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Application Proof of

## **CHINA EAST EDUCATION HOLDINGS LIMITED**

**中國東方教育控股有限公司**

(the “**Company**”)

*(Incorporated in the Cayman Islands with limited liability)*

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# CHINA EAST EDUCATION HOLDINGS LIMITED

中國東方教育控股有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Total Number of [REDACTED] under : [REDACTED] Shares (subject to the  
the [REDACTED] [REDACTED])  
Number of [REDACTED] : [REDACTED] Shares (subject to  
adjustment)  
Number of [REDACTED] : [REDACTED] Shares (subject to the  
[REDACTED] and adjustment)  
[REDACTED] : Not more than HK\$[REDACTED] per  
[REDACTED], plus brokerage of  
1.0%, SFC transaction levy of  
0.0027% and a Stock Exchange  
trading fee of 0.005% (payable in  
full on application in Hong Kong  
dollars and subject to refund)  
Nominal value : HK\$0.0001 per Share  
Stock code : [●]

Sole Sponsor, [REDACTED], [REDACTED] and  
[REDACTED]



BNP PARIBAS

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The [REDACTED] is expected to be determined by agreement between the [REDACTED], on behalf of the [REDACTED], and our Company on or before [REDACTED], [REDACTED] or such later time as may be agreed between the parties, but in any event, no later than [REDACTED], [REDACTED]. If, for any reason, the [REDACTED], on behalf of the [REDACTED], and our Company are unable to reach an agreement on the [REDACTED] by [REDACTED], the [REDACTED] will not proceed and will lapse immediately. The [REDACTED] will be not more than HK\$[REDACTED] per Share and is expected to be not less than HK\$[REDACTED] per Share, unless otherwise announced. Investors applying for the [REDACTED] must pay, on application, the maximum [REDACTED] of HK\$[REDACTED] for each [REDACTED] together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% subject to refund if the [REDACTED] is lower than HK\$[REDACTED]. The [REDACTED], on behalf of the [REDACTED], may, with the consent of our Company, reduce the number of [REDACTED] being offered under the [REDACTED] and/or the indicative [REDACTED] range below that stated in this document at any time prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, notices of such reduction will be published in the [South China Morning Post] (in English) and the [Hong Kong Economic Times] (in Chinese) and on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.chinaeastedu.com](http://www.chinaeastedu.com) as soon as practicable but in any event not later than the morning of the last day for lodging applications under the [REDACTED].

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

Pursuant to the termination provisions contained in the [REDACTED] in respect of the [REDACTED], the [REDACTED], on behalf of the [REDACTED], have the right in certain circumstances, in its absolute discretion, to terminate the obligation of the [REDACTED] pursuant to the [REDACTED] at any time prior to 8:00 a.m. on the [REDACTED]. Further details of the terms of the termination provisions are set out in the section headed "[REDACTED]". It is important that you refer to that section for further details.

The [REDACTED] have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities law of the United States and may not be offered, sold, pledged or transferred within the United States, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The [REDACTED] are offered and sold (i) within the United States to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act or another exemption from registration under the U.S. Securities Act; and (ii) in offshore transactions outside the United States in reliance on Regulation S under the U.S. Securities Act.

[REDACTED]

**[REDACTED]<sup>(1)</sup>**

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**[REDACTED]**

**[REDACTED]<sup>(1)</sup>**

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**[REDACTED]**

**[REDACTED]<sup>(1)</sup>**

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**[REDACTED]**

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### IMPORTANT NOTICE TO INVESTORS

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

*You should rely only on the information contained in this document and the [REDACTED] to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this document. Any information or representation not made in this document must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], any of the [REDACTED], any of their respective directors, officers, representatives.*

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## SUMMARY

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

### OVERVIEW

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. We have a leading position in China in providing vocational training education in three segments, namely, culinary arts, information technology and auto services, where we ranked first in each segment in terms of average students enrolled for the year ended December 31, 2017, according to the Frost & Sullivan Report. Headquartered in Hefei, Anhui province, we have established a nationwide school network consisting of 139 Schools in operation as of August 31, 2018 spanning 29 of the 31 provinces in mainland China and Hong Kong. We also provide secondary vocational education through 25 Schools. We operate our business and establish our Schools under 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. For the eight months ended August 31, 2018, our average students enrolled under these brands were 70,004, 2,633, 29,008, 1,229 and 18,684, respectively. As of August 31, 2018, we also operated 17 customized catering experience centers under Cuisine Academy.

We are a pioneer in providing vocational training education in China in culinary arts, information technology and auto services. These industry sectors are areas in China where there is significant 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 profession that are tailored to the needs of employers with a view to increasing graduates' employability and their average compensation levels. Between December 31, 2015 and December 31, 2017, the number of our Schools and our average students enrolled grew at a CAGR of 33.2% and 11.5%, respectively.

We have established 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 expand our school and center network into new geographic markets in an efficient manner while maintaining our quality standards. We centrally manage different aspects of our operations, including, among others, teaching, logistics, procurement, accounting and finance, the research and design of our curriculums, career advice services, and talent cultivation so that all of our Schools and centers are able to maintain consistent standards in terms of their quality of education, business operations and efficiencies of financial management, while sharing and utilizing resources in terms of market information and career opportunities on a nationwide basis. Our efficient centralized and differentiated management approach, our consolidated financial resources and our strong brand reputation have allowed us to expand our school and center network effectively and to capitalize on the business opportunities in China's private vocational education industry.

### OUR BUSINESS SEGMENTS

#### New East Culinary Education

New East Culinary Education has been providing comprehensive culinary training programs to students who pursue a career in becoming professional chefs. We teach our students the cooking traditions and practices of diversified Chinese cuisines, including the well-known and widely recognized eight regional cuisines in China, supported by an integration of classic Chinese and Western culinary skills. As of August 31, 2018, we had 50 Schools in operation under New East Culinary Education. Each of our Schools under



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## SUMMARY

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New East Culinary Education offers various culinary training programs with different program lengths to meet students' differentiated learning focuses and demands.

### **Omick Education of Western Cuisine and Pastry**

Omick Education of Western Cuisine and Pastry offers 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. As of August 31, 2018, we operated 19 Schools under our Omick Education of Western Cuisine and Pastry. We offer a variety of courses, including baking, desserts, western cuisines, bartending, and barista training.

### **Xinhua Internet Technology Education**

We provide information technology-related training programs under Xinhua Internet Technology Education. As of August 31, 2018, we had 23 Schools in operation under Xinhua Internet Technology Education, providing a wide range of information technology-related training to students, including 125 courses with different course lengths.

### **Wisezone Data Technology Education**

Wisezone Data Technology Education primarily provides short-term programs to junior college and university students who have possessed the basic knowledge and seek to further develop relevant practical skills. By cooperating with a number of technology enterprises and higher education institutions, we have set up 22 Schools in China to train professional data technology engineers.

### **Wontone Automotive Education**

We focus on provides hands-on auto repair skill training as well as practical training of other auto services, such as automobile commerce. As of August 31, 2018, we had 25 Schools in operation under Wontone Automotive Education in China.

### **Customized Catering Experience Center**

We founded Cuisine Academy in 2017 with a view to providing customized catering experience services to customers who are interested in cooking or who plan to establish their own businesses in the catering industry. Cuisine Academy primarily providing customers with customized catering experience programs. As of August 31, 2018, we operated 17 customized catering experience centers under Cuisine Academy in the PRC.

## **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: (i) largest vocational training education provider in China with a portfolio of renowned brands; (ii) nationwide self-operated school and center network empowered by our highly replicable business model; (iii) innovative work simulation teaching methodologies to equip our students with readily applicable job skills; (iv) renowned track record in offering well-established curriculums catering the economy needs; (v) strong job placement results supplemented by our professional career counselling services and alumni network; and (vi) visionary, strong and stable management team.

## **OUR BUSINESS STRATEGIES**

Our goal 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: (i) continue to strengthen our market leadership and reputation; (ii) expand school and center network domestically and internationally; (iii) continue to diversify and innovate our course offerings and curriculums; (iii) further improve our practical training methods and facilities; and (iv) further emphasize our corporate social responsibility.

## SUMMARY

### SUMMARY OF OUR OPERATING DATA

The following table sets forth the average students enrolled under each school brand and the average number of customers registered in Cuisine Academy for the periods indicated:

Segments and Brands	Year ended December 31,			Eight months ended August 31,
	2015	2016	2017	2018
<b>Average Student Enrollment<sup>(1)</sup></b>				
<b>CULINARY ARTS</b>				
New East . . . . .	52,207	62,122	71,180	70,004
Omick . . . . .	–	–	1,114	2,633
<b>INFORMATION TECHNOLOGY</b>				
Xinhua Internet . . . . .	24,084	23,764	24,981	29,008
Wisezone . . . . .	–	1,138	1,165	1,229
<b>AUTO SERVICES</b>				
Wontone . . . . .	17,436	18,071	18,100	18,684
<b>Total . . . . .</b>	<b>93,727</b>	<b>105,095</b>	<b>116,540</b>	<b>121,558</b>
<b>Average Number of Customers Registered<sup>(2)</sup> . . . . .</b>				
<b>Cuisine Academy . . . . .</b>	<b>–</b>	<b>–</b>	<b>63</b>	<b>447</b>

Note:

- (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/period 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) Our average number of customers registered for a year/period 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.

The following table sets forth the new student enrollments under each school brand and the number of new customers registered in our Cuisine Academy for the years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2018:

Segments and Brands	Year ended December 31,			Eight months ended August 31,
	2015	2016	2017	2018
<b>New Student Enrollment<sup>(1)</sup></b>				
<b>CULINARY ARTS</b>				
New East . . . . .	56,984	65,306	71,942	54,550
Omick . . . . .	–	–	2,788	5,989
<b>INFORMATION TECHNOLOGY</b>				
Xinhua Internet . . . . .	16,813	17,243	19,369	19,549
Wisezone . . . . .	–	3,465	3,573	3,029
<b>AUTO SERVICES</b>				
Wontone . . . . .	14,451	14,449	16,203	15,702
<b>Total . . . . .</b>	<b>88,248</b>	<b>100,463</b>	<b>113,875</b>	<b>98,819</b>
<b>Number of New Customers Registered<sup>(2)</sup> . . . . .</b>				
<b>Cuisine Academy<sup>(2)</sup> . . . . .</b>	<b>–</b>	<b>–</b>	<b>146</b>	<b>3,537</b>

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## SUMMARY

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Note:

- (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 registered represent the total number of new customers attending our customized catering experience programs of Cuisine Academy in a certain period.

### THE 2016 DECISION AND THE MOJ DRAFT FOR COMMENTS

On November 7, 2016, the Standing Committee of the NPC published the *Decision on Amendment of the Law for Promoting Private Education of the PRC* (《關於修改中華人民共和國民辦教育促進法》). Under the 2016 Decision, school sponsors of an existing private school may elect to register the school as a non-profit or for-profit private schools at their own discretion.

On August 10, 2018, the MOJ issued the MOJ Draft for Comments based on a revised version of the MOE Draft for Comments to seek public comments. The MOJ Draft for Comments may have certain implications on our expansion strategy through acquisition. The scope of our acquisition may be limited to for-profit private schools only. Please see “Business — Potential Implications of the 2016 Decision and the MOJ Draft for Comments” in this document for more details.

### RISK FACTORS

Our operations and the [REDACTED] involve certain risks and uncertainties, some of which are beyond our control and may affect your decision to invest in us and/or the value of your investment. See “Risk Factors” in this document for details of our risk factors. Some of the major risks we face include: (i) we are dependent on the market recognition of our brand; our failure to maintain or enhance our brand recognition could materially and adversely affect our business, financial condition and result of operations; (ii) 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; (iii) our graduates’ employment rates and average starting salaries may decrease and satisfaction with our vocational training programs may otherwise decline; (iv) we may not be able to improve the content of our existing courses or to develop new courses on a timely basis and in a cost-effective manner; and (v) failure to effectively and efficiently manage the expansion of our school and center network may materially and adversely affect our ability to capitalize on new business opportunities.

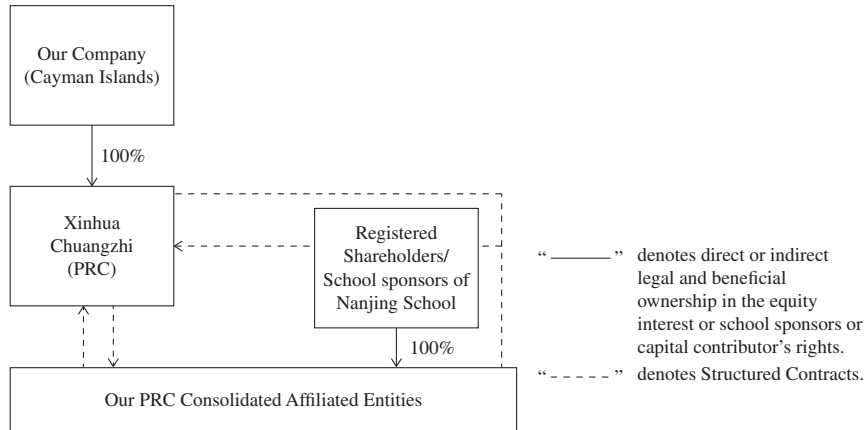
### CUSTOMERS AND SUPPLIERS

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, 2015, 2016 and 2017 and the eight months ended August 31, 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, 2015, 2016 and 2017 and the eight months ended August 31, 2018, purchases from our five largest suppliers amounted to RMB94.0 million, RMB125.2 million, RMB193.5 million and RMB137.1 million, respectively, accounting for 11.5%, 12.2%, 11.2% and 9.4% of our total purchases for the relevant periods. See “Business — Customers and Suppliers” in this document for further details.

### STRUCTURED CONTRACTS

The following simplified diagram illustrates the flow of economic benefits from our PRC Consolidated Affiliated Entities (including Nanjing School) to our Group stipulated under the Structured Contracts. See “Structured Contracts — Operation of the Structured Contracts” in this document for further details.

## SUMMARY



### OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalization Issue and the [REDACTED], the Controlling Shareholders will together control the exercise of voting rights of more than 30% of the Shares eligible to vote in the general meeting of our Company (assuming the [REDACTED] is not exercised and without taking into account any Shares which may be issued upon the exercise of options granted under the [REDACTED] Share Option Scheme or the Share Option Scheme). See “Relationship with Our Controlling Shareholders” in this document for details.

### SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary of combined financial information as of and for the years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2017 and 2018. Our financial results for the eight months ended August 31, 2018 are not necessarily indicative of the results for the year ending December 31, 2018 or for any other future year/period. You should read this summary together with the combined financial information set forth in the Accountants’ Report of the Group in Appendix I to this document, including the related notes, and the information set forth in “Financial Information” in this document.

#### Selected Combined Statements of Profit or Loss Data

	Year ended December 31,			Eight months ended August 31,	
	2015	2016	2017	2017	2018
	(RMB in thousands)				
	(Unaudited)				
<b>Continuing operations</b>					
Revenue . . . . .	1,828,206	2,335,730	2,850,165	1,790,226	2,055,129
Gross profit . . . . .	987,536	1,321,465	1,568,826	1,028,729	1,064,188
Profit before taxation . . . . .	437,584	719,657	832,155	544,509	408,799
Profit and total comprehensive income for the year/period from continuing operations . . . . .	353,101	587,379	661,190	407,231	297,341
<b>Discontinued operation</b>					
Loss and total comprehensive expense for the year/period from discontinued operation . . . . .	(17,834)	(21,901)	(19,569)	(8,995)	(7,749)
<b>Profit and total comprehensive income for the year/period . . .</b>	<b>335,267</b>	<b>565,478</b>	<b>641,621</b>	<b>398,236</b>	<b>289,592</b>

## SUMMARY

Our new Schools and centers generally incur significant fixed costs while their initial revenue is limited due to the relatively small number of student enrollment or customer registration in their ramp-up periods. Therefore, new Schools and centers generally have a negative impact on our gross profit, net profit and the relevant profit margins which may give the investors an inaccurate impression of the performance of our Schools and centers. In the table below, new Schools and centers in a period mainly represent Schools and centers that began to generate revenue for the first time during the period. The following table is presented because our management believes that such information will be helpful for investors to assess our performance and the profitability of our Schools and centers that had been in relatively stable operations for an extended period of time.

	For the years ended December 31,			For the eight months ended August 31,	
	2015	2016	2017	2017	2018
	<i>(RMB in thousands)</i>				
	<i>(Unaudited)</i>				
<b>Profit and total comprehensive income for the year/period from continuing operations . .</b>	353,101	587,379	661,190	407,231	297,341
<b>Profit/(loss) in relation to new schools/centers:</b>					
Aggregate amount of net profit/(loss) of Schools/centers commenced to generate revenue from 2015 . . . . .	(26,591)	(10,912)	5,864	3,662	7,422
Aggregate amount of net profit/(loss) of Schools/centers commenced to generate revenue from 2016 . . . . .	-	(21,373)	(7,505)	4,650	(27,043)
Aggregate amount of net profit/(loss) of Schools/centers commenced to generate revenue from 2017 . . . . .	-	-	(116,314)	(35,750)	(95,025)
Aggregate amount of net profit/(loss) of Schools/centers commenced to generate revenue from 2018 . . . . .	-	-	-	-	(35,316)

Our new Schools/centers that commenced operations in 2015 incurred net losses for 2015, narrowed their losses for 2016, began to generate a net profit for 2017 and their profitability continued to improve in the eight months ended August 31, 2018 compared with the eight months ended August 31, 2017. Our new Schools/centers that commenced operations in 2016 recorded a net profit for the eight months ended August 31, 2017 but had net losses for the eight months ended August 31, 2018 primarily because we opened 16 new Schools under our Wisezone brand in 2016 and the profitability of these schools under Wisezone Data of Technology Education decreased between these periods. See "Financial Information — Key Components of Our Results of Operations — Continuing Operations — Gross Profit and Gross Profit Margin" in this document for further details.

## SUMMARY

The following table sets forth a breakdown of our external revenue from continuing operations by brand for the periods indicated:

	Year ended December 31,						Eight months ended August 31,			
	2015		2016		2017		2017		2018	
	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total
	(Unaudited)									
	(RMB in thousands except percentages)									
<b>Revenue from continuing operations</b>										
New East . . . . .	1,057,205	57.8	1,432,112	61.3	1,738,743	61.0	1,103,722	61.7	1,232,005	59.9
Xinhua Internet . . . . .	443,198	24.2	480,533	20.6	542,249	19.0	332,769	18.6	364,262	17.7
Wontone . . . . .	319,841	17.5	354,256	15.2	419,347	14.7	256,702	14.3	277,468	13.5
Omick . . . . .	-	-	-	-	74,838	2.6	44,293	2.5	122,667	6.0
Wisezone . . . . .	5,422	0.3	53,188	2.3	64,139	2.3	43,133	2.4	41,560	2.0
Cuisine Academy . . . . .	-	-	-	-	333	-	-	-	11,530	0.6
Other Miscellaneous Businesses <sup>(1)</sup> . . . . .	2,540	0.2	15,641	0.7	10,516	0.4	9,607	0.5	5,637	0.3
<b>Total<sup>(2)</sup> . . . . .</b>	<b>1,828,206</b>	<b>100</b>	<b>2,335,730</b>	<b>100</b>	<b>2,850,165</b>	<b>100</b>	<b>1,790,226</b>	<b>100</b>	<b>2,055,129</b>	<b>100</b>

**Notes:**

- (1) Other miscellaneous businesses primarily include revenue from the internet technology solution and staff outsourcing services provided by Langjie Technology to Independent Third Parties.
- (2) The total revenue and percentages do not include inter-segment sales which are eliminated upon consolidation.

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

	Year ended December 31,						Eight months ended August 31,			
	2015		2016		2017		2017		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(Unaudited)									
	(RMB in thousands except percentages)									
<b>Gross profit from continuing operations</b>										
New East . . . . .	562,386	53.2	826,305	57.7	1,029,223	59.2	655,694	59.4	703,957	57.1
Xinhua Internet . . . . .	242,045	54.6	266,272	55.4	302,337	55.8	198,472	59.6	210,028	57.7
Wontone . . . . .	178,790	55.9	197,890	55.9	216,611	51.7	137,066	53.4	114,711	41.3
Omick . . . . .	-	-	-	-	5,890	7.9	17,187	38.8	38,551	31.4
Wisezone <sup>(2)</sup> . . . . .	3,821	70.5	22,390	42.1	13,342	20.8	13,312	30.9	2,061	5.0
Cuisine Academy <sup>(3)</sup> . . . . .	-	-	-	-	(2,664)	-800.0	-	-	(5,964)	-51.7
Other Miscellaneous Businesses <sup>(4)</sup> . . . . .	494	19.5	8,608	55.0	4,087	38.9	6,998	72.8	844	15.0
<b>Total . . . . .</b>	<b>987,536</b>	<b>54.0</b>	<b>1,321,465</b>	<b>56.6</b>	<b>1,568,826</b>	<b>55.0</b>	<b>1,028,729</b>	<b>57.5</b>	<b>1,064,188</b>	<b>51.8</b>

**Notes:**

- (1) The establishment of new Schools and centers under a segment has a negative impact on our gross profit margin for the relevant segment. During the initial ramp-up period after a new School or center commences operations, we incur substantial fixed costs for teaching staff salaries and benefits, teaching activity costs, leasing expenses, and other fixed costs while initial revenue from the new Schools and centers are limited due to the relatively small number of student enrollment or customer registration in the ramp-up period of the Schools and centers.

## SUMMARY

- (2) Wisezone Data Technology Education's gross profit margin decreased during the Track Record Period primarily because this business segment was still in the stage of market development and had not yet established stable operations as a whole. See "Financial Information — Continuing Operations — Key Components of our Results of Operations — Gross Profit and Gross Profit Margin" for more information.
- (3) Cuisine Academy incurred losses for 2017 and the eight months ended August 31, 2018 primarily because we commenced our operations of Cuisine Academy in 2017 and incurred significant fixed costs at the beginning but the revenue was still limited at the initial stage of operations. See "Financial Information — Key Components of our Results of Operations — Continuing Operations — Gross Profit and Gross Profit Margin" in this document for details.
- (4) Other miscellaneous businesses primarily include gross profit derived from the internet technology solution and staff outsourcing services provided by Langjie Technology to Independent Third Parties.

### Selected Combined Statements of Financial Position Data

	As of December 31,			As of	As of
	2015	2016	2017	August 31,	October 31,
				2018	2018
					<i>(Unaudited)</i>
	<i>(RMB in thousands)</i>				
Current assets . . . . .	1,125,571	1,896,055	2,259,124	2,401,579	2,246,759
Current liabilities . . . . .	1,259,572	1,553,265	1,871,155	2,600,279	2,184,611
Net current (liabilities)/assets <sup>(1)</sup> . . . . .	(134,001)	342,790	387,969	(198,700)	62,148

*Note:*

- (1) During the Track Record Period, we had net current liabilities as of December 31, 2015 and August 31, 2018, primarily because (i) we had current liabilities arising from prepaid tuition fees and we invested cash generated from tuition fees and service fees in property, and equipment for new Schools and centers, which are categorized as non-current assets, thereby resulting in current liabilities exceeding current assets; and (ii) as of August 31, 2018, our current liabilities included a one-off dividend payable of RMB232.1 million.

### Key Financial Ratios

	As of/for the year ended December 31,			As of/for the eight
	2015	2016	2017	months ended
				August 31,
				2018
Gross profit margin . . . . .	54.0%	56.6%	55.0%	51.8%
Net profit margin . . . . .	19.3%	25.1%	23.2%	14.5%
Return on assets . . . . .	19.8%	22.2%	18.8%	7.7%
Current ratio . . . . .	0.89	1.22	1.21	0.92
Return on equity . . . . .	70.7%	55.1%	41.2%	24.5%

### RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Since August 31, 2018 and up to the Latest Practicable Date, our business remained stable which was generally in line with the past trends and our expectations. To the best of our knowledge, there is no change to the overall economic and market condition in China or in the PRC vocational training education market in which we operate that may have a material adverse effect on our business operations and financial position.

From August 31, 2018 and up to the Latest Practicable Date, we had three new Schools and one new center of Cuisine Academy which had commenced operations and begun to admit students or serve customers. As of the Latest Practicable Date, we had established 13 Schools and two centers of Cuisine Academy that had not begun to admit any student or serve any customer.

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## SUMMARY

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### DIVIDEND POLICY

During the Track Record Period, we declared dividends of RMB50.0 million in 2015, RMB100.0 million in 2017 and RMB683.1 million in August 2018. We intend to adopt, after our [REDACTED], a general dividend policy of declaring and paying dividends on an annual basis of no less than 30% of our distributable net profit attributable to our Shareholders in the future but subject to, among other things, our future operation and earnings, capital requirements and surplus, financial condition, working capital requirements and other factors that our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the relevant laws. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all.

[REDACTED]

[REDACTED]

We expect to incur a total of RMB[REDACTED] million of [REDACTED] (assuming an [REDACTED] of HK\$[REDACTED], being the mid-point of the indicative [REDACTED] range between HK\$[REDACTED] and HK\$[REDACTED], and assuming that the [REDACTED] is not exercised) until the completion of the [REDACTED], of which RMB[REDACTED] million and RMB[REDACTED] million are expected to be charged to our combined statements of profit or loss and other comprehensive income for the year ending December 31, 2018 and 2019, respectively, and RMB[REDACTED] million is directly attributable to the [REDACTED] of the Shares to the [REDACTED] and to be capitalized. [REDACTED] represent professional fees and other fees incurred in connection with the [REDACTED], including [REDACTED] [but excluding discretionary bonus]. The [REDACTED] above are the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate. We do not expect these [REDACTED] to have a material impact on our results of operations for the years ending December 31, 2018 and 2019.

[REDACTED]



## **SUMMARY**

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[REDACTED]

### **PROPERTY VALUATION**

According to the property valuation report prepared by Cushman & Wakefield Limited, an independent valuer we engaged, as set forth in Appendix III to this document, the market value of the properties we owned and occupied as of [October 31], 2018 was approximately [17.3] million. See “Business — Properties” and Appendix III to this document for details on our properties. For risks associated with the assumptions made in the valuation of our properties, see “Risk Factors — Risks Relating to Our Business and Our Industry — The appraisal values of our properties may be different from their actual realizable values and are subject to uncertainty or change” in this document.

### **LEGAL PROCEEDINGS AND COMPLIANCE**

During the Track Record Period, we were not in compliance with certain PRC laws and regulations, including, (i) (1) certain of our Schools in the PRC commenced operations without obtaining private school operating licenses, (2) the private school operating licenses and the registration certificates of private non-enterprise entities of some schools had expired, and (3) some schools had branch campus that differs from the addresses set out on their respective school operating licenses; (ii) (1) certain of our operating Schools/entities failed to open social insurance and/or housing provident fund accounts, and (2) social insurance and/or housing provident fund that we paid for our employees in certain of our Schools were not based on their actual salary levels; (iii) we had not obtained the planning permits, construction permits, approvals for passing environmental impact assessments, approvals for passing fire control assessments and construction completion inspections, as well as building ownership certificates for certain buildings owned by Chengdu Tianji. See “Business — Legal Proceedings and Compliance” in this document for details.

## DEFINITIONS

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

“affiliate(s)”	with respect to any specific person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Anhui Simai'er”	Anhui Simai'er Catering Co., Ltd.* (安徽思麥爾餐飲有限公司), a limited liability company established under the laws of the PRC on September 5, 2011, which is directly wholly-owned by Langjie Technology
“Anhui Xinhua Education”	Anhui Xinhua Education Group Co., Ltd.* (安徽新華教育集團有限公司), a limited liability company established under the laws of the PRC on March 30, 2004, which is owned as to 42.6667% by Mr. Wu Junbao, as to 29.2222% by Mr. Wu Wei and as to 28.1111% by Mr. Xiao Guoqing
<b>[REDACTED]</b>	
“Articles” or “Articles of Association”	the articles of association of our Company conditionally adopted on [●], 2019 which will become effective upon the [REDACTED], a summary of which is set out in Appendix IV to this document, as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board” or “Board of Directors”	the board of Directors of our Company
“Business Day” or “business day”	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“Capitalization Issue”	the issue of [REDACTED] Shares upon capitalization of certain sums standing to the credit of the share premium account of our Company referred to in “A. Further Information about Our Company — 4. Written resolutions of the then Shareholders passed on [●], 2019” in Appendix V to this document

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## DEFINITIONS

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[REDACTED]

“Chengdu Tianji”	Chengdu Tianji Education Management Co., Ltd.* (成都天極教育管理有限公司), a limited liability company established under the laws of the PRC on April 16, 2001 and one of our PRC Consolidated Affiliated Entities
“China” or “PRC”	the People’s Republic of China excluding for the purpose of this document, Hong Kong, the Macau Special Administrative Region and Taiwan
“China East BVI”	China East Education Investment Limited (中國東方教育投資有限公司), a limited liability company incorporated under the laws of the BVI on October 19, 2018 and a directly wholly-owned subsidiary of our Company
“China Xinhua Vocational”	China Xinhua Vocational Education Holdings Limited (中國新華職業教育控股有限公司), a limited liability company incorporated under the laws of Hong Kong on August 10, 2018 which is an indirectly wholly-owned subsidiary of our Company
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as the same may be amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	China East Education Holdings Limited (中國東方教育控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on October 4, 2018
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

## DEFINITIONS

“Controlling Shareholder(s)”	has the meaning ascribed to it in the Listing Rules and unless the context otherwise requires, refers to the controlling shareholders of our Company, namely Mr. Wu Junbao and Wu Junbao Education
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Reorganization”	the corporate reorganization of our Group conducted in preparation for the [REDACTED], details of which are set out in “History and Corporate Structure — Corporate Reorganization” in this document
“Cuisine Academy”	customized catering experience centers, providing customized catering experience services to customers who are interested in cooking or plan to establish their own businesses in the catering industry
“Deed of Indemnity”	a deed of indemnity dated [●], 2019 entered into by our Controlling Shareholders in favor of our Company (for ourselves and as trustee for our subsidiaries) in respect of, among other things, certain indemnities, further information of which is set out in “G. Other Information — 1. Deed of Indemnity” in Appendix V to this document
“Deed of Non-competition”	a deed of non-competition dated [●], 2019 entered into by Mr. Wu Junbao, Wu Junbao Education, Mr. Wu Wei, Wu Wei Education, Mr. Xiao Guoqing and Xiao Guoqing Education in favor of our Company (for ourselves and as trustee for each of our subsidiaries from time to time) regarding the non-competition undertaking
“Director(s)”	the directors of our Company
“Dong Fang Qi”	Hefei Dong Fang Qi Corporate Management Centre (Limited Partnership)* (合肥東方齊企業管理中心(有限合伙)), a limited liability partnership established in the PRC on June 30, 2016, with Mr. Wu Junbao as general partner and Mr. Wu Wei and Mr. Xiao Guoqing as limited partners
“Draft Foreign Investment Law”	the draft version of the <i>Foreign Investment Law</i> (《中華人民共和國外國投資法(草案徵求意見稿)》) issued by the MOFCOM on January 19, 2015 for public consultation

## DEFINITIONS

"EIT Law" the *PRC Enterprise Income Tax Law* (《中華人民共和國企業所得稅法》) adopted by the National People's Congress of the PRC on March 16, 2007 and which became effective on January 1, 2008 and revised on February 24, 2017, which became effective on the same date

"FIE" foreign invested enterprise

"Foreign Investment Catalog" the *Guidance Catalog of Industries for Foreign Investment* (《外商投資產業指導目錄(2017)》), which was promulgated jointly by the MOFCOM and the NDRC on June 28, 2017 and became effective from July 28, 2017, which is amended from time to time

[REDACTED] the [REDACTED] and the [REDACTED]

[REDACTED]

"Group", "our Group", "we" or "us" our Company, its subsidiaries and the consolidated affiliated entities from time to time, or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time

"HK New Oriental" HK New Oriental Culinary Art Limited (香港新東方烹飪培訓有限公司), a limited company incorporated under the laws of Hong Kong on February 3, 2015 which is an indirectly wholly-owned subsidiary of our Company, and one of the Schools under New East Culinary Education

"HK\$", "Hong Kong dollar(s)", "HKD" or "cents" Hong Kong dollars and cents, respectively, the lawful currency for the time being of Hong Kong

[REDACTED]

"Hong Kong" or "HK" the Hong Kong Special Administrative Region of the PRC

[REDACTED]

## DEFINITIONS

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[REDACTED]

"Independent Third Party(ies)"

an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates

[REDACTED]

"Langjie Technology"

Beijing Langjie Technology Co., Ltd.\* (北京朗傑科技有限公司), a limited liability company established under the laws of the PRC on September 28, 2006, which is directly wholly-owned by Xinhua Chuangzhi

## DEFINITIONS

"Latest Practicable Date"	[November 28], 2018, being the latest practicable date for the purpose of ascertaining certain information in this document prior to its publication
"Le En Te"	Hefei Le En Te Corporate Management Centre (Limited Partnership)* (合肥樂恩特企業管理中心(有限合伙)), a limited liability partnership established in the PRC on June 30, 2016, with Mr. Wu Junbao as general partner and Mr. Wu Wei and Mr. Xiao Guoqing as limited partners
	[REDACTED]
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Lu Lu Education"	Lu Lu Education Company Limited (露露教育有限公司), a limited liability company incorporated under the laws of BVI on September 24, 2018, which is wholly-owned by Ms. Lu Lu (呂露), an Independent Third Party
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Memorandum of Association" or "Memorandum"	the memorandum of association of our Company adopted on [●], 2019 and as amended from time to time
"MHRSS"	the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)
"Miwei Technology"	Beijing Miwei Technology Co., Ltd.* (北京秘味科技有限公司), a limited liability company established under the laws of the PRC on August 14, 2017 which was in the process of being disposed of as of the Latest Practicable Date
"MOE"	the Ministry of Education of the PRC (中華人民共和國教育部)

## DEFINITIONS

"MOE Draft for Comments"	the <i>Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (the Draft for Comments)</i> (《中華人民共和國民辦教育促進法實施條例(修訂草案)(徵求意見稿)》) issued by the MOE on April 20, 2018 to seek public comments
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"MOJ"	the Ministry of Justice of the PRC (中華人民共和國司法部)
"MOJ Draft for Comments"	the <i>Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (the Draft for Examination and Approval)</i> (《中華人民共和國民辦教育促進法實施條例(修訂草案)(送審稿)》) issued by the MOJ on August 10, 2018 to seek public comments
"Nanjing School"	Nanjing Culinary Technical School* (南京烹飪技工學校), one of our Schools under New East Culinary Education
"National People's Congress" or "NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"Negative List"	the <i>Special Management Measures (Negative List) for Foreign Investment Access (2018)</i> (《外商投資准入特別管理措施(負面清單)(2018版)》), issued by the MOFCOM and the NDRC on June 28, 2018 and effective on July 28, 2018
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"New East Culinary Education" or "New East"	one of our brands that we founded in 1988, primarily providing culinary vocational training education to students

[REDACTED]



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## DEFINITIONS

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[REDACTED]

"Omick Education of Western Cuisine and Pastry" or "Omick" one of our brands, which offers culinary training with a focus on western cuisine and pastry

[REDACTED]

"PRC Company Law" the *Company Law of the PRC* (《中華人民共和國公司法》), as enacted by the Standing Committee of the Eighth National People's Congress on December 29, 1993 and effective on July 1, 1994, and subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018 as amended, supplemented or otherwise modified from time to time

"PRC Consolidated Affiliated Entities" the entities that we control through the Structured Contracts which comprised our Schools and their respective school sponsors or shareholders (as the case may be), and other entities

"PRC government" or "State" the central government of the PRC, including all governmental sub-divisions (such as provincial, municipal and other regional or local government entities)

"PRC Legal Advisors" Haiwen & Partners, our legal advisors as to PRC laws

"[REDACTED] Share Option Scheme" the [REDACTED] share option scheme conditionally adopted by our Company on [●], 2018 as amended from time to time, the principal terms of which are set out in "F. [REDACTED] Share Option Scheme and Share Option Scheme — 1. [REDACTED] Share Option Scheme" in Appendix V to this document

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## DEFINITIONS

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[REDACTED]

“province”	a province, autonomous administrative region or municipality under the direct administration of the central government in China
“QIBs”	qualified institutional buyers within the meaning of Rule 144A
“Registered Shareholders”	Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing, the registered shareholders of Anhui Xinhua Education
“Regulation S”	Regulation S under the U.S. Securities Act
“RMB” or “Renminbi”	Renminbi, the lawful currency for the time being of the PRC
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
“SAIC” or “State Administration for Industry and Commerce”	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), now known as the State Administration for Market Regulation (中華人民共和國國家市場監督管理總局)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“School(s)”	the schools and entities that we operate or may operate to provide education services under New East Culinary Education, Wontone Automotive Education, Xinhua Internet Technology Education, Omick Education of Western Cuisine and Pastry, and Wisezone Data Technology Education from time to time

## DEFINITIONS

"SCNPC"	the Standing Committee of the National People's Congress (全國人大常委會)
"SFC" or "Securities and Futures Commission"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
"Share(s)"	ordinary share(s) of HK\$0.0001 each in the share capital of our Company
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on [●], 2019, the principal terms of which are summarized in "F. [REDACTED] Share Option Scheme and Share Option Scheme — 2. Share Option Scheme" in Appendix V to this document
"Shareholder(s)"	holder(s) of the Share(s)
"Sino-Foreign Regulation"	the <i>Regulation on Sino-Foreign Cooperation in Operating Schools</i> (《中華人民共和國中外合作辦學條例》), promulgated by the State Council in 2003 and amended on July 18, 2013, the <i>Implementing Measures on the Regulation on Sino-foreign Cooperation in Operating Schools</i> (《中外合作辦學條例實施辦法》), promulgated by the Ministry of Education on July 1, 2004, and the <i>Management Measures on the Sino-foreign Cooperative School Running regarding Vocational Skills Training</i> (《中外合作職業技能培訓辦學管理辦法》), promulgated by the Ministry of Labour and Social Security on July 26, 2006
	[REDACTED]
"Sole Sponsor"	BNP Paribas Securities (Asia) Limited, a corporation licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
"Special Management Measures Catalog"	<i>Special Management Measures Catalog</i> (《特別管理設施》) to be published by the State Council pursuant to the Draft Foreign Investment Law

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## DEFINITIONS

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[REDACTED]

"State Council" the State Council of the PRC (中華人民共和國國務院)

[REDACTED]

"Stock Exchange" or "Hong Kong Stock Exchange" The Stock Exchange of Hong Kong Limited

"Structured Contracts" collectively, the exclusive management consultancy and business cooperation agreements, the exclusive call option agreements, the equity pledge agreement, the powers of attorney, the accounts receivable pledge agreement, the school sponsors' or capital contributors' rights entrustment agreement and the school sponsor's or capital contributor's powers of attorney, further details of which are set out in "Structured Contracts" in this document

"subsidiary(ies)" has the meaning ascribed to it under the Listing Rules. For the avoidance of doubt, the Subsidiaries include our PRC Consolidated Affiliated Entities in this document

"substantial Shareholder(s)" has the meaning ascribed to it under the Listing Rules

"Track Record Period" the three years ended December 31, 2015, 2016 and 2017, and the eight months ended August 31, 2018

"U.S." or "United States" the United States of America, its territories, its possessions and all areas subject to its jurisdiction

"U.S. Securities Act" the U.S. Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder

[REDACTED]

"WFOE" or "Xinhua Chuangzhi" Hefei Xinhua Chuangzhi Education Management Co., Ltd.\* (合肥新華創智教育管理有限公司), a limited liability company established under the laws of the PRC on August 28, 2018, which is indirectly wholly-owned by our Company

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## DEFINITIONS

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[REDACTED]

“Wide Bridge”	Wide Bridge Education Limited (慧橋教育有限公司), a limited company incorporated under the laws of Hong Kong on October 26, 2018, which is indirectly wholly-owned by our Company
“Wisezone Data Technology Education” or “Wisezone”	one of our brands, which was established in 2005 with an aim to training professional data technology engineers and equipping them with applicable information technology skills
“Wontone Automotive Education” or “Wontone”	one of our brands offering comprehensive automobile mechanics training to students
“Wu Junbao Education”	Wu Junbao Education Company Limited (吳俊保教育有限公司), a limited liability company established under the laws of the BVI on September 12, 2018, which is directly wholly-owned by Mr. Wu Junbao
“Wu Wei Education”	Wu Wei Education Company Limited (吳偉教育有限公司), a limited liability company established under the laws of the BVI on September 12, 2018, which is directly wholly-owned by Mr. Wu Wei
“Xiao Guoqing Education”	Xiao Guoqing Education Company Limited (肖國慶教育有限公司), a limited liability company established under the laws of the BVI on September 12, 2018, which is directly wholly-owned by Mr. Xiao Guoqing
“Xinhua Internet Technology Education” or “Xinhua Internet”	one of our brands offering information technology-related training to students

## DEFINITIONS

"Xinhua Investment"	Anhui Xinhua Investment Group Co., Ltd.* (安徽新華投資集團有限公司) (formerly known as Anhui Xinhua Investment Co., Ltd.* (安徽新華投資有限公司)), a limited liability company established under the laws of the PRC on August 11, 2017 and is owned by Mr. Wu Junbao and Mr. Wu Di, the son of Mr. Wu Junbao, as to 99% and 1%, respectively
"Xinhua Training School US"	Xinhua Vocational Education Training School, a private vocational training education institution to be established by our Group in the State of California, U.S. to offer vocational training programs
"Xinhua US"	Xinhua Education Group, a company incorporated in the State of California, the United States, with limited liability on October 2, 2018, which as of the Latest Practicable Date, an indirect wholly-owned subsidiary of our Company

[REDACTED]

"%"	per cent
"2016 Decision"	the <i>Decision on Amending the Law for Promoting Private Education of the PRC</i> (《關於修改〈中華人民共和國民辦教育促進法〉的決定》) approved by the Standing Committee of the National People's Congress on November 2016, which took effect on September 1, 2017

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

*In this document, unless otherwise stated, certain amounts denominated in Renminbi have been translated into Hong Kong dollars or U.S. dollars at an exchange rate of RMB0.8880 = HK\$1.00 or RMB6.9475 = US\$1.00, respectively, for illustration purpose only. Such conversions shall not be construed as representations that amounts in Renminbi were or could have been or could be converted into Hong Kong dollars or U.S. dollars at such rates or any other exchange rates on such date or any other date.*

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

*Unless otherwise specified, all relevant information in this document assumes no exercise of the [REDACTED].*

## GLOSSARY OF TECHNICAL TERMS

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

"ASEAN"	the Association of Southeast Asian Nations, a regional intergovernmental organization comprising ten Southeast Asian countries, which is committed to promoting intergovernmental cooperation and facilitates economic, political, security, military, educational, and sociocultural integration among its members and other Asian states
"auto services"	include automobile repair and maintenance and other auto-related value-added services
"average students enrolled"	an approximation of the average number of students enrolled during a certain period, 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
"CAGR"	compound annual growth rate
"Information Technology"	refers to information technology and computer software-related industry
"long-term programs"	programs that have a length of one year or longer
"new student enrollment"	the total number of students newly enrolled at our operating Schools in a certain period
"person-time"	number of students registered per time for relevant courses
"private school"	a school that is not run by local, provincial or national governments
"public schools"	schools administered by local, provincial or national governments
"recommended employment rate"	represents the percentage of our graduates who were employed through our recommendations to and coordination with their employers
"school sponsor"	the individual(s) or entity(ies) that funds or holds interests in an educational institution

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## GLOSSARY OF TECHNICAL TERMS

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“secondary vocational education”	refers to higher vocational (school) education undertaken by secondary vocational schools, including regular specialized secondary schools, vocational high schools, skilled workers schools, and adult specialized secondary schools, which mainly provide three years of vocational education
“short-term programs”	programs that have a length shorter than one year
“student(s) enrolled”	based on the length of the program each student is admitted to, a student will be regarded as a student enrolled during the period for the number of months the enrolled program lasts commencing from the month he/she is admitted in
“technical school(s)”	the secondary vocational technical schools (中等職業技術學校) that aim to cultivate technical workers and provide vocational technical education services equal to high school level education, and form part of the national vocational technical education of the nation
“turnover rate for teachers and instructors”	is calculated by the number of full-time teachers and instructors resigned for the year/period divided by our total number of in-service full-time teachers and instructors for the same year/period
“universal two-child policy”	China’s population control policy implemented in 2016 by the <i>Decision of the Central Committee of the Communist Party of China and the State Council on Implementing the Universal Two-Child Policy and Reforming and Improving the Management of Family Planning Services</i> (《中共中央、國務院關於實施全面兩孩政策改革完善計劃生育服務管理的決定》), according to which a family is allowed to have up to two children
“vocational training education”	a non-formal vocational education with a long training period, aiming to improve students’ vocational skills, which can also be used for vocational or related industry qualification examinations



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## **FORWARD-LOOKING STATEMENTS**

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

- our business operations and prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals and our ability to implement such strategies, plans, objectives and goals;
- our ability to maintain or increase student enrollment;
- our ability to maintain or raise tuition fees and service fees;
- our ability to maintain or increase our school utilisation;
- general economic conditions;
- our capital expenditure programs and future capital requirements;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our ability to control costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- all other risks and uncertainties described in the section headed “Risk Factors” in this document.

