover a very broad geographical area. Below sets out the population size of each of the provinces and the number of cities that has a population size of over 5 million in each of the provinces. The following demonstrates that even with all our Regional Centers fully functioning, we may not be able to fully serve the significant populations in these provinces:

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Province	Total population size	Number of cities with population over 5 million
Overlapping with Regional Centers		
Guangdong	104,303,132	8
Zhejiang	54,426,891	5
Jiangsu	78,659,903	6
Hunan	65,683,722	6
Hebei	71,854,202	6
Sichuan	80,418,200	3
Inner Mongolia	24,706,321	0
No overlapping with Regional Centers		
Heilongjiang	38,312,224	3

Secondly, we may plan to build new schools in areas not covered by our Regional Centers which include: Henan province and Shandong province (being the second and third most populous provinces in China), Liaoning province, Hubei province, Shanxi province, Anhui province, Guangxi province and Tibet. These other provinces together have a population of over 435 million people.

Thirdly, our Regional Centers will initially be planned for students enrolled in long-term courses (one year and longer) located in the Major Regions primarily with boarding needs. We expect that there will (i) continue to be students who wish to stay at home during school term and attend school in the city areas, and (ii) students who enroll in shorter term courses. We will need to facilitate the needs of these students accordingly.

Lastly, whether or not we will succeed in building our five Regional Centers in the near term will depend on various factors such as (i) the availability of suitable land; (ii) local planning policies; and (iii) local building regulations and policies, among other things. We must therefore plan to have sufficient sources of school area to operate and further expand our businesses in the meantime.

We will accordingly plan the size of our new schools having regard to a variety of factors such as among others: (a) the construction plans and timetable for the Regional Centers and their expected capacities when more precise plans are in place; and (b) the potential number of students in the city areas who wish to stay at home during school term versus those with boarding needs; and (c) the demand for shorter-term courses in the regions where we intend to expand into.

We believe our expansion to cities with a population over five million is in line with our goal to provide quality education to teenagers and young adults aged between 15 and 21 years old in rural areas of China. Through the expansion of our school network, our target students would be able to receive education and find employment in more developed cities which are close to their hometowns. We currently expect to expand our school network primarily by building additional self-owned for-profit private schools.

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In particular, within the next three years, we plan to establish approximately 51 new schools and six new customized catering centers spanning across a number of major capital cities in China and the Unserved Areas. It generally takes about six months to 18 months from the start of construction to the commencement of operations for a new school/center. The following table sets forth certain key information regarding our expansion plan to establish new schools or customized catering experience centers:

Segments and Brands	Expected number of new schools/customized catering experience centers to be established in the year ending December 31,			Expected total capital expenditure for new schools/customized catering experience centers to be established	Expected capital expenditure plan for a new school/customized catering experience center to be established
	2019	2020	2021	2019-2021	
				<i>RMB'000</i>	
New East	9	4	6	285,000	Approximately RMB10.0 million will be spent for the renovation cost of school facilities and RMB5.0 million for the procurement cost of educational equipment ⁽¹⁾
Omick	6	5	4	112,500	Approximately RMB5.0 million will be spent for the renovation cost of school facilities and RMB2.5 million for the procurement cost of educational equipment ⁽²⁾
Xinhua Internet	2	3	3	120,000	Approximately RMB10.0 million will be spent for the renovation cost of school facilities and RMB5.0 million for the procurement cost of educational equipment ⁽¹⁾
Wontone	3	3	3	135,000	Approximately RMB10.0 million will be spent for the renovation cost of school facilities and RMB5.0 million for the procurement cost of educational equipment ⁽¹⁾
Total	20	15	16	652,500	
Cuisine Academy	-	2	4	18,000	Approximately RMB2.0 million will be spent for the renovation cost of facilities and RMB1.0 million for the procurement cost of equipment ⁽³⁾

Note:

- (1) The capital expenditure of a new school under New East Culinary Education, Xinhua Internet Technology Education and Wontone Automotive Education is estimated based on the expected average students enrolled of approximately 1,000 to 1,500 per school after taking into account the average students enrolled at a school under such brands during the Track Record Period.
- (2) The capital expenditure of a new school under Omick Education of Western Cuisine and Pastry is estimated based on the expected average students enrolled of approximately 500 per school under development.
- (3) The capital expenditure of a new customized catering experience center under Cuisine Academy is estimated based on the expected average number of customers registered of approximately 200 per center under development.

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We expect to incur a total capital expenditure of approximately RMB670.5 million for the establishment of the proposed 51 new schools and six customized catering experience centers by the end of 2021. All of the 51 new schools and the six customized catering centers will be established on lands leased by us. Our capital expenditure will be primarily used for construction or interior decoration of our new schools or customized catering experience centers. We expect to primarily fund our expansions using the [REDACTED] of the [REDACTED], with the remainder to be financed by cash generated from our operations. The information relating to our expansion plans is prepared based on our management's present expectation, which is subject to various risks, assumptions and uncertainties. There is no assurance that our actual expansion will not deviate from our current expansion plans. In the interests of our Company and our Shareholders as a whole, our management will consider making various adjustments to our plans, including but not limited to, delaying or suspending our expansion and increasing our debt and/or equity financing if our working capital or business performance would be materially and adversely affected.

In addition, with a view to building our presence overseas and enhancing our brand recognition in the international vocational education market, we plan to expand our network abroad by establishing a vocational school in California, the United States. We have filed an application for our Xinhua Training School US to the BPPE to offer degree-granting programs on November 16, 2018. The approval process with the BPPE is expected to complete within approximately 12 months from the date of application. We expect to incur approximately RMB100 million, and we plan to fund our Xinhua Training School US with the proceeds of this [REDACTED]. We expect to incur approximately RMB50 million on purchases of land and fixed assets. The construction of our Xinhua Training School US is expected to commence in 2019 and complete in two years. We plan to commence recruiting students to Xinhua Training School US in 2021. As of the Latest Practicable Date, approximately US\$44,700 (HK\$350,877) had been incurred for this purpose.

We believe the self-operated model will ensure the quality of our education services provided and maintain our strong centralized and differentiated management approach. In the past, we have generally expanded by establishing new schools rather than acquiring targets. We may consider making potential acquisitions of vocational training schools in the future if such targets meet our criteria, although at present we do not have plans to acquire any specific number of schools. When selecting an acquisition target, we will consider a number of factors that include, among other things, the general economic and social condition in the local area in which a target school is located (including, among other things, adequate economic development in the local area, stable social order and security, and the development of medical institutions), the demand for the education we provide in such area, the level of government support in promoting vocational training education, reputation of the target, resource complementarity and the anticipated cost of any acquisition, as well as any potential tax implications and financial impact such acquisition may have on our Group. We currently have not identified any acquisition targets and therefore, had not yet determined the relevant capital expenditure, financing structure and expected timeframe.

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

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

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- (ii) we may acquire schools that have been registered as for-profit private schools. The consideration payable for such acquisition is expected to take into account the additional costs that may be involved in the for-profit private school registration process; and
- (iii) we may not be able to acquire any schools that have already been registered as non-profit private schools.

We currently do not consider that the implications above would have any material impact on our expansion strategy, except that the number of target schools available for our acquisition may be reduced by those that will be registered as a non-profit private school in the future.

Further, for some of our brands, we plan to expand to overseas market and enhance our brand recognition in the international vocational education industry. Specifically, we intend to seek potential opportunities to acquire or enter into partnerships with high-quality overseas private vocational training schools, which we believe will facilitate our entry into overseas markets, such as the United States, Europe and ASEAN countries which have high demand for quality vocational training education.

Continue to diversify and innovate our course offerings and curriculums

In the three industry sectors we currently operate in, namely, culinary arts, information technology and internet technology, as well as auto services, we plan to continue to expand and diversify our course offerings in response to industry trends and market demand. For example, New East Culinary Education is exploring new cuisine programs including Japanese and Korean cuisine, food nutrition and diet, dessert and western food, and hotel management programs. Xinhua Internet Technology Education intends to develop new programs in 3D modelling and printing, intelligent internet of things and new retail digital culture and creativity and Wontone Automotive Education intends to develop new programs in commercial automobile technologies, intelligence network for automobile, manufacture of industrial robots and cars, and welding.

We are also conducting research on potential new industry sectors that we may establish new schools in, with reference to the developments in market demand and anticipated future trends. For example, we are exploring the market for vocational training education in the service industry and new economy, such as beauty, AI, and healthcare. If, based on our research, we expect market demand for talent in certain industry sectors to grow in the foreseeable future, we will establish corresponding programs to capture opportunities presented by the market developments. We intend to leverage our management and teaching resources, scalable school network and strong brand recognition on the operation in new industry sectors and put them on a path of rapid development. We will apply the complete set of marketing and promotion strategies that we have developed to the new industry sectors. We will deploy managing personnel and teachers for general-purpose courses from our existing well-developed industry segment to work in the new industry sectors we may establish. For teachers of a particular major, we will hire professional talents from the market. In addition, we will equip advanced teaching facilities and design curriculums in accordance with the latest trend of the new industry sectors. We believe that our over 30 years experience in vocational training industry will help us form detailed development plans and react promptly to the changes in the market. Also, our highly scalable business model and centralized and standardized management approach will accelerate the process to establish new programs and ensure the quality of the future program offerings.

In addition, we plan to further diversify our course offerings to tailor them for students from different backgrounds and with different learning goals. We plan to offer more short-term programs for adult students who need more flexibility in their study schedule. Also, we intend to expand our collaboration with enterprises and offer more courses tailored to the specific needs of these enterprises. Moreover, we plan to establish certain study abroad programs.

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Further improve our practical training methods and facilities

We intend to further develop the research centers under our business departments and Schools, and establish research funds to ensure the continuous improvement of our teaching and research capability including strengthen our teaching and research team, standardize our teaching and research process and increase our investment in market and industry research, as well as establish more collaboration programs with industry-leading companies and further strengthen and expand our relationships with existing partners. We plan to set up more training centers and practical training studios in collaboration with our partners in various industry sectors based on their specific needs and requirements. In these collaborative training centers, we expect that our partners will provide support including operational platforms and software, and we will provide facilities and equipment. The content and process of the training programs will be established based on the relevant collaboration partner's business, standards and requirements.

In addition, we plan to continue to expand and improve our practical training methods and facilities. For example, our current practical training method of New East Culinary Education comprises of five steps in the following order: dish illustration, cooking demonstration, group practice, specific guidance during the group practice, and general review after the group practice. We equip our facilities according to the features of Chinese cuisine, western pastry and western food. For each of our programs, we plan to design and establish practical training studios based on its future workplace setting, and have instructors on hand to provide training and guidance to our students during simulated workplace scenarios. Through our practical training centers, we offer integrated vocational education to our students, where they learn theoretical knowledge and receive practical training at the same time.

We plan to closely monitor trends and new requirements in vocational education and capitalize on opportunities presented by industrial upgrades. As the private vocational education industry in China continues to develop, the PRC government promulgates new laws, rules and regulations from time to time, which may contain new requirements for our business and industry. Also, industrial upgrades occur as a result of technological developments, which may create new lines of businesses as well as demand for personnel with certain professional and technical skills. We intend to continue to adjust our course offerings including developing more concentrations under each program and improve our teaching methods and facilities to adapt to new requirements in our industry. With our experience, expertise, curriculum research and development capabilities, and our strong management and teaching teams, we believe that we are well-positioned to tailor our service offerings to capture growth opportunities in industrial upgrades.

Further emphasize our corporate social responsibility

We always put great emphasis on building our corporate social responsibility and believe that it is one of our competitive edges. We actively participate in well-known PRC government-organized projects to help poverty-stricken areas and support the reconstruction of disaster areas. In these projects, we contribute funding and other resources to support children from economically underdeveloped regions in order for them to receive a proper education. We plan to continue providing more financial aid to students in need, including tuition waivers, scholarships, and student loans. We also plan to continue participating in poverty alleviation programs organized by government agencies through offering free vocational skill training to unemployed workers and low-income residents of underdeveloped areas. We provided career advice services free of charge and recommended certain employment opportunities through our nationwide network of career services. Our efforts in helping economically disadvantaged groups improve their work skills and improve their chances of finding employment have been reported by various media. We intend to continue to participate in these or similar corporate social responsibility initiatives, including working closely with China Welfare

BUSINESS

Institute. Through such corporate social responsibility programs, we also enhance our reputation, brand image and influence.

OUR EDUCATIONAL PHILOSOPHY

Our fundamental educational philosophy is to “focus on practical skills training, combining theory with practice” (以技能教育為根本,知行合一). As a leading private vocational training education provider in China, we are committed to providing career-oriented education with a focus on practical skills training, as well as students’ all-round education. Our goal is to equip our students with applicable skills for employment and career development.

OUR BUSINESS SEGMENTS

Overview

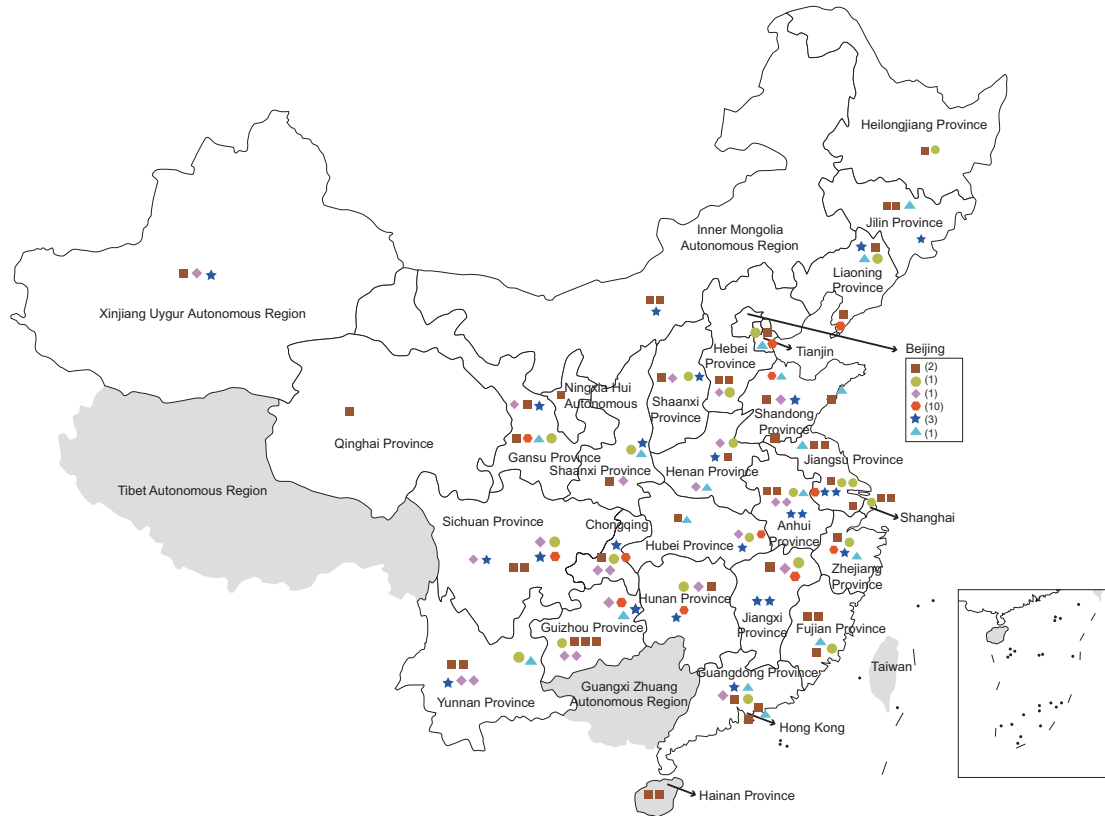
We primarily provide vocational training education in three segments, being culinary arts, information technology and auto services in China under our five renowned School brands, namely, New East Culinary Education, Omick Education of Western Cuisine and Pastry, Xinhua Internet Technology Education, Wisezone Data Technology Education and Wontone Automotive Education. We have a nationwide presence in 29 out of 31 provinces in the PRC and Hong Kong, with a network of 145 self-owned Schools and over 1.59 million sq.m. gross floor area as of December 31, 2018. As of December 31, 2018, we also provide secondary vocational education in 26 Schools we operate under New East Culinary Education, Xinhua Internet Technology Education and Wontone Automotive Education.

We operate most of our Schools and centers on premises leased from third parties, which we believe has reduced our capital commitments over the years and contributed to our ability to expand our school network in a time efficient manner. For the year ended December 31, 2018, our average students enrolled and average customers registered were 124,534. 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. Based on the current applicable PRC laws, regulations and the local Implementation Opinions, as well as the written/oral confirmations obtained by us from the relevant local authorities, our PRC Legal Advisors are of the view that after submission of all required application materials, there shall be no legal impediments for our 76 remaining Schools in the PRC to register as for-profit private schools once the relevant local Implementation Opinions are all issued and all the relevant local authorities begin to accept applications for such registration. The remaining 76 Schools in the PRC have been proactively coordinating with the relevant local authorities of MHRSS or education authorities on this matter, and will apply to register as for-profit private schools as soon as the Implementation Opinions are issued and local authorities begin to accept such application. From the end of the Track Record Period and up to the Latest Practicable Date, we have started operations of three new Schools. Among the three new Schools, two Schools have been established as for-profit private schools in the first place; as to the remaining one School established in Inner Mongolia, based on currently applicable PRC laws, regulations and the local Implementation Opinions issued by the government of Inner Mongolia, our PRC Legal Advisors are of the view that after submission of all the required application materials, there shall be no legal impediments for this School to register as a for-profit private school once the relevant local authorities begin to accept applications for such registration.

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As of December 31, 2018, we also operated 18 customized catering experience centers under Cuisine Academy, providing various culinary programs to customers who seek to develop their interests in cooking or plan to start their own businesses in catering industry.

The map below illustrates the geographic coverage of our Schools and centers in the PRC and Hong Kong as of December 31, 2018:



60 Schools
 Omick 23 Schools
 24 Schools
 WISEZONE 22 Schools
 26 Schools
 18 Centres

BUSINESS

The following table sets forth a breakdown of our revenue by segments and brands for the years indicated:

	Year ended December 31,					
	2016		2017		2018	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
CULINARY ARTS						
New East	1,432,112	61.3	1,738,743	61.0	1,900,126	58.2
Omick	—	—	74,838	2.6	213,256	6.5
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY						
Xinhua Internet	480,533	20.6	542,249	19.0	604,413	18.5
Wiszone	53,188	2.3	64,139	2.3	70,076	2.2
AUTO SERVICES						
Wontone	354,256	15.2	419,347	14.7	444,305	13.6
CUISINE ACADEMY⁽¹⁾	—	—	333	—	20,797	0.6
Other Miscellaneous Businesses⁽²⁾	15,641	0.6	10,516	0.4	11,991	0.4
Total⁽³⁾	<u>2,335,730</u>	<u>100</u>	<u>2,850,165</u>	<u>100</u>	<u>3,264,964</u>	<u>100</u>

Notes:

- (1) During the Track Record Period, revenue generated from Cuisine Academy mainly represents service fees we collected from customers who attended our customized catering experience programs.
- (2) Other miscellaneous businesses primarily include revenue from the internet technology solution and staff outsourcing services provided by Langjie Technology to Independent Third Parties.
- (3) The total revenue and percentages do not include inter-segment sales which are eliminated upon consolidation.

BUSINESS

The following table sets forth a breakdown of our revenue by segments and brands in terms of geographic regions for the years indicated:

	Geographic Region ⁽¹⁾	Year ended December 31,					
		2016		2017		2018	
		RMB'000	%	RMB'000	%	RMB'000	%
CULINARY ARTS							
New East	Northeastern China	78,022	5.4	111,643	6.5	124,226	6.5
	Northern China	161,629	11.3	212,397	12.2	212,788	11.2
	Eastern China	424,705	29.7	477,783	27.5	565,725	29.8
	Southern China	99,336	6.9	123,715	7.1	132,792	7.0
	Central China	197,294	13.8	258,200	14.8	296,062	15.6
	Northwestern China	123,278	8.6	150,207	8.6	160,024	8.4
	Southwestern China	347,848	24.3	404,798	23.3	408,509	21.5
Omick	Northeastern China	–	–	19,191	25.6	27,019	12.7
	Northern China	–	–	2,154	2.9	21,896	10.3
	Eastern China	–	–	50,559	67.6	87,505	41.0
	Southern China	–	–	315	0.4	9,851	4.6
	Central China	–	–	719	1.0	23,942	11.2
	Northwestern China	–	–	766	1.0	11,245	5.3
	Southwestern China	–	–	1,134	1.5	31,798	14.9
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY							
Xinhua	Northeastern China	–	–	–	–	–	–
	Northern China	58,131	12.1	75,449	13.9	92,756	15.3
	Eastern China	193,517	40.3	205,872	38.0	229,230	37.9
	Southern China	–	–	–	–	–	–
	Central China	55,450	11.5	66,598	12.3	80,145	13.3
	Northwestern China	33,254	6.9	32,492	6.0	41,118	6.8
	Southwestern China	140,181	29.2	161,838	29.8	161,164	26.7
Wisezone	Northeastern China	–	–	1	*	564	0.9
	Northern China	14,298	26.9	20,930	32.6	18,869	26.9
	Eastern China	10,827	20.4	15,643	24.4	19,675	28.1
	Southern China	–	–	–	–	–	–
	Central China	5,148	9.7	7,703	12.0	10,049	14.3
	Northwestern China	2,772	5.2	4,538	7.0	6,684	9.5
	Southwestern China	20,143	37.8	15,324	23.9	14,235	20.3
AUTO SERVICES							
Wontone	Northeastern China	–	–	1,278	0.3	8,242	1.9
	Northern China	19,081	5.4	25,527	6.1	33,084	7.4
	Eastern China	138,323	39.0	167,745	40.0	152,732	34.4
	Southern China	39,550	11.2	45,071	10.7	47,010	10.6
	Central China	67,007	18.9	80,172	19.1	94,907	21.4
	Northwestern China	18,562	5.3	21,163	5.1	29,077	6.5
	Southwestern China	71,733	20.2	78,391	18.7	79,253	17.8

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	Geographic Region ⁽¹⁾	Year ended December 31,					
		2016		2017		2018	
		RMB'000	%	RMB'000	%	RMB'000	%
CULINARY ARTS CUISINE ACADEMY							
	Northeastern China	-	-	23	6.9	3,281	15.8
	Northern China	-	-	45	13.5	1,672	8.0
	Eastern China	-	-	-	-	4,871	23.4
	Southern China	-	-	265	79.6	2,098	10.1
	Central China	-	-	-	-	3,165	15.2
	Northwestern China	-	-	-	-	2,238	10.8
	Southwestern China	-	-	-	-	3,472	16.7
Others							
	Northeastern China	-	-	-	-	-	-
	Northern China	688	4.4	430	4.1	1,391	11.6
	Eastern China	14,593	95.6	10,086	95.9	10,600	88.4
	Southern China	-	-	-	-	-	-
	Central China	-	-	-	-	-	-
	Northwestern China	-	-	-	-	-	-
	Southwestern China	-	-	-	-	-	-
Total		2,335,730		2,850,165		3,264,964	

Notes:

- (1) For illustration purpose, mainland China and Hong Kong are divided into seven geographic regions:
- | | |
|--------------------|--|
| Northeastern China | Heilongjiang province, Jilin province and Liaoning province. |
| Eastern China | Shanghai, Jiangsu province, Zhejiang province, Anhui province, Fujian province, Jiangxi province and Shandong province. |
| Northern China | Beijing, Tianjin, Shanxi province, Hebei province and Inner Mongolia Autonomous Region. |
| Central China | Henan province, Hubei province and Hunan province. |
| Southern China | Guangdong province, Guangxi Zhuang Autonomous Region, Hainan province and Hong Kong. |
| Southwestern China | Chongqing, Sichuan province, Guizhou province, Yunnan province and Tibet Autonomous Region. |
| Northwestern China | Shaanxi province, Gansu province, Qinghai province, Ningxia Hui Autonomous Region and Xinjiang Uyghur Autonomous Region. |

- (2) "*" represents a percentage less than 0.1.

BUSINESS

The following table sets forth the average students enrolled in our long-term programs and short-term programs at our Schools by brand and the average number of customers registered in Cuisine Academy for the years indicated:

<u>Segments and Brands</u>	<u>Average Students Enrolled⁽¹⁾</u>	<u>Year ended December 31,</u>		
		<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>CULINARY ARTS</u>				
New East	Long-term	54,846	64,549	64,376
	— One to less than two years	9,210	9,252	7,596
	— Two to less than three years	43,670	51,609	50,496
	— Three years	1,966	3,688	6,284
	Short-term ⁽²⁾	7,276	6,631	4,765
	Subtotal	62,122	71,180	69,141⁽³⁾
Omick	Short-term ⁽²⁾	—	1,114	3,106
	Subtotal	—	1,114	3,106
<u>INFORMATION</u>				
<u>TECHNOLOGY AND</u>				
<u>INTERNET</u>				
<u>TECHNOLOGY</u>				
Xinhua Internet	Long-term	22,798	24,234	30,356
	— One to less than two years	809	950	1,189
	— Two to less than three years	15,624	14,840	16,087
	— Three years	6,365	8,444	13,080
	Short-term ⁽²⁾	966	747	667
	Subtotal	23,764	24,981	31,023
Wisezone	Short-term ⁽²⁾	1,138	1,165	1,364
	Subtotal	1,138	1,165	1,364
<u>AUTO SERVICES</u>				
Wontone	Long-term	16,693	16,347	17,511
	— One to less than two years	2,802	2,241	2,653
	— Two to less than three years	10,748	10,169	10,055
	— Three years	3,143	3,937	4,803
	Short-term ⁽²⁾	1,378	1,753	1,812
	Subtotal	18,071	18,100	19,323

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Segments and Brands	Average Students Enrolled ⁽¹⁾	Year ended December 31,		
		2016	2017	2018
Total	Long-term	94,337	105,130	112,243
	— One to less than two years	12,821	12,443	11,438
	— Two to less than three years	70,042	76,618	76,638
	— Three years	11,474	16,069	24,167
	Short-term ⁽²⁾	10,758	11,410	11,714
	Total	105,095	116,540	123,957
Cuisine Academy	Average number of customers registered⁽⁴⁾	—	63	577

Notes:

- (1) As our Schools provide various vocational training education programs during a year and the course length and the program commencement date varies for our different long-term and short-term programs, we believe that the average students enrolled is a measure that is comparable to that of our competitors and therefore can fairly present our ranking and market position in the industry. Our average students enrolled for a year is only an approximation, representing the sum of the number of students enrolled at our operating Schools at the end of each month divided by the number of months during such period without taking into account any transfer or withdrawal. See "Business — Pricing Policy — Student/Customer Withdrawal and Refund Policy" for more information.
- (2) The average students enrolled of short-term programs include students enrolled in programs shorter than one month which are regarded as one-month programs for the calculation. The total of average students enrolled and average number of customers registered in programs for one month or shorter for the year ended December 31, 2018 is 2,797.
- (3) The average students enrolled under New East Culinary Education decreased from 71,180 for the year ended December 31, 2017 to 69,141 for the year ended December 31, 2018 is primarily due to a decrease in average students enrolled of short-term programs. For the decrease in short-term programs, it was because the number of students enrolled of short-term programs longer than three months decreased which resulted a decrease in average students as it was calculated on an annualized basis.
- (4) Our average number of customers registered for a year represents the sum of the number of customers registered at Cuisine Academy at the end of each month divided by the number of months during such period during such period, without taking into account any withdrawal.

BUSINESS

The following table sets forth a breakdown of our average students enrolled by segments and brands in terms of geographic regions for the years indicated:

		Year ended December 31,		
		2016	2017	2018
CULINARY ARTS				
New East	Northeastern China	3,204	3,840	4,003
	Northern China	6,991	8,749	8,620
	Eastern China	16,988	19,341	19,443
	Southern China	3,660	4,252	4,290
	Central China	8,324	10,328	10,462
	Northwestern China	5,828	6,544	6,184
	Southwestern China	17,127	18,126	16,139 ⁽¹⁾
	Subtotal	62,122	71,180	69,141
Omick	Northeastern China	—	319	391
	Northern China	—	35	301
	Eastern China	—	616	1,240
	Southern China	—	17	136
	Central China	—	44	363
	Northwestern China	—	48	178
	Southwestern China	—	35	497
	Subtotal	—	1,114	3,106
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY				
Xinhua Internet	Northeastern China	—	—	—
	Northern China	3,011	3,654	5,118
	Eastern China	8,919	9,306	11,103
	Southern China	—	—	—
	Central China	2,761	3,103	4,504
	Northwestern China	1,346	1,175	1,400
	Southwestern China	7,727	7,743	8,898
Subtotal	23,764	24,981	31,023	

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		Year ended December 31,		
		2016	2017	2018
Geographic Region				
Wisezone	Northeastern China	—	1	19
	Northern China	191	222	206
	Eastern China	279	355	453
	Southern China	—	—	—
	Central China	146	194	203
	Northwestern China	81	96	173
	Southwestern China	441	297	310
	Subtotal	1,138	1,165	1,364
AUTO SERVICES				
Wontone	Northeastern China	—	88	370
	Northern China	1,077	1,037	1,209
	Eastern China	6,762	6,705	6,623
	Southern China	1,782	1,990	1,942
	Central China	3,243	3,600	4,042
	Northwestern China	1,046	1,072	1,385
	Southwestern China	4,161	3,608	3,752
	Subtotal	18,071	18,100	19,323
Total	105,095	116,540	123,957	
CUISINE ACADEMY				
	Northeastern China	—	6	69
	Northern China	—	4	45
	Eastern China	—	2	184
	Southern China	—	43	36
	Central China	—	—	90
	Northwestern China	—	—	59
	Southwestern China	—	8	94
Subtotal		—	63	577

Note:

- (1) The average students enrolled in Southwestern China of New East Culinary Education decreased from 18,126 for the year ended December 31, 2017 to 16,139 for the year ended December 31, 2018 is primarily due to a decrease in average students enrolled in Schools located in Yunnan, Chengdu and Chongqing.

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The following table sets forth the new student enrollment in our long-term programs and short-term programs at our Schools by brand and number of new customers registered of Cuisine Academy for the years indicated:

Segments and Brands	New Student Enrollment ⁽¹⁾	Year ended December 31,		
		2016	2017	2018
<u>CULINARY ARTS</u>				
New East	Long-term	38,645	40,929	35,939
	— One to less than two years	9,350	8,669	7,274
	— Two to less than three years	27,001	28,725	23,310
	— Three years	2,294	3,535	5,355
	Short-term	26,661	31,013	35,396
	Subtotal	65,306	71,942	71,335
Omick	Short-term	—	2,788	9,180
	Subtotal	—	2,788	9,180
<u>INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY</u>				
Xinhua Internet	Long-term	14,409	15,815	21,380
	— One to less than two years	633	1,103	1,203
	— Two to less than three years	8,664	8,203	11,064
	— Three years	5,112	6,509	9,113
	Short-term	2,834	3,554	3,035
	Subtotal	17,243	19,369	24,415
Wisezone	Short-term	3,465	3,573	4,558
	Subtotal	3,465	3,573	4,558
<u>AUTO SERVICES</u>				
Wontone	Long-term	9,805	9,685	11,780
	— One to less than two years	2,436	2,340	2,291
	— Two to less than three years	5,179	5,254	5,604
	— Three years	2,190	2,091	3,885
	Short-term	4,644	6,518	8,483
	Subtotal	14,449	16,203	20,263
Total	Long-term	62,859	66,429	69,099
	— One to less than two years	12,419	12,112	10,768
	— Two to less than three years	40,844	42,182	39,978
	— Three years	9,596	12,135	18,353
	Short-term	37,604	47,446	60,652
	Total	100,463	113,875	129,751
Cuisine Academy⁽²⁾	Number of new customers registered	—	146	5,778

BUSINESS

Notes:

- (1) New student enrollment represents the total number of students newly enrolled at our operating schools in a certain period. We use new student enrollment to reflect our ability of student recruitment and the popularity of our programs.
- (2) We commenced operations of Cuisine Academy in 2017. Number of new customers represent the total number of new customers attending our customized catering experience programs of Cuisine Academy in a certain period.

The following table sets forth a breakdown of our new student enrollment by segments and brands in terms of geographic regions for the years indicated:

		<u>Year ended December 31,</u>		
		<u>2016</u>	<u>2017</u>	<u>2018</u>
CULINARY ARTS				
New East	Northeastern China	4,011	4,687	5,433
	Northern China	7,236	8,614	8,625
	Eastern China	19,750	20,861	20,371
	Southern China	3,668	4,567	4,955
	Central China	8,166	9,132	9,275
	Northwestern China	5,661	5,923	5,516
	Southwestern China	16,814	18,158	17,160
	Subtotal	65,306	71,942	71,335
Omick	Northeastern China	—	636	757
	Northern China	—	454	952
	Eastern China	—	1,439	3,846
	Southern China	—	30	432
	Central China	—	69	1,056
	Northwestern China	—	71	549
	Southwestern China	—	89	1,588
	Subtotal	—	2,788	9,180
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY				
Xinhua Internet	Northeastern China	—	—	—
	Northern China	2,429	3,032	3,834
	Eastern China	5,832	6,746	8,470
	Southern China	—	—	—
	Central China	2,181	2,911	4,418
	Northwestern China	984	898	1,381
	Southwestern China	5,817	5,782	6,312
	Subtotal	17,243	19,369	24,415

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		Year ended December 31,		
		2016	2017	2018
Geographic Region				
Wisezone	Northeastern China	—	1	64
	Northern China	517	678	700
	Eastern China	943	1,116	1,515
	Southern China	—	—	—
	Central China	436	592	668
	Northwestern China	206	284	469
	Southwestern China	1,363	902	1,142
	Subtotal	3,465	3,573	4,558
 AUTO SERVICES				
Wontone	Northeastern China	—	208	753
	Northern China	869	1,151	1,786
	Eastern China	6,123	5,829	6,177
	Southern China	1,680	1,796	1,899
	Central China	2,697	3,498	3,742
	Northwestern China	720	950	1,780
	Southwestern China	2,360	2,771	4,126
	Subtotal	14,449	16,203	20,263
Total	100,463	113,875	129,751	
 CUISINE ACADEMY				
	Northeastern China	—	5	780
	Northern China	—	5	357
	Eastern China	—	2	1,382
	Southern China	—	117	400
	Central China	—	—	806
	Northwestern China	—	—	1,106
	Southwestern China	—	17	947
Subtotal	—	146	5,778	

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Due to the different income and consumption levels in different areas of China, the indicative tuition and service fee rates we charge, which are approved by our Group, vary across geographical markets. The large fee ranges were due to various reasons, including differences in the local economy across China and differences in our program offerings. Certain of our long-term programs are designed to provide our students with extensive training and have higher tuition rates because of the cost of the teaching and training resources we dedicated to such programs. The following table sets forth ranges of our tuition rates under each school brand and service fee rates of Cuisine Academy for the years indicated:

Segments and Brands	Program	Tuition/Service fee		
		2016 ⁽¹⁾	2017 ⁽¹⁾	2018 ⁽¹⁾
<i>(RMB/per year for long-term programs, RMB/per program for short-term programs)</i>				
CULINARY ARTS				
New East	Long-term	10,400-34,500	11,400-36,800	5,600-76,000
	Short-term ⁽²⁾	1,200-18,100	1,200-58,000 ⁽³⁾	800-58,000 ⁽³⁾
Omick	Short-term ⁽²⁾	—	9,000-47,000	5,000-50,000
INFORMATION				
TECHNOLOGY AND				
INTERNET				
TECHNOLOGY				
Xinhua Internet	Long-term	5,980-35,800	6,680-39,800	6,680-37,800 ⁽⁴⁾
	Short-term ⁽²⁾	1,900-22,590	880-28,800	800-29,300
Wisezone	Short-term ⁽²⁾	2,000-14,800	2,000-29,800	999-26,800
AUTO SERVICES				
Wontone	Long-term	12,800-36,800	6,680-38,500	4,800-38,500
	Short-term ⁽²⁾	680-32,600	680-37,400	800-37,400
Cuisine Academy ⁽⁵⁾	Customized catering experience program	—	360-16,000	1,980-18,800

Notes:

- (1) We charge tuition to students enrolled at our schools. Tuition of our long-term programs are typically charged based on the yearly tuition standards of different programs that students enrolled in such year.
- (2) Tuition of our short-term programs are typically charged by each program that students enrolled in.
- (3) Service fee of our HK New Oriental generally ranged from HKD500 to HKD27,500 in 2017 and from HKD580 to HKD28,500 in 2018.
- (4) The high-end of the tuition we charged for the long-term programs of Xinhua Internet decreased from RMB39,800 to RMB37,800 from 2017 to 2018 mainly because we ceased to offer the course of Visual Communication Design which charged RMB39,800 per year in 2018 as the results of student enrollment in such course did not meet our expectations.
- (5) We typically charge customers service fees by each program they registered in Cuisine Academy.

BUSINESS

The following table sets forth the average tuition and service fees per student/customer of our Schools/customized catering experience center by brand for the years indicated:

<u>Segments and Brands</u>	Average Tuition/Service Fee Per Student/Customer⁽¹⁾		
	Year ended December 31,		
	2016	2017	2018
	<i>(RMB'000)</i>		
CULINARY ARTS			
<u>New East</u>	<u>23.1</u>	<u>24.4</u>	<u>27.5</u>
<u>Omick</u>	<u>—</u>	<u>67.2</u>	<u>68.7</u>
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY			
<u>Xinhua Internet</u>	<u>20.2</u>	<u>21.7</u>	<u>19.5</u>
<u>Wisezone</u>	<u>46.7</u>	<u>55.1</u>	<u>51.4</u>
AUTO SERVICES			
<u>Wontone</u>	<u>19.6</u>	<u>23.2</u>	<u>23.0</u>
<u>Cuisine Academy</u>	<u>—</u>	<u>5.3</u>	<u>36.0⁽²⁾</u>

Note:

- (1) For illustration purposes, the average tuition/service fee revenue per student/customer for the years ended December 31, 2016, 2017 and 2018 is calculated as revenue generated from tuition or service fees for a year divided by the average students enrolled/average number of customers registered in the corresponding year.
- (2) The average service fee per customer of Cuisine Academy increased from RMB5,300 for the year ended December 31, 2017 to RMB36,000 for the year ended December 31, 2018 was primarily because we provided experience courses lasting for one to two days and charged service fees for about RMB300 to RMB500 per customer when we just commenced operations in 2017. The customer registered for the experience courses were calculated into the average number of customers registered of Cuisine Academy in 2017 as the experience courses are regarded as one-month programs for such calculation. With the evolving development of our customer base, we could attract more customers to register for our short-term programs which charged higher service fees in 2018.

We typically charge our students tuition. Our tuition charged generally include fees for our boarding services if such boarding is available at specific Schools. We have on-campus dormitories, canteens and other facilities at most of our Schools offering long-term programs. We believe providing our students, especially students aged between 15 and 21 years old from rural areas, with on-campus boarding services will help them concentrate on their studies and practical training and enhance their peer interactions. For customers registered in customized catering experience program in Cuisine Academy, we charge them service fees. See "— Pricing Policy" in this section for details.

BUSINESS

The following table sets forth (i) the classroom capacity and classroom utilization rate of our Schools under each school brand; and (ii) the customized catering experience center capacity and utilization rate of Cuisine Academy for the years indicated:

As of/for the year ended December 31, 2018

	Range of Capacity	Number of Schools/ Centers	Utilization Rate ⁽¹⁾	Number of Schools/ Centers	Utilization Rate ⁽¹⁾	Number of Schools/ Centers	Utilization Rate ⁽¹⁾	Number of Schools/ Centers	Utilization Rate ⁽¹⁾	School brand Average Utilization Rate ⁽²⁾
	(Estimated)		%		%		%		%	%
CULINARY ARTS										
New East	500-8,572 ⁽³⁾	6	31.5-49.3 ⁽⁴⁾	32	50.0-100.0	4	100.0 ⁽⁶⁾	7	N/A ⁽⁷⁾	74.5
Omick.	136-831	1	47.6 ⁽⁴⁾	1	50.0-100.0	1	100.0 ⁽⁶⁾	20	N/A ⁽⁷⁾	63.1
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY										
Xinhua Internet	205-5,000	2	22.9-44.2 ⁽⁴⁾	11	50.0-100.0	6	100.0 ⁽⁶⁾	5	N/A ⁽⁷⁾	95.4
Wisezone	134-457	16	31.08-38.4 ⁽⁴⁾	-	50.0-100.0	-	100.0 ⁽⁶⁾	6	N/A ⁽⁷⁾	24.6
AUTO SERVICES										
Wontone	782-5,340	2	40.6 ⁽⁴⁾⁽⁵⁾	12	50.0-100.0	-	100.0 ⁽⁶⁾	12	N/A ⁽⁷⁾	60.9
CUISINE ACADEMY										
	62-220	-	-	-	-	-	-	18	N/A ⁽⁷⁾	N/A ⁽⁷⁾

Notes:

(1) Classroom utilization rates presented in the above table are ranges for all Schools under each of our five school brands. The classroom utilization rate of a School for a certain year is calculated by the annualized student enrollment of the School for the year divided by the classroom seats that School has as of the ending date of the same year. According to the Frost & Sullivan Report, such calculation method is in line with industry practices.

The number of classroom seats used in the calculation of utilization rates in the above table has been determined based on the following: (i) an estimate of the number of students in a class of such specification that would generally be using such classroom, workshop or practical training studio based on our past experience; (ii) when estimating the capacity of each School, we take into account all types of classrooms, including workshops and practical training studios; and (iii) most of our students under New East, Omick, Xinhua Internet, Wisezone and Wontone attend our Schools on a full-day basis (namely they are in school for at least six hours per day).

(2) Total utilization rate of a brand/segment for the year is calculated by the average students enrolled of the brand/segment for the year divided by the classroom seats that brand has as of the ending date of the year. Such calculation excludes these Schools of our five school brands started to admit students from January 1, 2017 to December 31, 2018, and centers under our Cuisine Academy commenced operations from September 2017.

(3) HK New Oriental is not included in the statistics because it mainly offers courses that are charged on a per-time basis which is different from other Schools of our Group.

(4) Classroom utilization rates under 50% primarily because these Schools have expanded new campuses in 2018. Other than the aforesaid reason, the classroom utilization rates of many Schools under Wisezone Data Technology Education are under 50%, primarily because Wisezone Data Technology Education started to admit students in 2016 and was still in the ramp-up periods.

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- (5) These two Schools under Wontone Automotive Education share the same campus in Anhui province.
- (6) Classroom utilization rates for some Schools are above 100% because the average students enrolled in certain Schools exceed the school capacity under normal circumstances as a result of the high popularity of certain school programs.
- (7) These (i) Schools of our five school brands started to admit students from January 1, 2017 to December 31, 2018, and (ii) centers under our Cuisine Academy commenced operations from September 2017, all of which were still in their initial ramp-up periods with limited student enrollments or customer registration. Therefore, presentation of the utilization rates of these Schools or centers are not meaningful.

The following table sets forth (i) the geographic coverage of our Schools or customized catering experience centers; (ii) the number of Schools or centers; and (iii) the number of programs under each of our business segments as of December 31, 2018:

Segments and Brands	Geographic coverage	Number of Schools/ Centers in operation	Number of programs	
			Long-term	Short-term
CULINARY ARTS				
New East	Sichuan, Yunnan, Guizhou, Xinjiang, Ningxia, Gansu, Qinghai, Shaanxi, Inner Mongolia, Shanxi, Hunan, Hubei, Jiangxi, Guangdong, Anhui, Henan, Hebei, Shandong, Jiangsu, Zhejiang, Fujian, Liaoning, Jilin, Heilongjiang, Hainan, Beijing, Shanghai, Tianjin, Chongqing, Hong Kong	50	12	149
Omick	Beijing, Shanghai, Liaoning, Jiangsu, Sichuan, Yunnan, Zhejiang, Shanxi, Jiangxi, Fujian, Hebei, Shaanxi, Henan, Guangdong, Chongqing, Hubei, Guizhou, Anhui, Heilongjiang, Hunan, Tianjin, Gansu	23	–	8
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY				
Xinhua Internet	Anhui, Beijing, Shandong, Shaanxi, Shanxi, Hebei, Henan, Jiangsu, Hubei, Jiangxi, Hunan, Yunnan, Guizhou, Chongqing, Sichuan, Xinjiang, Gansu	24	13	9
Wiszone	Beijing, Chongqing, Tianjin, Anhui, Sichuan, Guangdong, Guizhou, Zhejiang, Hebei, Henan, Hunan, Shandong, Yunnan, Jiangxi, Jiangsu, Shaanxi, Shanxi, Hubei, Liaoning, Fujian, Gansu	22	–	16

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Segments and Brands	Geographic coverage	Number of Schools/ Centers in operation	Number of programs	
			Long-term	Short-term
AUTO SERVICES				
Wontone	Beijing, Chongqing, Jilin, Liaoning, Xinjiang, Gansu, Inner Mongolia, Henan, Jiangsu, Shanxi, Shaanxi, Shandong, Sichuan, Anhui, Hubei, Hunan, Jiangxi, Zhejiang, Guangdong, Guizhou, Yunnan	26	7	36
CUISINE ACADEMY . . .	Guangdong, Guizhou, Zhejiang, Anhui, Henan, Hubei, Jilin, Shandong, Yunnan, Gansu, Liaoning, Shanxi, Tianjin, Jiangsu	18	-	31

Notes:

- (1) Among the 50 Schools under New East Culinary Education, four are secondary vocational Schools and seven are technical Schools.
- (2) Among the 24 Schools under Xinhua Internet Technology Education, five are secondary vocational Schools and four are technical Schools.
- (3) Among the 26 Schools under Wontone Automotive Education, six are technical Schools.

As of December 31, 2018, we operated 18 customized catering experience centers under Cuisine Academy across 14 provinces in China. As of the same date, we had 31 customized program offerings for not more than two months to customers who seek to develop their interests in cooking or plan to start their own businesses in catering industry.

OUR CULINARY ARTS SCHOOLS

New East Culinary Education

Since its inception, New East Culinary Education has been providing comprehensive culinary training programs to students who pursue a career in becoming professional chefs. New East Culinary Education seeks to carry on and promote the richness of Chinese food culture. Adhering to the educational philosophy “training excellent chefs with a compilation of famous cuisines all over the world” (匯集天下名菜, 培養廚師精英), we teach our students cooking traditions and practices of popular Chinese cuisines, including but not limited to the well-known and widely recognized eight regional cuisines, being the cuisines of Sichuan, Hunan, Guangdong, Anhui, Shandong, Jiangsu, Fujian and Zhejiang, supported by an integration of classic Chinese and Western culinary skills. As of the Latest Practicable Date, we operated 52 Schools under our New East Culinary Education in 29 out of 31 provinces in the PRC and Hong Kong. For the year ended December 31, 2018, we had an average students enrolled of 69,141 and a total of 71,335 new student enrollment under the brand of New East Culinary Education.

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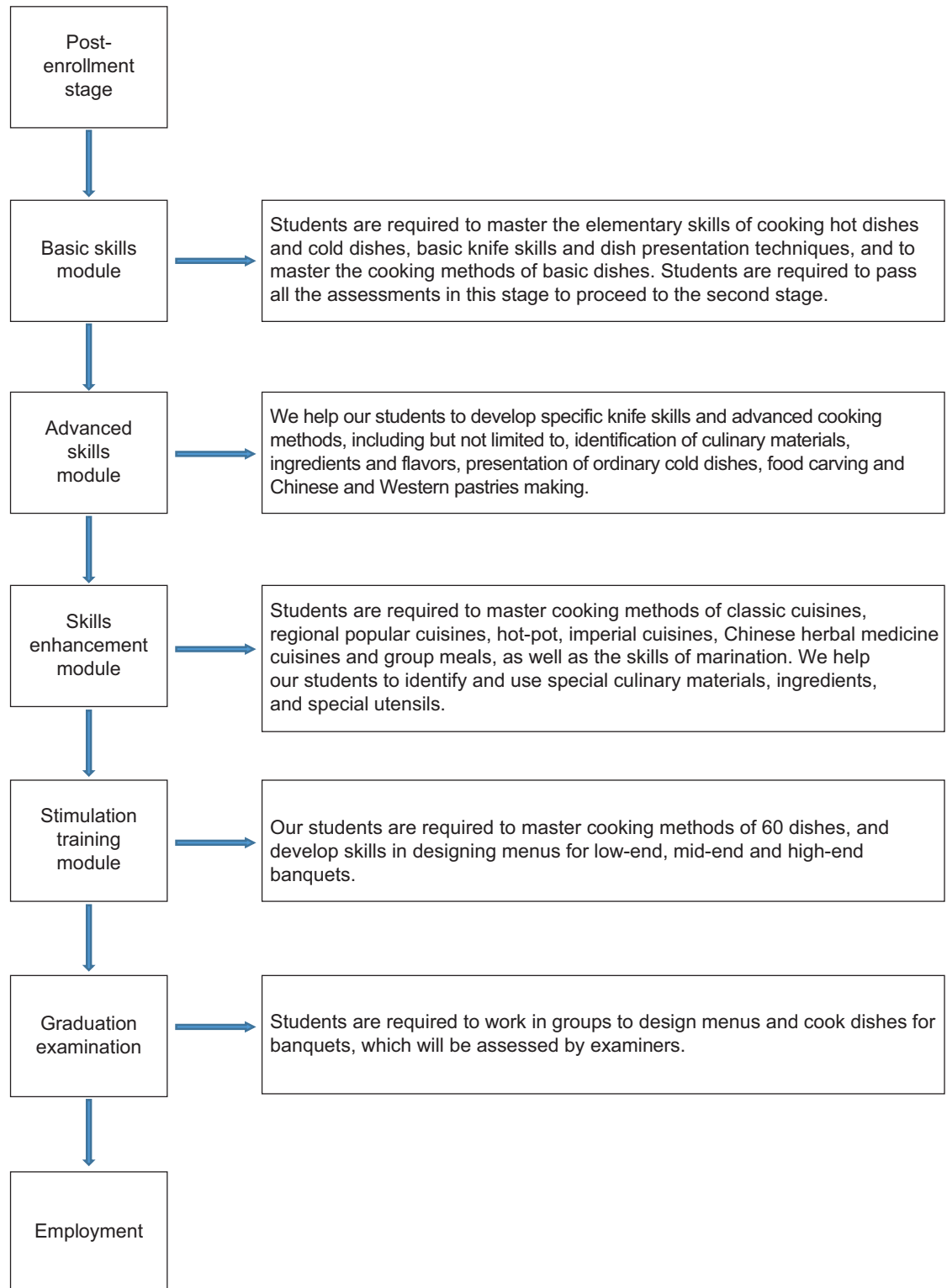
New East Culinary Education is a reputable brand in China. Together with our Omick Education of Western Cuisine and Pastry, our culinary vocational education services ranked first among vocational education service providers in China in the culinary vocational education sector in terms of revenue and average students enrolled for the year ended December 31, 2017, according to the Frost & Sullivan Report.