## RISK FACTORS

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

### RISKS RELATING TO OUR BUSINESS AND OUR INDUSTRY

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

We are a leading large scale vocational training education group in China, operating various Schools under five well-recognized brands, namely New East Culinary Education, Omick Education of Western Cuisine and Pastry, Xinhua Internet Technology Education, Wisezone Data Technology Education and Wontone Automotive Education. We also operate customized catering experience centers under Cuisine Academy. We believe that our success heavily depends on the market recognition of the brand and reputation of our Group. Our ability to maintain our reputation depends on a number of factors, some of which are beyond our control. As we continue to grow in size and expand our network as well as program offerings, it may become difficult to maintain the quality and consistency of the services we offer, which may result in diminishing confidence in our brand names.

Numerous factors can potentially impact our reputation, including but not limited to, students', parents' and customers' satisfaction levels with our programs, teachers/instructors and quality of our services, the number of our graduates being able to secure satisfactory employment, accidents on campus, teacher/instructor or student scandals, misconduct of our employees, negative press, improper use of our brand name by our employees, cooperative partners or other third parties, lawsuits and regulatory investigations against us or otherwise relating to our services, disruptions to our services, failure to pass an inspection by a government authority, loss of certifications and approvals required for our operation and unaffiliated parties using our brand without adhering to our standards of services. If we are unable to sustain or strengthen our reputation and brand recognition or our reputation is damaged, we may not be able to maintain or increase student enrollment and customer registration, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our new student enrollment and new customer registration to a large extent are driven by our brands recognition in the industry. Therefore reputation is extremely important to our future success. In the meanwhile, we also employ other marketing methods to promote our brand from time to time, such as websites, advertisements and promotional materials both online and offline. However, there is no assurance that our marketing efforts will be successful or sufficient in maintaining or further promoting our brand or in helping us to maintain our competitiveness. If we are unable to further enhance our reputation and increase market awareness of our programs and services, or if we are required to incur excessive marketing and promotional expenses in order to remain competitiveness, our business, financial condition and results of operations may be materially and adversely affected. There were negative publicity about our Schools in the past. We may also be subject to additional negative publicity in the future, which, even if untrue, may damage our brand image and reputation, deter prospective students/customers and teachers/instructors from attending or joining our Schools and centers and take up excessive time of our management and other resources. As a result, our business, financial condition and results of operations may be materially and adversely affected.

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## RISK FACTORS

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

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

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

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

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

We position our Schools as vocational institutions that equip graduates with the practical skills desired by employers in industries with significant recruitment demands, which enhances the competitive advantages of our students in the job market as they are able to transition into the working environment smoothly. We believe that, as a result, graduates of our Schools have been able to achieve high employment rates, which in turn attracts an increasing number of applications for our Schools.

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

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## RISK FACTORS

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

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

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

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

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

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## RISK FACTORS

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

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

Our business has experienced significant growth in recent years. The number of our Schools and centers in operation increased from 71 as of December 31, 2015 to 156 as of August 31, 2018. We plan to continue to expand our operations in different geographic markets in China. Establishing new Schools and centers poses challenges and requires us to make investments in management, capital expenditures, marketing expenses and other resources. The expansion has resulted, and will continue to result in substantial demands on our management and staff as well as our financial, operational, technological and other resources. Our planned expansion will also place significant pressure on us to maintain the teaching quality and uniform standards, controls and policies to ensure that our brand does not suffer as a result of any decrease, whether actual or perceived, in the quality of our training programs. To manage and support our expansion, we must improve our existing operational, administrative and technological systems and our financial and management controls, and recruit, train and retain additional qualified teachers and instructors and management personnel as well as other administrative and marketing personnel. We cannot assure you that we will be able to effectively and efficiently manage the growth of our operations, maintain or accelerate our current growth rate, recruit and retain qualified teachers and instructors and management personnel, successfully integrate new learning centers into our operations and otherwise effectively manage our growth. Our failure to effectively and efficiently manage our expansion may materially and adversely affect our ability to capitalize on new business opportunities, which in turn may have a material adverse impact on our financial condition and results of operations.

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

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## RISK FACTORS

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

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

- we may fail to identify new areas with sufficient growth potential into which we expand our network;
- it may be difficult to increase student enrollment in our existing Schools;
- we may fail to effectively market our services in new markets or promote new courses in existing markets;
- we may not be able to replicate our successful growth model in other geographic markets;
- our analysis for selecting suitable new locations may not be accurate and the demand for our services at such new locations may not materialize or increase as rapidly as we expect;
- we may fail to obtain the requisite licenses and permits necessary to open new Schools at our desired locations from local authorities;
- we may fail to achieve the benefits we expect from our expansion.

Our expansion plans and the increase in student and customer enrollment may result in substantially higher demand for resources such as teachers, instructors, facilities and management personnel, which will increase pressure on us to maintain the teaching quality and study environment of our Schools and requiring our management to devote significantly more time and resources to manage our operations. To support our growth, we may also need to incur significant expenditures for, among other things, management and staff recruitment, facilities maintenance and expansion, and the construction and operation of new campuses. As a result, the establishment of new Schools may negatively impact our gross profit margin. During the initial ramp-up period after a new School commences operations, we incur the same fixed costs relating to staff compensation, costs relating to student and teaching activities, rent, maintenance and renovation, depreciation and amortization, and other fixed costs while initial revenue from the new Schools may be limited due to the relatively small number of student enrollment.

According to our current understanding and interpretation of the MOJ Draft for Comments, if the MOJ Draft for Comments is adopted in its current form, we may not be able to acquire any new schools that have been registered as a non-profit private school under the 2016 Decision and the local implementation rules. This may significantly limit the number of target schools in the market that we may acquire in the future, rendering us unable to identify suitable acquisition targets. Further amendments or revisions to the MOJ Draft for Comments and introduction of relevant laws and regulations in the future may also present additional limitations and restrictions on our acquisition and operation

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## RISK FACTORS

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of target schools, which may in turn adversely affect our ability to execute our expansion strategy effectively. Furthermore, uncertainties exist with respect to the interpretation of the MOJ Draft for Comments, and we cannot assure you that the implementation of the MOJ Draft for Comments by the competent authorities will not deviate from our current understanding or interpretation of it. The actual implications may differ from the ones set out above and may be more restrictive and limiting to our ability to execute our expansion strategy through acquisition.

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

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

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

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

We have refund policies in place under each business segment for students who withdraw from our Schools. For more information of our refund policies, see "Business — Pricing Policy — Student Withdrawal and Refund Policy". Prior to the commencement of our training programs, we generally enter into training contracts with our students. The training contracts together with their attachments set forth the total tuition and refund policies of our education services. Our refund policies may be different from the local government policies. When disputes arise, there are risks that our refund policies may not be enforced by the relevant PRC courts due to a variety of reasons, such as the relevant terms are stated in small font and not made clear enough or the court may rule that the circumstance gives the withdrawing student other rights upon withdrawal having regard to the refunds. From time to time, we may receive complaints or be subject to disputes or legal actions relating to the refund of our tuition. Even if the underlying refund policies are in line with PRC laws and regulations and even if we defend ourselves vigorously in such litigations or legal proceedings, there is no assurance that the implementation of such policies would not be subject to disputes or that we will prevail in litigations on legal proceeding that questions the implementation of such policies. Participation in such legal proceedings may also cause us to incur substantial expenses and divert the time and attention of our management. An adverse determination in any such litigations or proceedings could subject us to significant liability to our students or third parties. Any similar claim against us, even without any merit, could also damage our reputation and brand image. Any such event could have a material and adverse effect on our business, financial condition and results of operations.

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## RISK FACTORS

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**We cannot assure you that we will be able to continue to recruit and retain qualified teachers and/or instructors, who are critical to the success of our business as well as the quality and effective delivery of our services.**

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

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

Our teaching staff salaries constitute a substantial portion of our total costs of revenue. For the years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2018, our teaching staff salaries and benefits represent 31.2%, 30.1%, 29.4% and 30.3% of our total costs of revenue, respectively. Labor costs in China have risen in recent years as a result of social development and increasing inflation in China. As of August 31, 2018, we had 10,450 employees in China. The increases in labor cost may erode our profitability and materially harm our business, financial condition and results of operations. If labor costs in China continue to increase, our operating costs will increase. We may not be able to pass on these increased costs to our customers by increasing our tuition fees or service fees in light of competitive pressure in the markets. In such circumstances, our profit margin may decrease, which could have adverse effect on our business, financial condition and results of operations.

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

We experienced significant growth in terms of revenues during the Track Record Period. For the years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2018, our total revenue from continuing operations was RMB1,828.2 million, RMB2,335.7 million, RMB2,850.2 million and RMB2,055.1 million, respectively. Any evaluation of our business and our prospects must be considered in light of the risks and uncertainties encountered by companies at our stage of development. Our historical growth was primarily driven by the increases in our average students enrolled and the level of tuition fees we charge. The increased average students enrolled was primarily driven by the increase in the number of Schools we established and operated and the expansion of existing campuses during the Track Record Period. Furthermore, our results of operations may vary from period to period in response to a variety of other factors beyond our control, including our ability to maintain and increase student enrollment and maintain and raise tuition fees, general economic conditions and regulations or government actions pertaining to the private education service sector in China, changes in spending on private education, our ability to control cost of sales and operating expenses, our expenditures in building new Schools or expanding existing Schools and non-recurring charges incurred in connection with acquisitions or other extraordinary transactions or under unexpected circumstances. For the year ended December 31, 2017 and the eight months ended August 31, 2018, we established 36 and 13 new Schools, respectively, which incurred a large amount of fixed costs but the student enrollments were small. Our profitability may be negatively impacted by such



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## RISK FACTORS

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new Schools. Due to the above factors, we believe that our historical financial and operating results, growth rates and profitability may not be indicative of our future performance and you should not rely on our past results or our historic growth rates as indications of our future performance.

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

We could be held liable for the accidents or injuries or other harm to students or other people at our Schools, including those caused by or otherwise arising in connection with our school facilities or employees. We could also face claims alleging that we were negligent or we provided inadequate maintenance for our school facilities or supervision of our employees or we failed to discharge our duty of education or management for our students and may therefore be held liable for accidents or injuries suffered by our students or other people at our Schools. In addition, if any of our students or employees is involved in any physical confrontation or act of violence, we could face allegations that we failed to provide adequate security or were otherwise responsible for his or her actions. We may also face reputation risks if our students or employees suffer injuries outside our school campuses. Such incidents may discourage prospective students from applying to or attending our Schools. For example, on June 16, 2015, a student enrolled at one of our Schools under New East Cuisine Education committed suicide on campus by falling from the student dormitory. Parents of the student initiated legal proceedings against us in 2015 and the relevant PRC court ruled that we were 30% at fault as we were negligent in school management and student protection. Furthermore, although we maintain liability insurance, the insurance coverage may not be adequate to fully protect us from these kinds of claims and liabilities. In addition, we may not be able to obtain liability insurance in the future at reasonable prices or at all. A liability claim against us or any of our employees could adversely affect our reputation and student enrollment and retention. Even if it is unsuccessful, such a claim could create unfavorable publicity, cause us to incur substantial expenses and divert the time and attention of our management, all of which may have material adverse effects on our business, financial condition, results of operations and prospects.

**We outsource food and meal catering services of our on-campus stores and canteens to third party service providers and as a result, we cannot guarantee the quality and price of the food they serve to our students. We may be exposed to potential liabilities if we cannot maintain food quality standards.**

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

**Certain of our Schools had not obtained approvals from local government authorities to complete registration for the change of school sponsors.**

As of the Latest Practicable Date, Nanjing Cuisine Technical School\* (南京烹飪技工學校) ("Nanjing School") had not obtained approvals from the local human resources and social security authority and local civil affairs authority to complete the registration for change of school sponsors, Shanghai Fengxian District East Delicacy Vocational

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Training School\* (上海奉賢區東方美食職業培訓學校) ("Shanghai Fengxian School"), Jiangsu New East Culinary Training School\* (江蘇新東方烹飪技術學校) ("Jiangsu School") and Nanjing Xinhua Computer Institute\* (南京新華電腦專修學院) ("Nanjing Institute") had not obtained approvals from local civil affairs authorities to complete the required registration for change of school sponsors. Our PRC Legal Advisors have advised us that change of school sponsors of a private school is not only required to obtain approvals from the competent human resources and social security authorities, but also approval by the relevant civil affairs authorities. The change of school sponsors is not allowed in local practice, and we are in the process of communicating with the relevant government authorities. However, we cannot assure you that the relevant government authorities will approve the change. If such Schools fail to obtain approvals from the relevant competent authorities, our rights as being school sponsors of these Schools may not be recognized or may be challenged by third parties. As such, our business, financial condition and results of operations may be adversely affected.

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

Our PRC subsidiaries are required to participate in various employee benefit plans, including pension insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance and housing provident fund and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where they operate their businesses. As of August 31, 2018, (i) certain of our Schools and other entities failed to open social insurance fund and/or housing provident fund accounts mainly because no employees are hired by those aforementioned entities; and (ii) we did not make full contributions to the social insurance plans and housing provident fund based on the actual salaries of our employees. See "Business — Legal Proceedings and Compliance" in this document for further details. We cannot assure you that our employees will not complain to the relevant authorities by reporting our failure to make contributions to the social security and housing provident fund or the basis of how we had made the contributions for them, which may in turn result in the relevant authorities ordering us to make supplemental contributions and/or imposing penalties and overdue fines on us, among other things. Such regulatory intervention may adversely affect our financial condition.

According to the *Reform Plan of the State Tax and Local Tax Collection Administration System* (《國稅地稅徵管體制改革方案》) issued by the General Office of the Communist Party of China, from January 1, 2019, tax authorities will be responsible for the collection of social insurance contributions. The MHRSS issued an *Urgent Notice of the General Office of the Ministry of Human Resources and Social Security on Implementing the Spirit of the Executive Meeting of the State Council in Stabilizing the Collection of Social Security Contributions* (《人力資源社會保障部辦公廳關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) in September 2018 and the General Office of the State Administration of Taxation issued the *Notice by the General Office of the State Administration of Taxation of Conducting the Relevant Work Concerning the Administration of Collection of Social Insurance Premiums in a Steady, Orderly and Effective Manner* (《國家稅務總局辦公廳關於穩妥有序做好社會保險費徵管有關工作的通知》) on September 13, 2018, pursuant to which the tax authorities and the local human resources and social security authorities are strictly forbidden to collectively initiate or proactively recover the unpaid social security contributions from enterprises. Although the government of the PRC does not intend to trace back to or enforce past non-compliance of unpaid social security contributions, there are uncertainties in connection with implementation of such regulations and enforcement of social security contributions could be more stringent. We cannot assure you that the relevant local

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government authorities will not require us to pay the outstanding amount within a prescribed time and impose late fees or fines on us, which may materially and adversely affect our business, financial condition and results of operations.

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

Our future success heavily depends on the continuing services of our senior management team and key school management personnel at each of our Schools. If any member of our senior management and other key personnel are unable or unwilling to continue their employment with us, we may not be able to replace them with qualified personnel in a timely manner, or at all, and our business may be disrupted and our results of operations and financial condition may be materially and adversely affected. Competition for experienced educators in the private vocational education industry in the PRC, including the locations where we operate our Schools, is intense and the pool of qualified candidates is very limited. We may have to provide competitive compensation and benefits packages to attract and retain our senior management and key personnel. There is no guarantee that we can recruit and retain experienced senior management members or other qualified school management personnel in the future. In the event we lose their services, or if any member of our senior management team or other key personnel joins our competitor(s) or forms a competing company, our business, financial condition and results of operations could be materially and adversely affected.

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

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

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

We are required to obtain and maintain various approvals, licenses and permits and to fulfil registration and filing requirements in order to conduct and operate our education and related services. For example, to establish and operate a school, we are required to obtain and/or renew, among others, a private school operating permit from the local authorities of MHRSS or the local education authorities. We are also required to register with the local civil affairs authorities or local authorities of SAIC to obtain a certificate of registration for a private non-enterprise entity or business license. In addition, we need to pass annual inspections conducted by the local civil affairs authorities and local authorities of MHRSS. We also need to file annual reports to local authorities of AIC for the companies. Except as disclosed in this document, we had obtained all material requisite permits and completed the necessary filings, renewals and registrations for our Schools in operation as of the Latest Practicable Date. However, there is no assurance that we will be able to obtain all required permits on a timely basis going forward given the wide discretion the local authorities may have in interpreting, implementing and enforcing the relevant rules and regulations, as well as other factors beyond our control and anticipation.

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

In addition, as of August 31, 2018, seven Schools of New East Culinary Education, and Xinhua Internet Technology Education operated on-campus canteens to offer catering services to students, but failed to obtain or renew food administration permits (食品經營許可證). As advised by our PRC Legal Advisors, companies engaging in food sales and catering services in the PRC are required to obtain food administration permits according to the relevant PRC laws and regulations. Granting food administration permits primarily follows "one place one permit" principle. Failing to obtain or renew the requisite licenses may subject us to fines and confiscation of illegal income derived from operating on-campus canteens without obtaining the requisite permits. As of the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant PRC government authorities with respect to the aforesaid issues, nor had our Schools been required to rectify the aforesaid issues. In addition, we had closed and ceased to operate these canteens as of the Latest Practicable Date. If the relevant government authorities change their position or policies with respect to the aforesaid issues, we may be subject to fines, confiscation of the gains derived from the catering services we provided, or be subject to other penalties or administrative actions, which may materially and adversely affect our business, financial condition and results of operations.

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

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

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

### **We had net current liabilities position as of December 31, 2015 and August 31, 2018.**

As of December 31, 2015 and August 31, 2018, we had net current liabilities of RMB134.0 million and RMB198.7 million, respectively. See "Financial Information — Discussion of Selected Items from the Combined Statements of Financial Position — Current Assets and Current Liabilities" in this document for details. We may have net current liabilities in the future. Having significant net current liabilities could constrain our operational flexibility and adversely affect our ability to expand our business. If we do not generate sufficient cash flow from our operations to meet our present and future financial needs, we may need to rely on additional external borrowings for funding. If adequate funds are not available, whether on satisfactory terms or at all, we may be forced to delay or abandon our development and expansion plans, and our business, financial condition and results of operations may be materially and adversely affected.

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

All of our Schools are required to obtain private school operating license prior to the commencement of operation. As of the Latest Practicable Date, 30 Schools in operation under our Omick Education of Western Cuisine and Pastry, Wontone Automotive Education, Xinhua Internet Technology Education and Wisezone Data Technology Education brand did not have the private school operating license. See "Business — Legal Proceedings and Compliance — Non-Compliance License" for more information. *The Law for Promoting Private Education of the PRC* (《中華人民共和國民辦教育促進法》) was promulgated in December 2002, amended in June 2013, and was further amended in November 2016 and took effect from September 1, 2017. However, due to the uncertainties with respect to the interpretation and lack of local implementation rules of the newly enacted law, the local human resources and social security authorities responded that they were not in a position to issue private school operating license to some of our Schools in operation. Although we are making efforts to apply to the local authorities for such licenses, there are risks that they would not accept application of private school operating license from companies before the relevant local implementation rules take effect. If we are not able to obtain the requisite license, we may become subject to administrative fines and other penalties or even be ordered to shut down our operation, which may have a material and adverse effect on our business, prospects, financial condition and results of operations.

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

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

Our PRC Legal Advisors have advised us that, under the relevant PRC laws and regulations, a boarding school providing secondary vocational education should have a licensed on-site infirmary to provide medical services to students. As of the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant PRC government authorities with respect to the lack of licensed on-site infirmaries at our Schools. However, we cannot assure you that the competent PRC government authorities will not require us to rectify this matter within a prescribed period in the future. If we receive such order but fail to obtain requisite licenses and hire competent professionals for operating on-site infirmaries at our Schools within a prescribed period, our reputation, business and results of operations may be adversely affected.

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

As of the Latest Practicable Date, 28 Schools under New East Culinary Education, Xinhua Computer Education, Omick Education of Western Cuisine and Pastry and Wontone Automotive Education provided correspondence education services to students in cooperation with higher education institutions and such higher education institutions have not completed registration with the relevant local education authorities prior to the commencement of such services. According to *Interim Regulations on Correspondence Education Tutoring Centers for Higher Education Institutions* (《普通高等學校函授教育輔導站暫行規程》), higher education institutions providing such correspondence education services are required to register with local education authorities prior to the commencement of the services, and failure to comply with such requirement may result in receiving public criticism from relevant authorities, mandatory rectification within prescribed time, and the suspension of such education services. We will lose income from such correspondence education services if any suspension order is issued to our cooperative higher education institutions by relevant education authorities. If we are forced to shut down our correspondence education services, our business, financial condition and result of operations may be materially and adversely affected.

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

### ***The 2016 Decision***

Our business is regulated by, among others, the *Law for Promoting Private Education of the PRC* (《中華人民共和國民辦教育促進法》). The 2016 Decision that became effective on September 1, 2017 introduced a number of amendments. Under the 2016 Decision, school sponsors of an existing private school may elect to register the school as a non-profit or for-profit private school at their own discretion. As of Latest Practicable Date, school sponsors of 20 Schools out of our 139 Schools have elected to register as for-profit schools. Among our 20 Schools, four of these Schools have completed the re-registration procedures and 16 Schools are in the process to complete such re-registration procedures. We incline to apply the for-profit business model to all of our Schools in the PRC and our planned Schools in future expansion, but our selection is still subject to the relevant policies and regulations promulgated by the PRC government authorities. As of the Latest Practicable Date, as advised by our PRC Legal Advisors, 26 provinces, including Anhui, Zhejiang, Jiangsu, Shandong, Guangdong, Hainan, Jiangxi, Beijing, Hubei, Guizhou, Yunnan, Hebei, Henan, Shaanxi, Shanxi, Gansu, Liaoning, Jilin, Sichuan, Qinghai, Inner Mongolia, Ningxia, Guangxi, Chongqing, Tianjin and Shanghai, have issued implementation opinions (the "Implementation Opinions"). Most of these Implementation Opinions provide a transition period ranging from one to six years. The school sponsors of relevant educational institutions can elect either for-profit or non-profit purposes during the transition period. As of the Latest Practicable Date, other regions had not yet issued such implementation opinions. For a general description of the key differences between a non-profit private school and a for-profit private school under the framework of the 2016 Decision, see the section headed "Regulations — Regulations on Private Education in the PRC — The Amendment to the Law for Promoting Private Education" for further details. Some of the differences may result in significant changes to the competitive landscape among private schools. In particular, a for-profit private school may determine the level of its schools fees based on its operating conditions, while that of a non-profit private school is subject to standards stipulated by local governments, and a non-profit private school may receive additional support from the government than a for-profit private school.

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

### ***The MOJ Draft for Comments***

On April 20, 2018, the MOE issued the MOE Draft for Comments to seek public comments, and on August 10, 2018, the MOJ issued the MOJ Draft for Comments based on a revised version of the MOE Draft for Comments, namely, the *Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (the Draft for Examination and Approval)* (《中華人民共和國民辦教育促進法實施條例(修訂草案)(送審稿)》), to seek public comments. The MOJ Draft for Comments intends to further promote the development of private education by providing that a private school shall enjoy rights or preferential policies stipulated by laws equivalent to those applicable to a public school, which shall primarily include: (i) a non-profit private school shall enjoy the same tax policies as that enjoyed by a public school and the relevant tax concession, and a for-profit 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

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for finance, taxation and other relevant administrative departments of the State Council; and (ii) the local people's governments shall grant preferential treatments in terms of land use by means of allocation in accordance with the principle of treating non-profit private schools equally as public schools, and for schools that provide education for academic credentials, may provide lands by means of bid invitation, auction or [REDACTED], assigning contracts, long-term lease or combination of sale as well as rental, and may give appropriate preferential treatment on charges for the assignment or rental of land, and may permit payment in installments.

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

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

### ***Implementation Rules under the 2016 Decision***

As of the Latest Practicable Date, as advised by our PRC Legal Advisors, 26 provinces, including Anhui, Zhejiang, Jiangsu, Shandong, Guangdong, Hainan, Jiangxi, Beijing, Hubei, Guizhou, Yunnan, Hebei, Henan, Shaanxi, Shanxi, Gansu, Liaoning, Jilin, Sichuan, Qinghai, Inner Mongolia, Ningxia, Guangxi, Chongqing, Tianjin and Shanghai, have issued implementation opinions (the "Implementation Opinions"). Most of these Implementation Opinions provide a transition period ranging from one to six years. The school sponsors of relevant educational institutions can elect either for-profit or non-profit purposes during the transition period. As of the Latest Practicable Date, other regions had not yet issued such implementation opinions. There is no assurance that we will be able to operate our business in full compliance with the 2016 Decision or any relevant regulations in a timely manner, or at all. Should we fail to fully comply with the 2016 Decision or any relevant regulations as interpreted by the relevant government authorities, we may be subject to administrative fines or penalties or face other negative consequences that could materially and adversely affect our brand name and reputation, and, in turn our business, financial condition and results of operations.



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

- if we elect to register our Schools in the PRC as for-profit schools, we will be required to (i) undertake financial liquidation, (ii) have the property rights of the relevant assets, such as land, school buildings and net balance being authenticated by the relevant governmental authorities, (iii) pay the relevant taxes and fees, and (iv) re-register with relevant authorities to continue the school operations. In the absence of any detailed implementation rules, we are not be able to predict or estimate the potential costs and expenses involved and the process necessary to adjust our structure to complete such re-registration, which may materially and adversely affect our business, financial condition and results of operations; or
- if we elect to register our Schools in the PRC as non-profit private schools, (i) our Schools in the PRC will not be permitted to distribute the operating proceeds to their school sponsor(s) and the surplus from school operations can only be applied to their operations, (ii) the provincial government authorities may impose restrictions on our school fees, including the range and type of fees chargeable and approval or filing requirements, and (iii) the school sponsor(s) of our Schools in the PRC should amend the constitutional documents of the schools and re-register with the relevant authorities to continue the school operations. We may incur significant administration and financial costs in the re-registration process, which may materially and adversely affect our business, financial condition and results of operations.

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

According to the *Regulations on Management of Teacher Licenses* (《教師資格證書管理規定》), personnel engaged in teaching activities in various types of secondary formal education and schools and other educational institutions must obtain teacher licenses. 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. In December 2016, several PRC government agencies, including the MOE, the SAIC, and the MHRSS, jointly promulgated *the Implementation Rules on the Supervision and Administration of For-profit Private Schools*, (the "Rules"). Under the Rules, the teachers employed by a for-profit private school shall obtain the teaching licenses or relevant professional skill qualifications required by PRC laws and regulations, although the definition or the scope of the "relevant professional skill qualifications" is not explicitly stated in the Rules. A small number of our teachers of our secondary vocational Schools currently do not hold teaching licenses, and a portion of our teachers of technical Schools and vocational training Schools do not hold teachers qualifications.

As of the date of this document, we have not received any notice of warning or been subject to any penalties or disciplinary action from government authorities due to the lack of teaching licenses or teachers qualifications. Although we have informed all teachers who do not have the teaching licenses or teachers qualifications to obtain such

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licenses or transfer to another non-teaching position, we cannot assure you that they can meet the requirements for obtaining teaching licenses or teachers qualifications. If our teachers are not able to apply for and obtain the teaching licenses or relevant professional skill qualifications on a timely basis, or at all, we may be ordered to rectify such noncompliance or subject to penalties under the then-effective PRC laws and regulations, in which case our business may be disrupted, and our financial condition, reputation and prospects would be materially and adversely affected.

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

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

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

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

As of the Latest Practicable Date, five parcels of land occupied by our Anhui New East Culinary Professional Institute\* (安徽新東方烹飪專修學院), Anhui Xinhua Computer Professional Institute\* (安徽新華電腦專修學院) and Anhui Wontone Automobile Maintenance Institute\* (安徽萬通汽車專修學院) in Anhui province and one parcel of land occupied by Chengdu Tianji in Sichuan province are government allocated lands. As advised by our PRC Legal Advisors, pursuant to the relevant PRC laws and regulations, competent government authorities may recover the allocated land use rights without compensation according to public interests, needs of urban development and requirements of urban planning. Allocated land used for non-profit educational purposes may also be required by competent government authorities to use for a fee, according to the relevant PRC laws and regulations. If government authorities recover the allocated land use rights without compensation, the buildings on these lands may be ordered to be demolished, our school operations may be interrupted and we may be forced to relocate

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our Schools within a prescribed time limit, which may incur additional costs. There is no assurance that we will be able to relocate to comparable alternative premises without any adverse effect on our business, financial condition, results of operations and prospects.

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

For campuses and school facilities constructed and developed by us for our Schools, we are required to obtain various permits, certificates and other approvals from the relevant authorities, including but not limited to land use right certificates, planning permits, construction permits, approvals for passing environmental impact assessments, environmental protection acceptance inspection, approvals for passing fire control design assessments, approvals for passing fire control acceptance inspection, construction completion inspection registration for passing acceptance inspections upon construction completion, as well as building ownership certificates.

Some of the properties we use for our school operations are not in compliance with applicable laws and regulations in the PRC. See "Business — Properties" for further details. As of the Latest Practicable Date, (i) among the 48 buildings we owned/occupied, we had not obtained building ownership certificates for buildings occupied by our Anhui New East Culinary Professional Institute, Anhui Xinhua Computer Institute and Anhui Wontone Automobile Maintenance Institute (the "Relevant Buildings") with an aggregate gross floor area of 102,725.36 sq.m., mainly due to without completing relevant acceptances and filings; and (ii) among the 18 buildings owned/occupied by Chengdu Tianji, 16 buildings with a total gross floor area of 44,252.29 sq.m. have been used by us as teaching buildings, dormitories, practical training studios, office buildings and canteen. We could not obtain building ownership certificates for these 16 buildings, because the construction planning documents which are necessary for completing the relevant acceptance procedures and filings requisite to applying for the building ownership certificates were missing at the time of the acquisition. As a result, our right to use these properties may be limited or challenged by the relevant government authorities or third parties. The risks in connection with the non-compliance issues concerning these properties generally include the following:

- for the properties that we have commenced construction of buildings without completing the environmental protection acceptance procedures, we may be subject to a fine ranging from 1% to 5% of the total amount of investment in the construction project and a rectification order;
- for the properties that we have commenced construction without construction planning permit, we may be subject to an order to rectify the impact and/or a fine ranging from 5% to 10% of the construction cost, or an order to demolish the buildings and/or a fine of not more than 10% of the construction cost;
- for the properties that we have commenced construction without construction commencement permit, we may be subject to a fine ranging from 1% to 2% of the contract price of constructing the buildings and/or a rectification order;
- for the properties of which we have commenced construction without completing fire control assessment procedures, we may be subject to a fine ranging from RMB30,000 to RMB300,000 and/or suspension from using such buildings;

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- for the properties that we have put into use without completing the construction quality and completion acceptance procedures, we may be subject to a fine ranging from 2% to 4% of the contract price of constructing the buildings and/or a rectification order; and
- for the properties that we have put into use without completion of filing of the result the construction quality and completion acceptance, we may be subject to a fine ranging from RMB200,000 to RMB500,000 and/or a rectification order.

We may be required by the relevant government authorities to cease the use of the relevant buildings, demolish the relevant buildings and/or adopt other corrective measures of similar effect or impose penalties on us. In the event that we lose the rights to any of our buildings, our use of such buildings may become limited, or we may be forced to relocate our Schools and incur additional costs, or be imposed penalties in which case there will be disruptions to our school operations and our business, financial condition and results of operations may be materially and adversely affected.

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

Some of our properties that we leased from third parties for our school operations are not in compliance with applicable laws and regulations in the PRC. As of the Latest Practicable Date, (i) we had not been provided with the land use rights certificates and/or building ownership certificates by the landlords, or by the sub-lessors with the proofs of having the right to sublease the properties to us for 69 campuses; (ii) we had not been provided by landlords/sub-lessors with the fire control acceptance record for 43 campuses (iii) with respect to 50 leased properties with permitted use for "industrial" purposes, or other purposes, our use is inconsistent with their permitted use; (iv) we leased properties located on collective lands which may not be used for construction or non-agricultural purposes for 22 campuses; and (v) one leased property is military property, the lease of which is forbidden by the PRC Laws. The validity of the underlying lease agreements for these leased properties is uncertain and any successful challenge could render such lease agreements void. There is a risk that the landlords or sub-lessors from whom we lease such properties may not have the valid building ownership certificates for the premises they lease to us, or otherwise may not have the right to lease such premises to us. According to our PRC Legal Advisor, in the event those landlords do not have valid building ownership certificates and land use rights, or sublease the properties without the consent of the owners, or the use of the properties is not consistent with the land use right certificates, the relevant lease agreements may be deemed invalid or may encounter challenges from property owners or other third parties to the sub-lessor's rights. In addition, the lease terms for certain of our leased properties are more than 20 years. As advised by our PRC Legal Advisors, if the lease term of properties exceeds 20 years, the excessive part is void according to the *PRC Contract Law* (《中華人民共和國合同法》). As a result, the excessive part of our small number of leases which have a term over 20 years will not be protected by PRC laws. If any of our leases were terminated or deemed invalid for any reason, we may be forced to relocate the affected premises and incur significant expenses, in which case our business operations and financial condition may be adversely affected. We may not be able to identify alternative premises for immediate relocation, or at all.

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

As of the Latest Practicable Date, 22 properties leased by our 22 Schools were located on collective land. As advised by our PRC Legal Advisors, pursuant to the relevant PRC laws and regulations, the right to use collectively owned land is not allowed to be transferred or leased for non-agricultural construction. If the land is illegally occupied or the agricultural land is used for other purposes without authorization, buildings constructed on such land may be required to be demolished within a time limit or our relevant lease agreements will be held void, according to the relevant PRC laws and regulations. We leased properties on the collective land to provide education services, if such properties are ordered to demolish by government authorities or our leases were terminated for any reason, our business operations will be interrupted and we may be forced to relocate our Schools within a time limit, which may materially and adversely affected our business, financial condition and results of operations.

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

As of the Latest Practicable Date, 155 out of 199 of our leased properties, accounting for most of the total gross floor area of our leased properties, have not been filed for registration with the relevant government authorities as required under PRC laws. Non-registration of leases does not affect our relevant rights or entitlements to lease the properties from sub-lessors, or the legality and effectiveness of the lease agreements between the parties to the agreements. However, as advised by our PRC Legal Advisors, pursuant to the relevant PRC laws and regulations, we may be subject to penalties ranging between RMB1,000 and RMB10,000 for the non-registration of leases imposed by the local authorities. As of the Latest Practicable Date, we have neither been penalized for the non-registration of our leases nor received request from any government authority to complete the registration formalities. Nevertheless, we cannot assure you that we would not be subject to any penalties and/or requests for undertaking the registrations in the future, any of which may incur additional expenses and adversely affect our business and financial condition.

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

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

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

The property valuation report set out in Appendix III with respect to the appraised values of our properties is based on various assumptions, which are subjective and uncertain in nature. The assumptions that Cushman & Wakefield Limited used in the property valuation report include, among others: (i) the transferable land use rights of the properties for their respective terms at nominal annual land use fees have been granted

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and that any premium payable has already been fully paid; and (ii) the Group has an enforceable title to each of the properties and has free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired land use term as granted.

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

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

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

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

Legal or other proceedings involving us may, among others, result in us incurring significant costs, divert management's attention and other resources, negatively affect our business operations, cause negative publicity against us or damage our reputation, regardless whether we are successful in defending such claims or proceedings. As a result, our business, financial condition and results of operations may be materially and adversely affected.

### **Unauthorized disclosure or manipulation of sensitive personal data, whether through breach of our network security or otherwise, could expose us to litigation or could adversely affect our reputation.**

Maintaining our network security and internal controls over access rights is of critical importance to us because proprietary and confidential information, such as names, addresses, and other personal information of our students, teachers, instructors and other employees is primarily stored in our computer databases located at each of our Schools and customized catering experience centers. If our security measures fail to preserve the confidentiality of such information as a result of actions by third parties, employee error, malfeasance or otherwise, third parties may receive or be able to access such information, which could subject us to liabilities, interrupt our business and adversely impact our reputation. In addition, we run the risk that our employees or third

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parties could misappropriate or illegally disclose confidential educational information in our possession. As a result, we may be required to expend significant resources to provide additional protection from the threat of these security breaches or to alleviate problems caused by these breaches.

**If we fail to protect our intellectual property rights, our brand and business may be materially and adversely affected.**

Unauthorized use of any of our intellectual property rights may adversely affect our business and reputation. We rely on a combination of copyrights, trademarks and trade secrets laws to protect our intellectual property rights. Nevertheless, third parties may obtain and use our intellectual property rights without due authorization. There was no material infringement of our intellectual property rights by third parties in the past. However, we cannot assure you that there will be no material infringement of our intellectual property rights by third parties in the future, and the expenses incurred in protecting our intellectual property rights may be substantial.