Program and Curriculum Offerings

Each of our Schools under New East Culinary Education offers various culinary training programs with different program lengths, mostly ranging from one to three years, to meet students' various learning focuses and demands. We also have short-term programs with flexible schedules, mostly ranging from one to six months, as well as weekend programs for people seeking to develop specific cooking skills in a short period of time. Our unique major offerings primarily include premium executive chef, golden collar chef, elite chef, culinary elite, western cuisine chef and fashionable Western pastry. We also have international exchange programs, such as a study tour program with a public professional training institution in the Australia, to broaden our students' horizon and increase their chances to find international employment that commands higher pay. We have adopted various teaching methods to keep in line with the evolving trends in the catering industry and the needs of the catering market, and we have developed unique teaching methods, including, among others, five steps training method, modular teaching method and theory and practice integration teaching mode. During the classes, our experienced teachers will provide one-on-one tutoring and hands-on teaching, focusing on developing the students' practical skills, technical knowledge and professionalism. At the same time, through our school-enterprise cooperation programs, New East Culinary Education has established close cooperation with various enterprises, which creates more employment opportunities for students after graduation. Furthermore, we regularly conduct market researches to optimize our program offerings. For example, we are developing a new major, the "head chef program", which is designed to provide comprehensive theoretical courses, practical training and career guidance services to students who seeks to advance his or her career in the food catering industry.

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Most of our culinary vocational education programs include a large segment of simulation training. Taking our golden collar chef program as an example, the following flow chart illustrates the course arrangement of the program:



BUSINESS

Long-term Programs

Our long-term programs, including both vocational training education programs and secondary vocational education programs, are designed to provide our students with extensive culinary training and to equip them with essential cooking skills for becoming a professional chef. Our long-term programs under New East Culinary Education typically have a duration of two or three years. We primarily offer three majors for our three-year programs and four majors for our two-year programs, all of which are developed with an aim to training "golden collar chefs" skilled in traditional Chinese cuisines or Western cuisines. For the three-year "golden collar chef" program, we provide well-rounded culinary training, including fundamental cooking skills, kitchen management, nutrition and hygiene management, identification of cooking ingredients, knife skills, dough modeling, sugar pulling, dish presentation techniques and skills in cooking a variety of Chinese cuisines and Western cuisines. For the western patisserie program, we offer a wide range of courses for developing skills in making dessert and pastries, such as cake making and decoration, bread baking and patisserie making techniques. In addition, we have also developed new courses such as the nutritionist course, the administrative cook course and the Chinese herbal medicine cuisine course to meet the increasing demand in the market for healthy cuisine with high quality. Our target students for long term programs are middle school graduates aged between 15 and 21 years old, who decide to enroll in long-term vocational education programs to improve their employment prospects. We encourage our students to obtain industry certificates before the completion of study to increase their competitiveness in the job market.

Short-term Programs

We also offer short-term programs to students who have already had professional cooking skills and seek to enhance their technique or students who wish to study specific types of cuisines or cooking methods and techniques. We currently offer a total of 149 different short-term programs with flexible schedules in our various Schools under our New East Culinary Education. Our short-term programs primarily include, among others, culinary carving, dish presentation, Chinese pastry making, Chinese appetizers, Teppanyaki grill techniques as well as culinary training for particular local cuisines, such as Sichuan cuisines, Hunan cuisines and Cantonese cuisines.

Workplace Simulation Training

We strive to provide our students with a simulated work environment and ensure that our students have sufficient practical training so that they are able to acquire critical knowledge and skills which can be immediately applied to workplaces after graduation and achieve a seamless transition from schools to workplaces. The practical training is implemented throughout the duration of most of our courses. We have built practical training studios, which creates restaurant-like environment on each campus of our Schools under New East Culinary Education, allowing students to take part in hands-on training sessions. Our Schools are equipped with various advanced teaching facilities, including modern designed, advanced simulation kitchens, which are all equipped with stainless stoves, ovens, and utensils. In addition, in order to provide our students with the best practical training platform, we have built, among others, the cutting and pot-turning skills practice hall, the appetizer dish presentation skills hall and the pastry practice hall in our training studios to accommodate different course concentrations. We believe our advanced teaching facilities have increased our students' competitiveness in the job market by training them in a simulated workplace environment so that they will be likely to have a seamless transition after being employed.

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The following pictures illustrate certain practical training studios under our New East Culinary Education Schools:



Note: The upper left picture illustrates the simulation restaurant of our New East Culinary Education School in Shijiazhuang, Hebei province. The upper right picture illustrates the training studio of cake decoration of our New East Culinary Education School in Jinan, Shandong province. The bottom left picture illustrates the culinary training studio of New East Culinary Education School in Zhengzhou, Henan province. The bottom right picture illustrates the main course training studio of our New East Culinary Education School in Yinchuan, Ningxia province.

School-enterprise Cooperation

We believe that helping our students gain employment is a key part of our Schools' operation as high quality graduate employment is of vital importance to our sustainable development and future success. With a view to providing satisfactory jobs to our students, Schools under New East Culinary Education have cooperated with a wide range of hotels and restaurant chains in China, including, among others, Hilton Garden Hotel in Guizhou, Hefei Crowne Plaza Hotel, Grandma's Home, Shanghai Aisi Bixi, Wowprime (China) Catering Co., Ltd., Xiabu Xiabu, Shandong Camry Catering Group, Shenzhen Gantang Mingshan Catering Co., Ltd., Xi'an Yikang Catering Management Group Co., Ltd., Beijing Shotamuni Catering Co., Ltd., Shanghai Akasakatei Catering Investment Co., Ltd., Wangshunge (Beijing) Investment Management Co., Ltd., Shanghai Bifengtang Food Co., Ltd., Yunhaiyao (Beijing) Catering Management Co., Ltd., Jiangsu Chef Queen Catering Management Co., Ltd. and Wangxiangyuan (Shanghai) Catering Management Co., Ltd. and various local enterprise partners, including restaurants, bakeries, and grocery stores. As of December 31, 2018, we have established 388 employer-tailored training programs which provide students with employment opportunities if they successfully pass our assessments.

For the year ended December 31, 2018, the recommended employment rate of our long-term program graduates under New East Culinary Education was 93.2%. We believe we are able to achieve a high employment rate for our students, primarily owing to our carefully designed culinary training programs, our employment-oriented training approach, the recognition of our high-quality education in the industry, and the cooperation that we have established with prospective employers.

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Grade and Assessment

Students are eligible to obtain a certificate of completion awarded by our Schools after they successfully complete the relevant courses and pass various assessments under each program. Typically, students are required to pass assessments for each course section to proceed to the next level and eventually complete the training. Prior to the completion, we require each student to take a final assessment with an emphasis on testing students' ability to apply the training received to workplace practices. We also encourage our students to obtain professional qualifications to further improve their employability. For students enrolled in secondary vocational education courses under New East Culinary Education, our Schools will award them secondary vocational education diplomas recognized by competent government authorities upon their completion of the relevant courses. For the school-enterprise cooperation programs, we allow those enterprises cooperating with us to set up their own standards of assessment in order to fulfil the objectives of such programs.

Omick Education of Western Cuisine and Pastry

We founded Omick Education of Western Cuisine and Pastry in 2016 to offer high-quality western-style catering education, which is committed to providing specialized culinary training to students with a focus on western pastry and western food. Our Omick brand's motto is "striving for excellence is a master's lifetime pursuit" (大師之道,精益求精). We offer a variety of courses, including baking, desserts, western cuisines, bartending, and coffee workshops with program lengths ranging from 80 class hours to 1,200 class hours. As of the Latest Practicable Date, we operated 24 Schools under the brand of Omick Western Catering across 22 provinces in the PRC. For the year ended December 31, 2018, we had an average students enrolled of 3,106 and new student enrollment of 9,180 under the brand of Omick Education of Western Cuisine and Pastry.

Program and Curriculum Offerings

Omick brand primarily offers high-end programs. Our Schools under the brand of Omick offer four types of programs, namely pastry and dessert program, western cuisine program, coffee workshop and bartending program. Our pastry and dessert program will develop students' skills and techniques in the production of pastries, breads, yeast products, ice creams and frozen desserts, use of fruits, decoration of cakes and sugar work. The length of pastry and dessert programs ranges from 720 class hours to 1,200 class hours. Our specialized western cuisine program is designed to provide multiple skills training for those who wish to pursue a career in the western catering industry. It enables students to gain advanced knowledge and hands-on training in cooking western cuisines, including, among others, appetizers, main courses, sandwiches, hamburgers, pizzas and pastas. The western cuisine program offers three school terms with class hours of 240, 480 and 720, respectively. Our coffee workshop is a 80 class hour-program, equipping students with the basic knowledge of coffee culture, production process of coffee beans and principles of brewing and savoring coffee, as well as traditional barista skills training. Through our coffee workshop, students will also have opportunities to develop their skills in making different kinds of coffee. Our bartending program enables students to acquire the basic knowledge about bartending, as well as understand the cocktail culture and bartending skills. Our bartending program consists of 160 class hours, providing students with opportunities to create various cocktails and drinks with different liquid. We hired international teachers at some of our Omick catering Schools to provide culinary training and share the food culture with our students.

BUSINESS

Workplace Simulation Training

To ensure our students are equipped with practicable knowledge and have the opportunity to experience the workplace environment, each of our Schools under the brand of Omick provides our students with workplace simulation training facilities, which enable our students to gain work experience before they enter into the work force. All of our Omick classrooms are simulated workplaces, including designated bars for bartending training and mounting pattern kitchens and bakeries for pastry and dessert programs.

The following pictures illustrate certain practical training studios under our brand of Omick Education of Western Cuisine and Pastry:



Note: The pictures illustrate the coffee workshop of our Omick School in Suzhou, Jiangsu province and the baking workshop, the western cuisine cooking studio and the bartending training studio of our Omick School in Shanghai.

School-enterprise Cooperation

We have established strategic partnership with domestic and international institutions to gain access to technical courses, business startups, and new product innovation support. Our global partners include some professional culinary education institutes in France, Italy and Switzerland. In addition, with a view to providing our students with satisfactory employment, our Schools under the brand of Omick have also established employment-oriented cooperation with various bakeries, western style restaurants and hotels in China, such as Shanghai Aisi Bixi and Beijing Holiland.

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Grade and Assessment

To complete a program under our brand of Omick Education of Western Cuisine and Pastry, a student is required to pass multiple assessments designed by our core teaching staff, including weekly assessments, monthly assessments, and the pre-completion examination. Students who successfully complete all assessments will be awarded a certificate of completion.

OUR INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY SCHOOLS

Xinhua Internet Technology Education

Xinhua Internet Technology Education has a history dating back to 1990s. As of the Latest Practicable Date, we operated 24 Xinhua Internet Technology Education Schools in the PRC. For the year ended December 31, 2018, we had an average students enrolled of 31,023 and a total of 24,415 new student enrollment under the brand of Xinhua Internet Technology Education. We provide a wide range of information technology and internet technology-related training to students and equipping them with applicable information technology and internet technology skills for employment in the information technology and internet technology industry. We have strengths in providing training in certain information technology and internet technology areas, including 3D and graphic design, internet network development, e-commerce, and software development. We regularly update our curriculums to ensure that our students learn the latest technologies to keep up with industrial developments. For example, we offer various courses relating to emerging technologies, including e-sports, AI, internet security, and virtual reality.

Program and Curriculum Offerings

As of December 31, 2018, we provided 125 courses in our short-term and long-term programs with course lengths primarily ranging from three months to three years, including vocational training education programs and secondary vocational training programs. We focus on providing long-term programs to our students under the Xinhua Internet Technology Education.

Three-Year Programs

Our Schools under the brand of Xinhua Internet offer a wide range of information technology and internet technology-related courses for middle school graduates. For the three-year program that we provide for middle school graduates, it covers six majors, namely internet designing engineer, UI visual designer, e-commerce engineer, e-sports and management, virtual reality, animation and gaming designer, and virtual reality and environmental art designer. Students will be awarded a certificate of completion after finishing the required curriculums and passing various assessments for each stage of their study. We also encourage our students to obtain industry certificates to increase their competitiveness in the job market.

Our Schools under the brand of Xinhua Internet also offer a three-year program for high school graduates, covering five majors, including internet security engineer, cloud internet services developing architect, virtual reality and environmental art creative designer, UI digital media designer, and advanced virtual reality, animation and gaming designer. Our Schools will award students a certificate of completion upon their completion of all required courses. In addition to the diversified majors and courses we offer, we provide our students with education for students' all-round development.

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Two-Year Programs

We also have a two-year program for high school graduates and graduates from secondary vocational Schools. This program offers seven majors, including cloud internet services developing engineer, virtual reality, movies and animation designer, social media UI designer, virtual reality and environmental art performance designer, cloud computing engineer, internet operator and AI. Students will be awarded a certificate of completion by our Schools after finishing required courses and passing various assessments at different stage of their study.

Short-term Programs

We also provide various short-term programs for students who seek to enhance his/her technical skills in certain areas. Most of these short-term programs have a term between three months and one year. We offer diversified majors in these programs, such as office automation, graphic design, operation of Taobao, network security, new media UI, hardware assembly and application software development. Students who complete such courses will be awarded a certificate of completion by our Schools. We highly encourage our students to participate in qualification examinations and obtain industry certificates before completion of their courses.

Workplace Simulation Training

Each of our Xinhua Internet Schools has established various simulation training facilities (模擬實訓中心), allowing students to practice their skills in a simulated work environment. The purpose of establishing these workplace simulation training facilities is to prepare our students for challenges in real workplace environment. In order to achieve that, we work closely with our enterprise partners, who provide us with their extensive resources, such as work software, online platform and equipment. As a result, our students will be able to practice in a simulated workplace environment of their prospective employers before they graduate from our Schools. For example, since January 2017, through the cooperation with Baidu, one of the largest internet technology companies in the world, we were able to establish a joint internet marketing program in our Schools of Xinhua Internet. The program is available for our students in different majors. We offer students practical training opportunities along with our internet marketing courses. Such program has effectively combined theory with practice and yielded good results, by which our students' hands-on practical ability has been significantly improved.

BUSINESS

The following pictures illustrate certain practical training studios under our Xinhua Internet Technology Schools:



Note: The upper left picture illustrates the virtual reality training studio of Xinhua Internet school in Shandong Province. The upper right picture illustrates the 4D animation and game broadcasting studio of Xinhua Internet School in Guizhou province. The bottom left picture illustrates the virtual reality experience hall of Xinhua Internet School in Sichuan province. The bottom right picture illustrates the training studio of software applications development of Xinhua Internet School in Nanjing, Jiangsu province.

Our Schools under the brand of Xinhua Internet carefully select enterprises with certain strengths in computer software, information technology and internet technology industry and cooperate with those enterprises to jointly design curriculums and provide employment-oriented training. Our major enterprise partners include many information technology and internet technology enterprises, such as Lenovo, JD.com, Guiyang Architectural Survey and Design Co., Ltd., Nanjing Zhishang Esports Technology Co., Ltd. and over 3,000 local corporate partners.

For instance, our Nanjing Institute cooperated with JD.com to offer an employer-tailored program, through which students will take specifically tailored courses to acquire the skills desired by the employer. Courses offered under the program are jointly designed by us and JD.com. Upon completion of such program, qualified students will be employed by JD.com after passing relevant assessments.

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We have entered into strategic cooperation agreements on occupation-oriented training with various enterprises, such as Lenovo, Baidu and JD.com. Through such cooperation, we have established cooperative relationships with approximately 200 enterprises, benefiting our students enrolled at our Schools under our Xinhua Internet. For example, we offered an employer-tailored training program of "Xinhua — Lenovo Sunshine and Rain", which was established to specifically train and equip students with information technology and internet technology skills desired for Lenovo. According to our agreements with Lenovo, Lenovo agreed to regularly send experienced professionals to give lectures and provide training to 20 students through such program. In addition, we have established cooperation with Shanxi Quan Qiu Wa E-Commerce Co., Ltd., which has the priority to select 50 of our graduates from the employer-tailored class to work for the company, pursuant to the relevant agreement.

Grade and Assessment

Our assessment under Xinhua Internet Technology Education mainly consists of three components. Firstly, each class has a final examination at the end of each course. Secondly, before the completion of study, it is mandatory for the students to attend the comprehensive pre-completion workplace simulation training or a presentation and oral defense. Lastly, we also take into account our students' class attendance and participation, as well as their homework performance as a part of the assessment. To increase our students' competitiveness in the job market, we also encourage our students to obtain third-party certifications at school. For students enrolled in secondary vocational training courses under Xinhua Internet Technology Education, our Schools will award them secondary vocational education diplomas, which are recognized by competent government authorities. For our school-enterprise cooperation programs, we allow our enterprise partners cooperating with us to set up their own standard of assessment according to the requirements of the specific positions in order to fulfil the objectives of such programs.

Wisezone Data Technology Education

In November 2005, we established Wisezone Data Technology Education. Wisezone Data Technology Education primarily provides short-term programs to junior college and university students who have already had the basic theoretical knowledge and seek to further develop relevant applicable information technology and internet technology skills. As of the Latest Practicable Date, by cooperating with a number of high technology enterprises and higher education institutions, we have set up 22 data training bases in the PRC to train professional data technology engineers with applicable information technology and internet technology skills. For the year ended December 31, 2018, we had an average students enrolled of 1,364 and a total of 4,558 new student enrollment under the brand of Wisezone Data Technology Education. In addition, we utilize live projects to train our students, through the software and application development services as well as internet technology-related services we provide to our enterprise partners.

Program and Curriculum Offerings

We provide a variety of short-term training programs ranging from one to six months to develop students' practical information technology engineering skills. As of December 31, 2018, we offered six categories of career-oriented curriculums, including UI design, Java software engineering, big data engineering, AI, cross-border e-commerce, and internet marketing.

BUSINESS

Workplace Simulation Training

Our fundamental goal for establishing Wisezone Data Technology Education is to provide students with practical skills and assist them in launching a successful career. As a result, we have developed training programs to provide our students with first-hand knowledge and allow them to participate in the business before completion of the program. For example, we established an e-commerce college training base in Yiwu, Zhejiang province in 2016. Yiwu is famous for its dynamic small commodities trading, which we believe has given our students an opportunity to participate in the commodity trading business, learn practical business operation skills, and establish their career network at a very early stage. As of December 31, 2018, 1,146 students from Wisezone Data Technology Education had successfully completed the program.

In addition, through our cooperation with our enterprise partners, we are able to work on live projects outsourced to us by our enterprise partners. As a result, our students can learn and practice their skills and gain real on-the-job experience at the same time. This is in line with our education philosophy to provide students who have had basic theoretical knowledge but need a platform to receive hands-on experience.

The following pictures illustrate certain practical training studios under our brand of Wisezone Data Technology Education:



Note: The two pictures in the first line illustrate the UI training studio and the cross-border e-commerce training studio of our Wisezone Data Technology Education School in Hangzhou, Zhejiang province. The two pictures in the second line illustrate the e-marketing training studio of our Wisezone Data Technology Education School in Henan and Jiangsu provinces.

BUSINESS

School-enterprise Cooperation

We value graduate employment highly. Wisezone Data Technology Education was able to establish cooperative relationship with over 3,000 corporate partners across 21 provinces in China. In January 2018, Anhui Wisezone entered into cooperation with Hefei Tianyuan DIC Information Technology Co., Ltd.* (合肥天源迪科信息技術有限公司) to establish "Wisezone-DIC Big Data Academy" ("華信·迪科大數據學院"), which is the first Big Data Academy in Anhui province to be led by big data enterprises to cultivate talents based on corporate needs. The Big Data Academy aims at cultivating professional big data talents to Anhui and even the nation. In March 2018, Hebei Wisezone and Beijing Tuteng Yinxiang Digital Technology Co., Ltd.* (北京圖騰印象數字科技有限公司) jointly established a three-dimensional design employer-tailored training program. The enterprise cooperation class provides students with first-hand corporate project cases and provides ready-to-use talents for enterprises.

Grade and Assessment

We require our students to pass various assessments to ensure the quality of our education, most of which are operation related tests to evaluate our students' practical skills. At each stage of their studies, students are required to pass certain stage examinations in order to continue to learn new knowledge and skills. At the end of the course, there will be a final project for students to present the knowledge and skills he has learned. Students' performance will be individually assessed and awarded course certificate according to their overall performance in the relevant assessments.

OUR AUTO SERVICES SCHOOLS

Wontone Automotive Education

Wontone Automotive Education offers comprehensive automobile mechanics training to our students. We established our first automotive services School under our Wontone brand in December 2005. The philosophy of Wontone Automotive Education is to train our students to be "professionals with solid knowledge and practical skills, as well as professionalism and strong ethics" (明德精技,知行合一). We focus on providing hands-on training of auto repair skills as well as practical training of automobile commerce. As of the Latest Practicable Date, we operated 27 Wontone Automotive Schools in 21 provinces in the PRC. For the year ended December 31, 2018, we had an average students enrolled of 19,323 and a total of 20,263 new student enrollment under the brand of Wontone Automotive Education.

Program and Curriculum Offerings

We are committed to helping students launch successful careers in the automotive services industry. Our comprehensive automotive mechanics training and well-developed job placement programs enable our students to apply their skills directly to workplace practices or to start their own business in the automotive after-sales service industry. At Wontone Automotive Education, we design our education programs based on the needs of the automotive services industry with a goal to develop readily applicable skills for specific positions in the job market. Currently, the training areas we focus on primarily include automobile diagnosis, automobile repair, automobile detailing, automobile body painting, automobile remodeling, automobile commerce, and new energy automobile. At Wontone Automotive Education, we have been developing our programs to train our students with the most advanced mechanics. As of December 31, 2018, courses under planning included vehicle intelligent network technology, industrial robots and automotive manufacturing technology, commercial vehicle repair technology and welding technology.

BUSINESS

Long-term Programs

Our long-term programs under Wontone Automotive Education, including our vocational training education programs and secondary vocational education programs, normally have a duration of two or three years, offering our students systematic courses to develop their skills suitable for the positions in automotive after-sales service industry, and to help them become professionals in the auto service market. For our three-year programs, our major curriculum offerings include, among others, automotive technology and senior management engineer, automotive technical service and operation engineer, automotive new energy technology engineer and automotive maintenance engineer. Our automotive diagnosis and repair course focuses on equipping our students with automotive knowledge, including but not limited to, basic mechanics, automobile basics, automotive diagnosis and maintenance, automobile chassis maintenance, automotive electrical diagnostics and maintenance. We also deliver auto service skills to our students by case study on automotive rapid repair and maintenance, and on automotive fault diagnosis. Our well-rounded automobile detailing course is designed to equip our students with knowledge on, among others, automobile basics, automobile detailing and decoration, automobile painting, automotive sheet metal, and automobile modification. In addition, we introduced new courses in our Schools under Wontone Automotive Education regarding automobile commerce, vehicle insurance and claims, used car trading, and repair and maintenance of new energy automobile, in order to meet the increasing market demand of skilled mechanics in the new trends of the automotive after-sales service industry. The target students of our long-term courses are middle school graduates aged between 15 to 21 years old, who decide to enroll in long-term vocational education programs to improve their employment prospects. We encourage our students to obtain professional qualifications before the completion of study to increase their competitiveness in the job market.

Short-term Programs

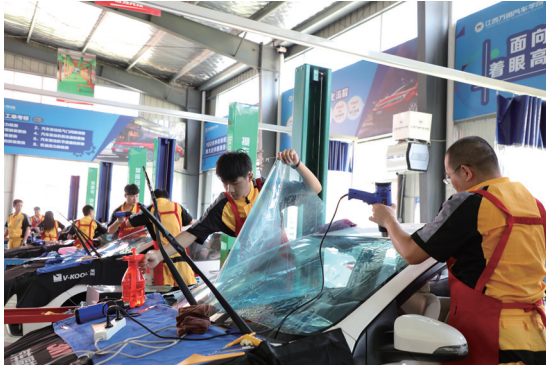
We also offer short-term programs to students who already have professional automotive skills and seek to enhance their skills or who wish to study specific maintenance methods and techniques. We currently offer more than 30 short-term programs in various of our Schools under Wontone Automotive Education. Our short-term programs primarily include, among others, 45 automobile maintenance skills, automobile electronic alternation, guidelines of tires, automotive sheet metal, painting, automobile beauty and car foiling, automobile quick repair and maintenance, diagnosis and maintenance of new energy automobiles, study on automobile repair chain management, and management of automobile detailing related startup business. In addition, we have been actively developing courses in relation to commercial vehicle maintenance, welding technology, industrial robots repair and maintenance, to expand our areas of expertise and enable our students to provide better technical services in the auto service market.

Workplace Simulation Training

Each of our Schools under Wontone Automotive Education has been equipped with various workplace simulation training facilities to ensure that our students will be able to apply the technical skills and the automotive knowledge to the future workplace practices seamlessly. Some of our enterprise partners provide their equipment, machinery, and other resources to us, and send their professionals to our Schools under Wontone Automotive Education as adjunct instructors from time to time. As a result, our students are able to immerse themselves in the real workplace environment of their prospective employers even before their graduation.

BUSINESS

The following pictures illustrate certain training studios under our brand of Wontone Automotive Education:



Note: The upper left picture illustrates the training studio for applying automobile window films of Jiangxi Wontone. The upper right picture illustrates the automobile painting studio of Nanjing Wontone. The bottom left picture illustrates the automobile repair studio of Sichuan Wontone. The bottom right picture illustrates the transmission disassembly studio of Hunan Wontone.

School-enterprise Cooperation

To better assist our students to successfully launch their careers, our Schools under Wontone Automotive Education have established cooperative relationship with various corporations in the automobile industry, such as Chery Automobile and Chexiang Home. We primarily cooperate with our enterprise partners to jointly train our students with employer-tailored courses of research and development and design. Under this program, students can sign up for specific courses designed for a specific prospective employer, in order to acquire knowledge and skills desired by such prospective employer. After students' successful completion of all the required courses and final assessment, the prospective employer may recruit them as employees. In addition, we also have other school-enterprise cooperation programs under which our enterprise partners provide us with various resources, including, among others, helping us design practical programs according to the industry trend. Our enterprise partners include, among others, Eastern Pioneer Driving School Co., Ltd., Jiangxi Aiyixing Auto Service Co., Ltd., Sichuan Jingdian Auto Service Chain Co., Ltd. and Konzen Auto Group. For example, we work with a chain automotive after-sales service provider with over 1,400 automotive service stores in over 270 cities across China. This provider provides certain curriculum of this program, shares industry insights and guarantees employment rate of no less than 80% for our students who successfully complete such program.

BUSINESS

Grade and Assessment

We have various assessments throughout our courses, including assessment on each training topic, final assessment for each training stage, and pre-employment enhancement training, which are the prerequisites to the completion of the courses. We provide re-training free of charge to students who cannot successfully pass the assessments. For students enrolled in secondary vocational training programs under Wontone Automotive Education, our Schools will award them secondary vocational education diplomas, which are recognized by competent government authorities.

SECONDARY VOCATIONAL EDUCATION

We also provide secondary vocational education under our school brands of New East Culinary Education, Xinhua Internet Technology Education and Wontone Automotive Education. Our secondary vocational education schools comprise technical schools and secondary vocational schools. As of December 31, 2018, we operated 26 Schools, including 17 technical Schools and nine secondary vocational Schools, which provided secondary vocational education.

We set out below the main differences between our Schools that provide secondary vocational education and our other vocational training schools:

<u>Differences</u>	<u>Technical schools/ Secondary vocational schools</u>	<u>Vocational training schools (non-secondary)</u>
Regulating Authorities	Local educational authorities for secondary vocational schools, and local authorities of MHRSS for technical schools	Local authorities of MHRSS (for most vocational training schools)
School type and services	Formal education	Non-formal education
Certificates issued by Schools	Our technical schools issue professional qualification certificates specified with technical level and graduation certificates recognized by the relevant PRC government authorities to qualified graduates. Our secondary vocational schools issue academic certificates recognized by PRC governmental authorities to qualified graduates.	Our vocational training schools issue completion certificates for the training courses.
Program length	3 years in general	1-3 years in general

BUSINESS

<u>Differences</u>	<u>Technical schools/ Secondary vocational schools</u>	<u>Vocational training schools (non-secondary)</u>
Course-setting	<p>Pursuant to the <i>Regulations on the Implementation of the Law for Promoting Private Education of the PRC</i> (《中華人民共和國民辦教育促進法實施條例》), private secondary vocational and technical schools may set up majors, open courses and adopt teaching materials according to their school missions and goals, subject to filings with relevant regulating authorities.</p> <p>The curriculum provided by secondary vocational schools should generally be designed according to the <i>Secondary Vocational School Majors Directory</i> (《中等職業學校專業目錄》).</p> <p>Technical schools may set up majors, training objectives and program lengths according to the relevant regulations in the PRC, including the <i>National Occupational Skill Standard</i> (國家職業技能標準), the <i>Technical Level Standard of Workers</i> (工人技術等級標準).</p>	<p>Pursuant to the <i>Regulations on the Implementation of the Law for Promoting Private Education of the PRC</i> (《中華人民共和國民辦教育促進法實施條例》), private vocational training schools may provide vocational training courses in accordance with national vocational standards. The course-setting is relatively flexible and market-oriented, taking into account the students' needs and requirements.</p>
Student admission dates	<p>National unified admission through the admission platform on the respective official website of relevant authorities of a province or anytime depending on the schools and regions</p>	Anytime

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The following table sets forth the (i) revenue generated from secondary vocational education; (ii) ranges of tuition fees rates of our secondary vocational education; (iii) average students enrolled in secondary vocational education programs; and (iv) new student enrollment of secondary vocational education programs under each brand for the periods indicated (including both our technical Schools and secondary vocational Schools):

Segments and Brands	Year ended December 31,		
	2016	2017	2018
<u>CULINARY ARTS</u>			
New East			
Revenue (RMB'000)	50,165	109,753	228,123
Tuition (RMB/year)	10,400-29,900	11,400-36,800	5,600-39,100
Average students enrolled	4,169	6,922	9,262
New student enrollment	3,766	6,330	6,573

INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY

Xinhua Internet			
Revenue (RMB'000)	45,562	55,254	83,346
Tuition (RMB/year)	5,980-25,800	6,680-28,900	6,680-29,800
Average students enrolled	4,030	4,704	5,644
New student enrollment	2,634	3,168	5,150

AUTO SERVICES

Wontone			
Revenue (RMB'000)	38,770	57,032	70,061
Tuition (RMB/year)	12,800-36,800	6,600-38,500	8,500-38,500
Average students enrolled	2,000	2,864	3,654
New student enrollment	1,748	1,734	2,789

CUSTOMIZED CATERING EXPERIENCE CENTER

Cuisine Academy

We founded Cuisine Academy in 2017 with a view to providing customized catering experience to customers who are interested in cooking or who plan to establish their own businesses in the catering industry. We offer programs in Cuisine Academy that are delivered in small-group settings as well as individual sessions that are delivered on an one-on-one basis. Cuisine Academy adheres to the philosophy of "hand-made delicacy leads to tasty living" (手作美食,生活美味), providing customers with interest-oriented and entrepreneurship-oriented catering experience services in cooking delicacies. As of the Latest Practicable Date, we have operated 19 customized catering experience centers under Cuisine Academy across 14 provinces in the PRC. For the year ended December 31, 2018, we had 5,778 new customers who attended customized catering experience programs offered by Cuisine Academy. Through systematic training, customers will be equipped with essential skills for starting their own business in catering industry and developing their interests in cooking. Duration of our service programs under Cuisine Academy ranges from one day to two months.

BUSINESS

Program Offerings

Currently, we provide 19 entrepreneurship-oriented programs and 12 interest-oriented programs, covering over 1,000 workshops for popular cooking skills or dishes in the market. We offer 31 programs in six specialized areas, including featured local snacks, fashionable western pastry, new-style Chinese dishes, featured Chinese pastry, new-style drinks and western light meals.

We offer customized catering experience programs with flexible schedules to accommodate our customers' individualized needs and availability.

We have a system for supporting entrepreneurship for our customers. Our programs are delivered by instructors, including qualified chefs and catering entrepreneurs. Our services cover various aspects, including technology, recipe development, career planning, market positioning, brand planning, site selection and decoration, operation management, marketing and promotion. Upon completion of our programs, customers could obtain completion certificates and entrepreneurial plaque indicating technical guidance they received from Cuisine Academy. In addition, our instructors also visit customers' restaurants to provide comprehensive guidance services to support the success rate of the business.

We have established featured studios for our interest-oriented and entrepreneurship-oriented programs, such as studios for baking western pastry, studios for cake and dessert decorating, entrepreneurship and employment studios for coffee drinks and delicacy experience centers, which are all equipped with professional facilities and equipment to achieve customers' needs.

The following pictures illustrate certain studios of our customized catering experience centers under our Cuisine Academy:



BUSINESS

Note: The pictures in the first line illustrate the fashionable western pastry studio and new-style Chinese cuisine studio of our Cuisine Academy in Shenzhen, Guangdong province. The bottom left picture illustrates the new-style drink studio of our Cuisine Academy in Beijing. The bottom right picture illustrates the new-style Chinese Cuisine studio of our Cuisine Academy in Xi'an, Shaanxi province.

CORRESPONDENCE EDUCATION SERVICES

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 certain higher education institutions. According to the cooperative agreements with such higher education institutions, they are generally responsible for designing course curriculums, assigning teachers to work at our Schools, granting diplomas and degrees recognized by relevant PRC governmental authorities for students who meet certain 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. Such 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. 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 education institutions providing such correspondence education services are required to register with local education authorities prior to the commencement of the services. However, such higher education institutions failed to comply with such regulations. See "Risk Factors – Risks Relating to Our Business and Industry – Several of our Schools providing correspondence education services are not registered with relevant government authorities and such services may be suspended" for details.

EFFICIENT ALLOCATION OF RESOURCES FROM OUR HEADQUARTERS IN HEFEI

Curriculum Development and Teaching Methods

Our Group's fundamental educational philosophy is "to focus on practical training, combining theory with practice" (以技能教育為根本,知行合一). We differentiate ourselves from our competitors by primarily providing long-term, technical and practical skills oriented training to our students that prepares them for employment immediately following graduation. Our competitors in the vocational training education sector primarily provide short-term examination results-oriented programs.

As we focus on providing students with applicable skills to increase their employability, our Schools are dedicated to investing in research and development of our curriculum offerings and teaching methods. The aim of such research and development efforts is to ensure that our students have access to the latest technologies and they are equipped with skills that meet the demands of prospective employers and are in line with the latest industry trends.

BUSINESS

We have established a three-tier research and development system. In our headquarters, we have a research academy with a dedicated research team consisting of 39 industry experts who are highly committed to innovation and passionate about converting theoretical study to readily applicable technical skills and teaching materials. The team of industry experts generally consist of experts from relevant industry and professors from prestigious universities. For example, in terms of Wontone Automotive Education, we have one chief expert and three main experts of China Automotive Engineering Society who are mainly engaged in the research and design of curriculums for our Wontone Automotive Education. The research academy at our headquarters oversees all research activities in our Group, sets the goal for each department and assesses the execution, and provides technical support when needed. In addition, most of our business segments have their own research centers, which focus on the industries we operate in and are able to react promptly to the new trend in the industry. Furthermore, each of our Schools has a research center, which is normally led by a vice principal dedicated to research and development activities. For example, our New East Culinary Education research center is in charge of the development of innovative dishes based on their education focuses respectively. Our Automobile Mechanical Education research center is responsible for the development of new majors, teaching materials, and improving our teachers' professional skills. We have a well-established research and development system and our research teams have received recognition in the market. For example, staff of our Xinhua Internet technology research center authored 60 teaching materials that are used by our Schools, seven of them were published and were recommended to other internet technology vocational education service providers by the publishers. As of the Latest Practicable Date, there are 1,794, 138, 609, 170, 606 and 70 industry experts working for New East Culinary Education, Omick Education of Western Cuisine and Pastry, Xinhua Internet Technology Education, Wisezone Data Technology Education, Wontone Automotive Education and Cuisine Academy, respectively. All of these industry experts have obtained the mid-level or above titles or skills certificates recognized by relevant industries.

We believe that in order to provide our students with the applicable vocational training education, it is necessary for us to regularly upgrade our curriculums to follow the trends in the industries. We believe that our focus on the innovation and development of our curriculum, together with our broad enterprise partner network, enable us to react promptly to the changes in market demand. For example, we intend to offer new majors relating to the service industry and new economy, such as beauty industry, healthcare and AI. Additionally, we intend to provide comprehensive education to people who plan to gain theoretical and practical training in food catering industry, such as our "head chef" program which is a new major under development, providing more advanced skill training and kitchen management theories. All of our Schools under the same brand follow unified standards and procedures when developing and implementing curriculums. Our nationwide school network, allows us to share resources to realize synergies effectively and enhance our overall competitiveness.

Our teaching approach combines a scenario-driven education model with an interactive real work environment simulation experience. The scenario-driven model primarily consists of class participation, including frequent interaction with teachers and training on problem solving and innovative thinking abilities, which we believe will help our students address a wide range of demands in the working environment. In addition, our scenario-driven education model is supplemented with lectures to enhance our students' basic knowledge. We emphasize on providing employment-oriented and skill-oriented education services. For this purpose, we work with our enterprise partners closely and send our teachers to go on-site to conduct field research. As a result, our students will be well-equipped with both knowledge and practical skills.

BUSINESS

Scalable Business Model

Centralized and Standardized Management

We have adopted a centralized management system through which we manage and oversee various aspects of our nationwide operation, allowing us to apply the best practice within our network in the areas of student recruitment and employment assistance, curriculum design, finance and accounting, human resources, logistics, marketing and other key dimensions of our business, so that our Schools are able to maintain the same high standards in terms of their quality of education, operating results and efficiencies of financial management. The core management team in Hefei, where our headquarters are located, is the ultimate decision maker. Also, at our headquarters, we have a management department for each of our five School brands and customized catering experience centers which centrally manages all Schools under each of our school brands coordinates other functional departments to allocate our teaching, research, management and marketing as well as graduate placement resources to our Schools across China according to their needs.

In order to effectively establish new schools and to replicate the success of our existing school network, we have different departments in our headquarters with various functions to assist with expansion and development of our school network, including the market research department, project and infrastructure construction department, human resource department, and finance and accounting department. In each region we operate, our core management team appoints a project manager who is responsible for the coordination in the designated region in order to help Schools in that region efficiently share and utilize resources, as well as the communication with the management department at our headquarters and communications with the relevant governmental agencies.

While we use consistent guidelines to streamline various aspects of our operations, we also encourage each School to have differentiated management approaches according to their local economic, demographic and cultural environment. Our core management team at our headquarters and the management team of each of our Schools will work together to establish specific goals to be accomplished by that School, having regard to the specific circumstances of each School. Since our establishment, we have only established self-operated Schools to ensure that we can effectively centralize our management approach and standardize our operations and expansion, as well as the quality of our education services.

Nationwide Network

As of December 31, 2018, our extensive network consisted of 50 Schools of New East Culinary Education, 24 Schools of Xinhua Internet Technology Education, 26 Schools of Wontone Automotive Education, 23 Schools of Omick Western Catering Education, 22 Schools of Wisezone Data Technology Education and 18 customized catering experience centers of Cuisine Academy, covering 29 provinces across the PRC and Hong Kong.

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The following table sets forth the number of our Schools and customized catering experience centers and their changes in China in the years indicated. During the Track Record Period, we did not close any of Schools or centers:

	For the year ended December 31,		
	2016	2017	2018
New East			
At the beginning of the period	39	41	46
Number of newly opened Schools which have commenced operations . .	2	5	4
At the end of the period	41	46	50
Omick			
At the beginning of the period	—	—	17
Number of newly opened Schools which have commenced operations . .	—	17	6
At the end of the period	—	17	23
Xinhua Internet			
At the beginning of the period	19	19	21
Number of newly opened Schools which have commenced operations . .	—	2	3
At the end of the period	19	21	24
Wisezone			
At the beginning of the period	—	16	20
Number of newly opened Schools which have commenced operations . .	16	4	2
At the end of the period	16	20	22
Wontone			
At the beginning of the period	13	14	22
Number of newly opened Schools which have commenced operations . .	1	8	4
At the end of the period	14	22	26
Total	90	126	145
Cuisine Academy			
At the beginning of the period	—	—	6
Number of newly opened centers which have commenced operations	—	6	12
At the end of the period	—	6	18

BUSINESS

Nationwide Career Advice Network

We believe that high quality graduate employment is of vital importance to our future success. Leveraging our extensive experience in the vocational education industry, we have developed a centralized career advice service network across all Schools we operate in China, including a career advice department in our headquarters, which will oversee five regional resources sharing centers of entrepreneurship and employment (創業就業共享中心) that we plan to establish in Beijing, Shanghai, Guangzhou, Hangzhou and Shenzhen, respectively, and a career advice office at each of our Schools. Schools in our network share employment resources with each other regardless of location. Such coordination provides our students with increased employment mobility and flexibility, which we believe is for the best interest of our students. Due to our extensive cooperation with enterprises across China, we are able to offer all of our students job placement opportunities after graduation. At the same time, we also fully respect students who would like to make their own decisions and would like to try opportunities other than our recommended ones. When students approach our career service advisors for counseling, we aim to provide them with personalized advice based on students' interests, personal circumstances and their career plans. We also provide career guidance sessions and job placement services to students upon graduation. In addition, we offer various training to facilitate our students to start their own businesses, which include business operation survey, basic accounting skills, financial management, and relevant corporate registration and legal information. For example, we have an e-commerce training base located in Yiwu, Zhejiang province, a city that is famous for its dynamic small commodities trading. Through the training, our students who are interested in starting their own e-commerce business will have the opportunity to work with vendors and suppliers in Yiwu to acquire hands-on knowledge of business operation. See "— Our Information Technology and Internet Technology Schools — Wisezone Data Technology Education" in this section for more information of the e-commerce training base. As of December 31, 2018, we had a total of 1,146 students from Wisezone Data Technology Education participating in the Yiwu e-commerce training base program.

We place emphasis not only on promoting graduate employment, but also we endeavor to help our students find satisfactory jobs that fit their own career development plans. In addition to providing our students with one-time job searching advice, we are committed to developing their life-long career management skills. Our career service advisors are generally required to follow up with our graduates in the first three months after graduation to collect students' feedback. If the student would like to try other opportunities, we would dedicate our resources to helping him or her find the satisfactory job. A majority of our students are satisfied with their job placement after graduation.

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We are committed to assisting our students in developing their careers. Our average recommended employment rate of our long-term program graduates from New East Culinary Education and Xinhua Internet Technology Education reached over 90%, and Wontone Automotive Education reached over 95% for the year ended December 31, 2018. The following table sets forth our students' recommended employment rate by segment for the year ended December 31, 2018.

Segments and Brands⁽¹⁾	Recommended Employment Rate⁽²⁾
New East	93.2%
Xinhua Internet	93.1%
Wontone	97.3%

Notes:

- (1) Omick and Wisezone were not included because the Schools under these brands had not provided long-term programs with not less than one year during the Track Record Period. We also provide graduate placement service to students of our short-term programs. However, students enrolled in our short-term programs generally have different study goals and expectations, such as to enhance a specific skill or with a view to set up their own business, as compared to students of our long-term programs who are generally more focused on seeking long-term employment or to begin a new career. As a result, we do not keep record of the recommended employment rate of graduates from our short-term program.
- (2) We provide graduate placement service to all students of our long-term programs. The recommended employment rate represents the total number of students of long-term programs who are hired through our graduate placement service program in a certain period, excluding students who start their own business ventures or employed through other channels divided by the total number of graduates of long-term programs during such period.

PRICING POLICY

During the Track Record Period and up to the Latest Practicable Date, we typically charge our students enrolled at our Schools tuition. Fees for our boarding services are normally included in such tuition if student accommodation is available at such Schools. If students do not require boarding services and their application for not boarding on campus is approved by us, we may give such students a discount on the tuition. The tuition we charge at our Schools are generally collected on a lump-sum basis except that students enrolled in programs lasting for more than one year may pay tuition on an annual basis prior to the commencement of each school year. The level of tuition we charge will depend on that particular program, having regard to a number of factors, including the demand for our programs, the cost of our operations, the average income of the particular geographic region the School located, and the tuition rates charged by our competitors in that geographic region. As part of our centralized and differentiated management approach, management department in our headquarters provides guidance on pricing range on an annual basis, while principals of each Schools have their own discretion in terms of setting tuition rates according to the local economy, utilization rate and other factors. We generally require our students to pay in advance the full amount of tuition prior to the commencement of each program. Such policy is applicable to our vocational training schools and our secondary vocational education.

For customers of our Cuisine Academy, we generally charge them service fees. The management department of customized catering experience services typically set the minimum pricing standard for each program. All centers under our Cuisine Academy could adjust service fees based on market research but should not lower than the

BUSINESS

general pricing standard. Our centers should promptly issue adjustment notices of service fees and formula marketing strategies accordingly to promote regional development. We generally require customers for Cuisine Academy to pay the service fees in advance prior to the commencement of each program on a lump-sum basis. For the year ended December 31, 2018, service fees we charged to customers ranged from RMB1,980 to RMB18,800, respectively.

Student/Customer Withdrawal and Refund Policy

In the event a student withdraws from a program, we have fee refund policies in place at each of our Schools and centers, which are set out in the contracts entered into with each student and customer, setting forth the amount and the manner in which tuition and service fees may be refunded.

Each brand may have differences in their refund policies. Set forth below is a summary of the general refund policies under each of our brand:

Pursuant to the contracts entered into between students and our Schools of New East Culinary Education, Xinhua Internet Technology Education and Wontone Automotive Education, students are only able to apply for refund of tuition if they withdraw from a program for the following four reasons: (i) the student suffers from infectious or serious diseases that make the student unable to attend; (ii) the student has decided to serve the army; (iii) unforeseen events to the student's family and financial difficulties; and (iv) the student has been recruited by higher education institutions. Students can withdraw within 30 days after enrollment but are subject to penalty. If a student withdraws and applies for refund within seven days after enrollment, a penalty in the amount equal to 20% of the total tuition shall apply. If a student withdraws and applies for refund within eight to 15 days after enrollment, the penalty will be 30% of the total tuition. If a student withdraws and applies for refund within 16 to 30 days after enrollment, the penalty will be 40% of the total tuition. If a student applies to withdraw after 30 days of enrollment, no tuition will be refunded.

According to the contract entered into between our students and Omick Education of Western Cuisine and Pastry, students are allowed to apply for withdrawal after enrollment only for the following three reasons: (i) the student suffers from infectious or serious diseases; (ii) the student has decided to serve the army; and (iii) the student has been recruited by higher education institutions. Students who withdraw within 15 days after enrollment are subject to a penalty. If a student withdraws and applies for refund within seven days after enrollment, the penalty will be an amount equal to 30% of the total tuition. If a student withdraws and applies for refund within eight to 15 days after enrollment, the penalty will be an amount equal to 50% of the total tuition. If a student applies to withdraw after 15 days of enrollment, the penalty will be an amount equal to 100% of the total tuition and no tuition will be refunded.

Pursuant to the contract entered into between students and our Wisezone Data Technology Education Schools, students who are unable to complete the training are required to submit a written application three days in advance. Tuition will be refunded after deducting penalty and the course fees reflecting course hours that the students have completed. If a student withdraws and applies for refund within seven days after enrollment, the penalty will be 10% of the total tuition. If a student withdraws and applies for refund within eight to 15 days after enrollment, the penalty will be 20% of the total tuition. If a student withdraws and applies for refund within 16 to 30 days after enrollment, the penalty will be 30% of the total tuition. If a student applies to withdraw after 30 days of enrollment, no tuition will be refunded.

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In addition, some local governments of Beijing, Hunan, Hangzhou, Wenzhou, Liaoning, Dalian, Guangdong and Shandong issued local guidelines or notices relating to refund policies of our education services provided under the brands of New East Culinary Education, Xinhua Internet Technology Education, Wontone Automotive Education, Omick Education of Western Cuisine and Pastry, and Wisezone Data Technology Education Schools, as applicable. During the Track Record Period, for Schools under the aforesaid brands located in these places, our refund policies deviated from the local guidelines or notices issued by some local governments.

As of the Latest Practicable Date, we have rectified and revised the deviation of refund policies in compliance with that of the certain local governments; however, from time to time, we may receive complaints or be subject to disputes or legal actions relating to the refund of our tuition. See "Risk Factors — Risks Relating to Our Business and Our Industry — 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" for details.