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

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

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

We may be exposed to intellectual property right infringement or misappropriation claims by third parties when we develop and use our own educational materials, technology, know-how and brand. As of the Latest Practicable Date, we had not encountered any material intellectual property infringement claims. However, there is no assurance that we will not be subject to third parties' claims of infringement of their proprietary intellectual property rights in the future. Even if we defend ourselves vigorously in such litigations or legal proceedings, there is no assurance that we will prevail in these matters. Participation in such litigations and legal proceedings may also cause us to incur substantial expenses and divert the time and attention of our management. An adverse determination in any such litigations or proceedings could

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subject us to significant liability to third parties, require us to obtain licenses from third parties, pay ongoing royalties, or subject us to injunctions prohibiting the distribution and marketing of our brands or services. In case we lose the ability to use the related materials, contents or technology, the quality of our educational programs could be adversely affected. Any similar claim against us, even without any merit, could also damage our reputation and brand image. Any such event could have a material and adverse effect on our business, financial condition and results of operations.

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

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

We will adopt the [REDACTED] Share Option Scheme in December 2018, under which we may issue options to purchase up to a total of [REDACTED] Shares to our Directors, senior management and employees for their contribution to our Group and to attract and retain key personnel. As of the Latest Practicable Date, no share option to subscribe for Shares had been granted and was outstanding under the [REDACTED] Share Option Scheme, as adjusted pursuant to the Capitalization Issue. The fair value of the services received in exchange for the grant of these share options will be recognized as share-based compensation expenses, which will have an adverse effect on our profits. In addition, exercise of the share options we have granted or plan to grant will increase the number of our Shares in circulation. Any actual or perceived sales of the additional Shares acquired upon the exercise of the share options we have granted or plan to grant may adversely affect the [REDACTED] of our Shares.

**[REDACTED] in relation to the [REDACTED] and share-based payments will adversely affect our net profit.**

We expect to incur additional [REDACTED], part of which will be charged to our consolidated statement of profit or loss and other comprehensive income for the financial years ended December 31, 2018 and 2019 and therefore adversely affect our net profit for the years ended December 31, 2018 and 2019.

We also expect to incur share-based payments, which will be charged to our consolidated statement of profit or loss and other comprehensive income and adversely affect our net profit for the coming financial years.

**We maintain limited insurance coverage.**

The insurance industry in China is still at an early stage of development. We do not maintain any business interruption insurance or product liability insurance or occupiers liability insurance, which are not mandatory under the PRC laws. We do not maintain insurance policies covering damages to our technical infrastructure or any insurance policies for our premises. Consequently, we are exposed to various risks associated with our business and operations. See "Business — Insurance" in this document for more information. We are exposed to risks including, but not limited to, accidents or injuries in our Schools that are beyond the scope of our insurance coverage, fires, explosions or other accidents for which we do not currently maintain insurance, loss of key management and personnel, business interruption, natural disasters, terrorist attacks and social instability or any other events beyond our control. The insurance industry in the PRC is still at an early stage of development. Insurance companies in the PRC offer limited business-related insurance, occupiers' liability products. We do not have any business disruption insurance, product liability insurance or key-man life insurance. Any



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business disruption, litigation or legal proceedings or natural disaster, such as epidemics, pandemics or earthquakes, or other events beyond our control could result in substantial costs and the diversion of our resources. Our business, financial condition and results of operations may be materially and adversely affected as a result.

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

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

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

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

### RISKS RELATING TO OUR STRUCTURED CONTRACTS

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

We are a Cayman Islands company and thus we are classified as a foreign enterprise under the PRC laws.

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

If the Structured Contracts that establish the structure for operating most of our China business are found to be in violation of any PRC laws or regulations in the future or fail to obtain or maintain any of the required permits or approvals, the relevant PRC

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regulatory authorities, including the MOE and MHRSS, which regulates the education industry, would have broad discretion in dealing with such violations, including:

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

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

**The Draft Foreign Investment Law proposes sweeping changes to the PRC foreign investment legal regime, which will likely have a significant impact on businesses in China controlled by foreign invested enterprises primarily through contractual arrangements, such as our business, and our compliance with the Draft Foreign Investment Law may depend on the compliance by our Controlling Shareholders with the undertaking given by them, which the Stock Exchange has limited power to enforce.**

On January 19, 2015, MOFCOM published a draft of the *PRC Law on Foreign Investment (Draft for Comment)* (《中華人民共和國外國投資法(草案徵求意見稿)》), or the Draft Foreign Investment Law. At the same time, MOFCOM published an accompanying explanatory note of the Draft Foreign Investment Law, or “the Explanatory Note”, which contains important information about the Draft Foreign Investment Law, including its drafting philosophy and principles, main content, plans to transition to the new legal regime and treatment of business in the PRC controlled by foreign invested enterprises, or “the FIEs”, primarily through contractual arrangements. The Draft Foreign Investment Law is intended to replace the current foreign investment legal regime consisting of three laws: the *Sino-Foreign Equity Joint Venture Enterprise Law* (《中外合資經營企業法》), the *Sino-Foreign Cooperative Joint Venture Enterprise Law* (《中外合作經營企業法》) and the *Wholly Foreign-Invested Enterprise Law* (《外資企業法》), as well as detailed implementing rules. The Draft Foreign Investment Law proposes significant changes to the PRC foreign investment legal regime and introduced the concept of “control” determined by the identity of the ultimate natural person or enterprise that controls the domestic enterprise. If an enterprise is actually controlled by a foreign investor through structured contracts or contractual arrangements, such enterprise may be regarded as a FIE. Such FIE is restricted from investment in certain industries listed on the negative list unless permission from the competent authority in the PRC is obtained. According to the Negative List, which became effective on July 28, 2018, non-formal vocational training which we primarily operate is classified as “encouraged” business and other

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vocational training that is not listed out falls into the “permitted” category. The Draft Foreign Investment Law also provides that any FIEs operating in industries on the negative list will require entry clearance and other approvals that are not required of PRC domestic entities. As a result of the entry clearance and approvals, certain FIE’s operating in industries on the negative list may not be able to continue to conduct their operations through contractual arrangements.

While the Draft Foreign Investment Law had been released for consultation purpose, there is substantial uncertainty regarding the Draft Foreign Investment Law, including, among other things, what the actual content of the law will be as well as the adoption timeline or effective date of the final form of the law. While Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing are of Chinese nationality and indirectly interested in more than 50% of the issued share capital of our Company, we cannot assure you that our Company will be deemed as controlled by a Chinese investor and the Structured Contracts will be deemed as domestic investment under the Draft Foreign Investment Law. Furthermore, the issues as to the level of “control” for being qualified as a domestic enterprise, how existing domestic enterprises which are operated by foreign investors under contractual arrangements are to be handled and what business will be respectively classified as “restricted business” or “prohibited business” in the Negative List are yet to be clarified at this stage. While such uncertainty exists, we cannot determine whether the new foreign investment law, when it is adopted and becomes effective, will have a material impact on our corporate structure and business. In the event that the Structured Contracts under which we operate our education business are not treated as a domestic investment and/or our education business is classified as “prohibited business” in the negative list under the Draft Foreign Investment Law, such Structured Contracts may be deemed as invalid and illegal and we may be required to unwind the Structured Contracts and/or dispose of such education business. As we primarily conduct education business and operate in the PRC, the occurrence of such event could have a material and adverse effect on our business, financial condition and results of operations such that the financial results of our PRC Consolidated Affiliated Entities would no longer be consolidated into our Group’s financial results and we would have to derecognize their assets and liabilities according to the relevant accounting standards. An investment loss would be recognized as a result of such derecognition.

As a measure to secure the passing of the “actual control” test in order for the Structured Contracts to remain a domestic investment and compliant with the Draft Foreign Investment Law, Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing, have given an undertaking in favor of our Company that, among other things, he will continue to maintain his Chinese nationalities for as long as he holds a controlling interest or Shares in our Company. See “Structured Contracts — Development in the PRC Legislation on Foreign Investment — Potential Measures to Maintain Control Over and Receive Economic Benefits from our PRC Consolidated Affiliated Entities” in this document for details. Our compliance with the Draft Foreign Investment Law may depend on Mr. Wu Junbao’s, Mr. Wu Wei’s and Mr. Xiao Guoqing’s adherence to the terms of such undertaking. In the event that Mr. Wu Junbao, Mr. Wu Wei or Mr. Xiao Guoqing breach the undertaking, the Stock Exchange has limited enforcement power against Mr. Wu Junbao, Mr. Wu Wei, Mr. Xiao Guoqing and the Structured Contracts may be deemed invalid and illegal. In the extreme case-scenario, we may be required to unwind the Structured Contracts and/or dispose of our PRC Consolidated Affiliated Entities, which could have a material and adverse effect on our business, financial condition and result of operations. In addition, there may be uncertainties that the measures to be adopted by us to maintain control over and receive economic benefits from our PRC Consolidated Affiliated Entities alone may not be effective in ensuring compliance with the Draft Foreign Investment Law (if and when it becomes effective). In the event that our

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Company no longer has a sustainable business after the aforementioned unwinding of the Structured Contracts or disposal or such measures are not complied with, the Stock Exchange may take enforcement actions against us which may have a material adverse effect on the [REDACTED] of our Shares or even result in [REDACTED] of our Company. For details of the Draft Foreign Investment Law and the negative list and its potential impact on our Company, and our potential measures to maintain control over and receive economic benefits from our PRC Consolidated Affiliated Entities, see "Structured Contracts — Development in the PRC Legislation on Foreign Investment" in this document.

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

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

If the parties under such Structured Contracts refuse to carry out our directions in relation to the everyday business operations of our PRC Consolidated Affiliated Entities, we will be unable to maintain effective control over the operations of our PRC Consolidated Affiliated Entities. If we were to lose effective control over our PRC Consolidated Affiliated Entities, certain negative consequences would result, including our being unable to consolidate the financial results of our PRC Consolidated Affiliated Entities with our financial results. Given that revenue from our PRC Consolidated Affiliated Entities constituted approximately 99.8%, 99.3%, 99.6% and 99.2% of the total revenue in our consolidated financial statements during the three years ended December 31, 2015, 2016 and 2017 and eight months ended August 31, 2018, our financial position would be materially and adversely impacted if we were to lose effective control over our PRC Consolidated Affiliated Entities. In addition, losing effective control over our PRC Consolidated Affiliated Entities may negatively impact our operational efficiency and brand image. Further, losing effective control over our PRC Consolidated Affiliated Entities may impair our access to their cash flow from operations, which may reduce our liquidity.

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

Our control over PRC Consolidated Affiliated Entities is based upon the Structured Contracts with our PRC Consolidated Affiliated Entities, the Registered Shareholders, Mr. Ge Xiaoliang (葛孝良), one of the school sponsors of Nanjing School. The Registered Shareholders and Mr. Ge may potentially have conflicts of interest with us and breach their contracts or undertaking if it would further their own interest or if they otherwise act

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in bad faith. We cannot assure you that when conflicts of interest arise between us on the one hand and our PRC Consolidated Affiliated Entities on the other, the Registered Shareholders and Mr. Ge will act completely in our interest or that the conflicts of interest will be resolved in our favor. In the event that such conflict of interest cannot be resolved in our favor, we would have to rely on legal proceedings which could result in disruption to our business and we are subject to any uncertainty as to the outcome of such legal proceedings. If we are unable to resolve such conflicts, including where the Registered Shareholders or Mr. Ge breached their contracts or undertakings with us and as a result or otherwise subject us to claims from third parties, our business, financial condition and operations could be materially and adversely affected.

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

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

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

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

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

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

**Certain terms of the Structured Contracts may not be enforceable under PRC laws.**

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

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## RISK FACTORS

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### **We rely on dividend and other payments from WFOE to pay dividends and other cash distributions to our Shareholders.**

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

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

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

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

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## RISK FACTORS

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### RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

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

The economic, political and social conditions in the PRC differ from those in more developed countries in many respects, including structure, government involvement, level of development, growth rate, control of foreign exchange, capital reinvestment, allocation of resources, rate of inflation and trade balance position. Before the adoption of its reform and opening up policies in 1978, the PRC was primarily a planned economy. In recent years, the PRC government has been reforming the PRC economic system and government structure. For example, the PRC government has implemented economic reform and measures emphasizing the utilization of market forces in the development of the PRC economy in the past three decades. These reforms have resulted in significant economic growth and social prospects. Economic reform measures, however, may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country. We cannot predict whether the resulting changes will have any adverse effect on our current or future business, financial condition or results of operations. The PRC government continues to play a significant role in regulating industrial development, allocation of natural and other resources, production, pricing and management of currency, and there can be no assurance that the PRC government will continue to pursue a policy of economic reform or that the direction of reform will continue to be market friendly.

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

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

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

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

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

According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. During



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the Track Record Period, our six non-profit schools located in Hebei, Jiangxi and Jiangsu provinces have received EIT exemption confirmations from relevant local tax authorities, which have confirmed that income from provision of academic qualification education services are eligible to enjoy income tax exemption treatment if the school sponsors of such schools do not require reasonable returns. Our PRC Tax Consultant has also confirmed the EIT exemption status of the six non-profit schools. However, there is a possibility that the PRC government may promulgate relevant tax regulations that will eliminate such preferential tax treatment, or the local tax bureaus may change their policy, in each such case, our six Schools will be subject to PRC enterprise income tax going forward. Pursuant to the 2016 Decision which took effect on September 1, 2017, private schools will be entitled to preferential tax treatments of which the specific provisions shall be formulated jointly by the administration department for finance, taxation and other relevant administration departments of the State Council. As of Latest Practicable Date, school sponsors of 20 Schools out of our 139 Schools have elected to register as for-profit schools. Four of these Schools have finished the re-registration procedures and 16 Schools are in the process to complete such re-registration procedures. We incline to apply the for-profit business model to all of our Schools in the PRC and our planned schools in future expansion, but our selection is still subject to the relevant policies and regulations promulgated by the PRC government authorities. The specific taxation policies applicable to for-profit private schools under the 2016 Decision are yet to be introduced. There is no guarantee that the preferential tax treatment that currently applies to our Schools will not change in the future. In addition, during the Track Record Period, as advised by our PRC Tax Consultant, some of our subsidiaries were eligible to enjoy the 15% preferential tax rate as they are located in the western region of China pursuant to the "Western Region Development Plan" ("西部大開發計劃") promulgated by the State Council of the PRC, or because they were recognized as high and new technology enterprises by relevant authorities. The preferential tax treatment that certain of our subsidiaries located in the western region of China entitled to will expire on December 31, 2020 and the continuation of such tax preferential treatment is subject to new policies issued by relevant government authorities in China. Besides, the recognition of high and new technology enterprises that certain of our subsidiaries entitled to will expire in or before 2020, which is renewable subject to the approval by the relevant government authorities. Certain other subsidiaries were entitled to the preferential tax rate of 20% because they were recognized as small and micro businesses by the local governments in China. Moreover, pursuant to the *Notice of the Ministry of Finance and the State Administration of Taxation on Full Launch of the Pilot Programme of Replacing Business Tax with Value-Added Tax* (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》), which came into effect on May 1, 2016, formal education services are exempt from the value-added tax. As a result, certain of our Schools which provide such services are exempt from the value-added tax. However, the discontinuation of any preferential tax treatment currently available to us or the determination of any of the relevant tax authorities that any of the preferential tax treatment we have enjoyed or currently enjoy is not in compliance with the PRC laws would cause our effective tax rate to increase, which would increase our tax expenses and reduce our net profit.

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

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

- loans by us to Xinhua Chuangzhi, our PRC subsidiary and a foreign-invested enterprise, cannot exceed statutory limits and must be registered with SAFE, or its local counterparts, or its subsidiaries;

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- loans by us to our PRC Consolidated Affiliated Entities, once over a certain threshold, must be approved by the relevant government authorities and must also be registered with SAFE or its local counterparts; and
- capital contribution to our PRC Consolidated Affiliated Entities must be approved by the MOE and the Ministry of Civil Affairs or their respective local counterparts.

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

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

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

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

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

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

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## **RISK FACTORS**

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

The economy of China has been experiencing significant growth, leading to inflation and increased labor costs. According to the National Bureau of Statistics of China, the year-over-year percent change in the consumer price index in China was 1.8% in December 2017. China's overall economy and the average wage in the PRC are expected to continue to grow. Future increases in China's inflation and material increases in the cost of labor may materially and adversely affect our profitability and results of operations unless we are able to pass on these costs to our students or customers by increasing tuition and service fees.

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

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

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

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## RISK FACTORS

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

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

On July 14, 2006, Hong Kong and the PRC entered into the *Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned* (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "Arrangement"), which was revised on July 3, 2008. Pursuant to the Arrangement, a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against our assets or Directors in the PRC in order to seek recognition and enforcement of foreign judgments in the PRC.

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

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

The EIT Law provides that if an enterprise incorporated outside the PRC has "de facto management bodies" in the PRC, such enterprise may be deemed as a "PRC resident enterprise" for tax purposes and will be subject to an enterprise income tax at the rate of 25% on its global incomes. "De facto management body" is defined as the body that substantially carry out comprehensive management and control of the business operation, personnel, accounts and assets of enterprises. In April 2009, the SAT released the *Notice Regarding the Determination of Chinese-Controlled Offshore*

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*Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies* (《國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) to clarify certain criteria for the determination of the “de facto management body” for foreign enterprises controlled by PRC enterprises. Aforementioned criteria include: (i) the enterprise’s day-to-day operational management is primarily exercised in the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made or subject to approval by institutions or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholders’ meeting minutes are located or maintained in the PRC; and (iv) 50% or more of voting board members or senior executives of the enterprise habitually reside in the PRC. There have been no official implementation rules regarding the determination of the “de facto management body” for foreign enterprise which is not controlled by PRC enterprises. Therefore, it remains unclear how the tax authorities will deal with a case like ours. We cannot assure you that we will not be considered as a PRC resident enterprise for PRC enterprise income tax purposes and may be subject to the 25% enterprise income tax on our global income. Although the EIT Law provides that dividends paid between qualified PRC resident enterprises are exempted from enterprise income tax, it remains unclear as to the detailed qualification requirements for this exemption and whether dividends paid by our PRC incorporated subsidiaries to us will meet such qualification requirements even if we are considered a PRC resident enterprise for PRC tax purposes.

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

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

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

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

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

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

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

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

To the best of our knowledge, as of the Latest Practicable Date, our Shareholders, who are PRC nationals, Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing, were required to make the foreign exchange registration under the SAFE Circular 37 and SAFE Circular 13 and completed such registration with relevant banks. However, we may not at all times be fully aware or informed of the identities of all our beneficiaries who

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are PRC nationals, and may not always be able to compel our beneficiaries to comply with the requirements of the SAFE Circular 37. As a result, we cannot assure you that all of our Shareholders or beneficiaries who are PRC nationals will at all times comply with, or in the future make or obtain any applicable registrations or approvals required by the SAFE Circular 37 or other related regulations. Under the relevant rules, failure to comply with the registration procedures set forth in the SAFE Circular 37 may result in restrictions on the foreign exchange activities of the relevant PRC enterprise and may also subject the relevant PRC resident to penalties under the PRC foreign exchange administration regulations.

### **RISKS RELATING TO THE [REDACTED]**

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

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

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

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

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

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- political, economic, financial and social developments in China and worldwide.

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

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

Sales of substantial amounts of Shares in the public market after the completion of the [REDACTED], or the perception that these sales could occur, could adversely affect the market price of our Shares. There will be [REDACTED] Shares outstanding immediately following the [REDACTED], assuming no exercise of the [REDACTED] or any options that may be granted under the [REDACTED] Share Option Scheme or the Share Option Scheme. Our Controlling Shareholders, Mr. Wu Wei, Wu Wei Education, Mr. Xiao Guoqing and Xiao Guoqing Education agreed that any Shares held by them will be subject to a [REDACTED] after the [REDACTED]. See "[REDACTED] — [REDACTED]" in this document for further details. Lu Lu Education and Ms. Lu Lu have agreed that any Shares held by Lu Lu Education will be subject to a [REDACTED] period. See "History and Corporate Structure — Corporate Reorganization" in this document for further details. However, the [REDACTED] may release these securities from these restrictions and such Shares will be freely [REDACTED] after the expiry of the [REDACTED] period. Shares which are not subject to a [REDACTED] arrangement represent approximately [REDACTED]% of the total issued share capital immediately following the [REDACTED] (assuming no exercise of the [REDACTED] or any options that may be granted under the [REDACTED] Share Option Scheme or the Share Option Scheme) and will be freely [REDACTED] immediately following the [REDACTED].

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

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

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

The [REDACTED] of our [REDACTED] is expected to be determined on the [REDACTED]. However, our Shares will not commence [REDACTED] on the Stock Exchange until they are delivered, which is expected to be six business days after the



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## RISK FACTORS

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pricing date. As a result, investors may not be able to sell or deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before [REDACTED] begins as a result of adverse market conditions or other adverse developments, that could occur between the time of sale and the time [REDACTED] begins.

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

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

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

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

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

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

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

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## RISK FACTORS

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

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

### **You should read the entire document carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the [REDACTED].**

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

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

## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM COMPANIES (WUMP) ORDINANCE

In preparation for the [REDACTED], we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemption from Companies (WUMP) Ordinance:

### MANAGEMENT PRESENCE

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

- (a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules who will act as our principal channel of communication with the Stock Exchange. The two authorized representatives are Mr. Wu Wei (吳偉), our chairman of the Board and an executive Director, and Mr. Mao Chaosheng (毛超聖), a joint company secretary, respectively. Each of the authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by home, office, mobile and other telephone numbers, email address and correspondence address (if the authorized representative is not based at the registered office), facsimile numbers, if available, and any other contact details prescribed by the Stock Exchange from time to time. Each of the authorized representatives has been duly authorized to communicate on our behalf with the Stock Exchange. Mr. Wu Wei and Mr. Mao Chaosheng confirmed that he possesses valid travel documents to Hong Kong, and they will be able to meet with the Stock Exchange within a reasonable period of time, when required;
- (b) our authorized representatives have means of contacting all Directors promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. To enhance communication between the Stock Exchange, the authorized representatives and our Directors, our Company has implemented a policy whereby (a) each Director will provide his office phone number, mobile phone number, residential phone number, office facsimile number and email address to the authorized representatives; (b) each Director will provide valid phone numbers or means of communication to the authorized representatives when he travels; and (c) all Directors will provide their mobile phone numbers, office phone numbers, email addresses and office fax numbers to the Stock Exchange;
- (c) our Company has, in accordance with Rule 3A.19 of the Listing Rules, also appointed Haitong International Capital Limited as its compliance adviser, who will act as an additional channel of communication with the Stock Exchange. The compliance adviser will advise on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong for a period commencing on the [REDACTED] at least until the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our Company's financial results for the first full financial year after the [REDACTED];

## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM COMPANIES (WUMP) ORDINANCE

- (d) meetings between the Stock Exchange and our Directors could be arranged through our authorized representatives or our Company's compliance adviser, or directly with our Directors within a reasonable period. Our Company will inform the Stock Exchange promptly in respect of any change in our Company's authorized representatives and compliance adviser; and
- (e) each Director who is not ordinarily resident in Hong Kong has confirmed that he has valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange in Hong Kong within a reasonable period.

### JOINT COMPANY SECRETARIES

In accordance with Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary, by virtue of his/her academic or professional qualifications or relevant experience, who is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. The academic or professional qualifications that are acceptable to the Stock Exchange are as follows:

- (i) a member of The Hong Kong Institute of Chartered Secretaries;
- (ii) a solicitor or barrister (as defined in the Legal Practitioners Ordinance, Chapter 159 of the Laws of Hong Kong); or
- (iii) a certified public accountant (as defined in the Professional Accountants Ordinance, Chapter 50 of the Laws of Hong Kong).

We have appointed Mr. Mao Chaosheng as one of our joint company secretaries. Mr. Mao Chaosheng joined our Group in August 2004 and has been involved in or responsible for the management of administrative matters and human resources relating to school operation of our Group since he joined our Group. Mr. Mao Chaosheng has a thorough understanding of the business operation, internal administration and corporate culture of our Group. However, Mr. Mao Chaosheng does not satisfy the appointment qualifications strictly set out under Rule 3.28 of the Listing Rules. Therefore, we have appointed Ms. Leung Suet Wing, who satisfies the qualifications under Rule 3.28 of the Listing Rules, to be the other joint company secretary. Ms. Leung Suet Wing will provide assistance to Mr. Mao Chaosheng for an initial period of three years from the [REDACTED] Date to fully satisfy the requirements set out under Rules 3.28 and 8.17 of the Listing Rules.

Ms. Leung Suet Wing will work closely with Mr. Mao Chaosheng in the discharge of their duties and responsibilities as our joint company secretaries and will provide assistance to Mr. Mao Chaosheng to acquire the relevant experience set out under Rule 3.28 of the Listing Rules. In addition, Mr. Mao Chaosheng will participate relevant trainings to improve and promote his knowledge and understanding of the Listing Rules as well as other applicable laws and regulations.

We have submitted our application to the Stock Exchange, and the Stock Exchange [has] granted a waiver from strict compliance with Rule 3.28 and Rule 8.17 of the Listing Rules, for an initial period of three years from the [REDACTED], subject to the condition that the Company engages Ms. Leung Suet Wing, who meets the requirements under Rule 3.28, as a joint company secretary and to assist Mr. Mao Chaosheng in the discharging his duties as a company secretary and in gaining the relevant experience as

## **WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM COMPANIES (WUMP) ORDINANCE**

required under Rule 3.28 of the Listing Rules. At the expiry of the three-year period, we will make a further evaluation of Mr. Mao Chaosheng's qualifications and experience to determine whether the requirements set out under Rule 3.28 of the Listing Rules are satisfied. We and Ms. Leung Suet Wing would then endeavor to demonstrate to the Stock Exchange's satisfaction that Mr. Mao Chaosheng, having had the benefit of Ms. Leung Suet Wing's assistance for three years, will have acquired the relevant experience under Rule 3.28 of the Listing Rules, so that a further waiver will not be necessary.

### **CONTINUING CONNECTED TRANSACTIONS**

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

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

### **WAIVER AND EXEMPTION IN RELATION TO THE [REDACTED] SHARE OPTION SCHEME**

The Listing Rules and the Companies (WUMP) Ordinance prescribes certain disclosure requirements in relation to the share options granted by our Company (the "Share Options Disclosure Requirements"):

- (a) Rule 17.02(1)(b) of the Listing Rules requires our Company to disclose in this document full details of all outstanding options and their potential dilution effect on the shareholdings upon Listing as well as the impact on the earnings per share arising from the exercise of such outstanding options.
- (b) Paragraph 27 of Appendix 1A to the Listing Rules requires our Company to set out in this document particulars of any capital of any member of our Group that is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee.
- (c) Section 342(1) of the Companies (WUMP) Ordinance requires all prospectuses to be issued, circulated or distributed in Hong Kong to include, among other information, the matters specified in Part I of the Third Schedule to the Companies (WUMP) Ordinance. Paragraph 10 of Part I of the Third Schedule to the Companies (WUMP) Ordinance requires our Company to set out in this document, among other things, details of the number, description and amount of any shares in or debentures of the Company which any person has, or is entitled to be given, an option to subscribe for, together with the certain particulars of the option, namely the period during which it is exercisable, the price to be paid for shares and debentures subscribed for under it, the consideration (if any) given or to be given for it or for the right to it and the names and addresses of the persons to whom it was given.

## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM COMPANIES (WUMP) ORDINANCE

Guidance Letter HKEX-GL11-09 issued by the Stock Exchange provides that the Stock Exchange would normally grant waivers from disclosing the names and addresses of certain grantees if the issuer could demonstrate that such disclosures would be irrelevant and unduly burdensome, subject to certain conditions specified therein.

Pursuant to section 342A of the Companies (WUMP) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with the relevant requirements under the Companies (WUMP) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interest of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

As of the Latest Practicable Date, our Company plans to grant options under the [REDACTED] Share Option Scheme to 175 grantees, including one Director, to subscribe for an aggregate of [REDACTED] Shares. As of the Latest Practicable Date, no Shares have been issued and our Company expects to issue such Shares on a later date to be determined upon [REDACTED]. The Shares underlying the options to be granted represent [REDACTED] of the total number of Shares in issue immediately after completion of the [REDACTED] (assuming no exercise of the [REDACTED] or any options that may be granted under the [REDACTED] Share Option Scheme or the Share Option Scheme). For further details of our [REDACTED] Share Option Scheme, see the section headed "Statutory and General Information — F. [REDACTED] Share Option Scheme and Share Option Scheme — 1. [REDACTED] Share Option Scheme" in Appendix V to this document.

Our Company has applied to the Stock Exchange and the SFC, respectively, for (i) a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules; and (ii) a certificate of exemption under section 342A of the Companies (WUMP) Ordinance exempting the Company from strict compliance with the disclosure requirements under Section 342(1) of and paragraph 10(d) of Part I of the Third Schedule to the Companies (WUMP) Ordinance in relation to the options granted under the [REDACTED] Share Option Scheme, on the ground that strict compliance with the Share Options Disclosure Requirements would be unduly burdensome for our Company for the following reasons:

- (a) given that 175 grantees are involved, strict compliance with such disclosure requirements in setting out full details of all the grantees under the [REDACTED] Share Option Scheme in the document would be costly and unduly burdensome for the Company in light of a significant increase in cost and timing for information compilation, document preparation and printing a substantial number of pages of additional disclosure;
- (b) the grantees under the [REDACTED] Share Option Scheme consist of one Director, and the remaining 174 grantees who are current and former employees of our Company and are not connected persons of our Company;
- (c) the disclosure of the personal details of each grantee, including the number of options to be granted, may require obtaining consent from all the grantees in order to comply with personal data privacy laws and principles and it would be unduly burdensome for the Company to obtain such consents given the number of grantees;

## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM COMPANIES (WUMP) ORDINANCE

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- (d) given the nature of the business of our Company, it is extremely important for our Company to recruit and retain talents and the success of the Company's long-term development plan will very much depend on the loyalty and contribution of the grantees;
- (e) the [REDACTED] Share Option Scheme forms a critical component in the compensation of the employees and our Group, and the information relating to the share options to be granted to the grantees is highly sensitive and confidential to our Group;
- (f) the full disclosure of the details of the grantees (which include their addresses) as well as the share options to be granted to each of them, would provide our Group's competitors with our Group's employees' compensation details and facilitate their soliciting activities which could adversely impact our Group's ability to recruit and retain valuable personnel;
- (g) the full disclosure on the share options to be granted to each of the grantees would also allow the employees of our Group to gain access to each other's compensation, which could negatively affect the employees' morale, give rise to negative internal competition, and lead to an increase in the costs for recruitment and retention;
- (h) the grant and exercise in full of the options under the [REDACTED] Share Option Scheme will not cause any material adverse impact in the financial position of our Company;
- (i) non-compliance with the Share Options Disclosure Requirements would not prevent our Company from providing its potential investors with an informed assessment of the activities, assets, liabilities, financial position, management and prospects of our Company; and
- (j) material information relating to the options under the [REDACTED] Share Option Scheme will be disclosed in this document, including the total number of Shares subject to the [REDACTED] Share Option Scheme, the exercise price per Share, the potential dilution effect on the shareholding and impact on earnings per Share upon full exercise of the options granted under the [REDACTED] Share Option Scheme. Our Directors consider that the information that is reasonably necessary for the potential investors to make an informed assessment of our Company in their investment decision making process has been included in this document.

In light of the above, our Directors are of the view that the grant of the waiver and exemption sought under this application will not prejudice the interests of the investing public.

## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM COMPANIES (WUMP) ORDINANCE

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The Stock Exchange [has] granted to our Company a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Part A of Appendix 1 to the Listing Rules with respect to the options granted under the [REDACTED] Share Option Scheme on the condition that:

- (a) on an individual basis, full details of the options to be granted under the [REDACTED] Share Option Scheme to the one Director will be disclosed in the section headed "Statutory and General Information — F. [REDACTED] Share Option Scheme and Share Option Scheme — 1. [REDACTED] Share Option Scheme" in Appendix V to this document as required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules, and paragraph 10 of Part I of the Third Schedule to the Companies (WUMP) Ordinance;
- (b) in respect of the options to be granted under the [REDACTED] Share Option Scheme to other grantees (other than those set out in (a) above), disclosure will be made on an aggregate basis: (1) the aggregate number of grantees and number of Shares underlying the options under the [REDACTED] Share Option Scheme; (2) the dates of grant of the options under the [REDACTED] Share Option Scheme; (3) the consideration for the grant of options (if any) under the [REDACTED] Share Option Scheme and (4) the exercise period and exercise price of the options granted under the [REDACTED] Share Option Scheme;
- (c) the aggregate number of Shares underlying the options to be granted under the [REDACTED] Share Option Scheme, the percentage to our Company's total issued share capital represented by such number of Shares and the percentage to our Company's voting rights represented by such number of Shares underlying the options granted pursuant to the [REDACTED] Share Option Scheme will be disclosed in this document;
- (d) the dilutive effect and impact on earnings per Share upon the full exercise of the options under the [REDACTED] Share Option Scheme will be disclosed in the section headed "Statutory and General Information — F. [REDACTED] Share Option Scheme and Share Option Scheme — 1. [REDACTED] Share Option Scheme" in Appendix V to this document;
- (e) a summary of the major terms of the [REDACTED] Share Option Scheme will be disclosed in the section headed "Statutory and General Information — F. [REDACTED] Share Option Scheme and Share Option Scheme — 1. [REDACTED] Share Option Scheme" in Appendix V to this document;
- (f) the particulars of the waiver will be disclosed in this document;
- (g) a full list of all the grantees (including those persons whose details have already been disclosed in this document) who [have been granted] the options under the [REDACTED] Share Option Scheme, containing all the particulars as required under the Share Options Disclosure Requirements, will be made available for public inspection in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection — Documents Available for Inspection" in Appendix VI to this document;



## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM COMPANIES (WUMP) ORDINANCE

- (h) further details of the [REDACTED] Share Option Scheme are set forth in the section headed "Statutory and General Information — F. [REDACTED] Share Option Scheme and Share Option Scheme — 1. [REDACTED] Share Option Scheme" in Appendix V to this document; and
- (i) the grant of certificate of exemption under the Companies (WUMP) Ordinance from the SFC exempting the Company from the disclosure requirements provided in Section 342(1) of and paragraph 10(d) of Part I of the Third Schedule to the Companies (WUMP) Ordinance.

The SFC [has] agreed to grant to our Company the certificate of exemption under section 342A of the Companies (WUMP) Ordinance from strict compliance with the disclosure requirements under Section 342(1) of and paragraph 10(d) of Part I of the Third Schedule to the Companies (WUMP) Ordinance with respect to the options granted under the [REDACTED] Share Option Scheme on condition that:

- (a) on an individual basis, full details of the options under the [REDACTED] Share Option Scheme to be granted the one Director will be disclosed in the section headed "Statutory and General Information — F. [REDACTED] Share Option Scheme and Share Option Scheme — 1. [REDACTED] Share Option Scheme" in Appendix V to this document as required by Section 342(1) of and paragraph 10(d) of Part I of the Third Schedule to the Companies (WUMP) Ordinance;
- (b) in respect of the options to be granted under the [REDACTED] Share Option Scheme to other grantees (other than those set out in (a) above), disclosure will be made on an aggregate basis: (1) the aggregate number of grantees and number of Shares underlying the options under the [REDACTED] Share Option Scheme; (2) the dates of grant of the options under the [REDACTED] Share Option Scheme; (3) the consideration for the grant of the options (if any) under the [REDACTED] ESOP and (4) the exercise period and exercise price of the options granted under the [REDACTED] Share Option Scheme;
- (c) a full list of all the grantees (including those persons whose details have already been disclosed in the document) who [have been granted] the options under the [REDACTED] Share Option Scheme, containing all the particulars as required under the Disclosure Requirements, will be made available for public inspection in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection — Documents Available for Inspection" in Appendix VI to this document;
- (d) the particulars of the exemption will be disclosed in this document; and
- (e) this document is issued on or before [REDACTED].

Further details of the [REDACTED] Share Option Scheme are set forth in the section headed "Statutory and General Information — F. [REDACTED] Share Option Scheme and Share Option Scheme — 1. [REDACTED] Share Option Scheme" in Appendix V to this document.

## **WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM COMPANIES (WUMP) ORDINANCE**

### **WAIVER AND EXEMPTION IN RELATION TO FINANCIAL INFORMATION TO BE INCLUDED IN THIS DOCUMENT**

According to Rule 4.04(1) of the Listing Rules, we are required to include in this document an accountants' report covering the consolidated results of our Group in respect of each of the three financial years immediately preceding the issue of this document (the "Rule 4.04(1) Requirement").

Further, Section 342(1) of the Companies (WUMP) Ordinance requires all prospectuses to be issued, circulated or distributed in Hong Kong to include, among other information, the matters specified in Part I of the Third Schedule to the Companies (WUMP) Ordinance and sets out the reports specified in Part II of the Third Schedule to the Companies (WUMP) Ordinance. Pursuant to paragraph 27 of the Third Schedule to the Companies (WUMP) Ordinance, our Company is required to include in this document a statement as to the gross trading income or sales turnover during each of the three financial years immediately preceding the issue of this document including an explanation of the method used for the computation of such income or turnover and reasonable breakdown between the more important trading activities, and pursuant to paragraph 31 of the same schedule, our Company is required to include in this document a report by its auditors with respect to the profits and losses of our Group in respect of each of the three financial years immediately preceding the issue of this document and assets and liabilities of our Group at the last date to which the financial statements were prepared (the "3rd Schedule Requirements", and collectively with the Rule 4.04(1) Requirement, the "Accounts Requirements").

Guidance Letter HKEX-GL25-11 issued by the Stock Exchange has provided the conditions for granting a waiver from strict compliance with Rule 4.04(1) of the Listing Rules as follows:

"where an applicant issues its listing document within two months after the latest year end, a Rule 4.04(1) waiver would be subject to the following conditions:

- (i) the applicant must list on the Stock Exchange within three months after the latest year end;
- (ii) the applicant must obtain a certificate of exemption from the SFC on compliance with the 3rd Schedule Requirements;
- (iii) a profit estimate for the latest financial year (which must comply with Rules 11.17 to 11.19 of the Listing Rules) must be included in the document or the applicant must provide justification why a profit estimate cannot be included in the document; and
- (iv) there must be a directors' statement in the document that there is no material adverse change to its financial and trading positions or prospect with specific reference to the trading results from the end of the stub period to the latest financial year end."

Pursuant to section 342A of the Companies (WUMP) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with the relevant requirements under the Companies (WUMP) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interest of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM COMPANIES (WUMP) ORDINANCE

Our Company has applied to the Stock Exchange for the waiver from strict compliance with Rule 4.04(1) Requirement and has applied to the SFC for a certificate of exemption from strict compliance with Section 342(1) of the Companies (WUMP) Ordinance in relation to the 3rd Schedule Requirements on the following grounds:

- (a) the Guidance Letter HKEX-GL25-11 is applicable to our Company because the financial year end of our Company is December 31 and based on the current proposed timetable, this document is expected to be issued on or before [REDACTED], which is within two months after December 31, 2018, and the date of [REDACTED] is expected to be on or before [REDACTED], which is within three months after December 31, 2018;
- (b) the Reporting Accountants has prepared the accountants' report of our Group for the three financial years ended December 31, 2017 and the eight months ended August 31, 2018 (the "Accountants' Report"), which has been included in this document;
- (c) strict compliance with Rule 4.04(1) Requirement and Section 342(1) of the Companies (WUMP) Ordinance in relation to the 3rd Schedule Requirements to cover the financial results of the Group for the full financial year ended December 31, 2018 would be unduly burdensome as there would not have been sufficient time for the Reporting Accountants to update and finalise the accountants' report to cover such additional period for inclusion in this document within a short period of time. Our Directors consider that the benefits of such work to the investing public may not justify the additional work and expenses involved and the delay in the [REDACTED] timetable, given that it is expected that there would be no significant change in the financial position of our Group since August 31, 2018;
- (d) our Company is preparing and will include a profit estimate for the financial year ended December 31, 2018 in compliance with Rules 11.17 to 11.19 of the Listing Rules in this document as such the investing public would thus be given some guidance as to the Company's financial performance for the year ended December 31, 2018;
- (e) our Company will include a statement in this document to confirm there would be no material adverse change to the financial and trading positions or prospect of the Group since August 31, 2018 up to the date of issue of this document nor a downward trend in the Company's recent business performance to the extent that it may not meet the minimum profit requirement and that there is no event which would materially affect the information contained in the Accountants' Report and profit estimate of the Group in this document;
- (f) the Company will include a statement in the Document to confirm there would be no material adverse change to the financial and trading positions or prospect of the Group since August 31, 2018 up to the date of issue of this document nor a downward trend in the Company's recent business performance to the extent that it may not meet the minimum profit requirement and that there is no event which would materially affect the information contained in the Accountants' Report and profit estimate of the Group in this document; and

## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM COMPANIES (WUMP) ORDINANCE

- (g) the Directors consider that all information which is necessary for the investing public to make an informed assessment of the business activities or financial position of the Group has been included in this document (which will be updated to the date of issue of this document or other relevant date(s) (as the case may be) as and when necessary) and that a waiver from strict compliance with the Rule 4.04(1) Requirement, and a certificate of exemption from strict compliance with the 3rd Schedule Requirements would not prejudice the interests of the investing public; and
- (h) the Company will publish its annual results and annual report for the year ended December 31, 2018 within the time prescribed under Rules 13.49(1) and 13.46(2), respectively, of the Listing Rules.

On [●], the SFC [has] granted us a certificate of exemption from strict compliance with Section 342(1) of the Companies (WUMP) Ordinance in relation to Paragraphs 27 and 31 of the Third Schedule therein on the following conditions:

- (i) the particulars of the exemption be set out in this document; and
- (ii) this document will be issued on or before [REDACTED]; and our Company's Shares will be listed on or before [REDACTED], i.e. three months after the latest financial year-end.

On [●], the Stock Exchange [has] granted us a waiver from strict compliance with Rules 4.04(1) of the Listing Rules on the following conditions:

- (i) we list on the Stock Exchange by [REDACTED]; and
- (ii) we obtain a certificate of exemption from the SFC from similar requirements under paragraphs 27 and 31 of the Third Schedule to the Companies (WUMP) Ordinance;
- (iii) a profit estimate for the year ended December 31, 2018 in compliance with Rules 11.17 to 11.19 of the Listing Rules to be included in this document; and
- (iv) a Directors' statement in the document that there is no material adverse change to its financial and trading positions or prospects of our Group with specific reference to the trading results from September 1, 2018 to December 31, 2018 to be included in this document.

Our Directors are of the view that, up to the Latest Practicable Date, there has been no material adverse change in our financial and trading positions or prospects since August 31, 2018 and there has been no event since August 31, 2018 that would materially affect the information shown in the Accountants' Report out in Appendix I to this document.

## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM COMPANIES (WUMP) ORDINANCE

### WAIVER IN RELATION TO PUBLIC FLOAT

Rules 8.08(1)(a) and (b) of the Listing Rules require that there must be an open market in the securities for which [REDACTED] is sought and that a sufficient public float of an issuer's listed securities shall be maintained. This normally means that (i) at least 25% of the issuer's total issued share capital must at all times be held by the public; and (ii) where an issuer has more than one class of securities apart from the class of securities for which [REDACTED] is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Stock Exchange) at the time of [REDACTED] must be at least 25% of the issuer's total issued share capital.

However, under Rule 8.08(1)(d) of the Listing Rules, subject to certain criteria, the Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% in cases where:

- (i) the issuer will have an expected market capitalization at the time of [REDACTED] of over HK\$10 billion;
- (ii) the number of securities concerned and the extent of their distribution would enable the market to operate properly with a lower percentage;
- (iii) the issuer will make appropriate disclosure of the lower prescribed percentage of public float in the initial [REDACTED] document;
- (iv) the issuer will confirm the sufficiency of the public float in successive annual reports after [REDACTED]; and
- (v) a sufficient portion (to be agreed in advance with the Stock Exchange) of any securities intended to be marketed contemporaneously within and outside Hong Kong must normally be offered in Hong Kong.

We expect to achieve a minimum market capitalization of at least HK\$10 billion upon [REDACTED] and we have applied to the Stock Exchange to request the Stock Exchange to exercise, and the Stock Exchange [has] confirmed that it will exercise, its discretion under Rule 8.08(1)(d) of the Listing Rules to allow our Company to maintain a lower public float percentage subject to:

- (i) the minimum public float should be higher of (a) [REDACTED], assuming no exercise of the [REDACTED], or (b) such percentage after the exercise of the [REDACTED], up to [REDACTED]; and
- (ii) appropriate disclosure of the lower prescribed percentage of public float and confirmation of sufficiency of public float in our successive annual reports after [REDACTED].

We expect that we will be able to demonstrate satisfactory compliance with Rules 8.08(2) and 8.08(3) of the Listing Rules at the time of the [REDACTED]. We will implement appropriate measures and mechanisms to ensure continual maintenance of the minimum percentage of public float.

**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]



**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

**DIRECTORS**

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
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*Executive Directors*

Mr. Wu Wei (吳偉) . . . . .	Room 16-602 Xinhua Finance Square No. 318 Qianshan Road Shushan District Hefei City Anhui Province PRC	Chinese
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Mr. Xiao Guoqing (肖國慶). . .	Room 28-106 Xinhua Xuefu Chuntian No. 318 Qianshan Road Shushan District Hefei City Anhui Province PRC	Chinese
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*Non-executive Directors*

Mr. Wu Junbao (吳俊保) . . . .	Number 4001 Unit 1, Building 9 Huarun Kaixuanmen Qianshan Road Zhengwu Wenhua New District Hefei City Anhui Province PRC	Chinese
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Mr. Lu Zhen (陸真). . . . .	Room 1704, Building 6 Yuanyi Baizhuang No. 88 Chaohu South Street Baohe District Hefei City Anhui Province PRC	Chinese
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*Independent non-executive Directors*

Mr. Hung Ka Hai, Clement (洪嘉禧). . . . .	House 25, Casas Domingo 8 Kam Ka Street Kwu Tung Sheung Shui New Territories Hong Kong	Chinese
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Mr. Cheung Tsun Yung, Thomas (張俊勇). . . . .	10/F, Cherry Court 12 Tai Hang Road Tai Hang Hong Kong	Chinese
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**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

Dr. Zhu Guobin (朱國斌) . . . . Flat B, 21/F, Block 15 Chinese  
Ocean Shores Phase 3  
88 O King Road  
Tseung Kwan O  
New Territories  
Hong Kong

See also "Directors and Senior Management" for more information.

**PARTIES INVOLVED IN THE [REDACTED]**

Sole Sponsor, [REDACTED], **BNP Paribas Securities (Asia) Limited**  
[REDACTED] 59/F to 63/F, Two International Finance Centre  
and [REDACTED] . . . . . 8 Finance Street  
Central  
Hong Kong

Legal advisers to our Company . . *As to Hong Kong and U.S. law:*  
**Luk & Partners**  
**In Association with**  
**Morgan, Lewis & Bockius**  
Suites 1902-09, 19/F  
Edinburgh Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

*As to PRC law:*  
**Haiwen & Partners**  
20/F, Fortune Financial Center  
5 Dong San Huan Central Road  
Chaoyang District  
Beijing 100020  
PRC

*As to Cayman Islands law:*  
**Conyers Dill & Pearman**  
Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

<b>Legal advisors to the Sole Sponsor and the [REDACTED] . .</b>	<i>As to Hong Kong and U.S. law:</i> <b>Sullivan &amp; Cromwell (Hong Kong) LLP</b> 28th Floor Nine Queen's Road Central Hong Kong  <i>As to PRC law:</i> <b>Junhe LLP</b> 26/F, HKRI Centre One HKRI Taikoo Hui 288 Shimen Road (No.1) Shanghai PRC
<b>Reporting accountants . . . . .</b>	<b>Deloitte Touche Tohmatsu</b> Certified Public Accountants 35/F One Pacific Place 88 Queensway, Admiralty Hong Kong
<b>Independent industry consultant .</b>	<b>Frost &amp; Sullivan (Beijing) Inc., Shanghai Branch Co.</b> 1014-1018 Tower B 500 Yunjin Road Xuhui District Shanghai, 200232 PRC
<b>Independent property valuer . . . . .</b>	<b>Cushman &amp; Wakefield Limited</b> 16/F, Jardine House 1 Connaught Place Central Hong Kong
<b>PRC Tax Consultant . . . . .</b>	<b>Anhui Huapu Certified Tax Agents Co., Ltd.</b> Room 2001 20/F, Century Sunshine Tower Ma'anshan South Road Hefei Anhui province PRC

[REDACTED]

<b>Compliance adviser . . . . .</b>	<b>Haitong International Capital Limited</b> 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
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## CORPORATE INFORMATION

Registered office. . . . .	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarter and principal place of business in PRC . . . . .	No. 1009 Xuelin Road Vocational Education Town Yaohai District Hefei City Anhui Province PRC
Principal place of business in Hong Kong. . . . .	31/F, Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong
Company's website . . . . .	<b>www.chinaeastedu.com</b> <i>(information contained in this website does not form part of the document)</i>
Joint Company secretaries . . . . .	Mr. Mao Chaosheng (毛超聖) No. 1009 Xuelin Road Vocational Education Town Yaohai District Hefei City Anhui Province PRC  Ms. Leung Suet Wing (梁雪穎) ACIS ACS 31/F, Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong
Authorised representatives . . . . .	Mr. Wu Wei (吳偉) Room 16-602 Xinhua Finance Square No. 318 Qianshan Road Shushan District Hefei City Anhui Province PRC  Mr. Mao Chaosheng (毛超聖) No. 1009 Xuelin Road Vocational Education Town Yaohai District Hefei City Anhui Province PRC

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## CORPORATE INFORMATION

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Audit committee . . . . .	Mr. Hung Ka Hai, Clement (洪嘉禧) ( <i>Chairman</i> ) Dr. Zhu Guobin (朱國斌) Mr. Cheung Tsun Yung, Thomas (張俊勇)
Remuneration committee . . . . .	Dr. Zhu Guobin (朱國斌) ( <i>Chairman</i> ) Mr. Xiao Guoqing (肖國慶) Mr. Hung Ka Hai, Clement (洪嘉禧)
Nomination committee . . . . .	Mr. Wu Wei (吳偉) ( <i>Chairman</i> ) Dr. Zhu Guobin (朱國斌) Mr. Hung Ka Hai, Clement (洪嘉禧)
Principal Banks . . . . .	<b>Industrial and Commercial Bank of China Limited</b> Hefei Wangjiang Road Branch Block D, Ludi Yinghai Building No. 660 Ma'anshan South Road Baohe District Hefei Anhui Province PRC  <b>China Construction Bank Corporation</b> Hefei Huangshan West Road Branch 1/F, HSBC Building No. 665 Huangshan Road Laoshan District Hefei Anhui Province PRC

[REDACTED]

## INDUSTRY OVERVIEW

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

### SOURCE OF INFORMATION

We commissioned Frost & Sullivan, an independent market research consulting firm which is engaged in the provision of market research consultancy services, to conduct a detailed analysis of the vocational education market in China. Frost & Sullivan is a global consulting company and an Independent Third Party. Founded in 1961, it has 40 offices worldwide with over 2,000 industry consultants, market research analysts and economists. We have agreed to pay a fee of RMB800,000 for the preparation of the Frost & Sullivan Report. Figures and statistics provided in this document and attributed to Frost & Sullivan or the Frost & Sullivan Report have been extracted from the Frost & Sullivan Report and published with the consent of Frost & Sullivan.

During the preparation of the market research report, Frost & Sullivan performed both primary research which involves discussions of industry status with leading industry participants and industry experts, and secondary research which involves review of company reports, independent research reports and data from Frost & Sullivan's own research database. Frost & Sullivan's market research report was compiled based on the following assumptions: (i) China's economy is likely to maintain steady growth in the next decade; (ii) China's social, economic, and political environment is likely to remain stable in the forecast period from 2018 to 2022; and (iii) related industry key drivers are likely to drive the market over the forecast period from 2018 to 2022. Total market size projection was obtained from historical data analysis plotted against macroeconomic data as well as related industry drivers by Frost & Sullivan.

Except as otherwise noted, all the data and forecasts contained in this section are derived from the Frost & Sullivan Report. Our Directors confirm to the best of their knowledge, and after making reasonable inquiries, that there is no adverse change in the market information since the date of publication of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information set out in this section.

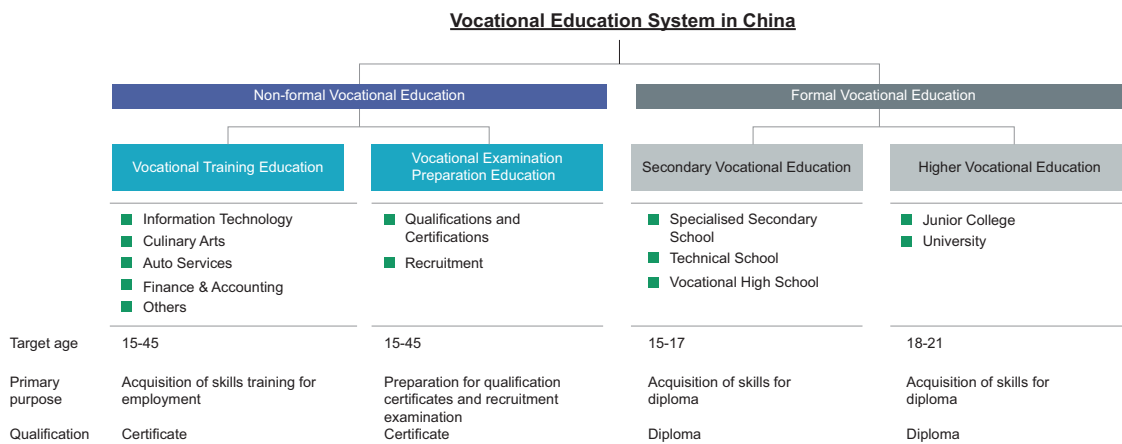
## INDUSTRY OVERVIEW

### OVERVIEW OF THE VOCATIONAL EDUCATION INDUSTRY IN CHINA

China's vocational education system can be generally categorised into formal and non-formal vocational education. The non-formal vocational education provides training with the necessary knowledge and skills for employment purpose but does not grant a degree or diploma, while formal vocational education provides students with diploma upon completion.

Non-formal vocational education primarily comprises vocational training education and vocational examination preparation education. Formal vocational education comprises secondary vocational education and higher vocational education. According to the Frost & Sullivan Report, non-formal vocational education targets a wider range of population, spanning over 30 years from age 15 to 45, providing a variety of demand and market opportunity for non-formal vocational education providers. The following diagram illustrates the composition of the vocational education system in China. Our core business covers vocational training education, while we also provide a small portion of private secondary vocational education in some of our Schools.

#### Vocational Education System in China

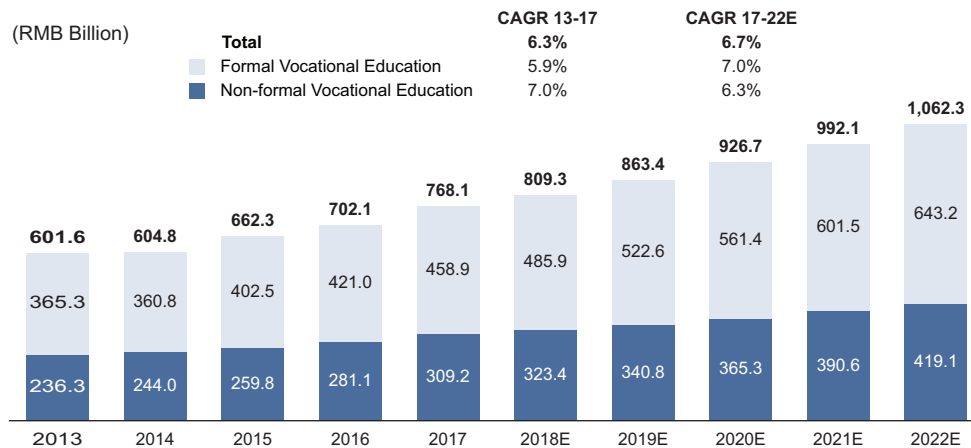


Source: Frost & Sullivan, Ministry of Education

According to the MOE and the Frost & Sullivan Report, China's vocational education industry grew steadily from RMB601.6 billion in 2013 to RMB768.1 billion in 2017, representing a 2013-2017 CAGR of 6.3% primarily driven by the growth of student enrollment and increase in tuition, and is expected to reach RMB1,062.3 billion in 2022, representing a 2017-2022E CAGR of 6.7%. The non-formal vocational education market and formal vocational education market accounted for 40.3% and 59.7%, respectively, in 2017.

## INDUSTRY OVERVIEW

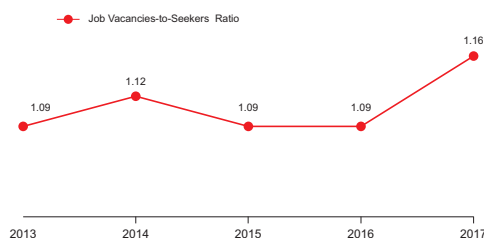
### Total Revenue of Vocational Education Industry (China), 2013 – 2022E



Source: Frost & Sullivan

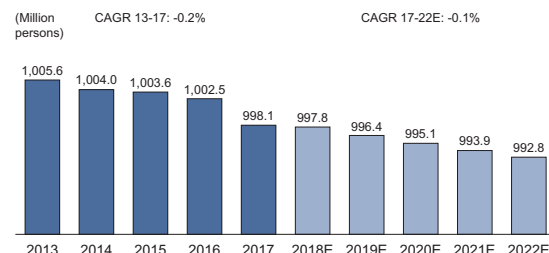
Despite the steady growth of revenue and student enrollment in the vocational education industry in China in recent years, China's labor market has continued to show a shortage of skilled technical talents. As a result of China's rapid economic growth as well as structural transformation, there has been a sizeable mismatch in the labor market in China and structural problem of lacking technical and skilled talents. According to the Ministry of Human Resources and Social Security of China, the job vacancies-to-seekers ratio showed an upward trend from 1.09 in 2013 to 1.16 in 2017, indicating a clear uptrend in the mismatch of talent supply and demand, and it is expected to further increase to 1.20 in 2022, according to the Frost & Sullivan Report. According to the National Bureau of Statistics of China, the total working-age population decreased from 1,005.6 million in 2013 to 998.1 million in 2017, mainly driven by the increasing aging population in China. According to Frost & Sullivan Report, it is expected to further decrease to 992.8 million in 2022, resulting in less supply in the labor market. In addition, the continuous trend of urbanization and industrial upgrade in China has brought more challenges and higher requirement for the country's workforce. Therefore, we believe the vocational training education has a significant market potential.

#### Talent Demand and Supply Analysis<sup>(1)</sup> in China (2013-2017)



Source: Ministry of Human Resources and Social Security of China, Frost & Sullivan

#### Working-age Population<sup>(2)</sup> in China (2013-2022E)



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

#### Notes :

1. Talent Demand and Supply Analysis refers to the ratio of job vacancies to job seekers based on 100 cities' job markets in China monitored by the Ministry of Human Resources and Social Security of China
2. The working-age population is defined as the population aged from 15 to 64 years old



## INDUSTRY OVERVIEW

The PRC government has promulgated a series of stimulus policies and regulations to promote quality vocational education and technical skill trainings, with the aim to have sufficient quality vocational training that can fulfill the market demand to develop a significant working population equipped with readily applicable technical skills, as well as to address the unmet demand in vocational education to bridge the supply and demand gap between employers and students.

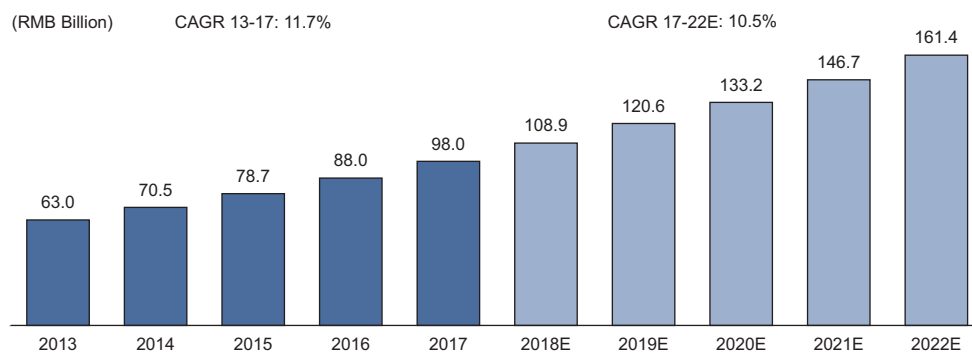
- the 2015 Opinion on Deepening the Promotion of Vocational Education Group Management (《關於深入推進職業教育集團化辦學的意見》) issued by the MOE which states the importance of accelerating the development of modern vocational education, increasing the participation rates of vocation training groups and improving the 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 (《技工教育“十三五”規劃》) issued by the Ministry of Human Resources and Social Security 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 (《關於進一步推進職業教育資訊化發展的指導意見》) 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 benefit sharing.

## THE VOCATIONAL TRAINING EDUCATION INDUSTRY IN CHINA

### Market Size of Vocational Training Education Industry in China

According to the Frost & Sullivan Report, the total revenue of vocational training education increased from RMB63.0 billion in 2013 to RMB98.0 billion in 2017, representing a 2013-2017 CAGR of 11.7%, and is expected to reach RMB161.4 billion in 2022, representing a 2017-2022E CAGR of 10.5%.

### Total Revenue of Vocational Training Education (China), 2013-2022E



Source: Frost & Sullivan

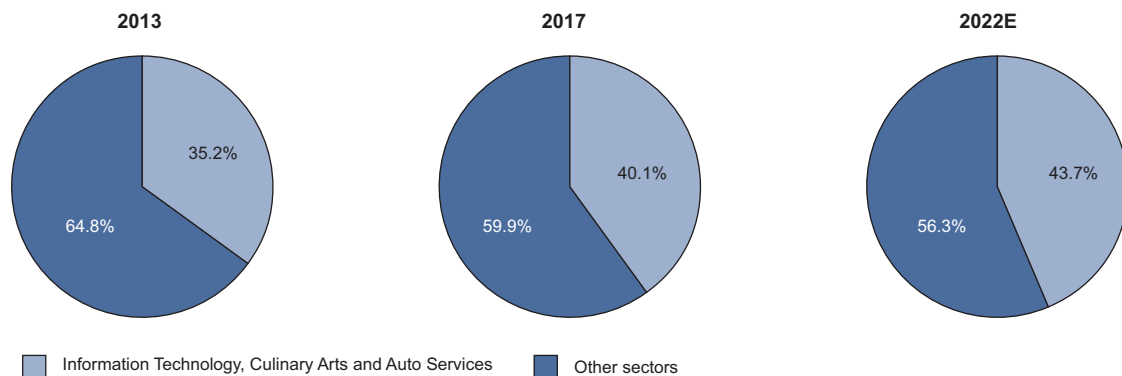
## INDUSTRY OVERVIEW

### Market Segment of Vocational Training Education in China

According to the Frost & Sullivan Report, the target student group of the vocational training education in China can be categorized into students aged between 15 to 21 and students aged above 22. Students aged between 15 and 21 primarily choose vocational training education to receive pre-employment skill training and usually are willing to enroll in full-time long-term courses with higher tuition rates. Students aged 22 or above primarily seek to enhance vocational skills, pursue higher position, or prepare for job transfer, and usually opt for part-time, short-term or online courses with more flexible schedule and relatively lower tuition rates.

Revenue generated from culinary arts, information technology and auto services sectors accounted for 35.2% of the total vocational training education market in China in 2013. This aggregated market share increased to 40.1% in 2017 and is expected to reach 43.7% in 2022, according to the Frost & Sullivan Report. This is mainly driven by the rising demand in the relevant job markets and people's strong willingness to strengthen their skills for employment.

### Vocational Training Education by Industry in terms of revenue (China), 2013 vs. 2017 vs 2022E



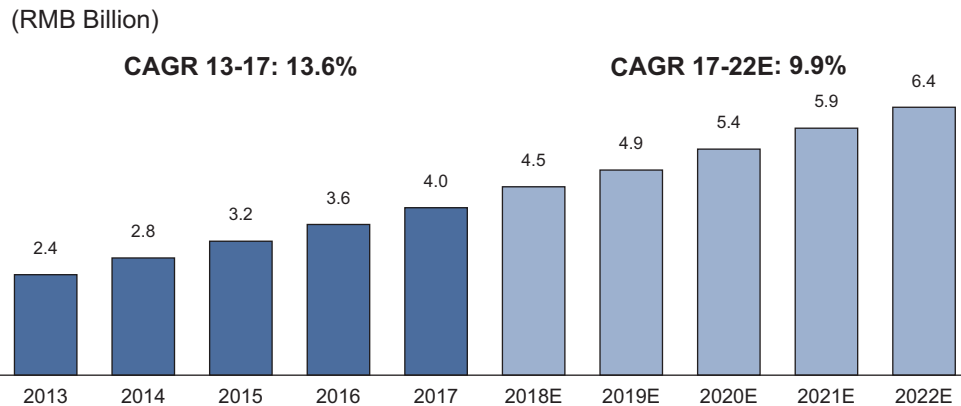
Source: Frost & Sullivan

### Culinary Vocational Training Education in China

According to the Frost & Sullivan Report, the total revenue of culinary vocational training education market increased from RMB2.4 billion in 2013 to RMB4.0 billion in 2017 and is expected to further increase to RMB6.4 billion in 2022. The growth is primarily driven by the flourishing catering industry as a result of economic development and consumption upgrade, consumers' increasing awareness on food quality, services and presentation of food which fuels demand for professionally trained chefs, favorable governmental policies to the culinary job market as well as the attractive salary level of professional chefs.

## INDUSTRY OVERVIEW

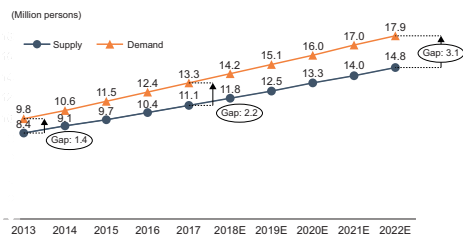
### Total Revenue of Culinary Vocational Training Education (China), 2013-2022E



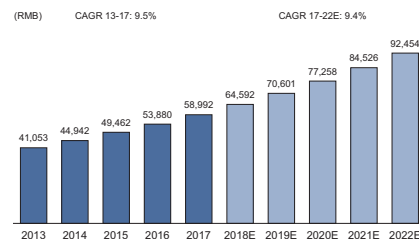
Source: Frost & Sullivan

The table below sets forth the unmet demand of skilled workers including chefs, cooks, choppers, processors, and other workers in the kitchen in the culinary arts industry and expected salary increase, indicating potential opportunities for the culinary vocational training market growth.

#### Supply and Demand Gap for Skilled Workers in Culinary Arts Industry (China), 2013 – 2022E



#### Average Annual Salary of Cooks in Culinary Arts Industry (China), 2013 – 2022E



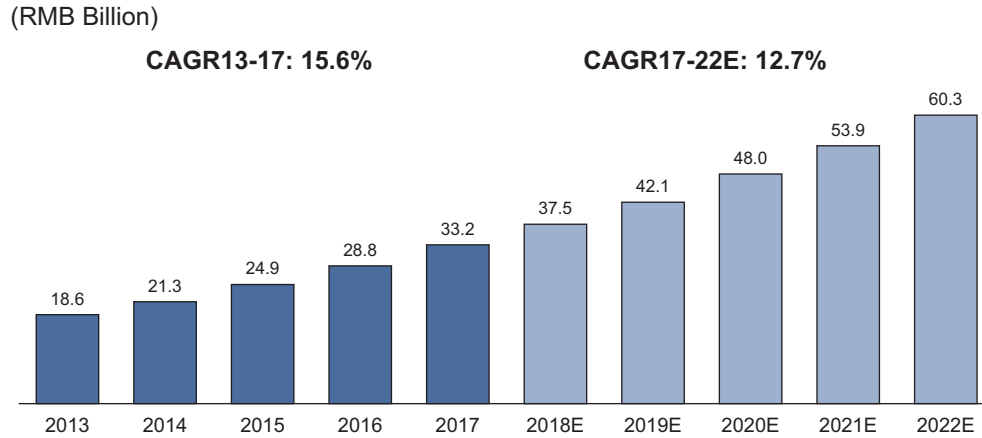
Source: Frost & Sullivan

### Information Technology Vocational Training Education in China

According to the Frost & Sullivan Report, the total revenue of information technology vocational training education market increased from RMB18.6 billion in 2013 to RMB33.2 billion in 2017, and is expected to reach RMB60.3 billion in 2022. The primary factors that drive the information technology vocational training education market include: (i) the proliferation of the internet and new technologies such as cloud computing, big data, blockchain, virtual reality and artificial intelligence; (ii) the information technology industry has increasingly higher job requirements; (iii) many formal education students in the information technology majors do not possess the desired applicable skills for employment; and (iv) policy support from the Chinese government, such as “*The Opinions on Integration of Enterprises with Vocational Schools and Universities*” (《關於深化產教融合的若干意見》), promulgated by the State Council, which promotes the development of information technology industry.

## INDUSTRY OVERVIEW

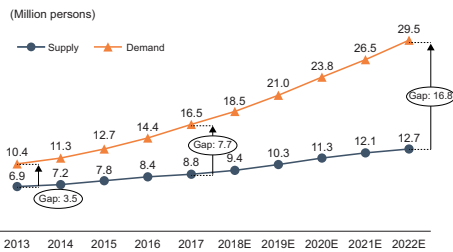
### Total Revenue of Information Technology Vocational Training Education (China), 2013-2022E



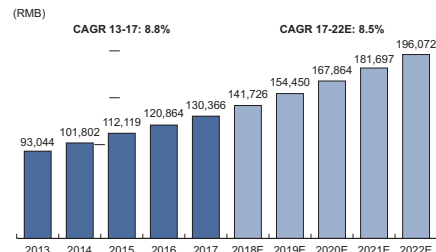
Source: Frost & Sullivan

The table below sets forth the unmet demand of skilled workers in the information technology industry and expected salary increase, indicating potential opportunities for the information technology vocational training education market growth.

#### Supply and Demand for Skilled Workers in Information Technology Industry (China), 2013-2022E



#### Average Annual Salary of Workers Employed in Information Technology Industry (China), 2013-2022E



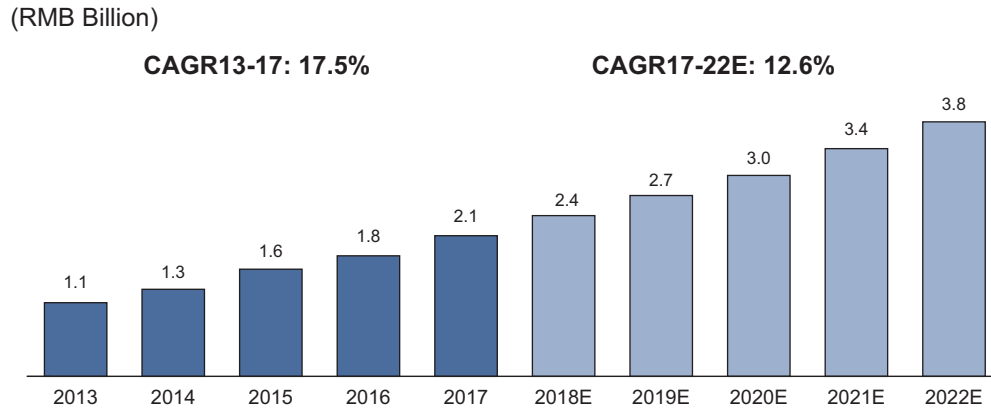
Source: Frost & Sullivan

#### Auto Services Vocational Training Education in China

The total revenue of auto services vocational training education market increased from RMB1.1 billion in 2013 to RMB2.1 billion for 2017 and is expected to reach RMB3.8 billion in 2022, according to the Frost & Sullivan Report. The growth is primarily driven by the development of the automobile industry in China, the increasing demand for skilled workers with knowledge and trainings in the latest repair and maintenance technologies and services requirements as well as automobile decoration and modification, the increasing average mileage of automobiles, and rising transaction volume of used car. In addition, the favorable government policies such as “Made in China 2025 (中國製造 2025)” issued by the State Council in 2015, and “Development Planning Guidelines for Manufacturing Talents (製造業人才發展規劃指南)” released in 2016 have also ensured the health development of the talents in such areas.

## INDUSTRY OVERVIEW

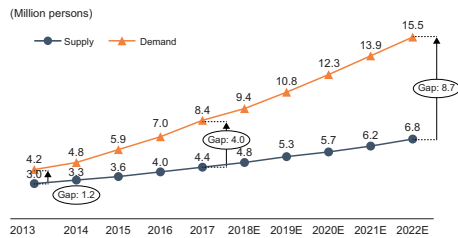
### Total Revenue of Auto Services Vocational Training Education (China), 2013-2022E



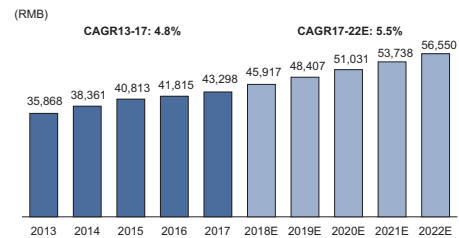
Source: Frost & Sullivan

The table below sets forth the unmet demand of skilled workers in the auto services industry and expected salary increase, indicating potential opportunities for the auto services vocational training education market growth.

#### Supply and Demand for Skilled Workers Employed in Auto Services Industry (China), 2013-2022E



#### Average Annual Salary of Workers Employed in Auto Services Industry (China), 2013-2022E



Source: Frost & Sullivan

### Market Drivers of Vocational Training Education in China

The development of the vocational training education in China is primarily driven by the following factors:

- Government initiatives:** The PRC government has promulgated a series of stimulus policies and regulations to promote quality vocational education and vocational skill trainings. For example, the PRC government has promulgated the Guiding Opinions of the State Council on the Implementation of Lifelong Vocational Skills Training System (《國務院關於推行終身職業技能培訓制度的意見》), which clearly stated to strengthen the construction of vocational skills training resources and encourage the development of private vocational skills training;

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- **Rising demand for technical talent:** China's labor market has encountered challenges with the structural problem of lacking technical talents in recent years. The large number of new graduates with adequate theoretical knowledge but little practical skills further stimulated the rising demand for technical and skilled talents. In terms of the number of employment, the vocational training industry has seen a fast growth in the number of population employed, which includes information technology industry, culinary arts industry, auto services industry and other highly skilled industries;
- **Continuous trend of urbanization:** The influx of migrants from rural areas to urban areas has been increasing steadily due to China's urbanization process. The migrants are generally less educated and lack of professional and systematic skill training, and they are encouraged to attend vocational training education, aiming to meet the needs of employment in urban areas;
- **Industrial upgrade:** The industrial upgrade in China has led to the transformation of a large amount of traditional industries and enterprises, creating demand for new job positions with higher requirement of practical and technical skills; and
- **Increasing competition in employment:** More stringent recruitment requirements with a focus on practical skills have been adopted by employers. The increasing competition in job seeking market provides great potential market opportunities for the vocational training education which emphasizes on students' readily applicable practical skills and provides more diversified choices for different employment directions.

### Development Trends of the Vocational Training Education in China

Leading high quality vocational training education providers are expected to benefit from the following development trends:

- **Closer school-enterprise cooperation:** as vocational training education bridges the gap between students and employers, the providers are cooperating more closely with enterprises to cater the ever-changing employers' needs, including collective course development, staff skill training, talent assessment, etc;
- **Encouragement of high quality providers:** with the announcement of several national guidance, such as the *Guiding Opinions of the State Council on the Implementation of Lifelong Vocational Skills Training System* (《關於推行終身職業技能培訓制度的意見》), the chaotic market conditions will be improved and with the more fierce competition in the market, high quality vocational training education providers with diversified course offerings, quality teaching resources and technical and equipment support will benefit from the trend and realize steady development in the future. On the contrary, the market players with inferior management and operation capacity, weak capital strength and brand building ability will be eliminated quickly;

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- **More comprehensive services:** apart from skills teaching, vocational training education institutions will provide a more comprehensive spectrum of services to help foster students' career. For example, loan services will be provided to students with difficulty in paying tuition; customized employment recommendation and career counselling services will be given to help students find jobs; and
- **Larger student scale:** with the continuous technology development and industry upgrade, talents are required to receive more up-to-date trainings. Given the practice-oriented nature and availability of multiple teaching methods, including offline, online and combination of offline and online, the vocational training education providers are expected to attract more students in the future.

### Threats and Challenges of Vocational Training Education in China

- **Fierce competition environment:** With the growing maturity of China's vocational training education market, the products provided by institutions will be more and more homogeneous. Nevertheless, the requirements of customers will be more strict and the taste of customers will be more diversified. Thus, research and development ability will be extremely critical for the players in the future competition.
- **Pressure from formal education:** Students aged from 15 to 21 years old which consist of graduates from middle schools, high schools, secondary vocational schools and junior colleges and universities are one of the major groups choosing vocational education. However, with the increasing emphasis on academic degrees in recent years, the number of formal education school students has increased, posing a threat to student recruitment of vocational training education.

### Competitive Landscape of the Vocational Training Education in China

According to the Frost & Sullivan Report, the vocational training education market in China is highly fragmented with thousands of vocational training education providers, and none of the players has a sizable market share as vocational training education providers tend to focus on a particular industry segment locally or nationwide. Leading players usually adopt self-operated business model, while most of the players choose franchise model. We are the largest vocational training education provider in China as a whole and as well as the largest player in each of the industry sector that we operate, in terms of average students enrolled in 2017. According to the Frost & Sullivan Report, the top three vocational training education players, in aggregate, accounted for 2.5% of total market in terms of average students enrolled in 2017. We are the largest vocational training education provider in China with 102,050 average students enrolled as of December 31, 2017, representing a market share of 1.7%, the second and third largest providers had average students enrolled of 32,275 and 20,023 as of December 31, 2017, respectively, representing a market share of 0.5% and 0.3%, respectively.

The culinary vocational training education market is relatively concentrated in China, with the top three market players accounting for 26.9% of market share in terms of average students enrolled in 2017. We ranked the largest in the culinary vocational training education market with 65,372 average students enrolled as of December 31, 2017, representing a market share of 23.1%. The information technology vocational training education market in China is relatively fragmented, with the top three market

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players accounting for 9.9% of market share in terms of average students enrolled in 2017. We ranked the largest in the information technology vocational training education market with 21,442 average students enrolled as of December 31, 2017, representing a market share of 3.4%. The auto services vocational training education is a relatively concentrated market in China, with the top three players accounting for 20.5% of market share in terms of average students enrolled in 2017. We ranked largest in the auto services vocational training education market with 15,236 average students enrolled as of December 31, 2017, representing a market share of 9.7%. The following tables set forth the leading players in the industry segments that we operate:

Leading Culinary Arts Vocational Training Education Providers in China, 2017			Leading Information Technology Vocational Training Education Providers in China, 2017			Leading Auto Services Vocational Training Education Providers in China, 2017		
Group	Average Students Enrolled	Market share (%)	Group	Average Students Enrolled	Market share (%)	Group	Average Students Enrolled	Market share (%)
The Group	65,372	23.1	The Group	21,442	3.4	The Group	15,236	9.7
Group A	8,077	2.9	Group C	20,882	3.3	Group E	15,000	9.5
Group B	2,600	0.9	Group D	20,023	3.2	Group F	2,000	1.3

Source: Frost & Sullivan

### Entry Barriers of the Vocational Training Education in China

According to the Frost & Sullivan Report, the PRC vocational training education industry generally has the following entry barriers:

- **Brand reputation:** consumer recognition is a crucial factor that distinguishes a brand from others in the increasingly competitive vocational training education industry. It is difficult for new entrants to establish a sizable business network quickly;
- **Management Capability:** as classroom-based education is still the main model of vocational training education in China. Therefore, the site selection, teachers recruitment, course offering, supporting facilities and equipment, and other critical factors determined by the management may influence the quality and reputation of the vocational training education provider;
- **High-quality teacher resources:** resources of high-quality teachers with both theoretical knowledge and relevant industry experience are limited, especially in second and third tier cities;
- **Capital strength:** establishing a vocational training education institution requires large capital investment including, among others, building infrastructure, developing curriculum offerings, retaining teachers, improving brand image and expanding the school network; and
- **Strict regulatory license:** vocational training education institutions are subject to various PRC laws and regulations. Certain licenses and PRC government approvals are required before a school commences operations.



## REGULATIONS

### FOREIGN INVESTMENT IN EDUCATION IN THE PRC

#### Foreign Investment Industries Guidance in Education Industry

Under the *Foreign Investment Industries Guidance Catalogue (Amended in 2017)* (《外商投資產業指導目錄(2017修訂)》) (the "Foreign Investment Catalog") which was amended and promulgated jointly by the NDRC and the MOFCOM on June 28, 2017 and became effective on July 28, 2017, and *Special Management Measures (Negative List) for Foreign Investment Access (2018)* (《外商投資准入特別管理措施(負面清單)(2018版)》) (the "Negative List") issued by the MOFCOM and the NDRC on June 28, 2018, which took effective on July 28, 2018, foreign-invested industries are classified into two categories, namely (1) encouraged foreign-invested industries and (2) foreign-invested industries which are regulated by the Negative List. The Negative list has further classified regulated foreign-invested industries into restricted foreign-invested industries and prohibited foreign-invested industries. Unless otherwise prescribed by the PRC laws, industries which are not set out in the Foreign Investment Catalog or the Negative List are permitted foreign-invested industries.

Pursuant to the Foreign Investment Catalog and the Negative List, "non-formal vocational training institutes" (非學科制職業培訓機構) are encouraged foreign-invested industries, and other "vocational training" which are not set out in the Foreign Investment Catalog or the Negative List are permitted foreign-invested industries, unless otherwise provided in the PRC laws. Nevertheless, pursuant to the restrictions placed by applicable PRC laws, no foreigner is permitted to independently establish any school or other education institution within the PRC that aims to enroll mainly PRC citizens, and "Regulation on Sino-Foreign Cooperation in Operating Schools" (please see below) shall be applicable when foreign organizations or individuals invest in education institutions within the PRC.