We do not refund service fees if a customer withdraws in the middle of our programs under Cuisine Academy, pursuant to the service contract.

The tables below set forth (i) the total number of students dropped out and the percentage of the number of student withdrawal out of the average students enrolled for the years indicated; and (ii) the total tuition fees refunded of our vocational training education and percentage of the tuition fees refunded out of the total revenue for the years indicated:

	Year ended December 31,					
	2016		2017		2018	
	<i>Number of student</i>	<i>Percentage (%)</i>	<i>Number of student</i>	<i>Percentage (%)</i>	<i>Number of student</i>	<i>Percentage (%)</i>
Total	1,508	1.4	1,959	1.7	2,654	2.1

	Year ended December 31,					
	2016		2017		2018	
	<i>Refund amount (RMB'000)</i>	<i>% of Total revenue</i>	<i>Refund amount (RMB'000)</i>	<i>% of Total revenue</i>	<i>Refund amount (RMB'000)</i>	<i>% of Total revenue</i>
Total	13,573.2	0.6	21,800.0	0.8	30,619.7	0.9

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OUR STUDENTS/CUSTOMERS

We believe that the reputation of our Schools and centers, high employment rate of our graduates, our career-oriented programs and curriculum offerings, and well-developed management contribute to our success in the past and will continue to attract prospective students or customers.

Student Admission

We primarily relied on word-of-mouth referrals and brand promotional events for student recruitment for our Schools. Each of our Schools has an official website with a section dedicated to student recruitment. In addition to the official websites for each of our Schools, we also promote our Schools and provide introductions of our Schools, activities and other relevant information through other platforms, including TV commercials and various social media. We generally admit students who have met the basic admission requirements as set out in the training contracts, including, among others, health conditions and education background. We typically recruit middle school or high school graduates who seek to receive vocational education and start working thereafter. During the Track Record Period, we generally did not encounter difficulties in recruiting students. Students are admitted on a rolling basis for all courses that we offer. In most circumstance, we will only launch a course if we are able to reach our planned admission number. Only in very rare circumstance would we still launch a course if the planned admission number has not been reached. See “— Our Schools and Centers — Overview” in this section for the total number of new student enrollment for the years ended December 31, 2016, 2017 and 2018.

Student Achievements

As a result of our workplace simulation training programs, our students have made various achievements in a number of competitions. The table below sets forth the accomplishments of our students as of December 31, 2018:

<u>Brands⁽¹⁾</u>	<u>Accomplishment</u>	<u>Year</u>	<u>Sponsoring Organization (主辦機構)</u>
CULINARY ARTS			
New East	The Sixth Hotel Professional Skills Competition final round, the gold award (第六屆飯店職業技能大賽總決賽金獎)	2016	China Hospitality Association (中國飯店協會)
	The Eighth China World Cuisine Competition group and individual gold award (第八屆中國烹飪世界大賽總決賽,團體賽個人賽金獎)	2016	World Association of Chinese Cuisine (世界中餐聯合會)
	The Third China Professional Chef Skill Competition, gold award in culinary and pastry arts (第三屆中國廚師職業技能大比武烹調項目和麵點項目金獎)	2017	China Cuisine Association (中國烹飪協會)

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Brands ⁽¹⁾	Accomplishment	Year	Sponsoring Organization (主辦機構)
	The Seventh National Hotel Industry Vocational Skills Competition, special gold award in the national finals (第七屆全國飯店業職業技能競賽全國總決賽特金獎)	2018	China Hospitality Association (中國飯店協會)
Omick	Team Champion and Individual Runner-up at SWLAC (2017上海世界拉花大賽(SWLAC)團體賽冠軍、個人賽亞軍)	2017	Shanghai World Latte Art Committee (上海世界拉花大賽組委會)
	Hotelex "Star of Tomorrow" National Culinary Competition third place (HOTELEX"明日之星"廚師大賽全國總決賽季軍)	2017	HOTELEX "Star of Tomorrow" Committee ("明日之星"廚師大賽組委會)
	Hotelex "Star of Tomorrow" National Culinary Competition third place (HOTELEX"明日之星"廚師大賽全國總決賽季軍)	2018	HOTELEX "Star of Tomorrow" Committee ("明日之星"廚師大賽組委會)
AUTO SERVICES			
Wontone	"Beiqi New Energy Cup" National Vocational School New Energy Car Mechanic and Maintenance Competition, the second and third prize ("北汽新能源杯"全國中職院校新能源汽車技術與維修技能競賽二等獎及三等獎)	2018	China Vocational Education Society (中國職業技術教育學會)
	Henan Province Mid-level Vocational Education Skill Competition, the second and third prize (河南省中等職業教育技能大賽二等獎及三等獎)	2017	The Education Department of Henan Province
	Hefei Mid-level Vocational Education Skill Competition, third prize in car painting (合肥市中職學校師生技能大賽"噴塗項目"三等獎)	2017	The Education Bureau of Hefei

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Brands ⁽¹⁾	Accomplishment	Year	Sponsoring Organization (主辦機構)
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY			
Xinhua Internet. . .	ACA World Skill Competition, China Division, special prize, the best creative award and award for excellent instructors (ACA世界技能大賽 中國區特等獎,最佳創意獎,優秀指導教師獎)	2018	Adobe Certified Association
	The 14th Microsoft Office Specialist Competition, first prize in Word group 2016 of China division (第十四屆微軟MOS中國區大賽Word 2016組一等獎)	2018	Microsoft Office Specialist International Recognition Management Center in China
	2018 WVA Global Virtual Reality E-Sport Championship, Champion (2018 WVA全球VR電競聯賽冠軍)	2018	China Information Consumption Promotion Alliance (中國信息消費推進聯盟)

Note:

- (1) Cuisine Academy primarily focuses on interest-oriented short-term training programs. As a result, we did not list Cuisine Academy in the above table.

OUR TEACHERS AND INSTRUCTORS

We believe our quality teachers and instructors are critical to maintaining the quality of our services and to promoting our brand and reputation. We have a team of dedicated and highly qualified teachers with a strong passion for vocational education, which we believe is crucial to our success.

We are committed to maintaining a consistent and high teaching quality. This commitment is reflected in our highly selective teacher and instructor hiring process, our emphasis on continued teacher and instructor training and rigorous evaluation, as well as performance-based compensation and career advancement opportunities. As of December 31, 2016, 2017 and 2018, we had 3,254, 3,711 and 4,293 full-time teachers and instructors, respectively. As of the Latest Practicable Date, we had 4,232 full-time teachers and instructors. We have experienced low turnover rate for our teachers and instructors. The turnover rate of our full-time teachers and instructors is calculated by the number of full-time teachers and instructors resigned for the year (exclude internal transfers within our Group), divided by the total number of full-time teachers and instructors for the same year. For the year ended December 31, 2016, 2017 and 2018, our full-time teachers and instructors' turnover rate was 17.0%, 16.6% and 13.9%, respectively.

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The table below sets forth the number of our full-time teachers for our Schools and full-time instructors for our centers as of the dates indicated:

	As of December 31,		
	2016	2017	2018
Teachers			
CULINARY ARTS			
New East	1,723 ⁽¹⁾	1,861	1,999
Omick	—	210	337
AUTO SERVICES			
Wontone	613	676	782
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY			
Xinhua Internet	892	820	886
Wiszone	26	127	190
Instructors			
Cuisine Academy	—	17 ⁽²⁾	99
TOTAL	3,254	3,711	4,293

Notes:

- (1) Among the 1,723 teachers under New East Culinary Education, 29 teachers worked for the early development of the then new brand Omick Education of Western Cuisine and Pastry, which commenced operations as an independent brand in 2017.
- (2) In order to leverage on our existing teaching resources, 17 teachers were selected and sent by New East Culinary Education to the centers under Cuisine Academy to work for a prescribed period and their employment relationship were still with New East Culinary Education in 2017.

Teacher and Instructor Recruitment

Our hiring process is highly selective. Prior to hiring a teacher or an instructor, we usually consider his or her teaching experience, industry experience, educational background and other relevant factors such as qualifications and licenses. As of the Latest Practicable Date, we had 4,232 full-time teachers and instructors, approximately 70.2% of our teachers and instructors had obtained junior college diploma or higher education.

According to the Regulations on Management of Teacher Licenses (《教師資格書管理規定》), personnel engaged in teaching activities in various types of secondary formal education and schools and other educational institutions must obtain teacher licenses. 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. As of the Latest Practicable Date, more than 90% of the teachers of our secondary vocational Schools had obtained teacher licenses; more than 30% of the

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teachers of our technical Schools and vocational training Schools had obtained teachers qualifications. In addition, although certain teachers at our technical Schools and vocational training Schools failed to obtain teacher qualifications, most of them have obtained vocational skill qualifications (職業技能資格證書) and some of them have obtained teacher licenses. For risks associated with such matters, see "Risk Factor – Risks Relating to Our Business and Our Industry – We face regulatory risks and uncertainties associated with our teachers' lack of teacher licenses or teachers' qualifications". As of the Latest Practicable Date, to the extent such examinations are available in the relevant locality, we have required those teachers who do not have the requisite licenses to participate in such examinations. The teacher qualification examination is generally held twice a year, and consists of a written test and an interview. To the extent that it is available or practicable in the locality to obtain such qualifications, we will cease their engagement in teaching activities and transfer to other positions internally if they fail to obtain such licenses by December 31, 2019. See "– Legal Proceedings and Compliance" for details.

Teacher and Instructor Training and Performance Review

We are committed to investing in our people by deploying resources to attract, nurture and motivate talented employees. Through our targeted efforts, we believe we have built a team of teachers and instructors with dual-capabilities who are familiar with the needs of both schools and enterprises and well-qualified to deliver applied skill-focused curriculums. In addition, we have maintained a stringent teaching quality control system and conduct regular tests and evaluations for teachers and instructors' performance and teaching results. Our teachers and instructors' retention, compensation and promotion are to a large extent based on the results of such evaluations. The evaluation process is highly rigorous and also based on other factors, such as research activities, student evaluation, and professionalism.

SALES AND MARKETING

We primarily recruit our students through word-of-mouth referrals and other advertisement channels. We also engage in a range of marketing activities to enhance our brand recognition among prospective students and their parents, generate interest in our service offerings and further stimulate referrals. For the years ended December 31, 2016, 2017 and 2018, our selling expenses from continuing operations were RMB363.9 million, RMB456.9 million and RMB648.0 million, respectively, accounting for 15.6%, 16.0% and 19.8% of our total revenue from continuing operations, respectively.

Referrals

We believe that word-of-mouth referrals by our students and their parents who share their learning experiences with others has significantly contributed to our success in student recruitment. Our recruitment through word-of-mouth referrals has enjoyed a strong network effect, owing to the rapid growth in our student base, our excellent reputation, strong brand recognition and our students' outstanding performance.

Advertisement

We advertise through conventional channels such as television as well as new channels such as various social media. Moreover, we engage in a range of marketing activities, such as print media, posters, and outdoor billboard to enhance our brand recognition among prospective students and their parents, stimulate interest in our service offerings and lead to further referrals. We also use various competitions

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organized or sponsored by us that are well-recognized, especially in the catering industry, to continue increasing our brand awareness and give prospective students an opportunity to interact with our students, teachers, instructors and other professionals in the industry. For example, we started to jointly organize our New East Cup National Culinary Skills Competition (新東方杯烹飪技能大賽) with China Cuisine Association since 2011. This competition has attracted numerous professional chefs across China to come together and compete for the gold award each year. Furthermore, we actively participate in relevant industry events to exhibit our strengths, interact with relevant professionals and prospective students, as well as gain good publicity.

COMPETITION

The vocational education sector in China is rapidly evolving, highly competitive, and we expect competition in this industry to persist and intensify. We primarily face competition in each type of education we offer and each geographic market in which we operate. We also face regional competition from various local players in vocational education market.

We believe the principal competitive factors in our business include the following:

- brand recognition;
- graduate employment rates and education outcome;
- price-to-value factor;
- ability to attract and retain qualified teachers;
- diversity and quality of vocational education offered; and
- ability to effectively tailor service offerings to accommodate specific needs of students.

We believe that we compete favorably with our competitors on the basis of our comprehensive course offerings, well-known brands such as New East Culinary Education, Xinhua Internet Technology Education, and Wontone Automotive Education, ability to deliver high-quality education across our network, experienced and highly qualified teaching staff group and our diversified curriculum and program offerings. However, some of our competitors may have more resources than we do, and may be able to devote greater resources than we can to expand their business and market shares. See "Risk Factors — Risks Related to Our Business and Our Industry — 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."

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CUSTOMERS AND SUPPLIERS

Our customers primarily consist of students of our Schools and their parents as well as customers of our customized catering experience centers of Cuisine Academy. For the years ended December 31, 2016, 2017 and 2018, we did not have any single customer who accounted for more than 5% of our revenue for each of the period.

Our suppliers primarily consist of providers of advertising services, construction services, teaching equipment, and raw materials. For the years ended December 31, 2016, 2017 and 2018, purchases from our five largest suppliers amounted to RMB121.9 million, RMB162.4 million and RMB207.4 million, respectively, accounting for 11.5%, 12.2% and 13.0% of our total purchases for the relevant periods. For the same periods, purchases from our largest supplier amounted to RMB79.0 million, RMB100.0 million and RMB131.8 million, accounting for 7.5%, 7.5% and 8.3%, respectively, of our total purchases for the relevant periods. None of our Directors, their respective close associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, had any interest in any of our five largest suppliers during the Track Record Period and up to the Latest Practicable Date.

The following table provides an overview of the key information about our top five suppliers during the Track Record Period:

For the year ended December 31, 2018						
No.	Supplier	Background	Products supplied to our Group	Purchase amount by our Group (RMB'000)	Percentage of our total purchases %	Years of relationship with us
1.	Supplier A	Principally engaged in design, agency and publishing advertising and marketing	Online advertising agency	131,800	8.3	Seven years
2.	Supplier B	Principally engaged in design, agency and publishing advertising	Online advertising agency	35,480	2.2	Two years
3.	Supplier D	Principally engaged in graphic design, advertising creation, agency and publishing	Online advertising agency	17,280	1.1	Two years
4.	Supplier C	Principally engaged in design, agency and publishing advertising	Online advertising agency	11,810	0.7	One year
5.	Supplier J	Principally engaged in design, agency and publishing advertising	Online advertising agency	11,030	0.7	One year

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For the year ended December 31, 2017

No.	Supplier	Background	Products supplied to our Group	Purchase by our Group <i>(RMB'000)</i>	Percentage of our total purchase %	Years of relationship with us
1.	Supplier A	Principally engaged in design, agency and publishing advertising and marketing	Online advertising agency	100,000	7.5	Six years
2.	Supplier B	Principally engaged in design, agency and publishing advertising	Online advertising agency	22,000	1.6	One year
3.	Supplier F	Principally engaged in sales of air conditioner and household appliances	Air conditioner agency	14,110	1.1	Five years
4.	Supplier G	Principally engaged in sales of electronic products and office equipment	Computer agency	13,280	1.0	Five years
5.	Supplier E	Principally engaged in design, agency and publishing advertising	Online advertising agency	13,000	1.0	Five years

For the year ended December 31, 2016

No.	Supplier	Background	Products supplied to our Group	Purchase by our Group <i>RMB'000</i>	Percentage of our total purchase %	Years of relationship with us
1.	Supplier A	Principally engaged in design, agency and publishing advertising and marketing	Online advertising agency	79,000	7.5	Five years
2.	Supplier H	Principally engaged in design, agency and publishing advertising	Online advertising agency	15,000	1.4	Five years
3.	Supplier I	Sales of computers and ancillary equipment	Computer agency	11,100	1.0	Six years
4.	Supplier G	Principally engaged in sales of electronic products and office equipment	Computer agency	9,150	0.9	Six years
5.	Supplier K	Principally engaged in manufacturing and sales of clothes	Uniforms	7,650	0.7	Four years

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Key Terms and Conditions for Transactions with Suppliers

During the Track Record Period and up to the Latest Practicable Date, we did not enter into any long-term agreement with our suppliers and the key terms and conditions are agreed with our suppliers by each transaction, including the quantity, price, payment terms and delivery schedule.

The principal and general terms of our procurement agreements with our top five suppliers during the Track Record Period are as follows:

- **Credit terms** Our suppliers generally grant us credit terms of up to 30 days upon passing acceptance inspection. Some suppliers require us to provide advance payments before delivery.
- **Payment method** We usually settle our payment according to the credit terms by bank transfer with relevant suppliers.
- **Delivery terms** According to the procurement agreements we entered into with our suppliers, the delivery of products is generally arranged by the suppliers. The procured products are generally transported to places designated by us.
- **Warranty** With respect to procurement of equipment, such as air conditioners, suppliers generally provide a warranty period ranging from 18 months to six years, which starts from the date of acceptance.
- **Quality defects** Suppliers are liable to the losses of, among others, our Schools, employees and students as a result of quality defects of the products.

We outsource the operations of on-campus stores and canteens to relevant service providers, all of which are Independent Third Parties in the PRC. We require our catering service providers and their staff who work at our canteens to obtain relevant licenses and permits as required by applicable PRC laws and regulations. The catering service providers must ensure food quality and safety. We adhere to stringent procedures in selecting our suppliers. The logistical personnel in each of our Schools is responsible for conducting background investigations of relevant service providers and report the candidate to the logistics department of our Group for approval. Our Schools will enter into the outsourcing agreement with the service providers after they have obtained the required licenses and permits. Our Schools conduct on-site inspections from time to time to oversee the operations of the on-campus canteens and stores. See "Risk Factors — Risks Relating to Our Business and Our Industry — 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." for risks that we may face in this respect.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we owned 28 patents, 118 copyrights, 146 registered trademarks in the PRC, 1 registered trademark in Hong Kong, 1 trademark registration application in Hong Kong and 54 trademark registration applications in the PRC. In addition, we have registered more than 500 domain names in China. See

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"Appendix V — C. Further Information about our Business — 2. Intellectual property rights" for more information on our material intellectual property rights.

We believe the protection of our trademarks, copyrights, domain names and other proprietary rights is critical to our business. We protect our intellectual property rights by relying on intellectual property laws, as well as confidentiality agreements that we entered into with our employees. We also actively engage in monitoring and enforcement activities with respect to infringing uses of our intellectual property by third parties.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any intellectual property infringement claims that had any material impact on our Group. See "Risk Factors — Risks Relating Our Business and Our Industry — We may face disputes from time to time relating to the intellectual property rights of third parties." for risks that we may face in this respect.

AWARDS AND RECOGNITIONS

During the Track Record Period and up to the Latest Practicable Date, we have received various awards and recognitions in China. The table below sets out some of the awards and recognitions received by our Schools and centers and our teachers and instructors as of the Latest Practicable Date:

Segments and Brands ⁽¹⁾	Year of Award	Award/Accreditation	Awarding Organization
CULINARY ARTS			
New East	2018	WACC "Beacon Fire" Cup, Culinary Education Achievement Award (世界中餐業聯合會烽火杯-2018年度烹飪教育成就獎)	World Association of Chinese Cuisine (世界中餐業聯合會)
	2018	Special Award for Cultivating Culinary Professional in 40 Years after the Opening-up (改革開放40年中國餐飲行業培養人才突出貢獻單位)	China Cuisine Association (中國烹飪協會)
	2018	Special gold award, the third International Western Food Competition in China (第三屆中國國際西餐大賽,特金獎)	China Hospitality Association, Western Food Committee (中國飯店協會,西餐委員會)
	2017	Model Unit for School Enterprise Cooperation in the Catering Industry (全國飯店業校企合作標桿單位)	China Hospitality Association (中國飯店協會)
	2017	National Model Base for Cultivating Professionals in Catering Industry (全國飯店業人才培訓示範基地)	China Hospitality Association (中國飯店協會)
	2017	Tencent Resound China, 2017 Influential Education Brand (騰訊回響中國"2017年度影響力教育品牌")	Tencent.com
	2017	China Educator Annual Meeting — Reliable Education Brand (中國教育家年會"社會信賴職業教育品牌")	China.com.cn

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Segments and Brands ⁽¹⁾	Year of Award	Award/Accreditation	Awarding Organization
	2017	China 30 Years of Culinary History "Tao Li Fen Fang" Award (中國餐飲30年桃李芬芳卓越獎)	China Cuisine Association (中國烹飪協會)
	2017	China Golden Chef Award (中國金廚獎)	China Cuisine Association (中國烹飪協會)
	2016	The Eighth World Culinary Competition, team gold award and two individual silver awards (第八屆中國烹飪世界大賽, 榮獲團體金獎, 個人銀獎兩項)	World Association of Chinese Cuisine (世界中餐業聯合會)
Omick	2018	China Hospitality Association Western Food Committee Deputy Chairman (中國飯店協會西餐休閒餐專業委員會常務副主席)	China Hospitality Association (中國飯店協會)
	2017	Champion, 2017 SWLAC Latte Art Skill Competition	Korea Barista Association (韓國咖啡師協會)
	2017	2017 International Elite Young Professional (2017年度國際美食青年技藝精英人才)	China Cuisine Association (中國烹飪協會)
	2016	2016 Italian Desert Master Competition, golden award	The Italian Desert Master Competition Committee (意大利甜點大師賽組委會)
	2017	2017 Global Cuisine Skillful Young Elite (2017年度國際美食青年技藝精英人才)	China Dining Association (中國烹飪協會)

INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY

Xinhua Internet	2018	ACA World Skill Competition, China Division, the grand prize, the best creative award and award for excellent instructors (ACA世界技能大賽中國區特等獎, 最佳創意獎, 優秀指導教師獎)	Adobe Certified Association
	2018	Best Visual Award, 2018 Summer Teacher Training Camp (2018教師暑期培訓, 最佳視覺獎)	China Software Association (中國軟件協會)
	2017	ACAA/Autodesk (ATD) Sincere Cooperation Award (精誠合作獎)	AUTODESK/ACAA Education

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Segments and Brands⁽¹⁾	Year of Award	Award/Accreditation	Awarding Organization
	2017	Top 10 Most Watched Education Institution (受關注十大職業教育機構)	360.cn
	2017	Annual Influential Education Brand (年度影響力教育品牌)	Tencent.com
	2017	ACAA/Autodesk Outstanding Contribution Award (ACAA/Autodesk卓越貢獻獎)	AUTODESK/ACAA Education
	2017	Baidu Talent Cultivation Practice Award (百度人才培養最佳實踐獎)	Baidu
	2016	Top 10 Information Technology Education Service Provider (十大IT教育提供商)	Ministry of Education and Ministry of Information Industry
	2016	2016 Excellent Cooperation Award (2016精誠合作獎)	National Information Technology Training and Certification Management Office (國家信息化培訓認證管理辦公室)
Wisezone	2017	2017 Top 10 Annual Industrial Influential Brand in China (2017年度中國十大行業影響力品牌)	China Enterprise News (中國企業報), National Development and Revolution Committee, Macro Economy Management and Editing Department (國家發展和改革委宏觀經濟管理編輯部)
	2017	Zhongguancun High and New Technology Enterprise (中關村高新技術企業)	Zhongguancun Technology Park Management Committee (中關村科技園管理委員會)
	2016	High Technology Enterprise (高新技術企業)	Finance Department of Beijing, Taxation Department of Beijing, Beijing Science and Technology Committee

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Segments and Brands ⁽¹⁾	Year of Award	Award/Accreditation	Awarding Organization
AUTO SERVICES			
Wontone	2018	Baja SAE China Competition, second prize, second prize in national vocational schools (中國汽車工程學會“巴哈大賽”全國職業院校總成績二等獎)	China Automobile Engineering Association
	2018	China Secondary Vocational Education Institution New Energy Automobile Repair and Maintenance Skills Competition, second prize, third prize and the award for excellent instructors (中國中職院校新能源汽車技術與維修技能大賽二等獎,三等獎及優秀指導教師獎)	China Vocational Education Society (中國職業技術教育學會)
	2017	China Distinguish Vocational Education Brand (中國特色職業教育品牌)	Tencent. com
	2017	Baja SAE China Competition, first prize, and first place in national endurance race (中國汽車工程協會“巴哈大賽”職業院校一等獎,全國耐力賽第一名)	China Automobile Engineering Association
	2017	Secondary prize in the automobile painting contest, Chery New Energy Cup, China Automobile Vocational Education Teacher Skill Competition (奇瑞新能源杯全國職業院校汽車專業教師能力大賽,塗裝二等獎)	China Automobile Engineering Society (中國汽車工程學會)
	2017	Secondary prize in the automobile weldment contest, Chery New Energy Cup, China Automobile Vocational Education Teacher Skill Competition (奇瑞新能源杯全國職業院校汽車專業教師能力大賽,鉸金二等獎)	China Automobile Engineering Society (中國汽車工程學會)

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Segments and Brands ⁽¹⁾	Year of Award	Award/Accreditation	Awarding Organization
	2016	Baja SAE China Competition, second place among vocational institutes (中國汽車工程協會“巴哈大賽”職業院校二等獎)	China Automobile Engineering Association
	2016	Excellent Private Vocational Training School of Hunan Province in the 2014-2015 School Year (2014-2015學年度湖南省優秀民辦培訓學校)	Private Education Association of Hunan province
	2016	Excellent Instructor for Henan Secondary Vocational Education Skills Competition in 2016 (2016年河南省中等職業教育技能大賽優秀輔導教師)	The Education Department of Henan provincial government (河南省教育廳)
Cuisine Academy	2017	Advanced Western Patisserie (高級西點師)	China Cuisine Association (中國烹飪協會)
	2016	Pastry gold award, “Jingba Cup” National Chef Culinary Skills Competition (“勁霸杯”全國廚師華山論劍技能大比武麵點金獎)	China Cuisine Association (中國烹飪協會)

Note:

- (1) Our Cuisine Academy has a fairly short history, as a result we had not received as much significant award or recognition as our other segments.