#### Regulations on Sino-Foreign Cooperation in operating schools

Pursuant to the *Regulation on Sino-Foreign Cooperation in Operating Schools of the PRC* (《中華人民共和國中外合作辦學條例》) (the "Sino-Foreign Regulation") which was promulgated by the State Council on March 1, 2003 and became effective on September 1, 2003 and was amended on July 18, 2013, and the *Implementing Rules for the Regulations on Operating Sino-foreign Schools* (《中華人民共和國中外合作辦學條例實施辦法》) (the "Implementing Rules") which were issued by the MOE on June 2, 2004 and became effective on July 1, 2004, foreign educational institutions, other organisations or individuals shall not independently establish schools or other educational institutions in the PRC with target enrolment of Chinese citizens mainly.

The Sino-Foreign Regulation and the Implementing Rules mainly apply to the activities of education institutions established in the PRC cooperatively by foreign education institutions and Chinese education institutions, the students of which are to be recruited primarily among the PRC citizens, and encourage substantive cooperation between overseas educational organisations with relevant qualifications and experience in providing high-quality education and PRC educational organisations to jointly operate various types of schools in the PRC, with such cooperation in the areas of higher education and occupational education being encouraged. The overseas educational organisation must be a foreign educational institution with relevant qualification, experience in education, and high-quality education ability. Any Sino-foreign cooperation school and cooperation programme shall be approved by relevant education authorities and obtain the Permit of Sino-Foreign Cooperation in Operating School.

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The *Administrative Measures for the Sino-foreign Cooperative Education on Vocational Skills Training* (《中外合作職業技能培訓辦學管理辦法》) (the "Sino-foreign Vocational Skills Training Measures") was promulgated by the Ministry of Labour and Social Security on July 26, 2006 and came into effect on October 1, 2006 and then was amended on April 30, 2015 by the Ministry of Human Resources and Social Security (the "MOHRSS"). The Sino-foreign Vocational Skills Training Measures shall apply to the establishment, activities and management of vocational skills training institutions and educational projects initiated by Chinese educational institutions and foreign educational institutions (including vocational skills training institutions) by cooperation. Foreign educational institutions, other organizations or individuals may not independently establish the vocational skills training institutions with Chinese citizens as the main enrollment targets in the PRC, and can only establish the vocational skills training institutions in cooperation with Chinese cooperators in the form of Sino-foreign cooperation, and the cooperators of the Sino-foreign vocational skills training institutions shall meet the requirements and conditions stipulated in the Sino-Foreign Regulation. The establishment of a Sino-foreign vocational skills training institution shall be examined and approved by the local MOHRSS of the people's government of the province, autonomous region or municipality directly under the Central Government where the proposed institution is located.

On June 18, 2012, the MOE issued the *Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Funds into the Field of Education to Promote Healthy Development of Private Education* (Jiaofa [2012] No. 10) (《教育部關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》) (教發[2012]10號) to encourage private investment and foreign investment in the field of education. According to these opinions, the proportion of foreign capital in a Sino-foreign cooperative education institution shall be less than 50%.

### REGULATIONS ON PRIVATE EDUCATION IN THE PRC

#### Education Law of the PRC

On March 18, 1995, the NPC enacted the *Education Law of the PRC* (《中華人民共和國教育法》) (the "Education Law"), which was effective from September 1, 1995, amended on August 27, 2009 and further amended on December 27, 2015. The PRC implements a vocational education system and a continuing education system. The people's governments at all levels, relevant administrative departments and industry organizations, as well as enterprises and institutions shall take measures to develop and guarantee citizens' vocational school education or various forms of vocational training. The Education Law stipulates that the government formulates plans for the development of education, establishes and operates schools and other educational institutions. Furthermore, it provides that in principle, enterprises, social organisations and individuals are encouraged to establish and operate schools and other types of educational institution in accordance with the relevant PRC laws and regulations. The Education Law also stipulates that some basic conditions shall be fulfilled for the establishment of a school or any other education institution, and the establishment, modification or termination of a school or any other education institution shall, in accordance with the relevant PRC laws and regulations, go through examination, verification, approval, registration or filing procedures.

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

### **Regulations on Vocational Education**

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

Vocational school education includes primary, secondary and higher vocational school education. Primary and secondary vocational school education shall be conducted respectively by primary and secondary vocational schools. Higher vocational school education shall be conducted by higher vocational schools or by common institutions of higher learning in accordance with the actual needs and conditions. Other schools may implement vocational school education at corresponding levels in accordance with the overall planning by the education administrative department. Vocational training includes pre-employment training, training to facilitate change of occupations, apprenticeship training, on-the-job training, job-transfer training and other vocational training. All these categories of training may, in light of actual conditions, be divided into three levels: primary, secondary and higher vocational training. Vocational training is carried out by the corresponding vocational training institutions and/or vocational schools. Other schools or educational institutions may, depending on their own capabilities, carry out various forms of vocational training to meet social needs.

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

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

The *Law for Promoting Private Education of the PRC* (《中華人民共和國民辦教育促進法》) became effective on September 1, 2003 and was amended on 29 June 2013 and on 7 November 2016, and the *Implementation Rules for the Law for Promoting Private Education of the PRC* (《中華人民共和國民辦教育促進法實施條例》) became effective on April 1, 2004. Under these regulations, "private schools" are defined as schools established by social organizations or individuals using non-government funds. The establishment of a private school shall meet the local need for educational development and the requirements provided for by the Education Law and relevant laws and regulations, and the standards for the establishment of private schools shall conform to those for the establishment of public schools of the same grade and category. In addition, private schools providing academic qualifications education, pre-school education, education for self-study examinations and other education shall be subject to approval by the education authorities at or above the county level, while private schools engaging in occupational qualification training and occupational skill training shall be subject to approvals from the authorities in charge of labor and social welfare at or above

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the county level. A duly approved private school will be granted a Permit for operating a Private School (民辦學校辦學許可證), and shall be registered with the Ministry of Civil Affairs of the PRC (民政部), (the "MCA") or its local counterparts as a privately run non-enterprise institution (民辦非企業單位).

### **Reasonable Return and Development Fund**

Under the above regulations, a private school may elect to be a school that its school sponsors do not require reasonable returns or a school that its school sponsors require reasonable returns. A private school that its school sponsors do not require reasonable returns cannot distribute dividends to its school sponsors. For a private school that its school sponsors require reasonable returns, it may distribute reasonable returns to its school sponsors after deducting school operation costs, reserves for the development fund (as further described in the paragraph below) and provision for certain costs in accordance with the PRC laws and regulations, and it shall consider factors such as the school's tuition, the ratio of the funds used for education-related activities to the course fees collected, admission standards and educational quality when determining the percentage of the school's net income that would be distributed to the school sponsors as reasonable returns. However, the current PRC laws and regulations do not provide a formula or guidelines for determining what constitutes a "reasonable return". In addition, the current PRC laws and regulations do not set forth different requirements or restrictions on a private school's ability to operate its education business based on such school's status as a school that its school sponsors require reasonable returns or a school that its school sponsors do not require reasonable returns.

At the end of each year, every private school is required to allocate a certain amount to its development fund for the construction or maintenance of the school or procurement or upgrade of educational equipment. For a private school that its school sponsors require reasonable returns, this amount is at least 25% of the annual net income of the school, while in the case of a private school that its school sponsors do not require reasonable returns, this amount is at least 25% of the annual increase in the net assets of the school, if any.

Pursuant to the 2016 Decision as further described in the paragraphs below, private schools will no longer be classified as schools that its school sponsors require reasonable returns and schools that its school sponsors do not require reasonable returns. Instead, school sponsors of a private school which provides education services other than nine-year compulsory education may choose to establish as a for-profit private school or a non-profit private school.

### **The Decision on Amending the Law for Promoting Private Education of the PRC, or the 2016 Decision**

On November 7, 2016, the SCNPC published the *Decision on Amendment of the Law for Promoting Private Education of the PRC* (《關於修改<中華人民共和國民辦教育促進法>的決定》), which became effective on September 1, 2017. According to 2016 Decision, as long as the school does not involve in the provision of compulsory education, school sponsors of the private school are allowed to register and operate the school as for-profit or non-profit private schools.

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The following table sets forth the key differences between a for-profit private school and a non-profit private school under the 2016 Decision:

<u>Item</u>	<u>For-profit private school</u>	<u>Non-profit private school</u>
Receipt of operating profits . . . . .	School sponsors are allowed to receive operating profits, and the surplus from operations shall be handled in accordance with the provisions of the Company Law of the PRC and other laws and regulations	School sponsors are not allowed to receive operating profits, and all surplus from operations shall be used for the operation of the school
Licenses and registration . . . . .	Private school operating licenses, business licenses and other registrations required to go through by a corporate legal person	Private school operating licenses and registration certificate of private non-enterprise entities
Fees to be charged . . . . .	Determined based on school operating costs and market demand, and no prior regulatory approval is required	Determined pursuant to the standards stipulated by the local governments
Tax treatment . . . . .	Preferential tax treatment as stipulated by the State	Same preferential tax treatment as public schools
Land . . . . .	Acquired either through land allocation or land transfer	Acquired through land allocation
Public funding . . . . .	Public funding in the form of purchase of services, student loans, scholarships, lease or acquisition of unused State-owned assets	Public funding in the form of purchase of services, student loans, scholarships, lease or acquisition of unused State owned assets, and government grants, incentive funds and donations
Liquidation . . . . .	Liquidated in accordance with the provisions of the Company Law of the PRC. School sponsors can obtain the school's remaining assets after the settlement of the school's indebtedness	School sponsors will be compensated or rewarded when the private school is liquidated. The remaining portion of school assets should continually be used for the operation of a nonprofit private school
Applicability . . . . .	All private schools (except for schools providing compulsory education) may choose to become for-profit schools	All private schools may choose to become non-profit schools

## REGULATIONS

If the school sponsors of our existing private Schools established prior to November 7, 2016 (the "Existing Private Schools") choose to register and operate their Schools as non-profit private schools, they shall procure the School to amend its articles of association in accordance with 2016 Decision and continue the school operation pursuant to such revised articles of association. Furthermore, upon the termination of such non-profit private schools, the government authority may grant some compensation or reward to the school sponsors who have made capital contribution to such schools from the remaining assets of the schools upon their liquidation and then apply the rest of the assets to the operation of other non-profit private schools.

If the school sponsors of Existing Private Schools choose to register and operate their schools as for-profit private schools, the schools shall go through some procedures including but not limited to conducting financial settlement, defining the property right, paying relevant taxes and expenses and renewing their registration, the details of which shall be subject to concrete measures to be promulgated by the provincial, autonomous regional or municipal government.

### **Several Opinions on Encouraging Social Groups to Engage in Education and Promote the Healthy Development of Private Education**

According to the *Several Opinions on Encouraging Social Groups to Engage in education and Promote the Healthy Development of Private Education* (《關於鼓勵社會力量興辦教育促進民辦教育健康發展的若干意見》) (the "State Council Opinions"), which was issued by the State Council of the PRC on December 29, 2017, innovative institutional mechanisms shall be implemented in the field of private education, which include but are not limited to: (i) classification registration and management shall be applicable to private schools and the school sponsors of private schools shall, at their own discretion, choose to run non-profit private schools or for-profit private schools; (ii) different government support policies shall be applicable to private schools. The people's government at all levels are responsible for formulating and perfecting support policies for non-profit private schools including but not limited to government subsidies, government procurement services, fund incentives, donation incentives and land allocation. At the same time, the people's government at all levels may support the development of for-profit private schools by ways including but not limited to government procurement services and preferential tax treatments in accordance with the economic and social development and the request for public service; and (iii) broaden the financing channels for private schools, encourage and attract private funds to enter into the field of private education. Financial institutions are encouraged to provide loans to private schools with the pledge of the schools' operating income in the future or intellectual property rights, while individual persons or entities are encouraged to make donation to non-profit private schools.

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

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### Implementing Measures on Classification Registration of Private Schools

According to the *Implementing Measures on Classification Registration of Private Schools* (《民辦學校分類登記實施細則》) ("Classification Registration Rules"), which was issued jointly by the MOE, the MHRSS, the MCA, the State Commission Office of Public Sectors Reform and the SAIC on December 30, 2016 without stipulating any definite effective date, the establishment of a private school is subject to approval. Private Schools approved to be established shall apply for the registration certificate or license in accordance with the Classification Registration Rules after they are granted with the license for school operation by the competent government authorities. The Classification Registration Rules shall apply to private schools. Non-profit private schools which meet the requirements under the *Interim Administrative Regulations on the Registration of Private Non-enterprise Entities* (《民辦非企業單位登記管理暫行條例》) and other relevant regulations shall apply to the civil affairs department for registration as private non-enterprise entities. Non-profit private schools which meet the requirements under the *Interim Regulations on the Administration of the Registration of Public Institutions* (《事業單位登記管理暫行條例》) and other relevant regulations shall apply to the relevant administrative authority for registration as public institutions. For-profit private schools shall apply to the industry and commerce department for registration in accordance with the jurisdiction provisions set out by relevant laws and regulations.

The Classification Registration Rules are also applicable to Existing Private Schools.

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

According to the *Implementing Measures for the Supervision and Administration of For-profit Private Schools* (《營利性民辦學校監督管理實施細則》), which was issued jointly by the MOE, the MHRSS and the SAIC on December 30, 2016 without stipulating any definite effective time, social organizations or individuals are permitted to run for-profit private colleges and universities and other higher education institutions, high schools and kindergartens, but are prohibited from running for-profit private schools implementing compulsory education.

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

For-profit private schools shall establish a board of directors, boards of supervisors (or supervisors), administrative organs, organizations of the Communist Party of China, an employee representatives' assembly as well as a labor union. The Secretary of the Communist Party of China shall be a member of the board of directors and of the administrative organs of the school and no less than 1/3 of the members of the board of supervisors of the school shall be the employee representatives.

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

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

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

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

According to the *Notice of the State Administration for Market Regulation and the Ministry of Human Resources and Social Security on Regulating the Relevant Work of the Administration of the Name Registration of For-profit Non-state Skilled Worker Schools and For-profit Non-state Vocational Skills Training Institutions* (《市場監管總局、人力資源和社會保障部關於規範營利性民辦技工院校和營利性民辦職業技能培訓機構名稱登記管理有關工作的通知》), which was issued jointly by the Administration for Market Regulation and the Ministry of Human Resources and Social Security on April 11, 2018 and became effective on the same date, for-profit private skilled worker schools and for-profit private vocational skills training institutions shall registered as a limited liability company or a joint stock limited company according to the PRC Company Law and the *Law for Promoting Private Education* (《中華人民共和國民辦教育促進法》) and its name shall comply with the relevant laws and regulations on company registration and education.



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### Local Implementation Opinions on the New Classification System for Private Schools

According to the 2016 Decision and the State Council Opinions, various provincial governmental authorities shall issue their own implementation opinions and licensing measures in relation to the specific implementation methods and operative approaches of the said law based on the local conditions. As of the Latest Practicable Date, 26 provinces, including Anhui, Zhejiang, Jiangsu, Shandong, Guangdong, Hainan, Jiangxi, Beijing, Hubei, Guizhou, Yunnan, Hebei, Henan, Shaanxi, Shanxi, Gansu, Liaoning, Jilin, Sichuan, Qinghai, Inner Mongolia, Ningxia, Guangxi, Chongqing, Tianjin and Shanghai, have issued implementation opinions (the "Implementation Opinions"). Most of these Implementation Opinions provide a transition period ranging from one to six years. The school sponsors of relevant educational institutions can select either for-profit or non-profit purposes during the transition period. As of the Latest Practicable Date, other regions had not yet issued such implementation opinions.

According to the Implementation Opinions, local provincial governments have introduced the following principle opinions:

- to implement new classification system for private schools, whereby private schools including private educational institutions are classified as non-profit and for-profit and administered accordingly;
- to arrange for a transition period during which existing private schools can select either non-profit or for-profit purposes and be regulated based on their classification; and
- to perfect the exit mechanism for private schools, whereby the financial settlement of a private school at termination shall conform to relevant laws and regulations, and its articles of associations.

The Implementation Opinions are newly promulgated and there are uncertainties in connection with implementation and enforcement of such implementation opinions.

### Tuition

Pursuant to the *Interim Measures for the Management of the Collection of Private Education Fees* (《民辦教育收費管理暫行辦法》), which was promulgated by the NDRC, the MOE and the MHRSS on March 2, 2005, the types and amounts of fees charged by a private school providing academic qualifications education shall be examined and verified by the education authorities or the labor and social welfare authorities and approved by the governmental pricing authority. A private school that provides non-academic qualifications education shall file its pricing information with the governmental pricing authority and publicly disclose such information.

According to the *Notice regarding Cancelation of the Fee Charge Permit System and Strengthening the Supervision in process and afterwards* (《關於取消收費許可制度加強事中事後監管的通知》), which was issued jointly by the NDRC and the Ministry of Finance on January 9, 2015, the fee charge permit system shall be canceled nationwide from January 1, 2016.

According to the 2016 Decision, the types and amounts of fees charged by private schools shall be determined based on costs and market demand. The fees charged by for-profit schools will be determined by the schools at their discretion, while the fees charged by non-profit schools shall be regulated by the relevant local government authorities.

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### Regulations on Safety and Health Protection of Schools

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

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

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

According to the *Circular on Strengthening Hygiene and Epidemic Prevention and Food Hygiene and Safety of Private Schools* (《教育部辦公廳關於加強民辦學校衛生防疫與食品衛生安全工作的通知》), which was promulgated on April 29, 2006, private schools should pay high attention to and strengthen the school hygiene and epidemic prevention and the food hygiene and safety.

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

### REGULATIONS ON COMPANIES IN THE PRC

#### PRC Company Law

The establishment, operation and management of corporate entities in the PRC are governed by the PRC Company Law, which was promulgated on December 29, 1993 and amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018. Under the PRC Company Law, companies are generally classified into two categories: limited liability companies and limited companies by shares. The PRC Company Law also applies to foreign-invested limited liability companies but where other relevant laws regarding foreign investment have provided otherwise, such other laws shall prevail.

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The latest amendment to the PRC Company Law took effect from 1 March 2014, pursuant to which there is no longer a prescribed timeframe for the shareholders to make full capital contribution to a company, except otherwise required in other relevant laws, administrative regulations and State Council decisions. Instead, shareholders are only required to state the capital amount that they commit to subscribe in the articles of association of the company. Further, the initial payment of a company's registered capital is no longer subject to a minimum amount requirement and the business licence of a company will not show its paid-up capital. In addition, shareholders' contribution of the registered capital is no longer required to be verified by capital verification agencies.

### Regulations on Foreign Investment

The establishment procedures, examination and approval procedures, registered capital requirement, foreign exchange restriction, accounting practices, taxation and labor matters of a wholly foreign-owned enterprise are governed by the *Wholly Foreign-owned Enterprise Law of the PRC* (《中華人民共和國外資企業法》, the "Wholly Foreign-owned Enterprise Law"), which was promulgated on April 12, 1986 and amended on October 31, 2000. The implementation regulations under the Wholly Foreign-owned Enterprise Law (《中華人民共和國外資企業法實施條例》) was promulgated on December 12, 1990 and amended on April 12, 2001 and February 19, 2014, which took effective as from March 1, 2014.

The Wholly Foreign-owned Enterprise Law has been further revised by the SCNPC on September 3, 2016 and has become effective from October 1, 2016. According to the amendments, for a wholly foreign-owned enterprise which the special entry management measures does not apply to, its establishment, operation duration and extension, separation, merger or other major changes shall be applicable to record-filing approach. The special entry management measures stipulated by the State shall be promulgated or approved to be promulgated by the State Council. Pursuant to the No. 22 Announcement of 2016 (《中華人民共和國國家發展和改革委員會和中華人民共和國商務部2016年第22號公告》 ("the Announcement") issued by NDRC and MOFCOM on October 8, 2016, the special entry management measures shall be implemented with reference to the relevant regulations as stipulated in the Foreign Investment Catalog in relation to the restricted foreign-invested industries, prohibited foreign-invested industries and encouraged foreign-invested industries which have requirements as to shareholding and qualifications of senior management.

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

### Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors

Under the *Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors in the PRC* (《關於外國投資者併購境內企業的規定》) (the "M&A Rules") which was promulgated on September 8, 2006 and was amended and came into effect on June 22, 2009, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity interests in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity interests in a domestic enterprise via an increase of registered capital thereby

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converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise by agreement and injects those assets to establish a foreign-invested enterprise. In the case where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company that is related to or connected with it/him, approval from MOFCOM is required.

According to the Measures, the merger and acquisition of domestic non-foreign-invested enterprises by foreign investors shall, if not involving special entry management measures and affiliated mergers and acquisitions, be subject to the record filing approach.

### REGULATIONS ON PROPERTY IN THE PRC

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

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

### REGULATIONS ON INTELLECTUAL PROPERTY IN THE PRC

#### Copyright

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

#### Trademark

Pursuant to the *Trademark Law of the PRC* (《中華人民共和國商標法》) (the "Trademark Law"), which was revised on August 30, 2013 and became effective on May 1, 2014, the right to exclusive use of a registered trademark shall be limited to trademarks which have been approved for registration and to goods for which the use of trademark has been approved. The period of validity of a registered trademark shall be ten years, counted from the day the registration is approved. According to the Trademark Law, using a trademark that is identical with or similar to a registered trademark in connection with the same or similar goods without the authorization of the owner of the registered trademark constitutes an infringement of the exclusive right to use a registered trademark. The infringer shall, in accordance with the regulations, undertake to cease the infringement, take remedial action, and pay damages, etc.

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### Patent

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

### REGULATIONS ON LABOUR PROTECTION IN THE PRC

#### Labours

According to the *Labour Law of the PRC* (《中華人民共和國勞動法》) (the "Labour Law"), which was promulgated by the SCNPC on July 5, 1994, came into effect on January 1, 1995 and was amended on August 27, 2009, an employer shall develop and improve its rules and regulations to safeguard the rights of its workers. An employer shall establish and develop labour safety and health systems, stringently implement national protocols and standards on labour safety and health, get workers to receive labour safety and health education, guard against labour accidents and reduce occupational hazards. Labour safety and health facilities must comply with the relevant national standards. An employer must provide workers with the necessary labour protection gear that complies with labour safety and health conditions stipulated under national regulations, as well as provide regular health examination for workers that are engaged in work with occupational hazards. Labourers engaged in special operations must receive specialised training and obtain the pertinent qualifications. An employer shall develop a vocational training system. Vocational training funds shall be set aside and used in accordance with national regulations and vocational training for workers shall be carried out systematically based on the actual conditions of the company.

The *Labour Contract Law of the PRC* (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on June 29, 2007, amended on December 28, 2012 and came effect on July 1, 2013, coupled with the *Implementation Regulations on Labour Contract Law* (《勞動合同法實施條例》), which was promulgated and became effective on September 18, 2008, regulate the parties to labour contracts, namely employers and employees, and contain specific provisions relating to terms of labour contracts. Under the Labour Contract Law and the Implementation Regulations on Labour Contract Law, a labour contract must be made in writing. An employer and an employee may enter into a fixed-term labour contract, an un-fixed term labour contract, or a labour contract that concludes upon the completion of certain work assignments, after reaching agreement upon due negotiations. An employer may legally terminate a labour contract and dismiss its employees after reaching agreement upon due negotiations with its employees or by fulfilling the statutory conditions. Where a labour relationship has already been established without a written labour contract, the written labour contracts shall be entered into within one month from the date on which the employee commences to work.

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### Social Insurance

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

According to the *Interim Regulations on the Collection and Payment of Social Insurance Premiums* (《社會保險費徵繳暫行條例》), the *Regulations on Work Injury Insurance* (《工傷保險條例》), the *Regulations on Unemployment Insurance* (《失業保險條例》) and the *Trial Measures on Employee Maternity Insurance of Enterprises* (《企業職工生育保險試行辦法》), enterprises in the PRC shall provide benefit plans for their employees, which include basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance. An enterprise must provide social insurance by processing social insurance registration with local social insurance authorities or agencies, and shall pay or withhold relevant social insurance premiums for or on behalf of employees.

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

According to the *Reform Plan of the State Tax and Local Tax Collection Administration System* (《國稅地稅徵管體制改革方案》), which was issued by the General Office of the Communist Party of China and the General Office of the State Council of the PRC on July 20, 2018, from January 1, 2019, all the social insurance premiums including the premiums of the basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance will be collected by the tax authorities. Furthermore, according to the *Notice by the General Office of the State Administration of Taxation on Conducting the Relevant Work Concerning the Administration of Collection of Social Insurance Premiums in a Steady, Orderly and Effective Manner* (《國家稅務總局辦公廳關於穩妥有序做好社會保險費徵管有關工作的通知》) issued on September 13, 2018 and the *Urgent Notice of the General Office of the Ministry of Human Resources and Social Security on Implementing the Spirit of the Executive Meeting of the State Council in Stabilizing the Collection of Social Security Contributions* (《人力資源和社會保障部辦公廳關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) issued on September 21, 2018, all the local authorities responsible for the collection of social insurance are strictly forbidden to conduct self-collection of historical unpaid social insurance contributions from enterprises. *Notice of the State Administration of Taxation on Implementing Measures to Further Support and Serve the Development of Private Economy* (《國家稅務總局關於實施進一步支援和服務民營經濟發展若干措施的通知》) issued on November 16, 2018 repeated that tax authorities at all levels may not organize self-collection of arrears of taxpayers including private enterprises in the previous years.

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### Housing Provident Fund

According to the *Administrative Regulations on the Administration of Housing Provident Fund* (《住房公積金管理條例》), which was promulgated and became effective on April 3, 1999, and was amended on March 24, 2002, housing provident fund paid and deposited both by employee themselves and their unit employer shall be owned by the employees. A unit employer shall undertake registration of payment and deposit of the housing provident fund in the housing provident fund management centre and, upon verification by the housing provident fund management centre, open a housing provident fund account on behalf of its employees in a commissioned bank. Employers shall timely pay and deposit housing provident fund contributions in full amount and late or insufficient payments shall be prohibited. With respect to unit employers who violate the regulations hereinabove and fail to complete housing provident fund payment and deposit registrations or open housing provident fund accounts for their employees, such unit employers shall be ordered by the housing provident fund administration centre to complete such procedures within a designated period. Those who fail to complete their registrations within the designated period shall be subject to a fine from RMB10,000 to RMB50,000. When unit employers are in breach of these regulations and fail to pay deposit housing provident fund contributions in full amount as they fall due, the housing provident fund administration centre shall order such unit employers to pay within a prescribed time limit period, failing which an application may be made to a people's court for compulsory enforcement.

### REGULATIONS ON TAXATION IN THE PRC

#### Enterprise Income Tax ("EIT")

In accordance with the EIT Law, which was promulgated on March 16, 2007 and became effective from January 1, 2008 and amended on February 24, 2017, and the *Regulation on the Implementation of Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法實施條例》), which was promulgated on December 6, 2007 and became effective from January 1, 2008, enterprises are classified as either "resident enterprises" or "nonresident enterprises". Enterprises that are set up in the PRC under the PRC laws, or that are set up in accordance with the law of the foreign country (region) whose actual administration institution is in PRC, shall be considered as "resident enterprises".

Enterprises established under the law of the foreign country (region) with "de facto management bodies" outside the PRC, but have set up institutions or establishments in PRC or, without institutions or establishments set up in the PRC, have income originating from PRC, shall be considered as "non-resident enterprises". A resident enterprise shall pay EIT on its income originating from both inside and outside PRC at an EIT rate of 25%. A non-resident enterprise that has establishments or places of business in the PRC shall pay EIT on its income originating from PRC obtained by such establishments or places of business, and on its income which deriving outside PRC but has actual connection with such establishments or places of business, at the EIT rate of 25%. A non-resident enterprise that does not have an establishment or place of business in the PRC, or it has an establishment or place of business in the PRC but the income has no actual connection with such establishment or place of business, shall pay EIT on its passive income derived from the PRC at a reduced rate EIT of 10%.

According to *Notice of the Ministry of Finance and the State Administration of Taxation on Tax Policies Relating to Education* (Caishui [2004] No. 39) (《財政部、國家稅務總局關於教育稅收政策的通知》) (財稅[2004]39號) (the "Circular 39") and *Notice of*

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*the Ministry of Finance and the State Administration of Taxation on Issues Concerning Strengthening the Administration over the Collection of Business Tax on Educational Services* (Caishui [2006] No. 3) (《財政部、國際稅務總局關於加強教育勞務營業稅徵收管理有關問題的通知》) (財稅[2006]3號) (the "Circular 3"), public schools are not required to pay EIT on fees they have collected upon approval and have incorporated under the fiscal budget management or the special account management of the funds outside the fiscal budget, and are not required to pay EIT on the financial allocations they have received and special subsidies they have obtained from their administrative departments or institutions at higher levels. According to the Law of PRC for Promoting Private Education and its implementing rules, a private school that does not require reasonable returns enjoys the same preferential tax treatment as public schools, whereas the preferential tax treatment policies applicable to private schools that require reasonable returns are separately formulated by the relevant authorities under the State Council.

### **Income Tax in Relation to Dividend Distribution**

The PRC and the government of Hong Kong entered into the *Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income* (《內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排》) (the "Arrangement") on August 21, 2006 and implemented the Arrangement on April 1, 2015. According to the Arrangement, the 5% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong tax resident, provided that such Hong Kong tax resident directly holds at least 25% of the equity interests in the PRC company. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong tax resident if such Hong Kong tax resident holds less than 25% of the equity interests in the PRC company.

Pursuant to the *Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements* (Guoshui Han [2009] No. 81) (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) (國稅函[2009] 81號), which was promulgated by the State Administration of Taxation of the PRC (the "SAT") and became effective on February 20, 2009, all of the following requirements shall be satisfied before a fiscal resident of the other party to a tax agreement can be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a Chinese resident company: (i) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (ii) the equity interests and voting shares of the Chinese resident company directly owned by such a fiscal resident reaches a specified percentage; and (iii) the equity interests of the Chinese resident company directly owned by such a fiscal resident, at any time during the twelve months prior to receipt of the dividends, reach a percentage specified in the tax agreement.

### **Value-added Tax ("VAT")**

According to the *Temporary Regulations on Value-added Tax* (《中華人民共和國增值稅暫行條例》), which was amended on November 10, 2008, February 6, 2016 and November 19, 2017 and came into effect on November 19, 2017, and the *Detailed Implementing Rules of the Temporary Regulations on Value-added Tax* (《中華人民共和國增值稅暫行條例實施細則》), which was amended on October 28, 2011 and became effective on November 1, 2011, all taxpayers selling goods, providing processing, repairing or replacement services or importing goods within the PRC shall pay value-added tax. The tax rate of 17% shall be levied on general taxpayers selling or importing various goods; the tax rate of 17% shall be levied on the taxpayers providing processing, repairing or replacement service; the applicable rate for the export of goods by taxpayers shall be nil, unless otherwise stipulated.



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

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

### Other Tax Exemptions

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

### REGULATIONS ON FOREIGN EXCHANGE IN THE PRC

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

In accordance with the Foreign Exchange Administrative Regulations, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of the SAFE for paying dividends by providing certain evidencing documents (board resolutions, tax certificates, etc.), or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain foreign currency (subject to a cap approval by the SAFE) to satisfy foreign exchange liabilities. In addition, foreign exchange transactions involving

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overseas direct investment or investment and trading in securities, derivative products abroad are subject to registration with the competent authorities for the administration of foreign exchange and approval or filings with the relevant government authorities (if necessary).

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

Pursuant to *Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies* (Huifa [2015] No. 13) (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (匯發[2015] 13號), which was promulgated on February 13, 2015, implemented and became effective on June 1, 2015, the initial foreign exchange registration for establishing or taking control of a SPV by domestic residents can be conducted with a qualified bank, instead of the local foreign exchange bureau.

On March 30, 2015, the SAFE promulgated the *Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises* (Huifa [2015] No. 19) (《關於改革外商投資企業外匯資本金結匯管理方式的通知》) (匯發[2015]19號) (the "Circular 19"), which came into effect from June 1, 2015. According to the Circular 19, the foreign exchange capital of foreign-invested enterprises shall be subject to the Discretionary Foreign Exchange Settlement ("Discretionary Foreign Exchange Settlement"). The Discretionary Foreign Exchange Settlement refers to the foreign exchange capital in the capital account of a foreign-invested enterprise for which the rights and interests of monetary contribution has been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operational needs of the foreign-invested enterprise. The proportion of Discretionary Foreign Exchange Settlement of the foreign exchange capital of a foreign-invested enterprise is temporarily determined as 100%.

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The Renminbi converted from the foreign exchange capital will be kept in a designated account and if a foreign-invested enterprise needs to make further payment from such account, it still needs to provide supporting documents and go through the review process with the banks.

Furthermore, the Circular 19 stipulates that the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The capital of a foreign-invested enterprise and capital in Renminbi obtained by the foreign-invested enterprise from foreign exchange settlement shall not be used for the following purposes:

1. directly or indirectly used for payment beyond the business scope of the enterprises or payment prohibited by relevant laws and regulations;
2. directly or indirectly used for investment in securities unless otherwise provided by relevant laws and regulations;
3. directly or indirectly used for granting entrusted loans in Renminbi (unless permitted by the scope of business), repaying the inter-enterprise borrowings (including advances by third parties) or repaying bank loans in Renminbi that have been sub-lent to a third party; and
4. paying the expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises). SAFE issued the *Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts* (Huifa [2016] No. 16) (《關於改革和規範資本專案結匯管理政策的通知》(匯發 [2016]16號), or the "Circular 16") on June 9, 2016, which became effective simultaneously. Pursuant to the Circular 16, enterprises registered in the PRC may also convert their foreign debts from foreign currency to Renminbi on self-discretionary basis.

The Circular 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on a discretionary basis which applies to all enterprises registered in the PRC. The Circular 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC laws or regulations, while such converted Renminbi shall not be provided as loans to its non-affiliated entities.

## REGULATIONS ON PRIVATE POSTSECONDARY EDUCATION IN THE STATE OF CALIFORNIA

### California Private Postsecondary Education Act

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

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### **Approval to Operate Private Postsecondary Educational Institution**

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

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

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

#### *Approval for Approval to Operation for an Institution Non-Accredited*

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

#### *Approval by Means of Accreditation*

A person operating an institution that is accredited by an accrediting agency recognized by the United States Department of Education has the option to obtain an approval to operate from the BPPE by means of the institution's accreditation by submitting an application for approval to operate an accredited institution. Such approval process is abbreviated from the standard approval to operate process (i.e. application for approval to operate for an institution non-accredited). This application process should only be used, however, when the applicant is seeking BPPE approval for exactly and only the institutional locations, educational program offerings and approval dates for

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which the institution has been accredited. The institution's main, branch and satellite locations must be accredited to offer the same programs at each location, have the same term of accreditation, and have the same ownership structure.

### **Voluntary Non-Governmental Accreditation Process**

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

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

The Western Association of Schools and Colleges, Accrediting Commission for Community and Junior Colleges ("ACCJC") is a regional accrediting agency recognized by the U.S. Secretary of Education for its accreditation of postsecondary institutions that offer two-year education programs and award the associate degree in (among other regions) California. The ACCJC focuses on community colleges, career and technical colleges, and junior colleges, through the creation and application of standards of accreditation and related policies, and through a process of review by higher education professionals and public members. The accreditation process for the ACCJC involves three progressive stages: (i) eligibility, (ii) candidacy, and (iii) initial accreditation. An educational institution will be granted eligibility after review by the ACCJC that the educational institution meets the eligibility requirements set by ACCJC. The Eligibility Review Committee of ACCJC will review the eligibility application and supporting documentation submitted by the institution and will then make the determination of eligibility. If the institution is determined to be eligible, the ACCJC will notify the institution in writing and develop a time frame for the institution's self-evaluation for candidacy. The ACCJC will also send a review team to visit the institution to review the its readiness for candidacy status. The ACCJC review team reviews the evidence submitted to verify how well the institution meets or exceeds the standards. Candidacy is a formal affiliation status granted to institutions that have successfully undergone an

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eligibility review, as well as a comprehensive evaluation process using the accreditation standards of ACCJC. Candidacy is granted to the institution when it demonstrates its ability to fully meet all the accreditation standards and policies of ACCJC within the two-year candidate period. Candidacy is awarded for a period of two years, during which time the institution may apply for initial accreditation. Initial accreditation will be awarded to an educational institution that has met the ACCJC's standards at a substantial level. The institution may request an additional two years in candidacy status but may not extend this status beyond a total of four years. If an institution fails to achieve initial accreditation after four years in candidacy status, it must wait for two years before submitting a new eligibility application to ACCJC and begin the process anew. When initial accreditation is granted, the institution is typically placed on a seven-year cycle for reaffirmation.

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## HISTORY AND CORPORATE STRUCTURE

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### OUR HISTORY AND DEVELOPMENT

We are currently engaged in the provision of vocational education and vocational training in China. As confirmed by our founders, Mr. Wu Junbao and Mr. Wu Wei, our history can be tracked back to 1988 when they, by using their personal funds, started to provide specialized vocational trainings in the PRC. In 1990s, we gradually focused on providing training on professional cuisine and hotel management, and started to provide training programs in relation to the emerging industry of computer and internet to seize market opportunities.

We have been developing since then and as at the Latest Practicable Date, we have expanded and developed our businesses primarily in the fields of culinary arts, auto services and computer software and information technology in China. The following illustrates our major development milestones and achievements in the 21st century:

<u>Year</u>	<u>Event</u>
2004	<ul style="list-style-type: none"><li>In view of future expansion and regularization of our current businesses, we established Anhui Xinhua Education in order to consolidate all our Schools under a single entity.</li></ul>
2005	<ul style="list-style-type: none"><li>Recognizing the extensive future growth of automotive services market in PRC, we started to offer automobile repair and maintenance training programs under our newly established Wontone Automotive Education brand.</li></ul>
2006	<ul style="list-style-type: none"><li>Recognizing the extensive future growth in the use of computers and technology in PRC, we acquired Wisezone Data Technology Education to provide short-term practical information technology programs for college students and people at work.</li></ul>
2007	<ul style="list-style-type: none"><li>The number of our Schools in operation reached 27.</li><li>Anhui Xinhua Computer Institute obtained the ISO9001:2000 quality management system certification.</li><li>Langjie Technology was recognized as a high-tech enterprise by the Beijing Municipal Science &amp; Technology Commission (北京市科學技術委員會) for a period of two years.</li><li>Sichuan Xinhua Computer Institute* (四川新華電腦學院) was recognized as the National Demonstrative Base of National Information Technology (國家信息化全國示範基地) by the Ministry of Information Industry of the PRC.</li></ul>

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Year	Event
2010	<ul style="list-style-type: none"><li>Wontone Automotive Education was awarded "National Model Vocational Training Group in Automobile Industry" (全國汽車行業示範職教集團) by China Association of Automobile Culture* (中國汽車文化促進會) and China Auto Talents Training Project Committee* (中國汽車人才培養工程委員會).</li><li>Langjie Technology obtained the ISO9001: 2008 quality management system certification for design, development and operation of schools for computer education.</li></ul>
2012	<ul style="list-style-type: none"><li>The number of our Schools in operation reached 40.</li><li>Anhui Xinhua Computer Institute was appointed by the MHRSS to organize the "Developing Talent with New Skills for China New Project" ("國家新技能人才培養新項目") and "Four New Talent Development Plan" ("四新人才培養計劃").</li></ul>
2013	<ul style="list-style-type: none"><li>New East Culinary Institute* (新東方烹飪專修學院) of Anhui Xinhua Education Development Co., Ltd. was elected as a standing council member of the China Hospitality Association* (中國飯店協會) in the first election of the fourth council meeting of the China Hospitality Association.</li></ul>
2015	<ul style="list-style-type: none"><li>The number of our Schools in operation reached 71, and we expanded our business to Hong Kong.</li><li>Anhui Xinhua Education Development Co., Ltd. was elected as a council member of the sixth council meeting of the World China Culinary Joint Conference* (世界中國烹飪聯合會) by its sixth members' representatives meeting for five years.</li></ul>
2016	<ul style="list-style-type: none"><li>The number of our Schools in operation reached 90.</li><li>We founded Omick Education of Western Cuisine and Pastry to offer high-quality western-style catering education.</li><li>Shijiazhuang Xinhua Computer School* (石家莊新華電腦學校) was recognized as the "National Information Technology Talent Development Demonstration Training Unit" ("國家信息化人才培養示範培訓單位") by the Computer Education Authorization and Certification Office* (信息化培訓認證管理辦公室).</li><li>Beijing Wisezone Education Technology Co., Ltd.* (北京華信智原教育科技有限公司) was recognized as a high-tech enterprise jointly by Beijing Municipal Science &amp; Technology Commission (北京市科學技術委員會), Beijing Finance Bureau* (北京市財政局), Beijing Municipal Tax Service of the State Administration of Taxation* (北京市國家稅務局) and Beijing Local Taxation Bureau* (北京市地方稅務局) for a period of three years.</li></ul>



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Year	Event
2017	<ul style="list-style-type: none"><li>• The number of our Schools in operation reached 126.</li><li>• We founded Cuisine Academy in 2017 with a view to providing customized catering experience to customers who are interested in cooking or plan to establish their own businesses in the catering industry.</li><li>• Anhui Xinhua Education was recognized as a "National Demonstrative Training Base of National Catering Industry Talent" ("全國飯店業人才培訓示範基地") by the China Hospitality Association* (中國飯店協會).</li><li>• New East Culinary Education entered into a cooperation agreement with Johnson &amp; Wales University in the US for academic exchange and program collaboration.</li><li>• Beijing Wisezone Education Technology Co., Ltd.* (北京華信智原教育科技有限公司) was recognized as the "China Big Data Talent Development Demonstration Base" ("中國大數據人才培養示範基地") by the Computer Education Authorization and Certification Office* (信息化培訓認證管理辦公室)</li><li>• Langjie Technology was recognized as a high-tech enterprise jointly by the Beijing Municipal Science &amp; Technology Commission, Beijing Finance Bureau, Beijing Municipal Tax Service of the State Administration of Taxation and Beijing Local Taxation Bureau for a period of three years.</li><li>• Anhui Xinhua Education Development Co., Ltd. was named "Specially Invited Vice President" for 16 months in the sixth council meeting of the China Hospitality Association.</li></ul>
2018	<ul style="list-style-type: none"><li>• Anhui Xinhua Education was named "Outstanding Contributor for Talent Development for the Culinary Industry in China for 40 Years of Reform and Opening Up" ("改革開放40年中國餐飲行業培養人才突出貢獻單位") by the China Cuisine Association (中國烹飪協會) and "Merit Enterprise for the Culinary Industry in China for 40 Years of Reform and Opening Up" ("改革開放40周年全國餐飲業功勳企業") by the China Hospitality Association (中國飯店協會).</li><li>• The number of our Schools in operation reached 139, including 50 Schools under New East Culinary Education, 23 Schools under Xinhua Internet Technology Education, 25 Schools under Wontone Automotive Education, 19 Schools under Omick Education of Western Cuisine and Pastry and 22 Schools under Wisezone Data Technology Education.</li><li>• The number of our companies under Cuisine Academy reached 17.</li></ul>

## HISTORY AND CORPORATE STRUCTURE

### OUR MATERIAL PRC CONSOLIDATED AFFILIATED ENTITIES AND SUBSIDIARY

Set out below are details of eight PRC Consolidated Affiliated Entities and one PRC subsidiary which are material to the results or assets of our Group<sup>(1)</sup>.

No.	School/Company	Industry Segment/Brand	Date of establishment	Registered capital/ Capital as of the Latest Practicable Date (RMB)	Principal business activities as of the Latest Practicable Date
1.	Anhui Xinhua Education. . . . .	N/A	March 30, 2004	100,000,000	Education investment
2.	Anhui New East Culinary Institute (安徽新東方烹飪專修學院). . . . .	New East Culinary Education	March 2, 2006	40,000,000	Provision of culinary related educational services
3.	Chengdu New East Culinary School (成都新東方烹飪學校). . . . .	New East Culinary Education	January 14, 2003	3,500,000	Provision of culinary related educational services
4.	Anhui Xinhua Computer Institute (安徽新華電腦專修學院). . . . .	Xinhua Internet Technology Education	December 28, 2004	5,000,000	Provision of internet technology related educational services
5.	Anhui Wontone Automobile Maintenance Institute (安徽萬通汽車專修學院). . . . .	Wontone Automotive Education	March 19, 2007	30,000,000	Provision of automobile related educational services
6.	Sichuan Wontone Automobile Vocational Training Institute (四川萬通汽車職業培訓學院). . . . .	Wontone Automotive Education	March 19, 2010	1,000,000	Provision of automobile related educational services
7.	Omick Western Pastry Training (Shanghai) Co., Ltd. (歐米奇西點培訓(上海)有限公司). . . . .	Omick Education of Western Cuisine and Pastry	September 21, 2015	1,000,000	Provision of western cuisine and pastry related educational services
8.	Beijing Wisezone Educational Technology Co., Ltd. (北京華信智原教育技術有限公司). . . . .	Wisezone Data Technology Education	November 1, 2005	2,550,000	Provision of data technology related educational services
9.	Shenzhen Cuisine East Institute Training Co., Ltd. (深圳美味東方學院培訓有限公司). . . . .	Cuisine Academy	August 21, 2017	500,000	Provision of cuisine classes and related educational services

**Note:**

(1) Save as disclosed in this document, Anhui Xinhua Education holds the entire interests of all of our other PRC Consolidated Affiliated Entities. See notes 2-5 to the corporate structure chart immediately prior to the commencement of the Corporate Reorganization under "– Corporate Reorganization" in this section for details. Our seven PRC Consolidated Affiliated Entities (excluding Anhui Xinhua Education) and one PRC subsidiary disclosed in this table are entities, that we consider to be material to the results of our Group, which (i) have substantially contributed to more than 25% of the revenue or profits in the respective industry segment or more than 5% of the revenue in our Group, during any year of the Track Record Period; and/or (ii) we consider to be significant in terms of the industry segment they belong to.

## HISTORY AND CORPORATE STRUCTURE

### 1. Anhui Xinhua Education

Anhui Xinhua Education was established on March 30, 2004 under the laws of the PRC with a registered capital of RMB10 million. Upon its establishment as Anhui Xinhua Education Development Co., Ltd.\* (安徽新華教育發展有限公司), it was owned as to 60.0% by Xinhua Investment, 20.0% by Mr. Wu Wei, and 20% by Mr. Xiao Guoqing. On October 24, 2005, Xinhua Investment transferred 30% of the shareholdings in Anhui Xinhua Education to Mr. Wu Wei and 30% to Mr. Xiao Guoqing, pursuant to an equity transfer agreement dated September 27, 2005, at a consideration of RMB3 million and RMB3 million, respectively. Such consideration was determined with reference to the registered capital. The registered capital of Anhui Xinhua Education then on October 24, 2005 was increased to RMB20 million and such increase was contributed by Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing as to 68%, 16% and 16%, respectively. Upon completion of the increase in the registered capital, Anhui Xinhua Education was owned as to 34% by Mr. Wu Junbao, 33% by Mr. Wu Wei, and 33% by Mr. Xiao Guoqing. On October 7, 2008, its registered capital was increased to RMB25 million and remained to be owned as to 34% by Mr. Wu Junbao, 33% by Mr. Wu Wei, and 33% by Mr. Xiao Guoqing. On November 11, 2008, its registered capital was increased to RMB40 million and remained to be owned as to 34% by Mr. Wu Junbao, 33% by Mr. Wu Wei, and 33% by Mr. Xiao Guoqing.

On September 9, 2009, Mr. Wu Junbao, pursuant to family interests arrangements, transferred his 34% of shareholdings in Anhui Xinhua Education to Zhou Jiaju (周家菊), the spouse of Mr. Wu Junbao, pursuant to an equity transfer agreement dated May 31, 2009, at a consideration of RMB13.6 million. Such consideration was determined with reference to the registered capital. On December 25, 2009, Zhou Jiaju transferred 30% of the shareholdings in Anhui Xinhua Education to Mr. Wu Junbao, and 4% to Wang Yongkai (王永凱), an employee of the Group at that time, pursuant to an equity transfer agreement dated October 18, 2009, at a consideration of RMB12 million and RMB1.6 million, respectively. Such considerations were determined with reference to the registered capital and corresponding creditors' rights and debt obligations attached thereto. Mr. Wu Wei and Mr. Xiao Guoqing then on December 25, 2009 transferred 12.5% and 13.5%, respectively, of the shareholdings to Wang Yongkai pursuant to the same equity transfer agreement dated October 18, 2009, at a consideration of RMB5 million and 5.4 million, respectively. Such consideration were determined with reference to the registered capital and corresponding creditors' rights and debt obligations attached thereto. Upon completion of such equity transfers, Anhui Xinhua Education became owned as to 30% by Mr. Wu Junbao, 30% by Wang Yongkai, 20.5% by Mr. Wu Wei, and 19.5% by Mr. Xiao Guoqing. The reason for said transfers of equity interests to Wang Yongkai was for administrative convenience.

On June 24, 2011, Wang Yongkai transferred 30% of the shareholdings in Anhui Xinhua Education to Mr. Wu Junbao pursuant to an equity transfer agreement dated June 10, 2011 at a consideration of RMB12 million. Such consideration was determined with reference to the registered capital and corresponding creditors' rights and debt obligations attached thereto. Upon completion of such transfers, Anhui Xinhua Education become owned as to 60% by Mr. Wu Junbao, 20.5% by Mr. Wu Wei, and 19.5% by Mr. Xiao Guoqing.

On December 14, 2015, the registered capital of Anhui Xinhua Education was further increased to RMB360 million and such increase was contributed by Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing as to 60%, 20.5% and 19.5%, respectively. Upon completion of the increase in the registered capital, Anhui Xinhua Education was owned as to 60% by Mr. Wu Junbao, 20.5% by Mr. Wu Wei, and 19.5% by Mr. Xiao Guoqing.

## HISTORY AND CORPORATE STRUCTURE

On July 21, 2016, in anticipation of a proposed employee incentive arrangement, pursuant to an equity transfer agreement dated July 17, 2016, Mr. Wu Junbao transferred 5% of the shareholdings in Anhui Xinhua Education to Le En Te and 5% to Dong Fang Qi at a consideration of RMB18 million and RMB18 million, respectively. Le En Te and Dong Fang Qi were the proposed employee shareholding vehicles both owned as to 99.999998% by Mr. Wu Junbao, 0.000001% by Mr. Wu Wei and 0.000001% by Mr. Xiao Guoqing. On the same date, Mr. Wu Junbao also transferred 5.8% to Mr. Wu Wei and 5.8% to Mr. Xiao Guoqing pursuant to the same equity transfer agreement dated July 17, 2016, at a consideration of RMB20.88 million and RMB20.88 million respectively. Such consideration were determined with reference to the registered capital and were fully paid up by July 21, 2016. Upon completion of such transfers, Anhui Xinhua Education became owned as to 38.4% by Mr. Wu Junbao, 26.3% by Mr. Wu Wei, 25.3% by Mr. Xiao Guoqing, 5% by Le En Te, and 5% by Dong Fang Qi.

On December 6, 2016, the company name of Anhui Xinhua Education Development Co., Ltd. was changed to Anhui Xinhua Education Co., Ltd.\* (安徽新華教育有限公司). On February 15, 2017, its company name was further changed to Anhui Xinhua Education Group Co., Ltd.\* (安徽新華教育集團有限公司), being its current name.

In September and November 2018, Anhui Xinhua Education underwent increase and reduction of registered capital, respectively, pursuant to the Corporate Reorganization. Please see “— Corporate Reorganization — 4. Changes in registered capital of Anhui Xinhua Education” in this section for details. As of the Latest Practicable Date, Anhui Xinhua Education was owned as to 42.6667%, 29.2222%, and 28.1111% by Mr. Wu Junbao, Mr. Wu Wei, and Mr. Xiao Guoqing, respectively.

### **2. Anhui New East Culinary Institute\* (安徽新東方烹飪專修學院)**

Anhui New East Culinary Institute\* (安徽新東方烹飪專修學院) is one of the material PRC Consolidated Affiliated Entities under New East Culinary Education. It was established on March 2, 2006 under the laws of the PRC with a capital of RMB1 million. Upon its establishment, its school sponsor's interest was wholly-owned by Huang Yuan (黃源), an employee of the Group at that time. The reason for Huang Yuan in the capacity as an employee to establish the School and to hold the entire school sponsor's interest was for administrative convenience. On August 6, 2008, its capital was increased to RMB2 million and remained to be wholly-owned by Huang Yuan.

In September 2008, Huang Yuan transferred all of the school sponsor's interest to Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing as to 34%, 33% and 33%, respectively, pursuant to a school sponsor's interest transfer agreement at a consideration of RMB680,000, RMB660,000 and RMB660,000, respectively. Such consideration were determined with reference to the school sponsor's interest and were fully paid up on September 12, 2008. Its capital was then increased to RMB7 million which remained to be owned as to 34% by Mr. Wu Junbao, 33% by Mr. Wu Wei, and 33% by Mr. Xiao Guoqing. Such transfer of school sponsor's interest and increase of capital in September 2008 was completed and registered with the relevant local governmental authorities on November 10, 2009 and October 16, 2008, respectively. On April 20, 2009, its capital was increased to RMB20 million and remained to be owned as to 34% by Mr. Wu Junbao, 33% by Mr. Wu Wei, and 33% by Mr. Xiao Guoqing. On November 9, 2009, its capital was increased to RMB40 million and remained to be owned as to 34% by Mr. Wu Junbao, 33% by Mr. Wu Wei, and 33% by Mr. Xiao Guoqing.

On January 6, 2010, Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing transferred 4%, 12.5% and 13.5%, respectively, of the school sponsor's interest to Wang Yongkai, an employee of the Group at that time, pursuant to a school sponsor's interest transfer agreement, at a consideration of RMB1.6 million, RMB5 million and RMB5.4 million,

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respectively. Such consideration were determined with reference to the school sponsor's interest and corresponding creditors' rights and debt obligations attached thereto. Upon completion of such transfers, Anhui New East Culinary Institute became owned as to 30% by Mr. Wu Junbao, 20.5% by Mr. Wu Wei, 19.5% by Mr. Xiao Guoqing, and 30% by Wang Yongkai. The reason for said transfer of school sponsor's interests to Wang Yongkai was for administrative convenience.

On July 20, 2012, Wang Yongkai transferred 30% of the school sponsor's interest to Mr. Wu Junbao pursuant to a school sponsor's interest transfer agreement at a consideration of RMB12 million. Such consideration was determined with reference to the school sponsor's interest and were fully paid up on June 28, 2012. Upon completion of such transfer, Anhui New East Culinary Institute became owned as to 60% by Mr. Wu Junbao, 20.5% by Mr. Wu Wei, and 19.5% by Mr. Xiao Guoqing.

On December 15, 2015, Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing transferred 60%, 20.5% and 19.5%, respectively, of the shareholdings in Anhui New East Culinary Institute to Anhui Xinhua Education Development Co., Ltd. pursuant to a school sponsor's interest transfer agreement dated December 3, 2015, where Anhui Xinhua Education increased its registered capital for subscription by such three sellers as consideration. Such consideration were determined with reference to the school sponsor's interest and were fully paid up by December 18, 2015. Upon completion of such transfers and as of the Latest Practicable Date, Anhui New East Culinary Institute was wholly-owned by Anhui Xinhua Education Development Co., Ltd.

### 3. Chengdu New East Culinary School\* (成都新東方烹飪學校)

Chengdu New East Culinary School\* (成都新東方烹飪學校) is another material PRC Consolidated Affiliated Entity under New East Culinary Education. It was established on January 14, 2003 under the laws of the PRC with a capital of RMB50,000. Upon its establishment as Chengdu Jinjiang Culinary Training School\* (成都錦江烹飪培訓學校), its school sponsor's interest was wholly-owned by Wu Feng (吳峰), an employee of the Group at that time. The reason for Wu Feng in the capacity as an employee to establish the School and to hold the entire school sponsor's interest was for administrative convenience. On July 6, 2004, the name of Chengdu Jinjiang Culinary Training School was changed to Chengdu New East Culinary School\* (成都新東方烹飪學校) being its current name.

On December 30, 2008, Anhui New East Culinary Institute had contributed the entire school sponsor's interest of Chengdu New East Culinary School of RMB500,000, and such contribution was duly registered with the relevant government authority. On the same date, Anhui New East Culinary Institute was registered as the school sponsor of Chengdu New East Culinary School.

On November 18, 2009, the capital of Chengdu New East Culinary School was further increased to RMB3.5 million. Upon completion of such capital increase and as of the Latest Practicable Date, Chengdu New East Culinary School remained to be wholly-owned by Anhui New East Culinary Institute.

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### 4. Anhui Xinhua Computer Institute\* (安徽新華電腦專修學院)

Anhui Xinhua Computer Institute\* (安徽新華電腦專修學院) is one of the material PRC Consolidated Affiliated Entities under Xinhua Internet Technology Education. It was established on December 28, 2004 under the laws of the PRC with a capital of RMB2 million. Upon its establishment, its school sponsor's interest was wholly-owned by Xinhua Investment.

On May 12, 2006, Xinhua Investment transferred all of the school sponsor's interest to Anhui Xinhua Education pursuant to a school sponsor's interest agreement dated November 11, 2005, at a consideration of RMB2 million. Such consideration was determined with reference to the registered capital and corresponding creditors' rights and debt obligations attached thereto. Upon completion of such transfer, Anhui Xinhua Computer Institute was owned as to 100% by Anhui Xinhua Education. Its capital was then on May 12, 2006 increased to RMB5 million. Upon the completion of the increase in capital and as of the Latest Practicable Date, it remained to be wholly-owned by Anhui Xinhua Education.

### 5. Anhui Wontone Automobile Maintenance Institute\* (安徽萬通汽車專修學院)

Anhui Wontone Automobile Maintenance Institute\* (安徽萬通汽車專修學院) ("Anhui Wontone") is one of the material PRC Consolidated Affiliated Entities under Wontone Automotive Education. It was established on March 19, 2007 under the laws of the PRC with a capital of RMB1 million. Upon its establishment, its school sponsor's interest was wholly-owned by Shu Congshuang (束從雙), an employee of the Group at that time. The reason for Shu Congshuang in his capacity as an employee to establish the School and to hold the entire school sponsor's interest was for administrative convenience. On July 20, 2008, its registered capital was increased to RMB2 million which remained to be wholly-owned by Shu Congshuang. On October 8, 2008, its registered capital was increased to RMB7 million which remained to be wholly-owned by Shu Congshuang.

On July 24, 2009, Shu Congshuang transferred 34%, 33% and 33% of the school sponsor's interest to Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing, respectively, pursuant to a school sponsor's interest transfer agreement dated May 26, 2009, at a consideration of RMB2.38 million, RMB2.31 million and RMB2.31 million, respectively. Such consideration were determined with reference to the school sponsor's interest and were fully paid up by May 27, 2009. Its capital was then on July 24, 2009 increased to RMB10 million which remained to be owned as to 34%, 33% and 33% by Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing, respectively. On September 24, 2009, its capital was increased to RMB30 million which remained to be owned as to 34%, 33% and 33% by Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing, respectively.

On January 6, 2010, Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing transferred 4%, 12.5% and 13.5%, respectively, of the school's sponsor interest to Wang Yongkai, an employee of the Group at that time, pursuant to a school sponsor's interest transfer agreement dated October 18, 2009, at a consideration of RMB1.2 million, RMB3.75 million and RMB4.05 million, respectively. Such consideration were determined with reference to the school sponsor's interests and corresponding creditors' rights and debt obligations attached thereto. Upon completion of such transfers, Anhui Wontone became owned as to 30% by Mr. Wu Junbao, 20.5% by Mr. Wu Wei, 19.5% by Mr. Xiao Guoqing, and 30% by Wang Yongkai. The reason for such transfer of school sponsor's interests to Wang Yongkai was for administrative convenience.

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On July 20, 2012, Wang Yongkai transferred 30% of the school sponsor's interests to Mr. Wu Junbao pursuant to a school sponsor's interest transfer agreement dated June 28, 2012, at a consideration of RMB9 million. Such consideration was determined with reference to the school sponsor's interests and corresponding creditors' rights and debt obligations attached thereto and was fully paid up by June 28, 2012. Upon completion of such transfer, Anhui Wontone became owned as to 60% by Mr. Wu Junbao, 20.5% by Mr. Wu Wei, and 19.5% by Mr. Xiao Guoqing.

On December 15, 2015, Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing transferred 60%, 20.5% and 19.5%, respectively, of the school sponsor's interest to Anhui Xinhua Education pursuant to a school sponsor's interest transfer agreement dated December 3, 2015, where Anhui Xinhua Education increased its registered capital for subscription by such three sellers as consideration. Such consideration were determined with reference to the school sponsor's interest and corresponding creditors' rights and debt obligations attached thereto and were fully paid up by December 3, 2015. Upon completion of such transfers and as of the Latest Practicable Date, Anhui Wontone was wholly-owned by Anhui Xinhua Education.

### 6. Sichuan Wontone Automobile Vocational Training Institute\* (四川萬通汽車職業培訓學院)

Sichuan Wontone Automobile Vocational Training Institute\* (四川萬通汽車職業培訓學院) is another material PRC Consolidated Affiliated Entity under Wontone Automotive Education. It was established on March 19, 2010 under the laws of the PRC with a capital of RMB500,000. Upon its establishment, its school sponsor's interest was wholly-owned by Anhui Wontone. On June 9, 2015, its capital was increased to RMB1 million and as of the Latest Practicable Date, it remained to be wholly-owned by Anhui Wontone.

### 7. Omick Western Pastry Training (Shanghai) Co., Ltd.\* (歐米奇西點培訓(上海)有限公司)

Omick Western Pastry Training (Shanghai) Co., Ltd.\* (歐米奇西點培訓(上海)有限公司) is one of the material PRC Consolidated Affiliated Entities under Omick Education of Western Cuisine and Pastry. It was established as a limited liability company on September 21, 2015 under the laws of the PRC with a registered capital of RMB1 million and since then until the Latest Practicable Date it has been wholly-owned by Anhui New East Culinary Institute.

### 8. Beijing Wisezone Educational Technology Co., Ltd.\* (北京華信智原教育技術有限公司)

Beijing Wisezone Educational Technology Co., Ltd.\* (北京華信智原教育技術有限公司) is one of the material PRC Consolidated Affiliated Entities under Wisezone Data Technology Education. It was established as a limited liability company on November 1, 2005 under the laws of the PRC with a registered capital of RMB300,000. Upon its establishment, its shareholding was owned as to 80% by Tan Lutao (譚魯濤), an Independent Third Party; 10% by Meng Lei (孟蕾), an Independent Third Party; and 10% by Beijing Huacheng Xinneng Electrical Engineering Technology Co., Ltd.\* (北京華誠欣能電力工程技術有限公司).

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On February 20, 2006, Meng Lei and Beijing Huacheng Xinneng Electrical Engineering Technology Co., Ltd. transferred 10% and 10%, respectively, of the shareholdings in Beijing Wisezone Education Technology Co., Ltd. to Tan Lutao pursuant to each of their respective equity transfer agreements both dated February 10, 2006, each at a consideration of RMB30,000. Such consideration were determined with reference to the registered capital and were fully paid up by February 16, 2006. In view of future expansion of the Group and increasing demand for information technology related services in the society, Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing each then on February 20, 2006 made a capital contribution of RMB637,500 into Beijing Wisezone Education Technology Co., Ltd. Its registered capital was thus increased to RMB2.55 million which became owned as to 25%, 25%, 25% and 25% by Mr. Wu Junbao, Mr. Wu Wei, Mr. Xiao Guoqing, and Tan Lutao, respectively.

On June 2, 2015, Mr. Wu Junbao, Mr. Wu Wei, Mr. Xiao Guoqing, and Tan Lutao transferred each of their respective interests to Anhui Xinhua Education Development Co., Ltd. pursuant to each of their respective equity transfer agreements all dated January 20, 2015, each at a consideration of RMB650,000. Such consideration were determined with reference to, among others, the registered capital. Upon completion of such transfers and as of the Latest Practicable Date, Beijing Wisezone Education Technology Co., Ltd. was wholly-owned by Anhui Xinhua Education Development Co., Ltd., whose name was changed to Anhui Xinhua Education on February 15, 2017.

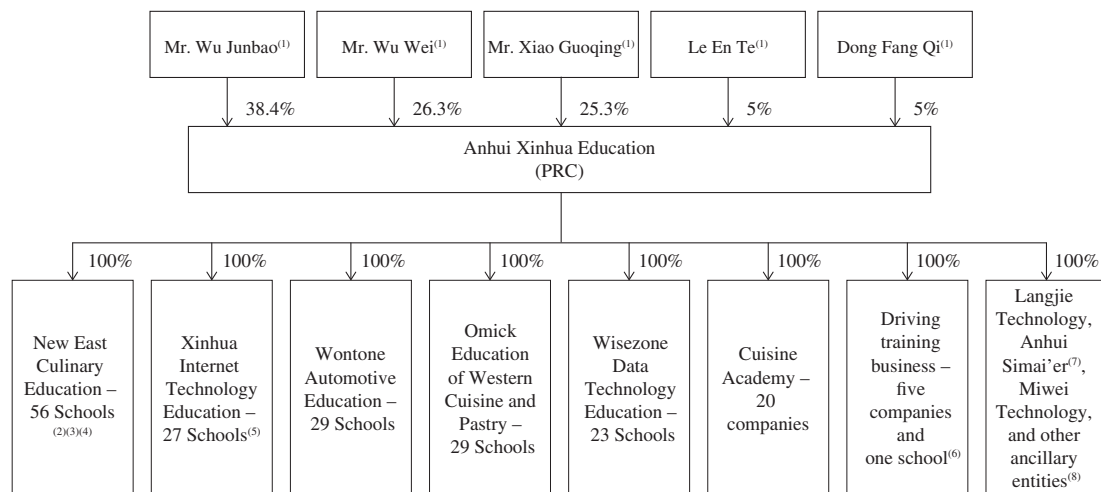
### 9. Shenzhen Cuisine East Institute Training Co., Ltd.\* (深圳美味東方學院培訓有限公司)

Shenzhen Cuisine East Institute Training Co., Ltd.\* (深圳美味東方學院培訓有限公司) is one of our material subsidiaries under Cuisine Academy. It was established as a limited liability company on August 21, 2017 under the laws of the PRC with a registered capital of RMB500,000 and was wholly-owned by Hefei Xinhua East Education Investment Co., Ltd.\* (合肥新華東方教育投資有限公司).

On September 27, 2018, Hefei Xinhua East Education Investment Co., Ltd. transferred the entire shareholdings in Shenzhen Cuisine East Institute Training Co., Ltd. to Xinhua Chuangzhi, pursuant to an equity transfer agreement dated September 27, 2018, at a consideration of RMB500,000. Such consideration was determined with reference to the registered capital. Upon completion of said transfer and as of the Latest Practicable Date, Shenzhen Cuisine East Institute Training Co., Ltd. was wholly-owned by Xinhua Chuangzhi.

## CORPORATE REORGANIZATION

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





## HISTORY AND CORPORATE STRUCTURE

Notes:

- (1) Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing are cousins. Mr. Wu Junbao is a general partner and Mr. Wu Wei and Mr. Xiao Guoqing are limited partners of Le En Te, which is owned as to 99.99998% by Mr. Wu Junbao, 0.000001% by Mr. Wu Wei and 0.000001% by Mr. Xiao Guoqing. Mr. Wu Junbao is a general partner and Mr. Wu Wei and Mr. Xiao Guoqing are limited partners of Dong Fang Qi, which is owned as to 99.99998% by Mr. Wu Junbao, 0.000001% by Mr. Wu Wei and 0.000001% by Mr. Xiao Guoqing.
- (2) As advised by our PRC Legal Advisors, the articles of association of Nanjing School currently provides that its school sponsors are Mr. Xiao Guoqing (肖國慶) and Mr. Ge Xiaoliang (葛孝良), a headmaster of one of our PRC Consolidated Affiliated Entities. Nanjing School has applied to the relevant local branches of the human resources and social security authorities and civil affairs authorities to change its school sponsors but has yet to obtain the relevant approvals. In this circumstance, Xinhua Chuangzhi will enter into various agreements that constitute Structured Contracts II (as disclosed in the section headed "Structured Contracts") with Mr. Xiao Guoqing and Mr. Ge Xiaoliang under which all economic benefits arising from the business of Nanjing School will be transferred to Xinhua Chuangzhi by means of services fees payable by Nanjing School to Xinhua Chuangzhi.
- (3) As advised by our PRC Legal Advisors, the articles of association of Shanghai Fengxian District East Delicacy Vocational Training School\* (上海奉賢區東方美食職業培訓學校), one of the Schools under New East Culinary Education, currently provides that its school sponsors are Mr. Yang Bing (楊兵), a headmaster of one of our PRC Consolidated Affiliated Entities, and Mr. Liang Yong (梁勇), an Independent Third Party. Shanghai Fengxian District East Delicacy Vocational Training School has applied for and the relevant local branch of the human resources and social security authorities have approved the change of school sponsors. However, the relevant local branch of the civil affairs authorities has not yet approved its amended articles of association. In this circumstance, each of Mr. Yang Bing and Mr. Liang Yong has signed a written confirmation dated November 20, 2018 confirming that Anhui New East Culinary Institute legally owns the entire school sponsor's interest, that each of them agree to give up all of the school sponsor's interest and will not claim any rights thereunder in the future, and that each of them will unconditionally cooperate with any formalities for registration changes in the future.
- (4) As advised by our PRC Legal Advisors, the articles of association of Jiangsu New East Culinary Training School\* (江蘇新東方烹飪技術學校), one of the Schools under New East Culinary Education, currently provides that its school sponsor is the Chinese Zhigong Party Jiangsu Provincial Committee (中國致公黨江蘇省委員會), an Independent Third Party. It has applied for and the relevant local branch of the human resources and social security authorities have approved the change of school sponsor. However, the relevant local branch of the civil affairs authorities has not yet approved its amended articles of association. In this circumstance, the Chinese Zhigong Party Jiangsu Provincial Committee has signed a written confirmation dated November 21, 2007 confirming that the school sponsor of Jiangsu New East Culinary Training School has been changed to Anhui Xinhua Education Development Co., Ltd.
- (5) Nanjing Xinhua Computer Institute has applied for and the relevant local branch of the human resources and social security authorities have approved the change of school sponsor from Mr. Zhou Baoyin (周寶銀), an Independent Third Party to Anhui Xinhua Education Development Co., Ltd. However, the relevant local branch of the civil affairs authorities has not yet approved its amended articles of association. In this circumstance, Mr. Zhou Baoyin has signed a written confirmation dated November 22, 2018 confirming that Anhui Xinhua Education legally owns the entire school sponsor's interest, that he agrees to give up all of his school sponsor's interest and will not claim any rights thereunder in the future, and that he will unconditionally cooperate with any formalities for registration changes in the future.
- (6) To be disposed of pursuant to Corporate Reorganization.
- (7) Anhui Simai'er is indirectly held by Anhui Xinhua Education as it is a direct wholly-owned subsidiary of Langjie Technology.
- (8) Other ancillary entities include eight entities to be deregistered pursuant to the Corporate Reorganization and five entities which provide administrative functions.

## HISTORY AND CORPORATE STRUCTURE

In preparation for the [REDACTED], we underwent the following Corporate Reorganization:

### 1. Establishment of Xinhua Chuangzhi

Xinhua Chuangzhi was established in the PRC on August 28, 2018 as a limited liability company with a registered capital of RMB500,000 and was wholly-owned by Anhui Xinhua Education. Xinhua Chuangzhi is principally engaged in the provision of technical and management consultancy services to our PRC Consolidated Affiliated Entities.

### 2. Ensuring contractual arrangements to be narrowly tailored to address specific businesses

#### *Langjie Technology and Anhui Simai'er*

Langjie Technology is primarily engaged in technology development, consulting, promotion and services. Anhui Simai'er is a directly wholly-owned subsidiary of Langjie Technology which is primarily engaged in the provision of catering services and sale of foodstuffs. As confirmed by our PRC Legal Advisors, such businesses do not fall within the Negative List and thus are permitted to be foreign-invested.

#### *Cuisine Academy and HK New Oriental*

The 20 PRC companies under Cuisine Academy are engaged in provision of customized catering experience services. Such services concern personal interests and hobbies cultivation only. As confirmed by our PRC Legal Advisors and according to the September Interviews conducted with the MOE and the MHRSS, such services do not belong to vocational training that are subject to Sino-Foreign Regulations as they are not subject to the jurisdiction of the MOE or the MHRSS. HK New Oriental is a Hong Kong entity which is not subject to the Negative List.

With the view to having the contractual arrangements narrowly tailored to address only businesses restricted from foreign investment or Sino-foreign cooperation under relevant PRC laws and regulations, Xinhua Chuangzhi acquired Langjie Technology, Anhui Simai'er<sup>(1)</sup>, and the 20 PRC companies under Cuisine Academy, and China East BVI acquired HK New Oriental. Set out below are details of the acquisition transactions.

No.	School/Company	Seller	Purchaser	Date of Agreement	Consideration (RMB)	Date of Completion <sup>(3)</sup>
1.	Langjie Technology . . . . .	Anhui Xinhua Education	Xinhua Chuangzhi	September 5, 2018	20,000,000	September 29, 2018
2.	Beijing Cuisine East Education Technology Co., Ltd.* (北京美味東方教育科技有限公司) . . . . .	Hefei Xinhua East Education Investment Co., Ltd.* (合肥新華東方教育投資有限公司) <sup>(2)</sup> ("Xinhua East Investment")	Xinhua Chuangzhi	September 11, 2018	500,000	September 29, 2018

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No.	School/Company	Seller	Purchaser	Date of Agreement	Consideration (RMB)	Date of Completion <sup>(3)</sup>
3.	Guangzhou Cuisine Classroom Training Co., Ltd.* (廣州美味課堂培訓有限公司) . . . . .	Xinhua East Investment	Xinhua Chuangzhi	October 10, 2018	500,000	October 16, 2018
4.	Guizhou Cuisine Academy Education & Training Co., Ltd.* (貴州美味學院教育培訓有限公司) . . . . .	Xinhua East Investment	Xinhua Chuangzhi	October 8, 2018	500,000	October 12, 2018
5.	Hangzhou Cuisine Consultancy Service Co., Ltd.* (杭州美味諮詢服務有限公司) . . . . .	Xinhua East Investment	Xinhua Chuangzhi	September 5, 2018	500,000	September 28, 2018
6.	Hefei Cuisine Classroom Education Consultancy Co., Ltd.* (合肥美味課堂教育諮詢有限公司) . . . . .	Xinhua East Investment	Xinhua Chuangzhi	October 11, 2018	500,000	October 16, 2018
7.	Henan Cuisine Academy Education Consultancy Co., Ltd.* (河南美味學院教育諮詢有限公司) . . . . .	Xinhua East Investment	Xinhua Chuangzhi	September 27, 2018	1,000,000	September 27, 2018
8.	Hubei Cuisine Academy Training Co., Ltd.* (湖北美味學院培訓有限公司) . . . . .	Xinhua East Investment	Xinhua Chuangzhi	September 5, 2018	2,000,000	September 26, 2018
9.	Jilin Province Cuisine Classroom Vocational Skills Consultancy Co., Ltd.* (吉林省美味課堂職業技能諮詢有限公司) . . . . .	Xinhua East Investment	Xinhua Chuangzhi	September 25, 2018	2,000,000	October 12, 2018
10.	Jinan Cuisine Classroom Catering Management Consultancy Co., Ltd.* (濟南美味課堂餐飲管理諮詢有限公司) . . . . .	Xinhua East Investment	Xinhua Chuangzhi	September 30, 2018	500,000	October 2, 2018
11.	Kunming Cuisine Education Information Consultancy Co., Ltd.* (昆明美味教育信息諮詢有限公司) . . . . .	Xinhua East Investment	Xinhua Chuangzhi	October 23, 2018	1,000,000	October 25, 2018
12.	Lanzhou Cuisine Academy Educational Consultancy Co., Ltd.* (蘭州美味學院教育諮詢有限公司) . . . . .	Xinhua East Investment	Xinhua Chuangzhi	September 26, 2018	500,000	September 28, 2018
13.	Nanjing Tasty Culinary Training Co., Ltd.* (南京味美廚藝培訓有限公司) . . . . .	Xinhua East Investment	Xinhua Chuangzhi	September 27, 2018	500,000	September 27, 2018
14.	Qingdao Cuisine Classroom Education & Training Co., Ltd.* (青島美味課堂教育培訓有限公司) . . . . .	Xinhua East Investment	Xinhua Chuangzhi	September 29, 2018	500,000	September 29, 2018

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No.	School/Company	Seller	Purchaser	Date of Agreement	Consideration (RMB)	Date of Completion <sup>(3)</sup>
15.	Xiamen Cuisine East Education Co., Ltd.* (廈門美味東方教育有限公司) . . . . .	Xinhua East Investment	Xinhua Chuangzhi	September 28, 2018	500,000	October 9, 2018
16.	Shenzhen Cuisine East Academy Training Co., Ltd.* (深圳美味東方學院培訓有限公司) . . . . .	Xinhua East Investment	Xinhua Chuangzhi	September 27, 2018	500,000	October 8, 2018
17.	Tianjin Cuisine Educational Technology Co., Ltd.* (天津美味教育科技有限公司) . . . . .	Xinhua East Investment	Xinhua Chuangzhi	September 14, 2018	500,000	September 28, 2018
18.	Xi'an Cuisine East Catering Technical Training Co., Ltd.* (西安美味東方餐飲技能培訓有限公司), now known as Xi'an Cuisine East Catering Management Co., Ltd.* (西安美味東方餐飲管理有限公司) . . . . .	Xinhua East Investment	Xinhua Chuangzhi	September 28, 2018	500,000	September 29, 2018
19.	Shenyang Cuisine Classroom Education Enterprise Management Co., Ltd.* (瀋陽美味學院課堂教育企業管理有限公司) . . . . .	Xinhua East Investment	Xinhua Chuangzhi	September 5, 2018	500,000	September 30, 2018
20.	Dalian Cuisine East Educational Technology Co., Ltd.* (大連美味東方教育科技有限公司) . . . . .	Xinhua East Investment	Xinhua Chuangzhi	September 5, 2018	500,000	September 26, 2018
21.	HK New Oriental . . . . .	Anhui Xinhua Education	China East BVI	N/A <sup>(4)</sup>	444,000 (equivalent to HK\$500,000)	October 29, 2018

**Notes:**

- (1) As Anhui Simai'er is directly wholly-owned by Langjie Technology, it was indirectly acquired by Xinhua Chuangzhi.
- (2) Xinhua East Investment is directly wholly-owned by Anhui Xinhua Education.
- (3) For PRC entities, date of completion is the date of business license which is obtained after due registration with the relevant local government authorities, while for Hong Kong entities, date of completion is the date when stamp duty has been duly paid.
- (4) There is no share purchase agreement for the transfer of HK New Oriental.