Our high-quality education has been well recognized by central and local governments. Our major governmental recognitions include, among others, national hotel employee education model base (全國飯店人才培訓示範基地) by China Hospitality Association, CEAC national informatization talent training base (CEAC國家信息化人才培訓基地) by National Information Technology Training and Certification Management Office (國家信息化培訓認證管理辦公室), national e-sports professional education model base (電子競技專業人才培養全國示範基地) by China Internet Industrial Association, national virtual reality talent training model base (VR專業人才培養全國示範基地) by National Information Technology Training and Certification Management Office (國家信息化培訓認證管理辦公室) and the information security professional and technical talent training model base (信息安全專業技術人才培養基地) by Education and Training Committee of China Software Industry Association (中國軟件行業協會教育與培訓委員會).

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EMPLOYEES

As of December 31, 2016, 2017 and 2018, we had a total of 7,447, 9,026 and 10,111 employees, respectively. The following table sets forth the numbers of our employees, categorized by function, as of December 31, 2018:

<u>Function</u>	<u>Number of Full-Time Employees</u>	<u>% of Total</u>
Executive directors and core management	316	3
Full-time teachers and instructors	4,293	42
Student accommodation staff	86	1
Logistic personnel	599	6
Administrative staff	3,532	35
Accounting and finance staff	397	4
Others	888	9
Total⁽¹⁾	10,111	100

Note:

(1) Among 10,111 employees, we had nine employees in Hong Kong and 10,102 employees in China.

We remunerate our employees with basic salaries as well as performance-based bonuses. We determine employee compensation based on each employee's performance and qualifications. We plan to hire additional teachers, instructors and other employees as we expand. Our employee recruiting channels include word-of-mouth referrals, on-campus recruiting and online recruiting.

Our full-time employees in China participate in a variety of social security plans that are administered by local governments, including but not limited to, pension benefits, medical care, unemployment insurance, maternity insurance, work injury insurance and housing provident funds. Chinese labor regulations require that our PRC subsidiaries make contributions to the government for these benefits based on a fixed percentage of the employees' average salaries of last year.

We believe we have maintained a good working relationship with our employees, and we have not experienced any strikes or material labor disputes or any difficulty in hiring sufficient staff for our operations during the Track Record Period and up to the Latest Practicable Date.

INSURANCE

Our insurance coverage is still limited in terms of amount, scope and benefit. We maintain various insurance policies to safeguard against risks and unexpected events, such as student safety insurance, commercial insurance for temporary workers and vehicle insurance. We do not maintain business interruption insurance, product liability insurance, occupier's liability or key-men insurance. Our Directors believe that our insurance coverage is generally consistent with the industry practice in China and provides adequate protection for our assets and operations. Nevertheless, we may be exposed to other claims or liabilities not covered by our insurance. See "Risk Factors — Risks Relating to Our Business and Industry — We maintain limited insurance coverage" in this document for details.

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LICENSES AND PERMITS

As a China-based company that mainly provides private vocational education and vocational training, we are subject to laws, regulations and supervision by different levels of regulatory authorities and are required to maintain various licenses, permits and approvals in order to conduct our business. Except as disclosed in “Risk Factors — Risk Relating to Our Business and Our Industry — 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 “— Certain of our Schools do not have the necessary private school operating license” and “— Legal Proceedings and Compliance — Immaterial Non-compliance Incidents” of this document, our PRC legal advisors have advised that we have obtained all material requisite licenses, permits and approvals for our operations and such licenses, permits and approvals were valid and remain in effect as of the Latest Practicable Date and, we have complied with all material rules and regulations applicable to our business in all material respects during the Track Record Period and up to the Latest Practicable Date. See “Business — Legal Proceedings and Compliance” in this document for details.

The table below sets forth details of our material licenses and permits under our five business segments:

Segments and Brands ⁽¹⁾	License/Permit/ Approval/Certificate	Issuing Authority	Range of Grant Date	Range of Expiration Date
CULINARY ARTS				
New East	Private school operating license	Local authorities of MHRSS, local education authorities	January 22, 2016 to May 7, 2019	September 30, 2019 to November 4, 2026
	Registration certificate of private non-enterprise entities	local civil affairs authorities	September 12, 2002 to April 30, 2019	July 24, 2019 to April 30, 2023
	Business license	Local administration of industry and commerce	April 15, 2016 to April 3, 2019	April 30, 2021 to long term
Omick	Private school operating license	Local authorities of MHRSS	December 9, 2015 to March 31, 2019	July 2, 2019 to April 8, 2025
	Registration certificate of private non-enterprise entities	Local civil affairs authorities	May 7, 2014 to March 31, 2019	July 2, 2019 to May 6, 2023
	Business license	Local administration of industry and commerce	January 8, 2016 to November 16, 2018	September 20, 2025 to long term

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Segments and Brands ⁽¹⁾	License/Permit/Approval/Certificate	Issuing Authority	Range of Grant Date	Range of Expiration Date
INFORMATION TECHNOLOGY				
Xinhua Internet	Private school operating license	Local authorities of MHRSS or local education authorities	January 2016 to January 29, 2019	May 26, 2019 to November 19, 2025 ⁽²⁾
	Registration certificate of private non-enterprise entities	Local civil affairs authorities	March 13, 2001 to July 10, 2018	May 26, 2019 to June 10, 2022 ⁽²⁾
	Business license	Local administration of industry and commerce	April 10, 2017 to May 9, 2019	July 30, 2038 to long term
Wiszone. . . .	Private school operating license	Local authorities of MHRSS or local education authorities	November 27, 2018 to January 14, 2019	January 2020 to November 27, 2022
	Business license	Local administration of industry and commerce	August 25, 2015 to January 29, 2019	August 26, 2025 to long term
AUTO SERVICES				
Wontone	Private school operating license	Local authorities of MHRSS	November 7, 2014 to November 29, 2018	June 2019 to October 25, 2026
	Registration certificate of private non-enterprise entities	Local civil affairs authorities	May 10, 2010 to May 7, 2019	July 4, 2019 to April 22, 2023
	Business license	Local administration of industry and commerce	March 27, 2017 to December 26, 2018	August 22, 2027 to long term

Note:

- (1) Excluding our Schools that did not obtain or renew the private school operating license. See “— Legal Proceedings and Compliance — Immaterial Non-compliance Incidents” for details.
- (2) The private school operating license and the registration certificate of private non-enterprise entities of Changsha New East Culinary Institute (長沙新華電腦學院) will expire on May 26, 2019. We have submitted the application of renewal of the private school operating license to the local authority of MHRSS. Since the renewed private school operating license is a prerequisite for the application of renewed registration certificate of private non-enterprise entities, we will apply for the renewed registration certificate of private non-enterprise entities with the local civil affairs authority upon obtaining the renewed private school operating license.

As of the Latest Practicable Date, we obtained business licenses from local administration of industry and commerce for all the centers under Cuisine Academy.

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HEALTH AND SAFETY MATTERS

We are dedicated to protecting the health and safety of our teachers, instructors and students at our Schools. Our Group has regarded safety management as one of the assessment indicators for our Schools. We have established a safety management office at our headquarters and appointed personnel at each of our Schools to oversee the safety of our teachers, instructors and students. In addition, we have implemented a series of internal rules and guidelines regarding the safety management of our Schools. We conduct safety inspection and maintenance for our Schools on a regular basis and conduct safety education to enhance the safety consciousness of our students. During the Track Record Period and up to the Latest Practicable Date, we did not experience any serious accident, medical situation or safety issue involving our students or staff. However, we have limited or no control over undesirable incidents that may take place at our Schools. 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. We have put in place enhanced internal control measures with a view to preventing the recurrence of similar incidents on our school premises, including (i) holding educational talks to increase student awareness of health and safety matters; (ii) enhancing safety management responsibilities at all management levels; (iii) conducting periodic overall safety checks of our schools; and (iv) introducing clear disciplines to strictly forbid to play dangerous activities at school or going outside of school for adventure. For more information, see "Risk Factors — Risks Relating to Our Business and Our Industry — Accidents or injuries suffered by our students or our employees on or outside our school campuses or by other personnel on our school campuses may adversely affect our reputation and subject us to liabilities." We have put in place health and safety measures to ensure appropriate and prompt responses in circumstances of emergency. In particular, we require each School to report the safety incidents or other accidents and emergent matters to the principal of each School and/or the relevant local government authorities immediately when it happens. We will establish an emergency response team to investigate the incidents and take measures to minimize the impact and mitigate the emergency.

As a private vocational education service provider, we do not believe we are subject to any significant environmental laws and regulations in China. Thus, we did not incur any significant environmental compliance costs during the Track Record Period and we expect our future annual costs in relation to environmental compliance to be nil or immaterial.

We had not been subject to any fines or other penalties due to non-compliance with applicable health, safety or environmental laws and regulations during the Track Record Period and up to the Latest Practicable Date.

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

The 2016 Decision

Overview

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

Implications

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

Election of For-profit or Non-profit Private Schools

Each of our existing not-for-profit private Schools in the PRC is required to elect to be treated as a for-profit school or a non-profit private school within a transitional period determined by the local government authorities. As of December 31, 2018, apart from 47 Schools of our 144 Schools in the PRC 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 the PRC in future expansion, but our selection is still subject to the relevant policies and regulations promulgated by the PRC government authorities. The 2016 Decision is silent on specific measures regarding how existing not-for-profit private schools can elect to become for-profit schools or non-profit private schools, which, according to the 2016 Decision, shall be further clarified by relevant regulations to be promulgated by the local government authorities. 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 select to become 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. Pursuant to the Implementation Opinions, school sponsors of private schools are allowed to register and operate the schools as for-profit private schools or non-profit private schools. After obtaining the permit for operating a private school, non-profit private schools shall apply to local counterparts of the Ministry of Civil Affairs of the PRC for the registration, while for-profit private schools shall apply to local counterparts of SAMR for the registration. Schools shall finish the registration procedure in principle before certain transition period. The relevant departments of the provincial government authorities and the government of all municipalities and counties shall formulate the detailed rules to promote the aforesaid classification registration reform.

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Structured Contracts

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

Registration as For-profit Private Schools

Under the 2016 Decision, an existing not-for-profit private school electing to register as a for-profit private school must carry out financial settlement procedures, clarify property ownership, pay relevant taxes and fees, and re-apply for registration. The specific registration requirements for existing not-for-profit private schools shall be formulated by the provincial governments. Despite the issuance of the Implementation Opinions, the specific requirements, policies and procedures for registration as for-profit or non-profit private schools remain unclear. As such, we are unable to quantify the impact that the 2016 Decision may have on our business operations. For risks associated with the 2016 Decision and relevant new regulations in general, please refer to "Risk Factors — Risks Relating to Our Business and Our Industry — We are subject to uncertainties brought by the 2016 Decision and the MOJ Draft for Comments" in this document. We will closely monitor the progress of the promulgation of the implementation regulations and seek legal advice from our legal advisors from time to time before making any decisions in relation to the 2016 Decision (including any proposed election of status by any of our schools) and will update our Shareholders and investors in this regard by way of disclosure in announcement and/or annual/interim reports, as and when appropriate.

The MOJ Draft for Comments

Overview

On April 20, 2018, the MOE issued the MOE Draft for Comments, namely the *Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (the Draft for Comments)* (《中華人民共和國民辦教育促進法實施條例(修訂草案)(徵求意見稿)》), to seek public comments, and on 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 further promotes the development of private education by providing that a private school shall enjoy rights or preferential policies stipulated by laws equivalent to those applicable to a public school, which shall primarily include: (i) a non-profit private school shall enjoy the same tax policies as that enjoyed by a public school and the relevant tax concession, and a for-profit 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) for schools that provide education for academic credentials, the local people's governments may provide lands by means of bid invitation, auction or listing, assigning contracts, long-term lease or combination of sale as well as rental, and may give appropriate preferential treatment on charges for the assignment or rental of land, and may permit payment in instalments.

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The MOJ Draft for Comments stipulates further provisions of the operation and management of private schools, among other things, (i) a for-profit private school shall deposit the income into a specific settlement account of its own; and (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.

The MOJ Draft for Comments makes certain significant changes to certain provisions of the Implementation Rules for Law for Promoting Private Education of the PRC effective in 2004, which may affect the private schools. Details of such changes are as follows:

- Article 12: A social organization, if simultaneously sponsors or actually controls more than one private school or implements group-oriented operations of schools, shall be qualified as a legal person, and the funds, personnel, organizations and other conditions and abilities suitable for carrying out the activities of running schools, and shall be responsible for the management and supervision of its private schools. Group-based education institution (集團化辦學的社會組織) shall not control non-profit private schools through mergers and acquisition, franchise, agreement or any other similar manner; and
- Article 45: Related party transactions entered into by private schools shall be open, fair and just and shall not harm national interests, interest of the school or the rights and interests of the teachers and students.

Implications on our expansion strategy

The MOJ Draft for Comments may have certain implications on our expansion strategy through acquisition. Our acquisition may be limited to for-profit private schools only. For a detailed discussion, see "Business — Our Business Strategies — Expand school and center network domestically and internationally".

Implications on the Structured Contracts

We intend to register all the existing not-for-profit private schools as for-profit private schools in the relevant localities according to the 2016 Decision and local Implementation Opinions. In localities where the local Implementation Opinions were issued and the relevant local authorities started to accept applications, the existing not-for-profit private schools in the Group have applied or are in the process of applying to register as for-profit private schools; in localities where the Implementation Opinions have not been issued or the relevant local authorities have not begun to accept applications, the existing not-for-profit private schools in the Group have indicated to and have been proactively coordinating with the relevant local authorities of MHRSS or education authorities on an intention to apply to register as for-profit private schools, and the Company will apply to register as for-profit private schools as soon as the Implementation Opinions are issued and the relevant local authorities begin to accept applications. As advised by our PRC Legal Advisors, Article 12 of the MOJ Draft for Comments does not apply to the existing not-for-profit private schools of our Group and will not affect the use of the Structured Contracts by our Group if the MOJ Draft for Comments became effective as currently drafted, given that no existing not-for-profit private school of our Group has elected to register as non-profit private school under the 2016 Decision and relevant local Implementation Opinion, and all the existing not-for-profit private schools of our Group will choose to register as for-profit private schools. As of the Latest Practicable Date, we have 18 existing not-for-profit private schools whose school sponsors do not require reasonable returns ("18 Schools"). One of the 18 Schools

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has elected to register as a for-profit private school and obtained approvals from the relevant local authorities of MHRSS on March 29, 2019. Pursuant to the confirmations we obtained from the local authorities of MHRSS or education authorities, being the competent authorities relevant to the remaining 17 Schools as advised by our PRC Legal Advisors, the remaining 17 Schools can elect to register as for-profit private schools once the relevant local Implementation Opinions are all issued and all the relevant local authorities begin to accept applications for such registrations. The remaining 17 Schools would not be deemed to be non-profit private schools under Article 12 of the MOJ Draft for Comments before they are successfully registered as for-profit private schools pursuant to the 2016 Decision and the relevant local Implementation Opinions if and when the MOJ Draft for Comments becomes effective as currently drafted. For the years ended December 31, 2016, 2017 and 2018, the revenue generated from the remaining 17 Schools was RMB394.9 million, RMB462.7 million and RMB522.4 million, respectively.

To facilitate and better ensure due completion of registration as for-profit private schools, our legal affairs department has been closely monitoring the legal developments on this at the national level, while responsible personnel of each School of the Group are responsible for monitoring legal developments regularly in their locality. The responsible personnel of each School are required to report on local development updates to the Group's legal affairs department regularly, in particular, regarding when Implementation Opinions may or will be issued and when the local authorities will start to accept applications for registering a school as a for-profit or a non-profit private school.

Current status of the MOJ Draft for Comments

The MOJ required comments from the public on the MOJ Draft for Comments, if any, to be submitted prior to 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* (《中華人民共和國國民辦教育促進法》). 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 the implementation of the MOJ Draft for Comments by the competent authorities may deviate from our current understanding and interpretation of them.

Based on our our PRC Legal Advisors' advice, if the MOJ Draft for Comments is adopted and implemented in its current form, our Directors believe that our Company will be able to and our Directors will undertake to comply with all material requirements of such MOJ Draft for Comments in a timely manner as required by the relevant regulators and the MOJ Draft for Comments in its current form, as well as all related implementation measures that may be issued pursuant to the same.

We will pay close attention to the MOJ Draft for Comments and consult with our PRC Legal Advisors for the developments of the MOJ Draft for Comments and other related publications and promulgations.

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DISCONTINUED OPERATION

During the Track Record Period, we operated six entities that provided training courses for driving examinations, namely Hefei Yuxing, Hefei Xin'an, Nanjing Yuxing, Xi'an Yuxing, Chongqing Yuxing, and Changsha Yuxing, and Miwei Technology. We disposed of these entities (except for Nanjing Yuxing) in or before December 2018 to companies controlled by Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing (together the "Excluded Businesses"). We disposed Nanjing Yuxing to two Independent Third Parties on October 31, 2018. We decided to divest these non-vocational training related businesses and focus our resources on vocational training education. These schools have been accounted for as discontinued operation in the Accountants' Report of the Group in Appendix I to this document for the Track Record Period. See "History and Corporate Structure — Corporate Reorganization — 3. Disposal of equity interests or school sponsor's interest in subsidiaries engaged in non-core businesses" for further information. These Excluded Businesses are not included in the contractual arrangements under the Structured Contracts. After our disposal of these entities, their results of operations will not be consolidated with our Group's results of operations in any future period.

During the Track Record Period, the Excluded Businesses were not subject to any material non-compliance of laws and regulations or were subject to any material legal, arbitral or administrative proceedings, investigations or claims. Our PRC Legal Advisors are of the view that, during the Track Record Period and prior to the disposal, the Excluded Businesses were all duly established and validly existed under the relevant PRC laws. With the exception of Miwei Technology, the Excluded Business have all obtained the material licenses for the businesses they operated during the Track Record Period and prior to the disposal. Also, the Company confirmed that no Excluded Businesses receive any penalty in relation to their operating business, or were involved in any material legal, arbitral or administrative proceedings that might result in any adverse impact on their operating business. With respect to Miwei Technology, it was established on August 14, 2017 and it began business operations on November 7, 2018 and it was disposed of by the end of November 2018. At the time of its business operations, it had obtained the business license, radio and TV program production and business operation license and food administration permits to operate its business but at the time it was still lacking the value-added telecommunication operation license, the license for publication of audio-visual programs through information network, or online publishing services license (the "Relevant Licenses"). Miwei Technology had conducted very limited mobile application operations prior to its disposal which required the Relevant Licenses but it had not generated revenue from such operations. Based on the facts that (i) the disposal of Miwei Technology has been completed by the end of November 2018, and (ii) the sale and purchase agreement of Miwei Technology do not stipulate that the transferor should bear any liabilities arising from the lack of Relevant Licenses before the transfer, the PRC legal advisors are of the view that no member of the Group would be penalized by any relevant government authority or be liable as a result of Miwei Technology's lack of the Relevant Licenses.

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PROPERTIES

As of the Latest Practicable Date, we owned eight parcels of land in the PRC with an aggregate gross site area of approximately 467,568.89 sq.m., and owned/occupied 52 buildings with a total gross floor area of approximately 256,718.54 sq.m. in the PRC. All of the above properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. The total market value of our property interests as of March 31, 2019 was RMB17,300,000, according to the property valuation report prepared by Cushman & Wakefield Limited. As of the Latest Practicable Date, we also leased lands and buildings for our 177 campuses from Independent Third Parties with an aggregate gross site area of 1,528,499.64 sq.m. and an aggregate gross floor area of 1,618,505.39 sq.m. in the PRC and two units for our two campuses from Independent Third Parties with an aggregate gross floor area of 3,888 sq.m. in Hong Kong, which were mainly used as campuses, dormitories and offices.

Land

As of the Latest Practicable Date, we owned eight parcels of land with an aggregate gross site area of approximately 467,568.89 sq.m., including:

Land owned/ occupied by	No. of parcels of land	Location	Gross site area (sq.m.)	Type of land use right	Existing use	Expiry date
Anhui New East Culinary Institute	2	Hefei, Anhui Province	220,540.39	Allocated ⁽¹⁾	Education	N/A
Anhui Xinhua Computer Institute	2	Hefei, Anhui Province	119,101.61	Allocated ⁽¹⁾	Education	N/A
Anhui Wontone Automobile Maintenance Institute . . .	2	Hefei, Anhui Province	90,600.36	Allocated ⁽¹⁾	Education	N/A
Chengdu Tianji	2	Chengdu, Sichuan Province	11,044.25/ 26,282.28	Transferred/ allocated ⁽¹⁾	Science and education/ education	September 29, 2053/ N/A
Total	8		467,568.89			

Note:

(1) For the land obtained by allocation, see "Risk Factors — Risks Relating to Our Business and Our Industry — Our allocated land use rights may be recovered by the government without compensation or required to be used for a fee" in this document.

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Buildings

As of the Latest Practicable Date, we owned/occupied 52 buildings in the PRC with an aggregate gross floor area of approximately 256,718.54 sq.m.. The following table sets forth a summary of the buildings we owned/occupied as of the Latest Practicable Date:

<u>Building owned/occupied by</u>	<u>No. of buildings/ units</u>	<u>Location</u>	<u>Gross floor area (sq.m.)</u>	<u>Existing use</u>
Anhui New East Culinary Institute	12	Hefei, Anhui Province	71,569.62	Classroom buildings, dormitories, and practical training studios and ancillary classroom buildings
Anhui Xinhua Computer Institute	14	Hefei, Anhui Province	85,490.82	Classroom buildings and office buildings
Anhui Wontone Automobile Maintenance Institute	8	Hefei, Anhui Province	49,308.31	Classroom buildings, dormitories, and practical training studios and ancillary classroom buildings
Chengdu Tianji	18	Chengdu, Sichuan Province	50,349.79	Classroom buildings, dormitories, practical training studios, office buildings, and canteens
Total	<u>52</u>		<u>256,718.54</u>	

As of the Latest Practicable Date, certain properties owned or occupied by us were not in full compliance with the laws and regulations of the PRC. For details on the defects and legal consequences associated with the properties we owned and occupied for our operations, see “– Legal Proceedings and Compliance – Immaterial Non-compliance Incidents” below in this section.

BUSINESS

Leased property

As of the Latest Practicable Date, we set forth a summary of our lease arrangements in the PRC under which we lease as the lessee:

	<u>Sub-lessor</u>	<u>No. of campuses</u>	<u>Leased lands</u> <u>Gross site area</u> <i>(sq.m.)</i>	<u>Leased buildings</u> <u>Gross floor area</u> <i>(sq.m.)</i>	<u>Remaining term</u> <i>(years)</i>
Culinary arts					
New East	Independent Third Parties	60	695,381.23	808,262.28	0.2 — 39.6
Omick	Independent Third Parties	28	23,902.47	93,475.44	0.7 — 15.5
Information Technology and Internet Technology					
Xinhua Internet . . .	Independent Third Parties	17	365,333.61	303,150.76	0.2 — 37.8
Wisezone	Independent Third Parties	25	—	32,004.00	0.03 — 5.6
Auto Services					
Wontone	Independent Third Parties	25	295,105.52	380,172.91	0.1 — 9.6
Cuisine Academy					
	Independent Third Parties	20	—	18,152.41	3.0 — 9.7
Others					
	Independent Third Parties	1	—	115.62	1
Total	—	<u>176</u>	<u>1,379,722.83</u>	<u>1,635,333.42</u>	

As of the Latest Practicable Date, we set forth a summary of our lease arrangements in Hong Kong under which we lease as lessee:

	<u>Sub-lessor</u>	<u>No. of campus</u>	<u>Leased buildings</u> <u>Gross floor area</u> <i>(sq.m.)</i>	<u>Remaining term</u> <i>(years)</i>
Culinary arts				
New East	Independent Third Parties	1	300.72	1.5

As of the Latest Practicable Date, certain leased properties leased by us from Independent Third Parties were not in full compliance with the laws and regulations of the PRC. See “– Legal Proceedings and Compliance – Immaterial Non-compliance Incidents” in this section for more information regarding the non-compliance of our leased properties.