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### 3. Disposal of equity interests or school sponsor's interests in subsidiaries engaged in non-core businesses

Prior to the Corporate Reorganization, we had owned five companies and one School that provided training courses for driving examinations. We also owned Miwei Technology which developed and ran two mobile applications, with one providing cooking tutorial videos and online courses, and the other providing online academic support for students. With a view to focusing on our core competencies in our principal businesses, streamlining our group structure and simplifying our businesses and brand portfolio, the following subsidiaries were disposed of and set out below are details of the disposals:

No.	Disposed School/company	Seller	Buyer	Amount and basis of consideration	Date of completion <sup>(5)</sup>	Date of settlement	Principal business activities
1	Hefei Yuxing Automobile Driver Training Co., Ltd.* (合肥宇星機動車駕駛員培訓有限公司) ("Hefei Yuxing") . . .	Anhui Wontone (100%)	Xinhua Investment <sup>(1)</sup> (41.8%), Anhui Xinhua Real Estate Co., Ltd.* (安徽新華房地產有限公司) <sup>(2)</sup> ("Xinhua Real Estate") (29.6%), and Anhui Huadi Rongxin Real Estate Co., Ltd.* (安徽華地融信房地產有限公司) <sup>(3)</sup> ("Huadi Rongxin") (28.6%)	RMB4,180, RMB2,960 and RMB2,860, respectively, which was determined after negotiations between the parties and taking into account the net liabilities position of Hefei Yuxing	November 15, 2018	October 26, 2018	Provision of driving training educational services
2	Hefei Xin'an Automobile Driver Training School* (合肥新安機動車駕駛員培訓學校) ("Hefei Xin'an"). . . .	Anhui Wontone (100%)	Xinhua Investment <sup>(1)</sup> (41.8%), Anhui Xinhua Real Estate <sup>(2)</sup> (29.6%), and Huadi Rongxin <sup>(3)</sup> (28.6%)	RMB4,180, RMB2,960 and RMB2,860, respectively, which was determined after negotiations between the parties and taking into account the net liabilities position of Hefei Xin'an	Not available as of the Latest Practicable Date <sup>(4)</sup>	October 26, 2018	Provision of driving training educational services
3	Nanjing Yuxing Driver Training Co., Ltd.* (南京宇星駕駛員培訓有限公司) ("Nanjing Yuxing") . . .	Anhui Wontone (100%)	Mr. Hou Xiaoming (侯曉明) and Mr. Zhang Zijun (張子軍), each of them an Independent Third Party	Collectively RMB1 million which was determined after arm's lengths negotiations between the parties and taking into account the net liabilities position of Nanjing Yuxing	October 31, 2018	September 28, 2018	Provision of driving training educational services
4	Xi'an City Yuxing Driver Training Co., Ltd.* (西安市宇星駕駛員培訓有限公司) ("Xi'an Yuxing") . . .	Anhui Wontone (100%)	Xinhua Investment <sup>(1)</sup> (41.8%), Anhui Xinhua Real Estate <sup>(2)</sup> (29.6%), and Huadi Rongxin <sup>(3)</sup> (28.6%)	RMB4,180, RMB2,960 and RMB2,860, respectively, which was determined after negotiations between the parties and taking into account the net liabilities position of Xi'an Yuxing	November 19, 2018	October 26, 2018	Provision of driving training educational services

## HISTORY AND CORPORATE STRUCTURE

No.	Disposed School/company	Seller	Buyer	Amount and basis of consideration	Date of completion <sup>(5)</sup>	Date of settlement	Principal business activities
5	Chongqing Yuxing Xincheng Automobile Driving Training Co., Ltd.* (重慶宇星新城汽車駕駛培訓有限公司) ("Chongqing Yuxing").	Anhui Wontone (100%)	Xinhua Investment <sup>(1)</sup> (41.8%), Anhui Xinhua Real Estate <sup>(2)</sup> (29.6%), and Huadi Rongxin <sup>(3)</sup> (28.6%)	RMB4,180, RMB2,960 and RMB2,860, respectively, which was determined after negotiations between the parties and taking into account the net liabilities position of Chongqing Yuxing	November 27, 2018	October 26, 2018	Provision of driving training educational services
6	Changsha City Yuxing Automobile Driver Training Co., Ltd.* (長沙市宇星機動車駕駛員培訓有限公司) ("Changsha Yuxing").	Hunan Wontone Automobile Vocational Training School* (湖南萬通汽修職業培訓學校(現名:湖南萬通汽車職業培訓學校)) (100%)	Xinhua Investment <sup>(1)</sup> (41.8%), Anhui Xinhua Real Estate <sup>(2)</sup> (29.6%), and Huadi Rongxin <sup>(3)</sup> (28.6%)	RMB4,180, RMB2,960 and RMB2,860, respectively, which was determined after negotiations between the parties and taking into account the net liabilities position of Changsha Yuxing	November 22, 2018	October 26, 2018	Provision of driving training educational services
7	Miwei Technology . . .	Xinhua East Investment (100%)	Mr. Wu Junbao (41.8%), Mr. Wu Wei (29.6%) and Mr. Xiao Guoqing (28.6%)	RMB418,000, RMB296,000 and RMB286,000, respectively, which was determined after negotiations between the parties by reference to the registered share capital	November 28, 2018	October 26, 2018	Technology consulting and services; production of arts & culture; products design

**Notes:**

- (1) Xinhua Investment is owned as to 99% by Mr. Wu Junbao and as to 1% by Mr. Wu Di, the son of Mr. Wu Junbao.
- (2) Xinhua Real Estate is wholly-owned by Anhui Xinhua Development Group Co., Ltd.\* (安徽新華發展集團有限公司) ("Anhui Xinhua Development"). Anhui Xinhua Development is owned as to 95% by Mr. Wu Wei and as to 5% by Ms. Cheng Jing (程靜), the spouse of Mr. Wu Wei.
- (3) Huadi Rongxin is owned as to 98% by Xinhua Real Estate and as to 2% by Anhui Xinhua Holdings Group Investment Co., Ltd.\* (安徽新華控股集團投資有限公司) ("Anhui Xinhua Holdings"). Anhui Xinhua Holdings is owned as to 50% by Mr. Xiao Guoqing and as to 50% by Anhui Zhongan International Investment Management Co., Ltd.\* (安徽中安國際投資管理有限公司) ("Anhui Zhongan"). Anhui Zhongan is owned as to 99% by Mr. Xiao Guoqing and as to 1% by Mr. Wu Jincheng (吳金城), the son of Mr. Xiao Guoqing.
- (4) The transfer of Hefei Xin'an was approved by the Hefei Bureau of Human Resources and Social Security on November 16, 2018. The approval of the amended articles of association by the competent Civil Affairs Bureau is being processed as of the Latest Practicable Date and is expected to be completed before the [REDACTED].
- (5) Date of completion is the date of business license which is obtained after due registration with the relevant local government authorities.

## HISTORY AND CORPORATE STRUCTURE

### 4. Changes in registered capital of Anhui Xinhua Education

As part of its internal shareholding restructuring, on September 18, 2018, Anhui Xinhua Education increased its registered capital to RMB501.94 million from RMB360 million. On November 13, 2018, in light of the proposed [REDACTED] and a change in the proposed employee incentive arrangement, Anhui Xinhua Education reduced its registered capital to RMB100 million and the then proposed employee shareholding vehicles, Le En Te and Dong Fang Qi, ceased to be shareholders of Anhui Xinhua Education. Upon completion of said reduction, Anhui Xinhua Education became owned as to 42.6667%, 29.2222%, and 28.1111% by Mr. Wu Junbao, Mr. Wu Wei, Mr. Xiao Guoqing, respectively. As confirmed by the PRC Legal Advisors, the reduction of registered capital was completed in accordance with the procedures under the articles of Anhui Xinhua Education.

### 5. Deregistration of nine entities

With a view to focusing on our core competencies, streamlining our group structure and simplifying our businesses and brand portfolio, we have deregistered eight entities. The table below shows the details of such companies or Schools and their deregistration:

No.	Deregistered Entity	Registered capital/Capital (RMB) immediately before deregistration by our Group	Shareholding structure immediately before deregistration by our Group	Date of deregistration
1	Anhui Simai'er Catering Co., Ltd. Fulaijia First Supermarket Branch* (安徽思麥爾餐飲有限公司福來佳第一超市分公司) . . . . .	N/A	N/A	August 22, 2018
2	Anhui Simai'er Catering Co., Ltd. Fulaijia Second Supermarket Branch* (安徽思麥爾餐飲有限公司福來佳第二超市分公司) . . . . .	N/A	N/A	August 22, 2018
3	Anhui Simai'er Catering Co., Ltd. Fulaijia Third Supermarket Branch* (安徽思麥爾餐飲有限公司福來佳第三超市分公司) . . . . .	N/A	N/A	August 15, 2018
4	Anhui Simai'er Catering Co., Ltd. Fulaijia Fourth Supermarket Branch* (安徽思麥爾餐飲有限公司福來佳第四超市分公司) . . . . .	N/A	N/A	August 15, 2018
5	Beijing Daxing Omick Culinary Vocational Technical Training School* (北京市大興區歐米奇烹飪職業技能培訓學校) . . . . .	500,000	Beijing New East Culinary Vocational Skills Training School* (北京市新東方烹飪職業技能培訓學校) (100%)	August 2, 2018
6	Jiangxi New East Gourmet Culinary Training Co., Ltd.* (江西省新東方美食烹飪培訓有限公司) . . . . .	2,000,000	Anhui Xinhua Education (99%) and Mr. Xu Shaobing (1%)	November 14, 2018

## HISTORY AND CORPORATE STRUCTURE

No.	Deregistered Entity	Registered capital/Capital (RMB) immediately before deregistration by our Group	Shareholding structure immediately before deregistration by our Group	Date of deregistration
7	Beijing Wisezone Educational Technology Co., Ltd. Haidian Technology Branch* (北京華信智原教育技術有限公司海澱科技分公司) . . . . .	N/A	N/A	November 27, 2018
8	Jinan Tianqiao Xinhua Jinbang Training School Co., Ltd.* (濟南市天橋區新華金榜培訓學校有限公司). . . . .	100,000	Xinhua East Investment (100%)	Not available as at the Latest Practicable Date <sup>(1)</sup>

**Notes:**

- (1) The deregistration application was filed with the local relevant government authorities on October 29, 2018. The procedure is in process as of the Latest Practicable Date and is expected to be completed before the [REDACTED].

### 6. Incorporation of Wu Junbao Education

Wu Junbao Education, an investment holding company for Mr. Wu Junbao, was incorporated as a limited liability company under the laws of the BVI on September 12, 2018 and authorized to issue a maximum of 50,000 shares without par value. On the same day, one share of Wu Junbao Education was issued and allotted to Mr. Wu Junbao for US\$1.00.

### 7. Incorporation of Wu Wei Education

Wu Wei Education, an investment holding company for Mr. Wu Wei, was incorporated as a limited liability company under the laws of the BVI on September 12, 2018 and authorized to issue a maximum of 50,000 shares without par value. On the same day, one share of Wu Wei Education was issued and allotted to Mr. Wu Wei for US\$1.00.

### 8. Incorporation of Xiao Guoqing Education

Xiao Guoqing Education, an investment holding company for Mr. Xiao Guoqing, was incorporated as a limited liability company under the laws of the BVI on September 12, 2018 and authorized to issue a maximum of 50,000 shares without par value. On the same day, one share of Xiao Guoqing Education was issued and allotted to Mr. Xiao Guoqing for US\$1.00.

### 9. Incorporation of Xinhua US

Xinhua US was incorporated as a limited company under the laws of the State of California, U.S. on October 2, 2018 with 10,000 shares of US\$0.001 each being authorized to be issued.



## HISTORY AND CORPORATE STRUCTURE

### 10. Incorporation of our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on October 4, 2018 with an authorized share capital of HK\$380,000 divided into 3,800,000,000 shares with par value of HK\$0.0001 each. On the date of incorporation, the initial subscriber subscribed for, and our Company issued and allotted, the one subscriber Share. On the same date, the one initial Share was transferred from the initial subscriber to Wu Wei Education Company Limited for a consideration at par value, and our Company then issued and allotted 426,667 Shares, 292,221 Shares and 281,111 Shares to Wu Junbao Education, Wu Wei Education and Xiao Guoqing Education, respectively, for cash at par value. Our Company is the [REDACTED] vehicle.

### 11. Incorporation of China East BVI

China East BVI, an investment holding company, was incorporated as a limited liability company under the laws of BVI on October 19, 2018 and authorized to issue a maximum of 50,000 shares without par value. On the same day, one share of China East BVI was issued and allotted to our Company for US\$1.00.

### 12. [REDACTED] into the Company by Lu Lu Education

On October 26, 2018, Lu Lu Education subscribed for and our Company issued and allotted 30 Shares to Lu Lu Education for a consideration at HK\$600,000. Set out below are further details of such [REDACTED] made by Lu Lu Education:

<b>Name and background of the [REDACTED] and its relationship with the Group: . . . .</b>	Lu Lu Education is a limited liability company incorporated under the laws of BVI and is wholly-owned by Ms. Lu Lu, an Independent Third Party
<b>Date of investment: . . .</b>	October 26, 2018
<b>Amount of consideration paid: . . . . .</b>	HK\$600,000
<b>Basis of determination of consideration paid: . . . . .</b>	Arm's length negotiations between our Company and Lu Lu Education after taking into consideration the corresponding proportion of the total market capitalization of the Company following the Capitalization Issue and the [REDACTED] (assuming no exercise of the [REDACTED] or any options that may be granted under the [REDACTED] Share Option Scheme or the Share Option Scheme)
<b>Payment date of the consideration: . . . . .</b>	October 29, 2018

## HISTORY AND CORPORATE STRUCTURE

<b>Cost per share paid by the [REDACTED] and respective premium to the [REDACTED]: . . . . .</b>	HK\$[REDACTED] per Share before the Capitalization Issue  Approximately HK\$[REDACTED] per Share after the Capitalisation Issue
<b>[REDACTED] and utilization: . . . . .</b>	Approximately [REDACTED] premium to the [REDACTED] assuming the [REDACTED] of HK\$[REDACTED], being the mid-point of the [REDACTED] range [General corporate purpose]  [As at the Latest Practicable Date, none of the proceeds of [REDACTED] had been utilised by our Company]
<b>Strategic benefits of the [REDACTED] investment: . . . . .</b>	[Our Company will benefit from the additional capital provided by the [REDACTED]]
<b>[REDACTED] . . . . .</b>	Up to six months from the [REDACTED]
<b>Special rights: . . . . .</b>	No special rights were granted to Lu Lu Education that will survive the [REDACTED]

After issuance and allotment of 30 Shares to Lu Lu Education, our Company became owned as to 42.6654% by Wu Junbao Education, 29.2213% by Wu Wei Education, 28.1103% by Xiao Guoqing Education and 0.0030% by Lu Lu Education.

### *Public float*

Since Lu Lu Education is an Independent Third Party and will not be holding more than 10% of the total issued share capital of our Company immediately following the completion of the Capitalization Issue and the [REDACTED], it will not be a substantial Shareholder of our Company under the Listing Rules. Accordingly, all Shares held by Lu Lu Education will be counted as part of the public float for the purpose of Rule 8.08 of the Listing Rules.

### *Sole Sponsor's view*

The Sole Sponsor has confirmed that the [REDACTED] is in compliance with the Interim Guidance on [REDACTED] (HKEX-GL29-12), the Guidance on [REDACTED] (HKEX-GL43-12) and the Guidance on [REDACTED] in convertible instruments (HKEX-GL44-12) issued by the Stock Exchange.

### **13. Transfer of China Xinhua Vocational from Mr. Wu Wei to China East BVI**

China Xinhua Vocational, an investment holding company, was incorporated as a limited company under the laws of the Hong Kong on August 10, 2018 and wholly-owned by Mr. Wu Wei. On November 13, 2018, as part of the Corporate Reorganization, China East BVI acquired one share representing the entire issued share capital of China Xinhua Vocational from Mr. Wu Wei at a nominal consideration of HK\$1.00. Upon completion of the transfer, China Xinhua Vocational became wholly-owned by China East BVI.

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## HISTORY AND CORPORATE STRUCTURE

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### 14. Increase in registered capital in Xinhua Chuangzhi

On November 14, 2018, the registered capital in Xinhua Chuangzhi was increased from RMB500,000 to RMB5 million. Such increase in the registered capital of Xinhua Chuangzhi was contributed by Anhui Xinhua Education as to RMB4.45 million and Wide Bridge as to RMB50,000. Upon completion of registration with competent Administration of Industry and Commerce on November 14, 2018, Xinhua Chuangzhi became owned as to 99% by Anhui Xinhua Education and as to 1% by Wide Bridge, and Xinhua Chuangzhi became a Sino-foreign joint venture.

### 15. Acquisition of 99% equity interests in Xinhua Chuangzhi by China Xinhua Vocational

On November 26, 2018, China Xinhua Vocational acquired 99% equity interests held by Anhui Xinhua Education in Xinhua Chuangzhi, at a consideration of RMB4.95 million. The consideration was determined with reference to its paid up registered capital. Upon completion of registration with competent Administration of Industry and Commerce on November 26, 2018, Xinhua Chuangzhi was owned as to 99% by China Xinhua Vocational and 1% by Wide Bridge, and Xinhua Chuangzhi became a wholly foreign owned enterprise.

### 16. Acquisition of Wide Bridge from Lu Lu Education by China East BVI

On November 27, 2018, as part of the Corporate Reorganization, China East BVI acquired one share, representing the entire issued share capital of Wide Bridge, from Lu Lu Education at a consideration of HK\$600,000. Upon completion of the transfer, Wide Bridge became wholly-owned by China East BVI.

### 17. Entering into the Structured Contracts to control our PRC Consolidated Affiliated Entities by WFOE

On November 30, 2018, WFOE entered into various agreements that constitute Structured Contracts with, among others, our PRC Consolidated Affiliated Entities, under which all economic benefits arising from the business of our PRC Consolidated Affiliated Entities are transferred to WFOE by means of services fees payable by our PRC Consolidated Affiliated Entities to WFOE.

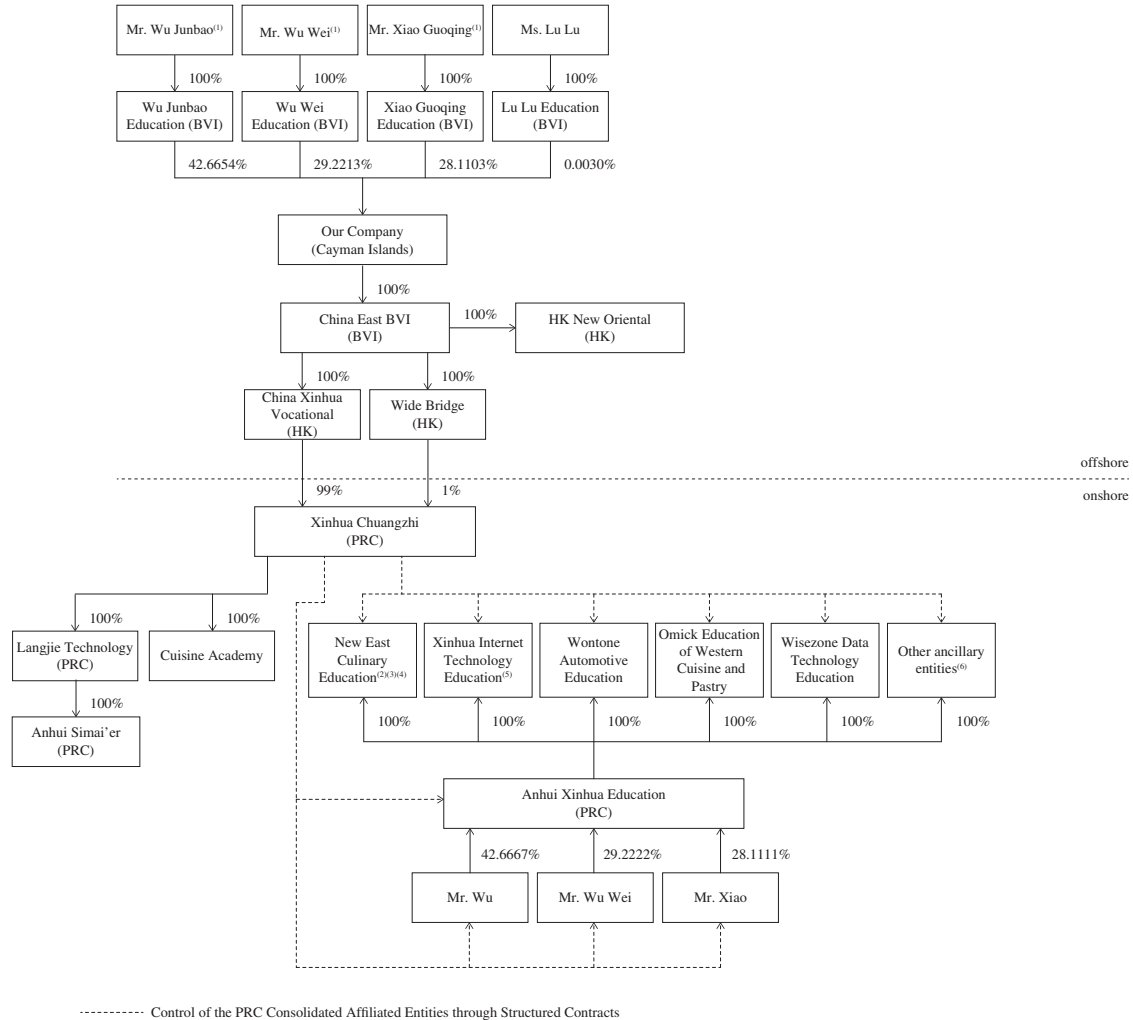
## COMPLIANCE WITH PRC LAWS AND REGULATIONS

Save as disclosed in this document, our PRC Legal Advisors confirmed that all necessary approvals, permits and licenses required under the PRC laws and regulations in connection with the Corporate Reorganization have been obtained, and the Corporate Reorganization has complied with all applicable PRC laws and regulations in all material respects.

## HISTORY AND CORPORATE STRUCTURE

### GROUP STRUCTURE UPON THE CORPORATE REORGANIZATION

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



**Notes:**

- (1) Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing are cousins.
- (2) As advised by our PRC Legal Advisors, the articles of association of Nanjing School, one of the Schools under New East Culinary Education, currently provides that its school sponsors are Mr. Xiao Guoqing (肖國慶) and Mr. Ge Xiaoliang (葛孝良), a headmaster of one of our PRC Consolidated Affiliated Entities. Nanjing School has applied to the relevant local branches of the human resources and social security authorities and civil affairs authorities to change its school sponsors but has yet to obtain the relevant approvals. In this circumstance, Xinhua Chuangzhi will enter into various agreements that constitute Structured Contracts II (as disclosed in the section headed "Structured Contracts") with Mr. Xiao Guoqing and Mr. Ge Xiaoliang under which all economic benefits arising from the business of Nanjing School will be transferred to Xinhua Chuangzhi by means of services fees payable by Nanjing School to Xinhua Chuangzhi.

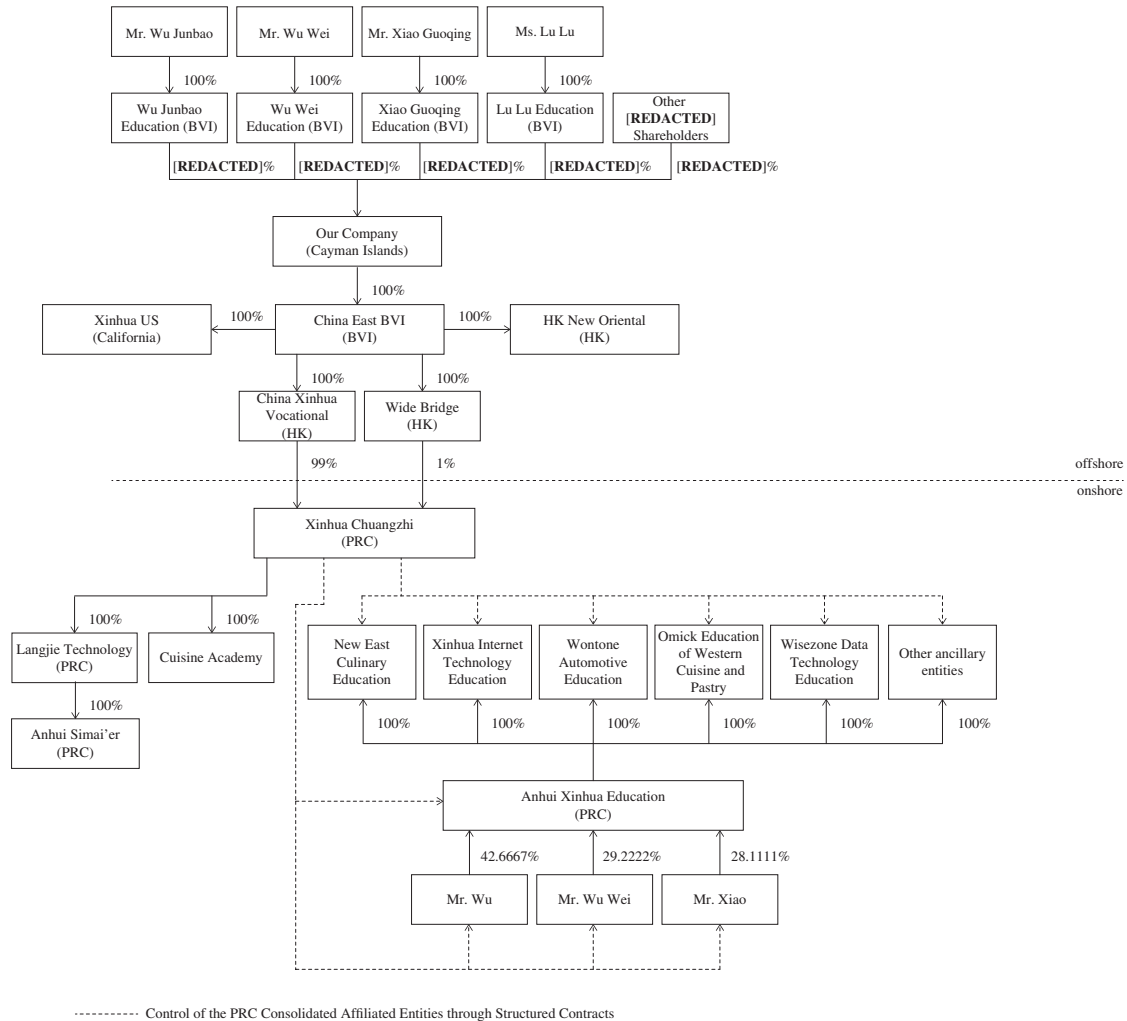
## HISTORY AND CORPORATE STRUCTURE

- (3) As advised by our PRC Legal Advisors, the articles of association of Shanghai Fengxian District East Delicacy Vocational Training School\* (上海奉賢區東方美食職業培訓學校), one of the Schools under New East Culinary Education, currently provides that its school sponsors are Mr. Yang Bing (楊兵), a headmaster of one of our PRC Consolidated Affiliated Entities, and Mr. Liang Yong (梁勇), an Independent Third Party. Shanghai Fengxian District East Delicacy Vocational Training School has applied for and the relevant local branch of the human resources and social security authorities have approved the change of school sponsors. However, the relevant local branch of the civil affairs authorities has not yet approved its amended articles of association. In this circumstance, each of Mr. Yang Bing and Mr. Liang Yong has signed a written confirmation dated November 20, 2018 confirming that Anhui New East Culinary Institute legally owns the entire school sponsor's interest, that each of them agree to give up all of the school sponsor's interest and will not claim any rights thereunder in the future, and that each of them will unconditionally cooperate with any formalities for registration changes in the future. On November 20, 2018, with the assistance of our PRC Legal Advisors, we consulted with Shanghai Fengxian Communities Management Bureau\* (上海市奉賢區社團管理局) on the change of school sponsor, and it has been confirmed that (i) it does not process the application for changing of school sponsors, (ii) the actual school sponsor of Shanghai Fengxian District East Delicacy Vocational Training School shall be Anhui New East Culinary Institution, and (iii) there shall be no material impediment if, subject to the approval of human resources and social security authorities, Shanghai Fengxian District East Delicacy Vocational Training School chooses to become a for-profit private school and register as a limited liability company whose shareholder is Anhui New East Culinary Institution.
- (4) As advised by our PRC Legal Advisors, the articles of association of Jiangsu New East Culinary Training School\* (江蘇新東方烹飪技術學校), one of the Schools under New East Culinary Education, currently provides that its school sponsor is the Chinese Zhigong Party Jiangsu Provincial Committee (中國致公黨江蘇省委員會), an Independent Third Party. It has applied for and the relevant local branch of the human resources and social security authorities have approved the change of school sponsor. However, the relevant local branch of the civil affairs authorities have not yet approved its amended articles of association. In this circumstance, the Chinese Zhigong Party Jiangsu Provincial Committee has signed a written confirmation dated November 21, 2007 confirming that the school sponsor of Jiangsu New East Culinary Training School has been changed to Anhui Xinhua Education Development Co., Ltd. On November 26, 2018, with the assistance of our PRC Legal Advisors, we consulted with Jiangsu Civil Affairs Department (江蘇省民政廳) on the change of school sponsor, and it has been confirmed that (i) it does not process the application for changing of school sponsors, (ii) the actual school sponsor of Jiangsu New East Culinary School shall be Anhui Xinhua Education Development Co., Ltd., and (iii) there shall be no material impediment if, subject to the approval of human resources and social security authorities, Jiangsu New East Culinary School chooses to become a for-profit private school and register as a limited liability company with the administration of industry and commerce authorities, and apply for the change of the shareholder into Anhui Xinhua Education Development Co., Ltd.
- (5) Nanjing Xinhua Computer Institute has applied for and the relevant local branch of the human resources and social security authorities have approved the change of school sponsor from Mr. Zhou Baoyin (周寶銀), an Independent Third Party to Anhui Xinhua Education Development Co., Ltd. However, the relevant local branch of the civil affairs authorities has not yet approved its amended articles of association. In this circumstance, Mr. Zhou Baoyin has signed a written confirmation dated November 22, 2018 confirming that Anhui Xinhua Education legally owns the entire school sponsor's interest, that he agrees to give up all of his school sponsor's interest and will not claim any rights thereunder in the future, and that he will unconditionally cooperate with any formalities for registration changes in the future. On November 26, 2018, with the assistance of our PRC Legal Advisors, we consulted with Nanjing Civil Affairs Bureau (南京市民政局) on the change of school sponsor, and it has been confirmed that (i) it does not process the application for changing of school sponsors, (ii) the actual school sponsor of Nanjing Xinhua Computer Institute shall be Anhui Xinhua Education Development Co., Ltd., and (iii) there shall be no material impediment if, subject to the approval of human resources and social security authorities, Nanjing Xinhua Computer Institute chooses to become a for-profit private school and register as a limited liability company with the administration of industry and commerce authorities, and apply for the change of the shareholder into Anhui Xinhua Education Development Co., Ltd.
- (6) Other ancillary entities include five entities which provide administrative functions.

## HISTORY AND CORPORATE STRUCTURE

### GROUP STRUCTURE UPON THE [REDACTED]

The following chart<sup>(1)</sup> sets forth our corporate structure upon the [REDACTED], assuming no exercise of the [REDACTED] or any options that may be granted under the [REDACTED] Share Option Scheme or the Share Option Scheme:

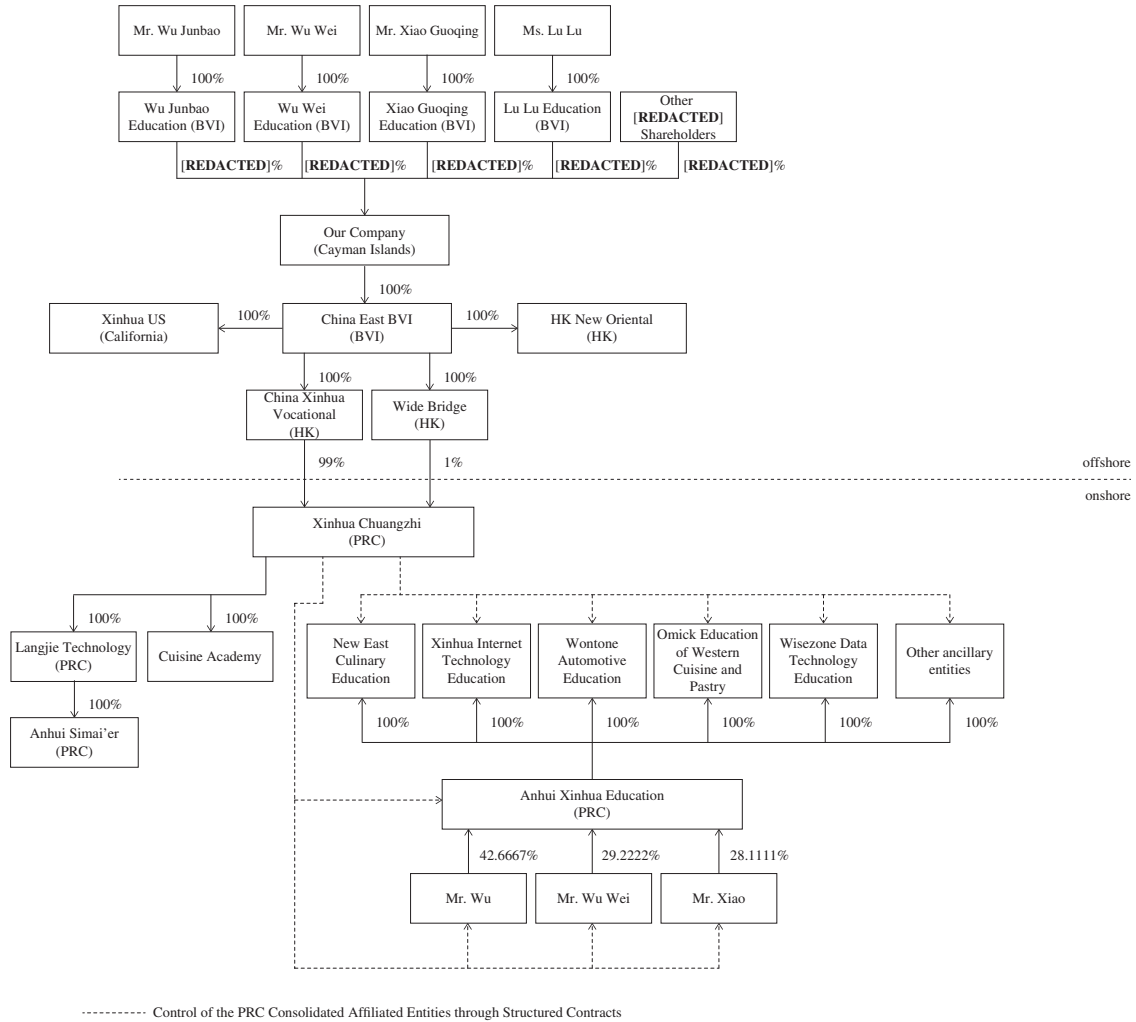


**Notes:**

- (1) For information about certain individuals and companies shown in the above corporate structure chart, see the corresponding notes to the chart under “– Group Structure Upon the Corporate Reorganization” in this section.

## HISTORY AND CORPORATE STRUCTURE

The following chart<sup>(1)</sup> sets forth our corporate structure upon the [REDACTED], assuming the [REDACTED] is exercised in full but no Shares are issued under the [REDACTED] Share Option Scheme or the Share Option Scheme:



**Notes:**

- (1) For information about certain individuals and companies shown in the above corporate structure chart, see the corresponding notes to the chart under “– Group Structure Upon the Corporate Reorganization” in this section.

## HISTORY AND CORPORATE STRUCTURE

### SCHOOL TO BE ESTABLISHED

#### New School in the United States

With a view to building our presence overseas and creating synergies with our Schools in China, we plan to expand our network abroad by establishing a vocational training school in the State of California to provide degree granting programs and certificate granting programs, through Xinhua Training School US. On October 2, 2018, we established Xinhua US in the U.S. as our entity to operate and manage the Xinhua Training School US to be established. We have engaged an agent who has experience in post-secondary education to assist us in establishing Xinhua Training School US in the State of California and filling applications with the BPPE regarding the establishment of a vocational education school, in California, the U.S. On November 16, 2018, we filed an application for a provisional license for the Xinhua Training School US with the BPPE. We have expended approximately US\$44,700 in connection with our establishment of the Xinhua Training School US as of the Latest Practicable Date.

### SAFE REGISTRATION

Pursuant to *Circular on the Management of Offshore Investment and Financing and Round Trip Investment By Domestic Residents through Special Purpose Vehicles* (Hui Fa [2014] 37) (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》匯發[2014]37號) (the "SAFE Circular No. 37"), promulgated by SAFE and which became effective on July 4, 2014, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the "Overseas SPV") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular No. 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the *Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies* (Hui Fa [2015] 13) (《關於進一步簡化和改進直接投資外匯管理政策的通知》匯發[2015]13號) (the "SAFE Circular No. 13"), promulgated by SAFE and which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interest in the domestic entity was located.

As advised by our PRC Legal Advisors, the PRC residents who are the shareholders of the Overseas SPVs in our Group have completed the registration under the SAFE Circular No. 13 and SAFE Circular No. 37 on November 9, 2018.

### M&A RULES

On August 8, 2006, six PRC regulatory agencies, including the MOFCOM, the State-owned Assets Supervision and Administration Commission, the State Administration of Taxation, SAIC, CSRC and SAFE, jointly issued the Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (the "M&A Rules"), which became effective on September 8, 2006, and was amended on June 22, 2009. Pursuant to the M&A Rules, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a



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## HISTORY AND CORPORATE STRUCTURE

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domestic enterprise through an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. According to Article 11 of the M&A Rules, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him, approval from MOFCOM is required.

According to the *Administration of Filing for Establishment and Change of Foreign Investment Enterprises* (《外商投資企業設立及變更備案管理暫行辦法》), the merger and acquisition of domestic non-foreign-invested enterprises by foreign investors shall, if not involving Negative List and affiliated mergers and acquisitions, be subject to the record filing measures.

As advised by our PRC Legal Advisors, the 99% equity interests transfer in Xinhua Chuangzhi from Anhui Xinhua Education to China Xinhua Vocational did not constitute an equity or asset merger or acquisition under the M&A Rules because Xinhua Chuangzhi has become a sino-foreign owned enterprise instead of a domestic enterprise when the said transfer took place. Thus, such equity interests transfer and the Corporate Reorganization should not be subject to governmental approvals in accordance with the M&A Rules, and the [REDACTED] of our Company does not require approvals from CSRC. Nevertheless, the said equity interest transfer has been registered with competent PRC governmental authorities in accordance with applicable PRC regulations such as the Administration of Filing for Establishment and Change of Foreign Investment Enterprises.

### [REDACTED] Share Option Scheme

We have adopted the [REDACTED] Share Option Scheme on [●], 2018. Please see "F. [REDACTED] Share Option Scheme and Share Option Scheme — 1. [REDACTED] Share Option Scheme" in Appendix V to this document for further details.

## STRUCTURED CONTRACTS

### BACKGROUND OF THE STRUCTURED CONTRACTS

We currently conduct our vocational education and vocational training businesses mainly through our PRC Consolidated Affiliated Entities in the PRC as PRC laws and regulations generally restrict foreign ownership in the private education industry in the PRC. PRC laws and regulatory practice currently restrict the operation of vocational education and vocational training institutions to Sino-foreign cooperation ownership, in addition to imposing qualification requirements on the foreign owners. Further, government approval in respect of Sino-foreign cooperation had been withheld. We do not hold any equity interest in our PRC Consolidated Affiliated Entities. The Structured Contracts, through which we obtain control over and derive the economic benefits from our PRC Consolidated Affiliated Entities, have been narrowly tailored to achieve our business purpose and minimize the potential conflict with relevant PRC laws and regulations.

#### Vocational Training Education

Pursuant to the *Implementation Opinions on Encouraging and Guiding Private Fund's Entry into the Education Sector and Promoting Healthy Development of Private Education* (《關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》) promulgated by the MOE on June 18, 2012 (the "Implementation Opinions"), foreign-invested companies that engage in educational activities in the PRC should comply with the Foreign Investment Catalog.

Pursuant to the Foreign Investment Catalog, the latest amendment to which was promulgated by the NDRC and the MOFCOM on June 28, 2017 and became effective on July 28, 2017, and the Negative List, the provision of non-formal vocational training (非學制類職業培訓) in the PRC falls into within the "encouraged" category and other vocational training that is not listed in the Foreign Investment Catalog falls into within the "permitted" category. However, pursuant to the *Regulation on Sino-foreign Cooperation in Operating Schools* (《中華人民共和國中外合作辦學條例》) and the *Implementing Measures on the Regulation on Sino-foreign Cooperation in Operating Schools* (《中外合作辦學條例實施辦法》), and when applying to the Sino-foreign cooperative training on vocational skills, the *Management Measures on the Sino-foreign Cooperative School Running regarding Vocational Skills Training* (《中外合作職業技能培訓辦學管理辦法》) promulgated by the Ministry of Labour and Social Security (勞動和社會保障部) (now known as the Ministry of Human Resources and Social Security (人力資源和社會保障部)), if we were to apply for any of our Schools to be reorganized as a Sino-foreign joint venture private school for PRC students at vocational education and vocational training institutions (a "Sino-Foreign Joint Venture Private School"), the foreign investor in the Sino-Foreign Joint Venture Private School must be a foreign educational institution with relevant qualification and that provides high quality education (the "Qualification Requirement") and a foreign investor is prohibited to set up schools where students are to be recruited primarily among the PRC citizens, other education institutes or vocational training institutes in the PRC solely by itself. Furthermore, pursuant to the *Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education* (《教育部關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》), the foreign portion of the total investment in a Sino-Foreign Joint Venture Private School should be below 50% (the "Foreign Ownership Restriction").

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## STRUCTURED CONTRACTS

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With the assistance of our PRC Legal Advisors, we consulted the MHRSS on September 25, 2018, and the MOE on September 26, 2018 (collectively as the "September Interviews"), being the competent authorities as advised by our PRC Legal Advisors to confirm the matters relating to the Sino-Foreign Joint Venture Private Schools relevant to us. We were advised by the MHRSS and the MOE (collectively as the "Relevant Authorities") that:

- (i) each of the Foreign Ownership Restriction and Qualification Requirement applies to Sino-Foreign Joint Venture Private Schools in the PRC, except in Shanghai Free Trade Zone where the establishment of a wholly foreign-owned vocational training institute is permitted;
- (ii) no implementing measures or specific guidance were promulgated pursuant to the Qualification Requirement. However, as a principle, a foreign school sponsor or investor shall be a foreign education institution with similar level as the domestic investor and our Company does not qualify currently;
- (iii) it is expected that the possibility of approving the establishment of our Group as a Sino-Foreign Joint Venture Private School to provide vocational training education in the PRC is very low;
- (iv) the execution of the Structured Contracts does not require approval from the education or human resources and social security authorities; and
- (v) the businesses of provision of interest and experience courses are not subject to jurisdiction of the MOE or the MHRSS.

Given that as of the Latest Practicable Date, (i) we do not operate any business in the Shanghai Free Trade Zone; (ii) according to the September Interviews, we, including HK New Oriental, do not meet the Qualification Requirement as we have limited experience in operating a school outside of the PRC, and (iii) as there are no implementing measures or specific guidance on the Qualification Requirement, it is therefore not practicable for us to seek to apply to reorganize any of our PRC Consolidated Affiliated Entities and the schools to be newly established or invested by us as a Sino-Foreign Joint Venture Private School, or convert any of our PRC Consolidated Affiliated Entities and the schools to be newly established or invested by us into a Sino-Foreign Joint Venture Private School.

Notwithstanding the above, we are committed to working towards meeting the Qualification Requirement. We have adopted a specific plan and will continue to expend genuine efforts and financial resources to do so. We have undertaken to make periodic inquiries of relevant educational authorities following the [REDACTED] to understand any regulatory developments, including whether there will be any change in policy for approving Sino-Foreign Joint Venture Private Schools in the areas where we operate our business in the PRC, and assess whether we are qualified to meet the Qualification Requirement, with a view to unwinding the Structured Contracts wholly or partially as and when practicable and permissible under the prevailing PRC laws and regulations. See "— Background of the Structured Contracts — Circumstances in which We Will Unwind the Structured Contracts" and "— Background of the Structured Contracts — Plan to Comply with the Qualification Requirement" in this section of this document for details.