BUSINESS

LEGAL PROCEEDINGS AND COMPLIANCE

From time to time, we are subject to legal proceedings, investigations and claims incidental to the conduct of our business. We set forth below two outstanding litigation whose claim amounts exceeds RMB1,000,000.

1. In August 2018, an entity who used to rent a parcel of land to Fujian New East Cuisine Vocational Training School ("Fujian New East"), one of our operating Schools, sued Fujian New East for breach of contract, arguing that Fujian New East did not timely pay rental fee under a set of agreements and seek for Fujian New East's repayment of unpaid rental fee, fine for late payment and penalties amounting to approximately RMB1,819,000. The People's Court of Minhou District, Fujian province (the "Court") scheduled the court on November 28, 2018 and rendered a judgment in favor of us on November 29, 2018. The Court held that Fujian New East has fully fulfilled its obligations under the agreement and was not obligated to pay the claimed rental fee. Therefore, the Court found that such claim had no merit. The suing entity appealed the case to the Fuzhou City Intermediate People's Court (the "Fuzhou Court"). The Fuzhou Court issued a civil ruling on March 19, 2019 which revoked the above judgment and remanded the case to the Court for retrial on the grounds that the facts of the case found by the Court were unclear and may affect the fair judgment of the case. Our Directors are of the view that this particular lawsuit is not expected to have a material adverse effect on our operation of our Schools; and
2. In October 2016, a former employee fainted on our Fujian New East campus while collecting personal items after his resignation. Our staff promptly sent him to a hospital but he failed to respond to any medical treatment and died. The injury was identified by the relevant government authority as a work related injury because it occurred on our premises. Certain family members of the deceased (the "Family Members") initiated actions against us to seek legal compensation. On October 24, 2018, the Court supported the finding that there had been an existing employee relationship between Fujian New East and the deceased at the time of the incident, and ruled that Fujian New East was liable to pay the (i) Family Members collectively RMB623,900 as an one-off death subsidy and RMB31,239 for funeral allowance; and (ii) spouse of the deceased RMB1,249.6 each month from November 2016 as relatives pension until her death in accordance with the relevant regulations. On November 15, 2018, the Family Members appealed to the Fuzhou Court against the decision of the Court arguing that the standards used in calculating the entitlements were wrong and claimed for a lump-sum of approximately RMB1,139,643 in total. The Fuzhou Court had heard the appeal on March 11, 2019 and as of the Latest Practicable Date, we are waiting for the Fuzhou Court to hand down judgment on the same. Our Directors are of the view that this particular lawsuit is not expected to have a material adverse effect on our operation of our Schools.

During the Track Record Period and up to the Latest Practicable Date, except as described above, there were not any material legal, arbitral or administrative proceedings against us and we were not aware of any material pending or threatened legal, arbitral or administrative proceedings against us or any of our Directors which, in the opinion of our Directors, could have a material adverse effect on our business operations or financial condition as a whole.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material or systemic non-compliance of the laws or regulations which taken as a whole, in the opinion of our Directors, is likely to have a material adverse effect on our business operations or financial condition as a whole, or reflects negatively on the ability or tendency of us, our Directors or our senior management, to operate in a compliant manner in all material aspects. See "Immaterial Non-compliance Incidents" in this section for details.

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Immaterial Non-compliance Incidents

Our Company is of the view that each of the below incidences are immaterial and do not constitute material impact or systemic non-compliances. In particular, none of the following incidences would, whether individually or in the aggregate, have had or may have in the future, a material adverse effect on our business operations or financial positions. For the reasons and our PRC Legal Advisors' views more explicitly set out below, our Company is of the view that none of the non-compliances below will or is capable of giving rise to significant financial penalties or which may result in the closure of material operating facilities and none of the incidences below would reflect negatively on our or our Directors' or senior management's ability or tendency to operate in a compliant manner. Further, none of our Schools, if applicable, has failed any of its annual inspections organized by their competent authorities during the Track Record Period.

No.	Particulars of immaterial non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Rectification actions and enhanced internal control measures	Regions	Number of Schools
1.	During the Track Record Period, certain of our operating Schools, commenced operations without obtaining private school operating licenses. Such Schools are (i) 21 Schools under the brand of Wisezone Data Technology Education; (ii) six Schools under the brand of Omick Education; (iii) Western Cuisine and Pastry, namely Xiamen Omick Western Pastry & Cuisine Educational Co., Ltd.* (廈門歐米奇西點西餐教育有限公司), Kunming Omick Western Cuisine Training Co., Ltd.* (昆明歐米奇西點西餐培訓有限公司), Suzhou Omick Western Pastry & Cuisine Training Co., Ltd.* (蘇州市歐米奇西點西餐培訓有限公司), Beijing Omick Educational Technology Co., Ltd.* (北京歐米奇教育科技有限公司), Xi'an Omick Western Pastry & Cuisine Training Co., Ltd.* (西安歐米奇西點西餐培訓有限公司) and Wuhan Omick Western Pastry & Cuisine Vocational Training Co., Ltd.* (武漢市歐米奇西點西餐職業技能培訓有限公司); and (iii) three Schools under the brand of Wontone Automotive Education, namely Guizhou Wontone Automobile Education & Training Co., Ltd.* (貴州萬通汽車教育培訓有限公司), Hangzhou Wontone Automobile Vocational Skills Training Co., Ltd.* (杭州萬通汽車職業技能培訓有限公司) and Yuxing Wontone Automobile Education Consultancy Co., Ltd.* (太原宇星萬通汽車教育諮詢有限公司).	For-profit private training institutions applying for or update the requisite licenses, it may be ordered to return tuition and fees collected from students and/or cease operation, and the sponsors of such Schools may be subject to penalties of one to five times of the unlawful gains (違法所得). There is no specific or clear guidance or regulations regarding the scope and standard for calculation of the unlawful gains (違法所得) under the Law for Promoting Private Education of the PRC. Therefore, we are unable to estimate the maximum penalty for such non-compliance. Based on the confirmations from the relevant authorities as mentioned below, our PRC Legal Advisors are of the view that the possibility of us being implementation subject to any penalty initiated and proactively imposed by the competent government authorities is relatively low.	As advised by our PRC Legal Advisors, if any of such Schools fail to receive for or update the requisite licenses, it may be ordered to return tuition and fees collected from students and/or cease operation, and the sponsors of such Schools may be subject to penalties of one to five times of the unlawful gains (違法所得). There is no specific or clear guidance or regulations regarding the scope and standard for calculation of the unlawful gains (違法所得) under the Law for Promoting Private Education of the PRC. Therefore, we are unable to estimate the maximum penalty for such non-compliance. Based on the confirmations from the relevant authorities as mentioned below, our PRC Legal Advisors are of the view that the possibility of us being implementation subject to any penalty initiated and proactively imposed by the competent government authorities is relatively low.	As of the Latest Practicable Date, we have applied or are in process of applying for for-profit private school licenses to the competent authorities in the regions set forth in the table below, where our operating schools located that have issued implementation measures and have begun to accept applications for the for-profit private school operating licenses.	Lanzhou (蘭州) Tianjin (天津) Changsha (長沙) Wuhan (武漢) Fuzhou (福州) Xi'an (西安) Hangzhou (杭州) Kunming (昆明) Chengdu (成都)	1 1 1 1 1 2 2 2 1

For the rest of the regions, we are committed to submitting the application documents and meeting the application conditions once the remaining regions have begun accepting applications for private school operating licenses. One of the 30 Schools, Wuhan Wisezone Technology Co., Ltd. (武漢市華信智原科技有限公司), now known as Wuhan Donghu New-Tech Development District Wisezone Vocational Training School Co., Ltd. (武漢東湖新技術開發區華信智原職業培訓學校有限公司) has obtained the for-profit private school license on January 14, 2019.

Regions	Number of Schools
Hefei (合肥)	1
Beijing (北京)	2
Guangzhou (廣州)	1
Guizhou (貴州)	1
Shijiazhuang (石家莊)	2
Zhengzhou (鄭州)	1
Nanjing (南京)	1
Nanchang (南昌)	1
Dalian (大連)	1
Taiyuan (太原)	2
Yiwu (義烏)	1
Chongqing (重慶)	1
Xiamen (廈門)	1
Suzhou (蘇州)	1

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No.	Particulars of immaterial non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Rectification actions and enhanced internal control measures
			<p>For Schools that we did not obtain the private school operating licenses, we have conducted interviews with the relevant government authorities or obtained confirmation letters from the competent authorities:</p> <ul style="list-style-type: none"> For 19 of 30 Schools, the competent authorities confirmed that (i) we can continue to operate these Schools; (ii) we will not be punished for failing to obtain a private school operating license; and (iii) there will be no legal impediment for us to apply for a private school operating license after the local policies or relevant implementation measures are issued; For 8 of 30 Schools, the competent authorities confirmed that (i) we did not obtain the private school operating licenses primarily because the local policy and relevant implementation measures were not clear; and (ii) there will be no legal impediments for us to apply for a private school operating license after the local policies or relevant implementation measures are issued; For the rest three out of 30 schools, the relevant competent authorities confirmed that (i) Nanjing Wisezone Educational Technology Co., Ltd.* (南京華信智原教育科技有限公司) and Suzhou Omick Western Pastry & Cuisine Training Co., Ltd.* (蘇州市歐米奇西點西餐培訓有限公司) do not need to obtain the private school operating licenses according to their interpretation of the local special policies; (ii) Beijing Wisezone Educational Technology Co., Ltd. Hebei Branch* (北京華信智原教育科技有限公司河北分公司) did not apply for a private school operating license with them, but we did not have any administrative disputes or litigation relating to our vocational training education with the competent government authorities. 	<p>Our legal affairs department is responsible for monitoring the development of laws and regulations at national level, and each of these Schools had designated personnel to be directly responsible for and following up with the legal developments in their locality, the application process. Our Group has also designated Mr. Sha Xu, the vice president of our Group, to oversee the application process as well as the future compliance.</p>

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No.	Particulars of immaterial non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Rectification actions and enhanced internal control measures
	<p>The private school operating licenses of Beijing City Daxing District Xinhua Computer Vocational Training School* (北京市大興區新華電腦職業技能培訓學校) and Beijing City Daxing District Wontone Vocational Training School* (北京市大興區萬通汽車修理職業技能培訓學校) (the "Beijing Daxing Schools"), and Hubei New East Culinary Vocational Training School (湖北新東方烹飪職業培訓學校) and Wuhan Xinhua Computer Vocational Training School (武漢新華電腦職業培訓學校) (the "Hubei Schools") have expired.</p>	<p>For Beijing Daxing Schools, we did not promptly update and renew the private school operating license due to the Hubei relocation. For the Hubei Vocational Training Schools, due to the local policies of the relevant authorities of MHRSS, we would not be able to update and renew the private school operating licenses until June 2019.</p>	<p>For Beijing City Daxing District Xinhua Computer Vocational Training School* (北京市大興區新華電腦職業技能培訓學校), we are in the process of transferring its business to Beijing City Changping District Xinhua Computer Vocational Training School* (北京市昌平區新華電腦職業技能培訓學校), which obtained the private school operating license on January 29, 2019 and is in the process of applying for registration certificate. We will dissolve Beijing City Daxing District Xinhua Computer Vocational Training School after the transfer is completed; For Beijing City Daxing District Wontone Automobile Vocational Skills Training School* (北京市大興區萬通汽車修理職業技能培訓學校), we are in the process of transferring its business to Beijing Tongzhou New District Wontone Automobile Repairing Vocational Skills Training School* (北京市通州新區萬通汽車修理職業技能培訓學校), which has already obtained the private school operating license and relevant registration certificates. We will dissolve Beijing City Daxing District Wontone Automobile Vocational Skills Training School after the transfer is completed.</p>	
			<p>For the Hubei Schools, in April 2019, we obtained confirmations from the competent authorities of MHRSS, confirming that the annual inspection of private vocational training schools is conducted during March to June each year and the Hubei Schools would not be able to update and renew the private school operating licenses before the end of such annual inspection period. Such competent authorities of MHRSS also confirmed that the Hubei Schools are allowed to conduct ordinary business prior to obtaining the updated and renewed private school operating licenses without any penalty or being requested to suspend school operation, and there is no impediment for us to update and renew the private school operating licenses of the Hubei Schools.</p>	

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No.	Particulars of immaterial non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Rectification actions and enhanced internal control measures
2.	<p>During the Track Record Period and as of the Latest Practicable Date, (i) certain of our entities without hiring employees failed to open social insurance and housing provident fund accounts; and (ii) social insurance and/or housing provident fund that we paid for our employees in certain of our entities were not based on their actual salary levels.</p> <p>In particular, as of the Latest Practicable Date, there are 195 PRC entities in total in our Group, among which 174 entities hired employees while the remaining 21 entities did not hire any employees. Among the abovementioned 21 entities, 19 entities did not open social insurance accounts while 21 entities did not open housing provident fund accounts. The abovementioned 174 entities have been making statutory contributions to the social insurance and housing provident fund for their employees based on standards lower than their employees' actual salary levels.</p>	<p>(i) Certain of our operating entities did not hire any employee so that they did not open social insurance and/or housing provident fund accounts.</p> <p>(ii) The abovementioned non-compliance incidents occurred mainly due to administrative oversight by the handling personnel of the human resources departments of our entities being unfamiliar with relevant regulatory requirements.</p>	<p>With respect to the failure to open social insurance and housing provident fund accounts, as advised by our PRC Legal Advisors, pursuant to the relevant PRC laws and regulations, our entities may be ordered to rectify the non-compliance within a prescribed time limit. We may be ordered to pay a penalty between RMB10,000 and RMB50,000 if they fail to open housing provident fund accounts within a prescribed time limit. If our entities fail to open the social insurance accounts within a prescribed time limit, they may be subject to a penalty of no less than one time but not more than three times the amount of social insurance and the personnel in charge may be fined between RMB500 and RMB3,000.</p> <p>If the competent PRC government authority is of the view that the social insurance payments we made for our employees breached the requirements under the relevant PRC laws and regulations, it can order us to pay the outstanding balance to the relevant PRC local authorities within a prescribed time period and a late fee of 0.05% of the total outstanding balance per day from the date of such failure of payment. If we fail to do so within the prescribed period, we may be subject to an additional fine ranging from one to three times of the total outstanding balance.</p> <p>If the competent PRC government authority is of the view that the contributions for the housing provident fund do not satisfy the requirements under the relevant PRC laws and regulations, it can order us to pay the outstanding balance to the relevant PRC local authorities within a prescribed period. If we fail to do so within the time limit, it can apply to the People's Court for compulsory execution.</p> <p>As of the Latest Practicable Date, 19 of our subsidiaries did not open social insurance accounts and 21 subsidiaries did not open housing provident fund accounts as all of these subsidiaries did not hire any employee. Our PRC Legal Advisors are of the view that we may be subject to penalties according to the relevant PRC laws and regulations described above. However, as we will timely rectify such non-compliance once we receive any request from the relevant government authorities to open social insurance accounts and/or housing provident fund accounts, our entities will not be subject to any penalties.</p> <p>If we were to pay the outstanding balance of social insurance based on the actual salary level of our employees during the Track Record Period, the estimated amount are RMB14.4 million, RMB31.4 million and RMB24.2 million, respectively for the years ended December 31, 2016, 2017 and 2018. However, among our 161 PRC subsidiaries who hired employees, as of December 31, 2018, 144 entities have obtained verbal or written confirmations from the relevant government authorities, which confirmed that (1) such entities may continue to pay social insurance on the basis of the current payment base; and/or (2) the relevant competent social security authorities will not take the initiative to check, demand for recovery or impose penalties on us for the outstanding amounts of social insurance. Based on the above confirmation, our PRC Legal Advisors are of the view</p>	<p>As of the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant PRC government authorities with respect to this non-compliance incident, nor has any order been received by our Company to settle the outstanding amount of social insurance payments and housing provident fund contributions.</p> <p>We are committed to be fully compliant with the applicable laws and regulations by making statutory contributions to the social insurance and housing provident fund based on the actual salary level of our employees going forward. As an upward adjustment of our payment base will also correspondingly increase the contribution amount by our employees, we are also in the process of communicating with our employees with a view to seeking their understanding and cooperation in complying with the applicable payment base. Considering that our compliance with the relevant laws and regulations is also in part subject to cooperation from our employees, we expect to gradually rectify our payment base for all of our employees going forward. We will use our best endeavours to comply with the requirements in full as soon as practicable and in any event by December 31, 2022. We will seek assistance from our legal advisors and confirm with the relevant authorities on our assessment of the adjusted payment base.</p> <p>We have designated Mr. Sha Xu, the vice president of our Group, to be directly responsible for overseeing the implementation of the rectification measures. In addition, we have adopted certain measures to strengthen our internal control in this regard, including notify all our entities to pay social insurance and housing provident fund in accordance with the regulatory requirement set by the relevant local government authorities, and assign our human resources department to be responsible for the calculation of the amount to be paid and a designated team to review the accuracy of the calculation.</p>

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No.	Particulars of immaterial non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Rectification actions and enhanced internal control measures
			<p>that the possibilities of these 144 PRC subsidiaries being subject to any order to pay the outstanding amounts of social insurance or subject to any fines initiated and proactively imposed by the competent government authorities are remote. For the remaining 17 PRC subsidiaries, based on the policies and regulations relevant to social insurance issued by the relevant government authorities as of the Latest Practicable Date, our PRC Legal Advisors are of the view that as relevant competent authorities have no further instructions at the national or provincial levels, the possibilities that the relevant local government authorities will collectively initiate or proactively recover the historically unpaid social insurance from these entities are remote.</p> <p>If we were to pay the outstanding balance of the housing provident fund based on the actual salary level of our employees during the Track Record Period, the estimated amount are RMB8.6 million, RMB10.4 million and RMB15.2 million, respectively, for the years ended December 31, 2016, 2017 and 2018. However, among our 161 PRC subsidiaries who hired employees as of December 31, 2018, 123 entities have obtained verbal or written confirmation from the relevant government authorities, which confirmed that (1) these entities may continue to pay the housing provident fund on the basis of the current payment base; and/or (2) the relevant competent housing provident fund authorities will not take the initiative to check, demand for recovery or impose penalties on us for the outstanding amounts of housing provident fund. Based on the above confirmation, our PRC Legal Advisors are of the view that the possibilities that the competent housing provident fund authorities proactively recover the outstanding amounts from these 123 entities are remote. For the remaining 38 PRC subsidiaries, the outstanding amounts of housing provident fund contributions within a prescribed period, which we estimate to be RMB1.8 million, RMB1.7 million and RMB3.2 million for the same periods, respectively.</p> <p>As of the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant PRC government authorities on us, our Directors believe that the risk of us being ordered to make up the underpayments, pay any late fees or be subject to fines for the social insurance and housing fund-related non-compliance by the relevant government authorities is remote. Accordingly, we have not made provision for the balance of social insurance payments and housing provident fund contributions.</p> <p><i>Our Controlling Shareholders have agreed to indemnify us for all claims, costs, expenses and losses incurred by us arising from such non-compliance incidents.</i></p> <p>As above-mentioned, the possibilities that the relevant local government authorities will collectively initiate or proactively recover the historically unpaid social insurance from these entities are remote and the outstanding amounts of housing provident fund contribution is low. Accordingly, this incident No. 2 is not expected to have any material impact on our Group's business operations and financial conditions.</p>	

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Particulars of immaterial No. non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Rectification actions and enhanced internal control measures
		<p>III to this document, (iii) the market value of 16 buildings occupied by Chengdu Tianji as of December 31, 2018, which was set out in Appendix III to this document for illustrative purpose, was RMB74.33 million representing approximately 2.6% of our total assets as of December 31, 2018; and (iv) if we are forced to relocate, we estimate that the relocation process will take three to six months and will spend approximately RMB7 million for the decoration and refurbishment of new campus and such amount will be capitalized according to relevant accounting standards. Assuming in the extreme scenario that such relocation will be completed in six months and all business operation has to be suspended during such period of relocation, we estimate to lose approximately 25% to 50% of the revenue of those relevant Schools should they operate as normal. However, in practice, we will set out a detailed relocation plan to conduct the relocation in holidays and winter and/or summer vacation, and by stages, to avoid any interference on the operation of Schools or any loss in revenue. We plan to fund the expenses in relation to such rectification measures with cash generated from our operations.</p> <p>As above-mentioned, there has not been any demand to demolish the 16 buildings owned by Chengdu Tianji and that our Directors consider that, even in the event that the local government authorities require us to demolish such buildings, the impact thereof on our Group's operation should be immaterial. Accordingly, incident No. 3 is not expected to have any material impact on our Group's business operations and financial conditions.</p> <p>Further, our Company is also of the view that incident No. 3 does not reflect negatively on our Company's, its Directors' and senior management's ability or tendency to operate in a compliant manner given that the failure to obtain the relevant the planning permits, construction permits, approvals for passing environmental impact assessments and fire control design assessments and approvals for passing construction completion inspections and fire control acceptance inspection was not the default of our Group but the former owner of Chengdu Tianji, an Independent Third Party. In fact, to ensure that the buildings are fit for occupation and complies with the relevant health and safety and fire regulations, our Group had engaged qualified independent fire prevention inspection company to conduct appraisals regarding the fireproofing facilities of the 16 buildings occupied and the results were positive.</p>	
			<p>In view of the above, incident No. 3 would not call into question the integrity or honesty of our Directors and would not otherwise lead to any of them being not suitable to be Directors.</p>

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No.	Particulars of immaterial non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Rectification actions and enhanced internal control measures
4.	<p>As of the Latest Practicable Date, 19 buildings occupied by Anhui New East Culinary Professional Institute, Anhui Xinhua Computer Institute and Anhui Wontone Automobile Maintenance Institute in Hefei, Anhui province (the "Hefei Buildings"), 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.</p>	<p>The non-compliance occurred primarily due to an adjustment of administrative divisions at the region where Hefei Buildings are located, resulting in disturbance of coherence of procedural applying for relevant permits or acceptance procedures.</p>	<p>Our PRC Legal Advisors have advised that, for (i) 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; (ii) using the buildings 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; (iii) using the buildings 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 (iv) using the buildings 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 Hefei Buildings, we estimate that the maximum penalties we may be subject to will be approximately RMB19.1 million and none of the Hefei Buildings is subject any order for demolition or relocation under applicable laws and regulations.</p>	<p>As of the Latest Practicable Date, we have implemented the following rectification measures:</p> <ul style="list-style-type: none"> we have applied to competent authorities for completing the relevant procedures in order to obtain the building ownership certificates for the Hefei Buildings; our PRC Legal Advisors have consulted the officials of the Environment Protection Bureau of High-tech Industrial Development Zone of Xinzhan District, Hefei* (合肥新站高新技术产业开发区開發區環境保護局), the Public Security Fire Brigade of Hefei* (合肥市公安消防支隊) and the Construction Quality Supervision Station of Xinzhan District, Hefei* (合肥市建築工程質量監督站新站區分站), being the competent authorities for providing relevant confirmations, respectively, regarding our use of Hefei Buildings. The officials orally confirmed that (i) there are no legal impediments to complete the relevant procedures requisite to obtain the building ownership certificates for the Hefei Buildings afterwards; (ii) all of the Hefei Buildings conform to the fire control and quality requirements and can be put into use safely; and (iii) our Schools can continue to use the Hefei Buildings without being subject to any fines or penalties and without being ordered to stop using or demolish these buildings; and we have engaged qualified independent fire protection inspection companies in November 2018 to conduct appraisals regarding the fireproofing facilities of the Hefei Buildings. According to the inspection reports issued by the independent fire protection inspection companies in November 2018, these buildings are safe for use in respect of fire prevention. <p>Our Group will undertake stringent supervisory measures to ensure future compliance with relevant PRC legal and regulatory requirements in the event that there is any new construction project, building maintenance or real property acquisition. Going forward, we will conduct an assessment of the property pursuant to our internal checklist of regulatory compliance after completion of construction or prior to property acquisition. Also, our Controlling Shareholders have agreed to indemnify all losses and liabilities</p>

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No.	Particulars of immaterial non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Rectification actions and enhanced internal control measures
5.	<p>As of the Latest Practicable Date, certain properties we leased from independent Third Parties were not in full compliance with the laws and regulations of the PRC in the following manners:</p> <p>(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;</p> <p>(ii) we had not been provided by landlords/sub-lessors with the fire control acceptance records for 46 campuses;</p> <p>(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;</p> <p>(iv) we leased properties located on collective lands which may not be used for construction or nonagricultural purpose for 21 campuses;</p> <p>(v) one leased property is military property, the lease of which is forbidden by the PRC Laws;</p> <p>(vi) certain properties leased by our Group, with an aggregate floor area of approximately 1.3 million sq.m, have not been filed with the relevant authorities as required by applicable PRC laws and regulations.</p>	<p>The non-compliances occurred primarily because landlords and/or sublessors of such properties failed to comply with the relevant PRC laws and regulations.</p>	<p>With respect to the leased properties with defects, our PRC Legal Advisors are of the view that:</p> <p>(i) <i>for the leased properties that we had not been provided with land use right certificates and/or building ownership certificates, or the proofs of having the right to sublease the properties to us, if the landlords are not the legal owners of the title of the properties, or the sub-lessors do not have the right to sublease the properties to us, our right of use may be challenged by the actual title/right holders;</i></p> <p>(ii) <i>for the leased properties that we had not been provided with fire control acceptance records, if the landlords/sublessors of the properties receive any rectification or relocation order from competent authorities, we may not be able to continue to use the properties. We cannot assure that the leases conform to the regulatory requirements of fire protection;</i></p> <p>(iii) <i>for the leased properties used for purposes, in contravention of permitted use for "industrial" or other purposes, if the landlords/sub-lessors of the properties receive any rectification or relocation order from competent authorities, we may not be able to continue to use the properties;</i></p> <p>(iv) <i>for the leased properties located on collective land, if the landlords/sub-lessors of the properties receive any rectification or relocation order from competent authorities, we may not be able to continue to use the properties;</i></p> <p>(v) <i>for the properties used by us owned by the PRC military, we may not continue to use the property if the PRC military terminates the lease agreements pursuant to the relevant military regulations;</i></p> <p>(vi) <i>for the properties used by us without filing with the relevant authorities, the validity of the lease agreements is not affected by the failure to file the lease agreements with the relevant authorities. We may be required by the relevant authorities to file the relevant lease agreements within a prescribed period, failing which may subject us to a fine ranging from RMB1,000 to RMB10,000 for each non-filed lease.</i></p> <p>Our PRC Legal Advisors are of the view that the likelihood of our Company being required by the relevant authorities to relocate or demolish a significant number of leased properties with title defects at the same time is relatively low, considering that (i) our Company confirms that, as of the Latest Practicable Date, authorities had never initiated any request to</p>	<p>that our Group may suffer due to the failure to obtain the relevant certificates, permits and approvals, pursuant to the Deed of Indemnity, including, where required, to procure appropriate alternative suitable premises for our use.</p> <p>As of the Latest Practicable Date, we have implemented the following rectification measures:</p> <p>(i) <i>for the leased properties that we had not been provided with land use right certificates and/or building ownership certificates, or the proofs of having the right to sublease the properties to us, for 69 out of the 77 campuses, we have entered into with the landlords/sub-lessors lease agreements with a term that, or obtained confirmation letters from the landlords/sub-lessors, confirming by the landlords/sub-lessors that (a) the landlords/sub-lessors are legally competent and have the rights to lease these properties to us; and (b) the landlords/sub-lessors will compensate us for the losses and damages we suffer. For the remaining eight campuses, we have not had agreements with such a term with or obtained confirmation letters from the landlords/sub-lessors;</i></p> <p>(ii) <i>for the leased properties that we had not been provided with fire control acceptance records, we have engaged qualified independent fire protection inspection companies for 44 campuses to conduct appraisals of the fireproofing facilities of these buildings. According to the inspection reports issued by the independent fire protection inspection companies in October, November and December 2018 and January 2019, these buildings can be put into use safely in respect of fire prevention;</i></p> <p>(iii) <i>for the leased properties used for purposes, in contravention of permitted use for "industrial" or other purposes, for 34 out of the 51 campuses, we have entered into with the landlords/sub-lessors lease agreements with a term that, or obtained confirmation</i></p>

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No.	Particulars of immaterial non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Rectification actions and enhanced internal control measures
		<p>relocate or demolish any leased property of our Group due to the defects of the leased properties, (ii) these properties are geographically dispersed and within the authorities of different local governments, and are leased from different counterparties, and (iii) as of the Latest Practicable Date, there is no national laws or regulations that require local authorities to deal with the leased properties with such defects simultaneously.</p>	<p>Our Directors are of the view that for the leased properties not in compliance with PRC laws and regulations, the likelihood that our business results of operations would be materially and adversely affected by the said property defects is remote, considering that (i) during the Track Record Period and up to the Latest Practicable Date, our Group had not been fined by the relevant authorities with respect to these non-filed leases; (ii) it is unlikely that we would be required by authorities to relocate or demolish with respect to a significant number of these leased properties at the same time, considering that these properties are geographically dispersed and within the authorities of different governmental branches, and are leased from different counterparties; (iii) we believe we would be able to find comparable properties as alternatives should we be required to relocate, and the additional costs incurred by the relocation (being the capital expenditures incurred by renovation) are manageable according to our previous experience (for example, the capital expenditures incurred by renovation in 2017 in relation to 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 expiry of lease agreements were RMB2.4 million, RMB2.8 million and RMB7.2 million, respectively); (iv) the majority of the landlords/sub-lessors of the properties with the said effect have entered into leasing agreements with or issued confirmation letters to us, with a term of agreeing to compensate us for the losses or damages we suffer; and (v) our Controlling Shareholders have agreed to indemnify all losses and liabilities that our Group may suffer due to using the properties with the said defects.</p>	<p>letters from the landlords/sublessors, confirming that (i) the leased properties can be used by us for our intended purposes and (ii) the landlords/sub-lessors will compensate us for the losses and damages we suffer. For the remaining 17 campuses, we have not had agreements with such a term with or obtained confirmation letters from the landlords/sub-lessors;</p>
				<p>(iv) for the leased properties located on collective land, for 19 out of the 21 campuses, we have entered into with the landlords/sublessors lease agreements with a term that, or obtained confirmation letters from the landlords/sub-lessors, confirming by the landlords/sub-lessors that (i) the landlords/sublessors have the rights to lease these properties to us; and (ii) the landlords/sub-lessors will compensate us for the losses and damages we suffer. For the remaining two campuses, we have not had agreements with such a term with or obtained confirmation letters from the landlords/sub-lessors;</p>
				<p>(v) for the properties used by us owned by the PRC military, pursuant to a duly approved relocation plan, we are negotiating a new lease agreement with an Independent Third Party sub-lessor to lease a new property in compliance with the laws and regulations of the PRC; and</p>
				<p>(vi) for the properties used by us without filing with the relevant authorities, we have begun to make filings with the relevant authorities.</p>
				<p>Furthermore, our Group will undertake stringent supervisory measures to ensure future compliance with relevant PRC legal and regulatory requirements in the event that there is new lease. Going forward, we will conduct an assessment of the property pursuant to our internal checklist of regulatory compliance prior to leasing any properties. Also, the Controlling</p>

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No.	Particulars of immaterial non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Rectification actions and enhanced internal control measures
6.	<p>As of the Latest Practicable Date, nine of our secondary vocational Schools, namely Zhenzhou 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 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等學校), Jiangxi Nanchang New East Culinary Secondary Vocational School* (江西南昌新東方烹飪中等學校), 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 licensed on-site medical infirmaries to offer medical diagnosis and the prescription of medication and treatments, as well as basic healthcare services to our students.</p>	<p>We believe that of professional medical service providers near those school medical personnel should receive appropriate professional training and be equipped with first aid skills. Failing to meet the standards set forth above, more relevant education authorities may order us to rectify within a time limit. As of Date, relevant legal consequences have not been specified in the PRC laws and regulations.</p>	<p>As advised by our PRC Legal Advisors, pursuant to the relevant PRC laws and regulations, boarding secondary vocational schools shall have licensed on-site infirmaries and professional medical personnel. Such professional medical personnel should receive appropriate professional training and be equipped with first aid skills. Failing to meet the standards set forth above, more relevant education authorities may order us to rectify within a time limit. As of Date, relevant legal consequences have not been specified in the PRC laws and regulations.</p>	<p>Shareholders have agreed to indemnify all losses and liabilities that our Group may suffer due to using of the defective leased properties, pursuant to the Deed of Indemnity, including, where required, to procure appropriate alternative suitable premises for our use.</p> <p>Our Schools are able to send our students to nearby hospitals for medical treatment in a timely manner if any emergency arises.</p>

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No.	Particulars of immaterial non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Rectification actions and enhanced internal control measures
7.	<p>During the Track Record Period, (i) five Schools, namely Chengdu New East Culinary Vocational Training School Co., Ltd. Jinniu Branch* (成都新東方烹飪職業技能培訓學校有限公司金牛校區), Fujian Province New East Culinary Vocational Training School* (福建省新東方烹飪職業培訓學校), Harbin New East Culinary Vocational Training School Co., Ltd.* (哈爾濱新東方烹飪職業培訓學校有限公司), Beijing City Daxing District New East Culinary Vocational Skills Training School (北京市大興區新華電腦職業技能培訓學校) and Shanxi Xinhua Computer Vocational Training School* (山西新華電腦職業培訓學校) operated on-campus canteens to offer catering services to our students, but failed to obtain food administration permits as required under the relevant PRC laws and regulations; and (ii) the food administration permits of Chongqing City New East Culinary Vocational Training Institute* (重慶市新東方烹飪職業培訓學院) had expired and we failed to renew such permits.</p>	<p>The non-compliance incident occurred primarily because the third party operators of canteens or Schools do not meet relevant conditions/did not apply for the permits in time.</p>	<p>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 under the relevant PRC laws and regulations. Failing to obtain or renew the requisite permits may subject us to (i) a fine ranging from RMB50,000 to RMB100,000 if the value of illegally produced food is less than RMB10,000 or between two times and 20 times of the value if the value of illegally produced food is more than RMB10,000; and (ii) confiscation of illegal income derived from operating on-campus canteens without obtaining the requisite permits. Such catering services were outsourced by us to the canteen operators that are independent Third Parties. We did not derive income from such catering services. However, we charged outsource fees from the canteen operators and the amounts in the years ended December 31, 2016, 2017 and 2018 were RMB647,000, RMB790,700 and RMB698,000, respectively.</p> <p>Our Directors consider such non-compliance incident does not have material impact on our business operations or financial positions, nor reflect negatively on our or our Directors or senior management's ability or tendency to operate in a compliant manner as (i) as of the Latest Practicable Date, we had not been fined by relevant authorities; and (ii) the rectification measures do not impact on the relevant Schools' ordinary course of operations and would not result in any significant penalties or which would otherwise have a material and adverse impact on the continued operation of the relevant Schools.</p>	<p>As of the Latest Practicable Date, two of those six Schools, namely Harbin New East Culinary Vocational Training School Co. Ltd. and Chongqing City New East Culinary Vocational Training Institute successfully obtained/received the food administration permits on December 19, 2018 and December 11, 2018, respectively, without being subject to any penalty, and will be re-opened in due course. Our PRC Legal Advisors are of the view that the risk of the above two Schools being penalized in the future is remote. For the other four Schools, we have closed such on-campus canteens for the time being, and students of the relevant Schools will dine out of such Schools. The closure of school canteens has not and is not expected to affect our ability to operate our Schools.</p>
8.	<p>As of the Latest Practicable Date, (i) among our nine secondary vocational Schools, less than 10% of our teachers had not obtained technical teacher licenses (教師資格證); and (ii) less than 70% of our teachers of our technical Schools and vocational training Schools had not obtained teacher qualifications (教師上崗證).</p>	<p>The non-compliance incident that the teachers of our Schools and secondary vocational training Schools had not obtained teacher qualifications primarily because examinations for teacher qualification are no longer organized, or the teacher qualifications are no longer required in practice in relevant regions.</p>	<p>According to the Regulations on Management of Teacher Licenses (《教師資格管理規定》), personnel engaged in teaching activities in various types of secondary formal education and schools and other educational institutions must obtain teacher licenses. 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.</p> <p>As advised by our PRC Legal Advisors, no corresponding legal consequences were specified in the PRC laws and regulations regarding the lack of teacher licenses (教師上崗證) would not result in any significant penalties or have any material adverse effect on our Group, for the following reasons: (i) as of the Latest Practicable Date, no corresponding legal consequences were specified in the PRC laws and regulations, 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; (ii) our Company confirms that, as of the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant governmental authorities, with respect to lack of teacher qualifications; and (iii) as of the Latest Practicable Date, our 99 Schools among the 137 Schools that are subject to teacher qualifications requirements have obtained written</p>	<p>As of the Latest Practicable Date, we have obtained written confirmations from the competent authorities of our 99 Schools among the 137 Schools that are subject to teacher qualifications requirements, confirming that, the examinations for teacher qualification are no longer organized in such region, or the teacher qualifications are no longer required in practice, or the relevant schools have met the regulatory requirements for teacher qualifications. Our Group has adopted rules and procedures for management of professional qualifications and licenses required by our teachers to ensure future compliance with applicable PRC rules and regulations in this regard from time to time. Furthermore, the human resources department in each of our Schools will be responsible to keep records of all professional qualifications and licenses obtained by our teachers and the corporate affairs department of our Company will be responsible to review such records regularly. For any teacher who fails to obtain required professional qualification and/or license, we will relocate such employee from teaching position to non-teaching position.</p>

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No.	Particulars of immaterial non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Rectification actions and enhanced internal control measures
9.	<p>During the Track Record Period, our refund policies set out in the training contracts in our schools deviated from the local guidelines or notices in relation to the refund of tuition for private schools or private non-formal education schools issued by some local governments, including Beijing, Hunan, Hangzhou, Wenzhou, Liaoning, Dalian, Guangdong and Shandong.</p>	<p>The incident occurred 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.</p>	<p>confirmations from the competent authorities, which confirm that, the examinations for teacher qualification are no longer organized in such region, or the teacher qualifications are no longer required in practice, or the relevant schools have met the regulatory requirements for teacher qualifications.</p> <p>Based on the above, our Directors consider such non-compliance incident does not have material impact on our business operations or financial positions, nor reflect negatively on our or our Directors' or senior management's ability or tendency to operate in a compliant manner.</p>	<p>As of the Latest Practicable Date, we have amended the refund policies in our standard training contracts to be entered into with our students in accordance with the relevant local guidelines or notices and will refund the tuition accordingly in future.</p> <p>Our legal affairs department is responsible for monitoring the development of laws and regulations at national level, if any, and each of our Schools had designated personnel to be directly responsible for and following up with the legal developments of the relevant guidelines or notices in their locality.</p>
			<p>The policy in Guangdong province provides that, if the school fails to refund the 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 suspension of the operation or failure of annual inspections of such school; 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.</p>	
			<p>As advised by our PRC Legal Advisors, deviation of our refund policies from that of certain local governments 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 in compliance with that of the certain local governments; (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.</p>	
			<p>As of the Latest Practicable Date, 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. During the Track Record Period and as of December 31, 2018, the discrepancy in the amount of refunds that may be further sought by students was RMB1.3 million.</p>	
			<p>Based on the above, our Directors consider such non-compliance incident does not have material impact on our business operations or financial positions, nor reflect negatively on our or our Directors' or senior management's ability or tendency to operate in a compliant manner.</p>	

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Enhanced Internal Control Measures to Prevent Recurrence of Non-Compliance

In order to further improve our corporate governance and to mitigate the risk of non-compliances in the future, we have adopted and will continue to adopt the following measures:

- we shall provide our Directors and senior management and human resources personnel with training regarding the legal and regulatory requirements applicable to the business operation of our Group from time to time;
- we shall appoint external Hong Kong and PRC legal counsel to advise us on compliance with the Listing Rules and the applicable laws and regulations in Hong Kong and the PRC, respectively, and our general counsel shall be the primary point of contact to liaise with our external legal counsel;
- we shall establish an audit committee to oversee our corporate governance and compliance prior to the [REDACTED]; and
- the manager of the human resources department of our Group shall review the reporting and contributions of social insurance and housing provident fund for the employees of our Group and report to the chief financial officer of our Group on a regular basis.

Views of Our Directors

Our Directors are of the view that the above immaterial non-compliance incidents and immaterial minor legal defects of our Group during the Track Record Period, individually or in the aggregate, did not and are not expected to have any material adverse financial or operational impact on us, or reflects negatively on the ability or tendency of us, our Directors or our senior management, to operate in a compliant manner in all material aspects, after considering (i) our rectifications, (ii) improvement actions, (iii) business nature and operation scale, (iv) the facts and circumstances leading to the non-compliance incidents disclosed herein, (v) the advice provided by our PRC Legal Advisors, (vi) the enhanced internal control and on-going compliance measures mentioned above, and (vii) as confirmed by our Directors, none of these incidents would give rise to any criminal or material liabilities of the Group nor did any incident call into question in the integrity, character or competence of our Directors or senior management.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

We have engaged an independent business consulting and internal audit firm (the "Internal Control Consultant") to conduct an evaluation of our internal control system in connection with the [REDACTED]. As part of the engagement, we have consulted with our Internal Control Consultant to identify the factors relevant to enhancing our internal control system and the steps to be taken and the Internal Control Consultant made a number of recommendations. The Internal Control Consultant conducted its work in August and September 2018 and provided a number of findings and recommendations in its report. We have subsequently taken remedial actions in response to such findings and recommendations. The Internal Control Consultant performed follow-up procedures on our Company's system of internal control with regard to those actions taken by our Company and reported further commentary in October and November 2018. In its

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follow-up reviews, except some revised internal control policies had not been implemented due to short time of rectification, the Internal Control Consultant noted that we had followed all of its major recommendations and accordingly taken corrective actions to address its internal control deficiencies and weaknesses.

We have established an audit supervision department and designated the relevant personnel who will be responsible for monitoring our on-going compliance with the relevant PRC laws and regulations that govern our business operations and overseeing the implementation of any necessary measures. In addition, we plan to provide our Directors, senior management and employees involved with continuing training programs and/or updates regarding the relevant PRC laws and regulations on a regular basis with a view to proactively identify any concerns and issues relating to potential non-compliance.

In addition, we have adopted a set of internal rules and policies governing the conduct of our employees, including teachers, instructors and personnel performing other functions. We have set up a monitoring system to implement anti-bribery and anti-corruption measures so as to ensure that our employees comply with our internal rules and policies as well as the applicable laws and regulations. For example, our management is responsible for conducting a fraud and bribery risk assessment on an annual basis and our Audit Committee reviews and approves our annual risk assessment results and policies. We have also identified certain forbidden conduct in our internal anti-bribery and anti-corruption policies, including, among others, the prohibition to (i) obtain bribery or kickbacks, (ii) transfer opportunities which could benefit the Group to others; (iii) illegally use, embezzle and steal assets of the Group; and (iv) disclose trade or technical secrets of the Group without authorization. We offer training courses to our existing and new employees to enhance their knowledge and awareness of the relevant rules and regulations, as well as their own personal and professional conduct.

We have established a compliance committee comprising Mr. Sha Xu, the vice president of our Group, Mr. Au Yeung Siu Kei, the chief financial officer of our Group and Mr. Mao Chaosheng, the joint company secretary of our Group, to oversee our Group's compliance with business, finance and legal related matters, respectively. In May 2019, after seeking advices from our PRC Legal Advisors and our Internal Control Consultant on the improvement of our internal control measures, we have adopted the relevant policies and measures to ensure compliance with all applicable laws and regulations in respect of the operating of a new school or Regional Center, subject to the waivers or consents which relevant local authorities may grant. In particular, we designed the following school opening checklist to ensure such compliance before operating a school or a Regional Center. Our compliance committee will only approve the operating of a new school or a Regional Center if all items on this school opening checklist have been properly addressed to their satisfaction.

- (i) ensure that all private school operating license and business license have been obtained;
- (ii) ensure that all food administration permit have been obtained if food sales and catering services will be provided at the school;

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- (iii) in relation to self-owned properties which we obtain in the future and will put into use for education/training purposes once the school begins its operation, ensure that all land use rights, planning permits, construction permits, approvals for passing environmental impact assessments and fire control design assessments, as well as approvals for verification of construction completion inspections and fire control acceptance inspections have been obtained prior to putting into use. For the lands and buildings we may purchase from relevant owners, we will only make the purchases if all the aforesaid permits and procedures have been duly obtained or completed;
- (iv) in relation to leased properties, (a) ensure that the relevant land use rights certificates and/or building ownership certificates and/or the sublease consents and/or other supporting documents have been provided by the landlords or by the sub-lessors, which can verify that they have the right to lease or sublease the properties; and (b) ensure that proper fire control inspections have been conducted to verify that the relevant buildings can be put into use safely for education/training purposes;
- (v) ensure that teaching staff have obtained teaching licenses (教師資格證) as required by the relevant local education authorities if they are engaged in teaching activities of secondary formal education in schools or other educational institutions;
- (vi) ensure that teaching staff have obtained teaching qualifications (教師上崗證) as required by the relevant local MHRSS authorities if they are engaged in the education and teaching activities at technical schools, employment training centers and other vocational training institutions;
- (vii) ensure that social insurance and housing provident fund accounts are opened for our employees in the PRC, as well as statutory contributions having been made to the social insurance and housing provident fund according to the applicable laws, regulations and policies to which local authorities having not raised any objections;
- (viii) ensure that the refund policies set out in the training contracts are in compliance with the local government guidelines or notices and make filings in respect of fees charges if required; and
- (ix) for boarding secondary vocational schools, provide licensed on-site medical clinics and professional medical personnel.

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In order to prevent the recurrence of the non-compliance incidents associated with the self-owned and leased properties, we have also implemented the following measures:

- (i) in relation to the self-owned properties, (1) for the self-built buildings, (i) we have established a project construction department consisting of seven employees with experience in property construction, planning and regulatory compliance in the field. Approximately 70% of these employees have obtained second level or above constructor certificates. This department is responsible for overall supervision and management of our self-owned construction projects; (ii) we will hire qualified third-party agents to conduct the designs and assessments including construction, planning and environmental protection of our construction projects; and (iii) we will hire qualified construction companies through public bidding and other methods in compliance with the law and regulations to ensure construction quality and safety; and (2) for the lands and buildings we may purchase from relevant owners, our Directors will undertake stringent supervisory measures to ensure the compliance with relevant legal and regulatory requirements. Our Directors and compliance committee will work closely with our legal affairs department and project construction department to evaluate and assess the compliance records of the lands and buildings pursuant to our above checklist prior to the acquisitions. In addition, before making any acquisitions of lands and buildings, we will engage legal advisors to issue legal opinions on the regulatory compliance of the lands and buildings to be purchased. We will only make the purchases if the legal advisors confirm that the lands and buildings to be purchased are in compliance with the relevant rules and regulations; and
- (ii) in relation to the leased properties, in addition to check and confirm the regulatory compliance of relevant landowners or lessors of the leased properties, we also have set up an engineering construction department consisting of 28 employees with extensive experience in the fields of renovation and decoration. They are responsible for the unified planning and organizing of the renovation and decoration projects which might be conducted by us in the leased properties and ensuring that all these projects comply with the relevant laws and regulations.

Risk Management

We are exposed to various risks in the operation of our business and we believe that risk management is important to our success. Key operational risks faced by us include, among others, changes in general market conditions and perceptions of private education, changes in the regulatory environment in the PRC private vocational education industry, our ability to offer quality education to our students, our ability to increase student enrollment and/or raising tuition rates, our potential expansion into other regions in China or overseas, availability of financing to fund our expansion and business operations and competition from other school operators that offer similar or higher quality of education and have similar scale. See "Risk Factors" in this document for disclosures on various risks we face. In addition, we also face numerous market risks, such as interest rate, credit and liquidity risks that arise in the normal course of our business. For a discussion on these market risks, see "Financial Information — Quantitative and Qualitative Disclosures about Market Risk" in this document.

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To properly manage these risks, we have established the following risk management structures and measures:

- Our Board of Directors is responsible and has the general power to manage the operations of our Schools, and is in charge of managing the overall risks of our Company. It is responsible for considering, reviewing and approving any significant business decision involving material risk exposures, such as our decision to expand our school network into new geographic regions, to raise our tuition and service fees, and to enter into cooperative business relationships with third parties to establish new schools and/or new programs;
- We maintain insurance coverage, which we believe is in line with customary practice in the PRC education industry, including student safety insurance and accident insurance; and
- We have made arrangements with banks so that we are able to obtain credits to support our business operation and expansion.

We have also implemented a set of internal control and risk management measures to manage our risks related to investments in wealth management products. The wealth management products include, but are not limited to, structured deposits, regular wealth management, and other types of wealth management products that comply with the PRC laws and regulations. These measures were formulated by our president and finance director. Historically, we believed we could make better use of our tuition and service fees by making appropriate investments in low-risk and short-term wealth management products, which generated income without interfering with our business operation or capital expenditures. The approval process is that before making a proposal to invest in wealth management products, regardless of the investment size, a proposal to invest in investment products must first be submitted by our financial department to the president for review. For material investment projects, we may retain third party experts or institutions to conduct feasibility analysis. After the president reviewed the proposal, the proposal then had to be approved by the chairman of the Board. Our financial department, president and chairman of the Board are responsible to manage the investments in wealth management products and structured deposits.

Accordingly, we generally adopt several measures to govern our investments in wealth management products. These measures include, among other things, the following:

- the term of the wealth management products must not exceed 12 months;
- the proposed investment must not interfere with our business operation or capital expenditures;
- we analyze the wealth management products we bought annually and create summary report to keep track of their performance and redemption status which should be reviewed by the head of our financial department;
- the wealth management products should be issued by a reputable bank with which we have a long-term relationship; and
- the investment portfolio of the wealth management products should generally bear relatively low risk.

We believe that our internal policies regarding investment in wealth management products and the related risk management mechanism are adequate.