## STRUCTURED CONTRACTS

As of the date of this document, we have not encountered any interference or encumbrance from any governing bodies in our plan to adopt the Structured Contracts and the consolidated financial results of our PRC Consolidated Affiliated Entities, which engage in vocational training education. Our PRC legal advisors have opined that each of our PRC Consolidated Affiliated Entities has been legally established and except for those disclosed under “— Legality of the Structured Contracts — PRC Legal Opinions” under this section and “Risk Factors — Risks relating to our Structured Contracts” of this document, the Structured Contracts in relation to the operation of vocational education and vocational training are valid, legal and binding and do not contravene PRC laws and regulations. As disclosed above, we have consulted with the Relevant Authorities in the PRC, which confirmed that the Structured Contracts do not require approval from the education or human resources and social security authorities. However, no positive regulatory assurance has been obtained from relevant PRC regulatory authorities with respect to the use of the Structured Contracts in the education industry.

### **Circumstances in which We Will Unwind the Structured Contracts**

Under the Sino-Foreign Regulation and in accordance with the September Interviews, foreign investment in vocational training in the PRC is required to be in the form of cooperation between PRC educational institutions and foreign educational institutions and subject to the Qualification Requirement and the Foreign Ownership Restriction, a foreign investor can only hold less than 50% interest in a Sino-Foreign Joint Venture Private School.

In the event that the Qualification Requirement is removed or we are able to meet the Qualification Requirement and there is a change in policy, but (a) the Foreign Ownership Restriction remains, or (b) the Foreign Ownership Restriction is removed, as permitted by the applicable PRC laws and regulations at the relevant time:

- in circumstance (a), our Company will partially unwind the Structured Contracts and directly hold an equity interest of less than 50% in the relevant PRC Consolidated Affiliated Entities (such as a 49.99% equity interest) as our Company or any of its subsidiaries, as a foreign investor, can only hold a portion of the total investment in a Sino-Foreign Joint Venture Private School up to no more than 50%. However, our Company will not be able to control such PRC Consolidated Affiliated Entities without the Structured Contracts in place with respect to the domestic interests. Accordingly, if the Foreign Ownership Restriction remains, regardless of whether the Qualification Requirement is removed or met our Company will still rely on contractual arrangements to establish control over our PRC Consolidated Affiliated Entities. Our Company will also acquire rights to appoint members to the board of directors who together shall constitute less than 50% of the board of directors of the relevant PRC Consolidated Affiliated Entities. We will then control the voting power of the other members of the board of directors appointed by the domestic interest holder(s) by way of the Structured Contracts; and
- in circumstance (b), our Company would be allowed to directly hold 100% of the interests in our PRC Consolidated Affiliated Entities and our Company will fully unwind the Structured Contracts and directly hold all equity interests in our PRC Consolidated Affiliated Entities. Our Company will also acquire rights to appoint all members of the board of directors of the PRC Consolidated Affiliated Entities.

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## STRUCTURED CONTRACTS

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In addition, the WFOE has decided that, if the PRC regulatory environment changes and the Qualification Requirement is removed (and assuming there are no other changes in the relevant PRC laws and regulations), it will exercise the call option in full to hold all of the interest in the PRC Consolidated Affiliated Entities and unwind the contractual arrangements accordingly. See "Termination of the Structured Contracts" in this section of this document for further details.

### **Plan to Comply with the Qualification Requirement**

We have adopted a specific plan and begun to take the following concrete steps which we reasonably believe are meaningful endeavors to demonstrate compliance with the Qualification Requirement. According to the September Interviews, there are no implementing measures or specific guidance on the Qualification Requirement and therefore they will not approve an application to convert our PRC Consolidated Affiliated Entities or the schools to be newly established or invested by us into Sino-Foreign Joint Venture Private Schools at this stage. Our PRC legal advisors consider that the following steps taken by us to demonstrate compliance with the Qualification Requirements are reasonable and appropriate.

As of the Latest Practicable Date, we had taken the following concrete steps to implement our plan. On October 2, 2018, we formed a holding company of a new school in the United States, namely, Xinhua US. We have submitted a formal application to the BPPE through the non-accredited application process on November 16, 2018 to apply for the establishment of a vocational training school i.e. Xinhua Training School US. The approval process with the BPPE is expected to complete within approximately 12 months from the date of application. Xinhua US will be responsible for the daily operation and management of the Xinhua Training School US to be established. As of the Latest Practicable Date, we are in the process of designing the vocational training programs to be offered by the Xinhua Training School US. We have also nominated Mr. Xu Shaobing to oversee the administration of Xinhua Training School US. We had expended approximately US\$44,700 in connection with our plan as of the Latest Practicable Date. For details of the regulatory environment in California for the operation of a vocational training school, see "Regulations — Regulations on Private Postsecondary Education in the State of California" in this document.

In the opinion of our PRC legal advisors, taking into consideration of the September Interviews, if the Foreign Ownership Restriction is removed but the Qualification Requirement remains and assuming the new school to be operated by Xinhua US, i.e. the Xinhua Training School US or another foreign educational institution established by us gains a level of foreign experience sufficient to demonstrate compliance with the Qualification Requirement and obtains the approval of the relevant education or human resources and social security authorities for the establishment of a Sino-Foreign Joint Venture Private School in the future (provided that the then PRC laws and regulations do not impose new requirements, restrictions, or prohibitions in relation to the establishment of the Sino-Foreign Joint Venture Private Schools), we will be able to operate our Schools in the PRC directly through the new school operated by Xinhua US, i.e. the Xinhua Training School US or such other educational institution subject to the approval from the competent education or human resources and social security authorities.

## STRUCTURED CONTRACTS

Furthermore, we have undertaken to the Stock Exchange that we will:

- (i) under the guidance of our PRC legal advisors, continue to keep ourselves updated with regard to all relevant regulatory developments and guidance relating to the Qualification Requirement; and
- (ii) provide periodic updates in our annual and interim reports after [REDACTED] to inform our Shareholders of our efforts and actions undertaken with the Qualification Requirement.

### OPERATION OF THE STRUCTURED CONTRACTS

In order to comply with the PRC laws and regulations as set out above while availing ourselves of international capital markets and maintaining effective control over all of our operations, on November 30, 2018, our wholly-owned subsidiary, the WFOE, entered into various agreements that constitute the Structured Contracts with, among others, our PRC Consolidated Affiliated Entities, under which all economic benefits arising from the business of our PRC Consolidated Affiliated Entities are transferred to the WFOE to the extent permitted under the PRC laws and regulations by means of service fees payable by our PRC Consolidated Affiliated Entities to the WFOE.

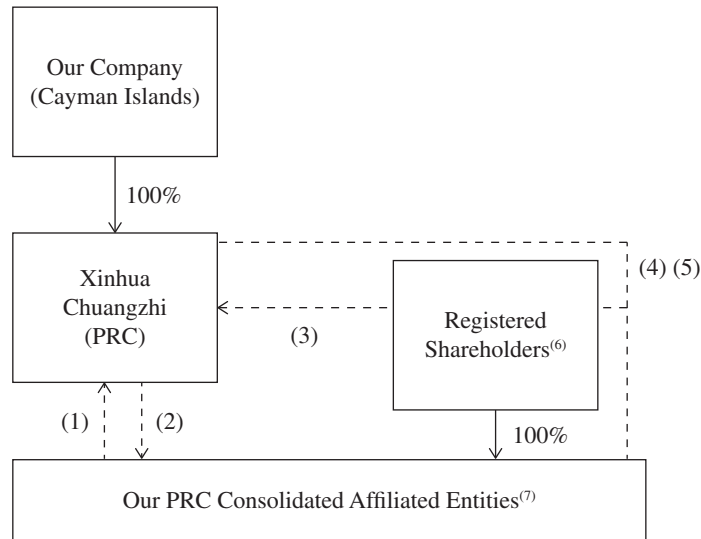
As of the date of the Structured Contracts, the school sponsor's interest of four of our 169 PRC Consolidated Affiliated Entities were not registered as ours due to the unavailability of certain approval procedures at relevant authorities. See note to the diagram below for details. Accordingly, the Structured Contracts comprise of (i) agreements entered into by and among the WFOE, Anhui Xinhua Education and its subsidiary entities as described therein (which are our PRC Consolidated Affiliated Entities, excluding Nanjing School), as the case may be, including (a) the exclusive management consultancy and business cooperation agreement, (b) the exclusive call option agreement, (c) the equity pledge agreement, as well as (d) the power of attorney provided by each of the Registered Shareholders (collectively as the "Structured Contracts I"), and (ii) agreements entered into by and among the WFOE, Nanjing School and its school sponsors, namely Mr. Xiao Guoqing (肖國慶) and Mr. Ge Xiaoliang (葛孝良), as the case may be, including (a) the exclusive management consultancy and business cooperation agreement, (b) the exclusive call option agreement, (c) the accounts receivable pledge agreement, (d) the school sponsors' or capital contributors' rights entrustment agreement, as well as (e) the school sponsor's or capital contributor's power of attorney provided by each of Mr. Xiao Guoqing (肖國慶) and Mr. Ge Xiaoliang (葛孝良) (collectively as the "Structured Contracts II").

There is no equity pledge arrangement regarding the school sponsors' interests in Nanjing School, given that the school sponsors' interests over the schools are not, by nature, equity interests, any such pledge would be unenforceable under PRC laws and regulations. As an alternative, the accounts receivable pledge agreement and the school sponsors' or capital contributors' rights entrustment agreement were entered into and the school sponsor's or capital contributor's power of attorney were provided by each of the school sponsors to Nanjing School to ensure the performance of the Structured Contracts II.

In addition, in order to prevent the leakage of assets and values of our PRC Consolidated Affiliated Entities, the Registered shareholders, Anhui Xinhua Education and its subsidiary entities and the school sponsors of Nanjing School have undertaken that, without the prior written consent of Xinhua Chuangzhi, our PRC Consolidated Affiliated Entities shall not, among others, distribute dividends or reasonable returns in any form.

## STRUCTURED CONTRACTS

The following simplified diagram illustrates the flow of economic benefits from our PRC Consolidated Affiliated Entities (excluding Nanjing School) to our Group stipulated under the Structured Contracts I:



*Notes:*

- (1) Payment of service fees. See “— Summary of the Material Terms of the Structured Contracts — (1) Exclusive Management Consultancy and Business Cooperation Agreements under Structured Contracts I and Structured Contracts II” in this section for further details.
- (2) Provision of services. See “Structured Contracts — Summary of the Material Terms of the Structured Contracts — (1) Exclusive Management Consultancy and Business Cooperation Agreements under Structured Contracts I and Structured Contracts II” in this section for further details.
- (3) Powers of attorney to exercise all shareholders’ rights in our PRC Consolidated Affiliated Entities (excluding Nanjing School). See “— Summary of the Material Terms of the Structured Contracts — (4) Powers of attorney under Structured Contracts I” in this section for further details.
- (4) Exclusive call option to acquire all or part of the equity interest in our PRC Consolidated Affiliated Entities (excluding Nanjing School). See “— Summary of the Material Terms of the Structured Contracts — (2) Exclusive Call Option Agreements under Structured Contracts I and Structured Contracts II” of this document for further details.
- (5) Pledge of all the equity interest in Anhui Xinhua Education. See “— Summary of the Material Terms of the Structured Contracts — (3) Equity Pledge Agreement under Structured Contracts I” in this section for further details.
- (6) Registered Shareholders refer to the registered shareholders of Anhui Xinhua Education, i.e. Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing.

## STRUCTURED CONTRACTS

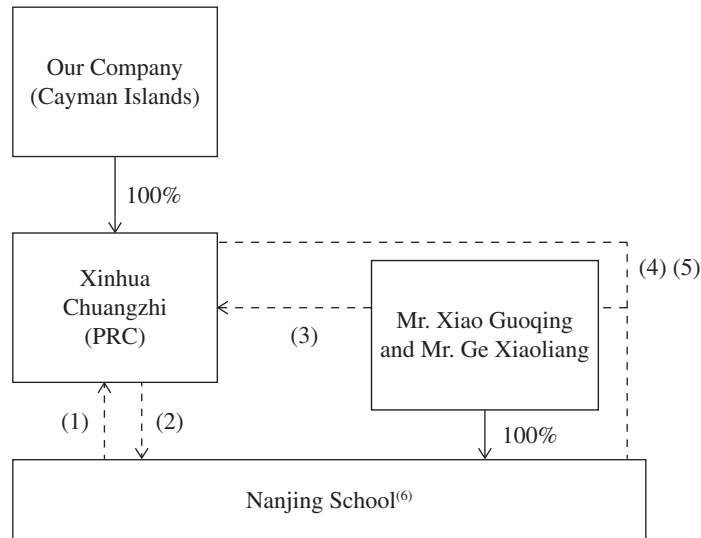
- (7) The school sponsor's interest of three of our PRC Consolidated Affiliated Entities (excluding Nanjing School) were not registered as ours due to unfinished approval procedure at relevant authorities. Details are set out below:
- the articles of association of Shanghai Fengxian District East Delicacy Vocational Training School\* (上海奉賢區東方美食職業培訓學校) ("Shanghai Fengxian School") currently provides that its school sponsors are Mr. Yang Bing (楊兵), a headmaster of one of our PRC Consolidated Affiliated Entities, and Mr. Liang Yong (梁勇), an Independent Third Party. Shanghai Fengxian School has applied for and the relevant local branch of the human resources and social security authorities have approved the change of school sponsors. However, the relevant local branch of the civil affairs authority has not yet approved its amended articles of association. In this circumstance, each of Mr. Yang Bing and Mr. Liang Yong has signed a written confirmation dated November 20, 2018, confirming that Anhui New East Culinary Institute legally owns the entire school sponsor's interest, that each of them agrees to give up all of the school sponsor's interest and will not claim any rights thereunder in the future, and that each of them will unconditionally cooperate with any formalities for registration changes in the future. On November 20, 2018, with the assistance of our PRC Legal Advisors, we consulted with Shanghai Fengxian Communities Management Bureau (上海市奉賢區社團管理局) on the change of school sponsor, and it has been confirmed that (i) it does not process the application for changing of school sponsors, (ii) the actual school sponsor of Shanghai Fengxian District East Delicacy Vocational Training School shall be Anhui New East Culinary Institution, and (iii) there shall be no material impediment if, subject to the approval of human resources and social security authorities, Shanghai Fengxian District East Delicacy Vocational Training School chooses to become a for-profit private school and register as a limited liability company whose shareholder is Anhui New East Culinary Institution;
  - the articles of association of Jiangsu New East Culinary School\* (江蘇新東方烹飪技術學校) currently provides that its school sponsor is the Chinese Zhigong Party Jiangsu Provincial Committee (中國致公黨江蘇省委員會), an Independent Third Party. It has applied for and the relevant local branch of the human resources and social security authorities have approved the change of school sponsor. However, the relevant local branch of the civil affairs authorities has not yet approved its amended articles of association. In this circumstance, the Chinese Zhigong Party Jiangsu Provincial Committee has signed a written confirmation dated November 21, 2007 confirming that the school sponsor of Jiangsu New East Culinary School has been changed to Anhui Xinhua Education Development Co., Ltd. On November 26, 2018, with the assistance of our PRC Legal Advisors, we consulted with Jiangsu Civil Affairs Department (江蘇省民政廳) on the change of school sponsor, and it has been confirmed that (i) it does not process the application for changing of school sponsors, (ii) the actual school sponsor of Jiangsu New East Culinary School shall be Anhui Xinhua Education Development Co., Ltd., and (iii) there shall be no material impediment if, subject to the approval of human resources and social security authorities, Jiangsu New East Culinary School chooses to become a for-profit private school and register as a limited liability company with the administration of industry and commerce authorities, and apply for the change of the shareholder into Anhui Xinhua Education Development Co., Ltd.; and
  - Nanjing Institute has applied for and the relevant local branch of the human resources and social security authorities have approved the change of school sponsor from Mr. Zhou Baoyin (周寶銀), an Independent Third Party to Anhui Xinhua Education Development Co., Ltd. However, the relevant local branch of the civil affairs authorities has not yet approved its amended articles of association. In this circumstance, Mr. Zhou Baoyin has signed a written confirmation dated November 22, 2018 confirming that Anhui Xinhua Education legally owns the entire school sponsor's interest, that he agrees to give up all of his school sponsor's interest and will not claim any rights thereunder in the future, and that he will unconditionally cooperate with any formalities for registration changes in the future. On November 26, 2018, with the assistance of our PRC Legal Advisors, we consulted with Nanjing Civil Affairs Bureau (南京市民政局) on the change of school sponsor, and it has been confirmed that (i) it does not process the application for changing of school sponsors, (ii) the actual school sponsor of Nanjing Xinhua Computer Institute shall be Anhui Xinhua Education Development Co., Ltd., and (iii) there shall be no material impediment if, subject to the approval of human resources and social security authorities, Nanjing Xinhua Computer Institute chooses to become a for-profit private school and register as a limited liability company with the administration of industry and commerce authorities, and apply for the change of the shareholder into Anhui Xinhua Education Development Co., Ltd.



## STRUCTURED CONTRACTS

- (8) "——" denotes direct or indirect legal and beneficial ownership in the equity interest or school sponsor's or capital contributor's rights.
- (9) "-----" denotes Structured Contracts I.

The following simplified diagram illustrates the flow of economic benefits from Nanjing School to our Group stipulated under the Structured Contracts II:



*Notes:*

- (1) Payment of service fees. See “— Summary of the Material Terms of the Structured Contracts — (1) Exclusive Management Consultancy and Business Cooperation Agreements under the Structured Contracts I and Structured Contracts II” in this section for further details.
- (2) Provision of services. See “— Summary of the Material Terms of the Structured Contracts — (1) Exclusive Management Consultancy and Business Cooperation Agreements under the Structured Contracts I and Structured Contracts II” in this section for further details.
- (3) Entrustment of school sponsors’ or capital contributors’ rights by the school sponsors or capital contributors of Nanjing School including the School Sponsor’s or Capital Contributor’s Powers of Attorney. See “— Summary of the Material Terms of the Structured Contracts — (6) School Sponsors’ or Capital Contributors’ Rights Entrustment Agreement under the Structured Contracts II” and “— Summary of the Material Terms of the Structured Contracts — (7) School Sponsor’s or Capital Contributor’s Powers of Attorney under the Structured Contracts II” in this section for details.
- (4) Exclusive call option to acquire all or part of the school sponsor’s interest in Nanjing School. See “— Summary of the Material Terms of the Structured Contracts — (2) Exclusive Call Option Agreements under the Structured Contracts II” of this document for further details.
- (5) Pledge of all accounts receivable of Nanjing School. See “— Summary of the Material Terms of the Structured Contracts — (5) Accounts Receivable Pledge Agreement under the Structured Contracts II” in this section for further details.

## STRUCTURED CONTRACTS

- (6) The articles of association of Nanjing School currently provides that its school sponsors are Mr. Xiao Guoqing (肖國慶) and Mr. Ge Xiaoliang (葛孝良), a headmaster of one of our PRC Consolidated Affiliated Entities. Nanjing School has applied to the relevant local branches of the human resources and social security authorities and civil affairs authorities to change its school sponsors but has yet to obtain the relevant approvals. In this circumstance, Xinhua Chuangzhi has entered into various agreements that constitute Structured Contracts II with Mr. Xiao Guoqing and Mr. Ge Xiaoliang under which all economic benefits arising from the business of Nanjing School will be transferred to Xinhua Chuangzhi by means of services fees payable by Nanjing School to Xinhua Chuangzhi.
- (7) "——" denotes direct or indirect legal and beneficial ownership in the equity interest or school sponsor's or capital contributor's rights.
- (8) "-----" denotes Structured Contracts II.

For further details, see "— Summary of the Material Terms of the Structured Contracts" in this section.

### Summary of the Material Terms of the Structured Contracts

A description of each of the specific agreements that comprise the Structured Contracts I and Structured Contracts II is set out below.

#### **(1) Exclusive Management Consultancy and Business Cooperation Agreements under Structured Contracts I and Structured Contracts II**

Pursuant to the exclusive management consultancy and business cooperation agreements entered into by and among (i) Xinhua Chuangzhi, Anhui Xinhua Education and its subsidiary entities as described therein, which are our PRC Consolidated Affiliated Entities (excluding Nanjing School), and the Registered Shareholders and (ii) Xinhua Chuangzhi, Nanjing School and Mr. Xiao Guoqing and Mr. Ge Xiaoliang (葛孝良) (collectively as the "School Sponsors of Nanjing School"), each dated November 30, 2018 (collectively as the "Exclusive Management Consultancy and Business Cooperation Agreements").

Pursuant to the Exclusive Management Consultancy and Business Cooperation Agreement, Xinhua Chuangzhi has the exclusive right to provide, or designate any third party to provide comprehensive corporate management consultancy and educational management consultancy services, intellectual property licensing services and technical and business support services. Such services to our PRC Consolidated Affiliated Entities include advisory services on asset and business operation, debt disposal, material contracts or mergers and acquisitions; educational software and course materials research and development; employee training; technology development, transfer and consulting services; public relation services; logistics supporting services; market survey, research and consulting services; market development and planning services; management and advisory services of daily operation, financial investment, asset, credit and debt; human resources and internal information and other matters; office applications and network development, upgrade, update and ordinary maintenance services; sales of proprietary products; assistance in looking for suitable financing channels; establishment of relationship maintenance plans for supplier, customer, cooperative partners, teachers and students, and assist in such relationship maintenance; and software and trademark and know-how licensing and other additional services as may mutually agree from time to time. As at the Latest Practicable Date, Xinhua Chuangzhi and its subsidiaries had over 200 personnel to provide such services to our PRC Consolidated Affiliated Entities pursuant to the Exclusive Management Consultancy and Business Cooperation Agreements. Without Xinhua Chuangzhi's prior written consent, none of our PRC Consolidated Affiliated Entities may accept services

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## **STRUCTURED CONTRACTS**

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covered by the Exclusive Management Consultancy and Business Cooperation Agreements from any third party. The Exclusive Management Consultancy and Business Cooperation Agreements will not expire unless the parties mutually agree to terminate or the term of operation of each of the parties to the agreement expire or upon a 30-day prior notice by Xinhua Chuangzhi in written.

Pursuant to the Exclusive Management Consultancy and Business Cooperation Agreements, Anhui Xinhua Education and the Registered Shareholders have undertaken to procure any subsidiary entity to be established after the date of such agreement invested and controlled (including via contractual arrangements) by Anhui Xinhua Education to execute an acknowledgement letter or any other document to undertake that it will assume rights and obligations as a subsidiary entity of Anhui Xinhua Education under the Exclusive Management Consultancy and Business Cooperation Agreements.

In consideration of the services provided by Xinhua Chuangzhi or its designated third party, our PRC Consolidated Affiliated Entities agree to pay service fees equal to 100% of their net income after deducting the relevant costs, tax payment and reserved funds as required by applicable PRC laws and regulations to Xinhua Chuangzhi or its designated third party who provided the services. Our PRC Consolidated Affiliated Entities shall agree with Xinhua Chuangzhi or its designated third party who provided the services on the actual amount of the service fees to be paid after good faith negotiations.

In order to prevent the leakage of assets and values of our PRC Consolidated Affiliated Entities to their respective shareholders, under the Exclusive Management Consultancy and Business Cooperation Agreements, without the prior written approval from Xinhua Chuangzhi, our PRC Consolidated Affiliated Entities shall not conduct any activities (save as those transactions entered into in the ordinary course of business) that may affect its assets, obligations, rights or operation, including but not limited to:

- (i) transactions entered into beyond the scope of the ordinary course of business or unusual in terms of past practice;
- (ii) change or remove the members of its board of directors or senior management members;
- (iii) the entering into of any loan or debt obligations owing to any third party;
- (iv) the disposal or acquisition of any assets (including intellectual properties) with a value higher than RMB3 million;
- (v) the entering into of any material contract with a consideration higher than RMB3 million;
- (vi) the provision of any guarantee to any third party or the creation of any encumbrances in relation to its assets;
- (vii) amend the articles of association or scope of business;
- (viii) altering the ordinary business procedure or amending any material internal policy;
- (ix) making material changes of its business operation model, marketing strategy, business policy or customer relationship;
- (x) distribution of dividend or reasonable return in any form;

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## STRUCTURED CONTRACTS

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- (xi) dissolution or liquidation and distribution of the assets; and
- (xii) transfer to any third party any of the obligations or rights under the Exclusive Management Consultancy and Business Cooperation Agreements.

To ensure the due performance of the Management Consultancy and Business Cooperation Agreements, each of Anhui Xinhua Education and its subsidiary entities, the Registered Shareholders, Nanjing School and the School Sponsors of Nanjing School has undertaken to comply with the obligations as prescribed under the respective Management Consultancy and Business Cooperation Agreement set forth as follows:

- (i) accept the advice from Xinhua Chuangzhi in relation to employee engagement and dismissal, daily operation and management and financial system management;
- (ii) any candidate nominated by the WFOE will be elected as the directors of Anhui Xinhua Education and our other PRC Consolidated Affiliated Entities; Xinhua Chuangzhi is entitled to appoint the chairman of the board of directors, general manager, school principals, financial controllers and other senior managers of our PRC Consolidated Affiliated Entities;
- (iii) Xinhua Chuangzhi is entitled to periodically receive or inspect the accounts of our PRC Consolidated Affiliated Entities; and
- (iv) upon written request from Xinhua Chuangzhi, Anhui Xinhua Education and its subsidiary, the Registered Shareholders, Nanjing School and the School Sponsors of Nanjing School shall provide all account receivables and/or other disposable assets as guarantee to secure the obligation to pay service fees under the Management Consultancy and Business Cooperation Agreements.

To further enhance our Company's control over our Schools, Xinhua Chuangzhi is entitled to request our PRC Consolidated Affiliated Entities to submit their respective certificates and chops, that are important for their daily operation, to the safety custody of Xinhua Chuangzhi, including but not limited to business licenses, registration certificates of private non-enterprise entities, operation certificates, the company seals and financial chops.

### **(2) Exclusive Call Option Agreements under Structured Contracts I and Structured Contracts II**

Under the exclusive call option agreements entered into by and among (i) Xinhua Chuangzhi, the Registered Shareholders, Anhui Xinhua Education and its subsidiary entities, and (ii) Xinghua Chuangzhi, Nanjing School and the School Sponsors of Nanjing School, each dated November 30, 2018 (collectively as the "Exclusive Call Option Agreements").

Pursuant to the Exclusive Call Option Agreements, the Registered Shareholders and the School Sponsors of Nanjing School unconditionally and irrevocably agreed to grant Xinhua Chuangzhi an exclusive, unconditional and irrevocable option for Xinhua Chuangzhi or its designated third party to purchase all or part of (i) the equity interests of the Registered Shareholders in Anhui Xinhua Education, (ii) the equity interests of the school sponsors or shareholders of such subsidiary entities of Anhui Xinhua Education, (iii) the assets of Anhui Xinhua Education or Nanjing School, and/or (iv) the school sponsor's interest in Nanjing School, at nil consideration or at the lowest price permitted

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## STRUCTURED CONTRACTS

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under the PRC laws and regulations, under circumstances in which Xinhua Chuangzhi or its designated third party is permitted under PRC laws and regulations to own all or part of the equity interests of Anhui Xinhua Education. Where the purchase price is required by the relevant PRC laws and regulations to be an amount other than nil consideration, the Registered Shareholders and/or the School Sponsors of Nanjing School shall return the amount of purchase price they have received to Anhui Xinhua Education or Xinhua Chuangzhi or its designated third party. We have the sole discretion to decide when to exercise the option, and whether to exercise the option in part or in full.

In addition, under the Exclusive Call Option Agreements, Anhui Xinhua Education and the School Sponsor of Nanjing School shall not transfer or permit the encumbrance of or allow any guarantee or security to be created on any of the equity interests in our PRC Consolidated Affiliated Entities or school sponsor's interest in Nanjing School without Xinhua Chuangzhi's prior written consent, and shall not incur, succeed, guarantee or assume any liability excluding any liabilities incurred during our ordinary course of business or liabilities that have been disclosed and confirmed by Xinhua Chuangzhi. In the event that the Registered Shareholders and/or the School Sponsors of Nanjing School receive any profit distribution or dividend from our PRC Consolidated Affiliated Entities, the Registered Shareholders and/or the School Sponsors of Nanjing School must immediately pay or transfer such amount (subject to the relevant tax payment being made under the relevant laws and regulations) to Xinhua Chuangzhi or its designated third party.

### ***(3) Equity Pledge Agreement under Structured Contracts I***

Pursuant to the equity pledge agreement entered into by and among Xinhua Chuangzhi, the Registered Shareholders and Anhui Xinhua Education on November 30, 2018 (the "Equity Pledge Agreement"), the Registered Shareholders unconditionally and irrevocably pledged all of their equity interests in Anhui Xinhua Education to Xinhua Chuangzhi to guarantee performance of the obligations of Anhui Xinhua Education and its subsidiary entities under the Exclusive Management Consultancy and Business Cooperation Agreement and performance of the Registered Shareholders' obligations under the Exclusive Call Option Agreement and the Powers of Attorney. Pursuant to the Equity Pledge Agreement, the Registered Shareholders have agreed that, without the prior written consent of Xinhua Chuangzhi, they will not transfer or dispose the pledged equity interests or create or allow any encumbrance on the pledged equity interests that would prejudice Xinhua Chuangzhi's interest. The Registered Shareholders further undertook to waive their respective preemptive rights in the event when Xinhua Chuangzhi exercises its rights to enforce the pledge.

The equity pledge is required to be registered under the relevant laws and regulations. The equity pledge registration of Anhui Xinhua Education with the Hefei City Administration Bureau for Industry and Commerce was completed on December 4, 2018. The equity pledge shall remain valid until all the contractual obligations of Anhui Xinhua Education, its subsidiary entities and the Registered Shareholders are satisfied in full under the Exclusive Management Consultancy and Business Cooperation Agreement, the Exclusive Call Option Agreement and the Powers of Attorney, or the nullification or termination of the Exclusive Management Consultancy and Business Cooperation Agreement, the Exclusive Call Option Agreement and the Powers of Attorney, whichever is later.

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### **(4) Powers of Attorney under Structured Contracts I**

Each of the Registered Shareholders has executed an irrevocable power of attorney dated November 30, 2018 (the "Powers of Attorney") appointing Xinhua Chuangzhi, or any person designated by Xinhua Chuangzhi, as his attorney-in-fact to appoint directors and vote on his behalf on all matters of Anhui Xinhua Education requiring shareholders' approval under its articles of associations and under the relevant PRC laws and regulations. These powers of attorney remain effective as long as the Registered Shareholders remain a shareholder of Anhui Xinhua Education, unless Xinhua Chuangzhi requests to replace the appointed designee under the Powers of Attorney.

The Powers of Attorney specifically provide that the attorney-in-fact (i) is entitled to call shareholders' meetings and sign resolutions minutes and other documents at those meetings; (ii) is entitled to exercise all shareholder's rights, including but not limited to voting right, information right, nomination right and right to appoint directors; (iii) is entitled to file documents with the relevant companies registries; (iv) sale, transfer, pledge or disposal, in any other way, of equity interests or rights attached thereto; (v) designate or replace of director, instruct and procure the election or replacement of chairman of the board of directors or legal representative, determination of remuneration of directors, chairman of the board of directors or legal representative; (vi) merger, split-off, change of form of company, dissolution and winding-up of company; (vii) voting right, decision-making right and any other rights related to determine future establishment of subsidiary entities; (viii) nominate or recommend or procure the appointment of suitable candidates to the board, council, principal, financial controller/manager or other management members; (ix) is entitled to dividends, and (x) in the event of a winding-up of any of our PRC Consolidated Affiliated Entities, has the right to appoint a liquidator to deal or manage the assets obtained after such winding-up for the benefit of our Company and its shareholders.

Those of our powers to direct the activities of our PRC Consolidated Affiliated Entities that most significantly impact these entities' economic performance include:

- (i) as the attorney-in-fact of shareholders, we elect all members of the board of directors for each of our PRC Consolidated Affiliated Entities, approve the director compensation, review and approve annual budget and vote on all matters that requiring approval from shareholders;
- (ii) through the control over our PRC Consolidated Affiliated Entities' boards, we appoint all senior management, approve executive compensation and review and approve operating, investing, and financing plans; and
- (iii) through control over the management team, we effectively control the daily operations of our PRC Consolidated Affiliated Entities.

Therefore, through the irrevocable power of attorney arrangement, we and our wholly-owned PRC subsidiary, Xinhua Chuangzhi, have the ability to exercise effective control over Anhui Xinhua Education through shareholder votes and, through such votes, to also control the composition of the board of directors for Anhui Xinhua Education.

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### (5) *Accounts Receivable Pledge Agreement under Structured Contracts II*

Pursuant to the accounts receivable pledge agreement entered into by and among Xinhua Chuangzhi, Nanjing School and the School Sponsors of Nanjing School on November 30, 2018 (the "Accounts Receivable Pledge Agreement"), Nanjing School unconditionally and irrevocably pledged and granted first priority security interests over all of its interest in (i) receivables from the tuition, boarding, examination tutoring fees of Nanjing School, (ii) rent from the School's properties, (iii) receivables from services provided by Nanjing School, to Xinhua Chuangzhi as security for performance of the Structured Contracts and all direct, indirect or consequential damages and foreseeable loss of interest incurred by Xinhua Chuangzhi as a result of any event of default on the part of Nanjing School or the School Sponsors of Nanjing School and all expenses incurred by WFOE as a result of enforcement of the obligations of Nanjing School or the School Sponsors of Nanjing School under the Structured Contracts (the "Secured Indebtedness").

Pursuant to the Accounts Receivable Pledge Agreement, without the prior written consent of Xinhua Chuangzhi, Nanjing School and the School Sponsors of Nanjing School shall not transfer the receivables or create further pledge or encumbrance over the pledged interest in the receivables. The proceeds of any transfer of the interest in the receivables shall be first used in the payment of the Secured Indebtedness or deposited to such third party as agreed to by Xinhua Chuangzhi.

Any of the following events shall constitute an event of default under the Accounts Receivable Pledge Agreement:

- (i) Nanjing School or the School Sponsors of Nanjing School commit any breach of any obligations under the Structured Contracts;
- (ii) any representations or warranties or information provided by Nanjing School or the School Sponsors of Nanjing School under the Structured Contracts is proved incorrect or misleading; or
- (iii) any provision in the Structured Contracts becomes invalid or incapable of performance due to changes in PRC laws and regulations or promulgation of new laws and regulations in the PRC, and the parties have not agreed on any alternative arrangement.

Upon the occurrence of an event of default as described above, Xinhua Chuangzhi shall have the right to enforce the Accounts Receivable Pledge Agreement by written notice to Nanjing School in one or more of the following ways:

- (i) sell the pledged receivables interest by way of auction or at a discount and have priority in the entitlement to the sales proceeds;
- (ii) appoint relevant auction parties for the action; and/or
- (iii) dispose of the pledged receivables interest in other manner subject to applicable laws and regulations.

The pledge under the Accounts Receivable Pledge Agreement will be registered with the Credit Reference Centre of the People's Bank of China (中國人民銀行徵信中心) as required by the *Receivables Pledge Registration Measures* (《應收賬款質押登記辦法》) promulgated by the People's Bank of China and became effective on the same day of registration.

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## STRUCTURED CONTRACTS

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### **(6) *School Sponsors' or Capital Contributors' Rights Entrustment Agreement under Structured Contracts II***

Pursuant to the school sponsors' or capital contributors' rights entrustment agreement entered into by and between Xinhua Chuangzhi and the School Sponsors of Nanjing School on November 30, 2018 (the "School Sponsors' or Capital Contributors' Rights Entrustment Agreement"), the School Sponsors of Nanjing School have irrevocably authorised and entrusted Xinhua Chuangzhi to exercise all its rights as school sponsor or capital contributor of Nanjing School to the extent permitted by PRC laws. These rights include, but are not limited to: (a) the right to appoint and/or elect directors or council members of Nanjing School; (b) the right to appoint and/or elect supervisors of Nanjing School; (c) the right to access the information relating to the operation and financial situation of Nanjing School; (d) the right to review the resolutions and records of the board of directors and financial statements and reports of Nanjing School; (e) the right to obtain reasonable returns or any returns as school sponsor of Nanjing School in accordance with the laws; (f) the right to acquire residue assets upon winding-up, liquidation, dissolution or cessation of operation of Nanjing School in accordance with the laws; (g) the right to transfer school sponsor's interest in accordance with the laws; (h) the right to vote as school sponsor upon winding-up, liquidation, dissolution or cessation of operation of Nanjing School in accordance with the laws; (i) the right to handle the legal procedures of registration, approval and licensing of Nanjing School at the education department, the department of civil affairs or other government departments and (j) other school sponsor's rights pursuant to applicable PRC laws and regulations and the articles of association of Nanjing School as amended from time to time.

In addition, each of the School Sponsors of Nanjing School has irrevocably agreed that (i) Xinhua Chuangzhi may delegate its rights under the School Sponsors' or Capital Contributors' Rights Entrustment Agreement to the directors of Xinhua Chuangzhi or its designated person, without prior notice to or approval by the School Sponsors of Nanjing School; and (ii) any person as successor of civil rights of Xinhua Chuangzhi or liquidator by reason of subdivision, merger, liquidation of Xinhua Chuangzhi or other circumstances shall have authority to replace Xinhua Chuangzhi to exercise all rights under the School Sponsors' or Capital Contributors' Rights Entrustment Agreement.

### **(7) *School Sponsor's or Capital Contributor's Powers of Attorney under Structured Contracts II***

Each of the School Sponsors of Nanjing School has executed an irrevocable school sponsor's or capital contributor's power of attorney dated November 30, 2018 (the "School Sponsor's or Capital Contributor's Powers of Attorney") appointing Xinhua Chuangzhi or any person designated by Xinhua Chuangzhi, as its agents to act on its behalf to exercise or delegate the exercise of all its rights as school sponsor of Nanjing School.

Xinhua Chuangzhi shall have the right to further delegate the rights so delegated to the directors of Xinhua Chuangzhi or other designated person. The School Sponsors of Nanjing School irrevocably agreed that the authorisation and appointment in the School Sponsor's or Capital Contributor's Powers of Attorney shall not be invalid, prejudiced or otherwise adversely affected by reason of the increase, decrease or merger of the interest of the School Sponsors of Nanjing School or other similar events. Each of the School Sponsor's or Capital Contributor's Powers of Attorney shall constitute a part and incorporate terms of the School Sponsors' or Capital Contributors' Rights Entrustment Agreement.



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### DISPUTE RESOLUTION

Each of the the Exclusive Management Consultancy and Business Cooperation Agreements, the Exclusive Call Option Agreements, the Equity Pledge Agreement, the Accounts Receivable Pledge Agreement and the School Sponsors' or Capital Contributors' Rights Entrustment Agreement provides that:

- (a) any dispute arising out of or in connection with the performance of the relevant agreements shall be resolved through negotiation in good faith;
- (b) if the parties are unable to settle the dispute by negotiation, any party shall have the right to refer the dispute to and have the dispute finally resolved by arbitration administered by the China International Economic and Trade Arbitration Commission in Beijing, the PRC under the prevailing effective arbitration rules thereof. The results of the arbitration shall be final and binding on all relevant parties;
- (c) the arbitration commission shall have the right to award remedies over the equity interest and/or other assets of our PRC Consolidated Affiliated Entities, injunctive relief (for the conduct of business or to compel the transfer of assets), or order the winding up of our PRC Consolidated Affiliated Entities; and
- (d) upon request by any party, the courts of competent jurisdictions shall have the power to grant interim remedies in support of the arbitration pending formation of the arbitral tribunal or in appropriate cases. The courts of PRC, Hong Kong, the Cayman Islands and the place where the principal assets of our Company and our PRC Consolidated Affiliated Entities are located shall be considered as having jurisdiction for the above purposes.

In connection with the dispute resolution method as set out in the Structured Contracts and the practical consequences, we are advised by our PRC legal advisors that:

- (a) under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order for the purpose of protecting assets of or equity interest in our PRC Consolidated Affiliated Entities in case of disputes. As such, these remedies may not be available to our Group under PRC laws;
- (b) further, under the PRC laws, courts or judicial authorities in the PRC generally would not award remedies over the shares and/or assets of our PRC Consolidated Affiliated Entities, injunctive relief or winding-up of each of our PRC Consolidated Affiliated Entities as interim remedies, before there is any final outcome of arbitration;
- (c) however, the PRC laws do not disallow the arbitral body to give award of transfer of assets of or an equity interest in each of our PRC Consolidated Affiliated Entities at the request of arbitration applicant. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support such award of the arbitral body when deciding whether to take enforcement measures;

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- (d) in addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC; therefore, in the event we are unable to enforce the Structured Contracts, we may not be able to exert effective control over each of our PRC Consolidated Affiliated Entities, and our ability to conduct our business may be negatively affected; and
- (e) even if the above-mentioned provisions may not be enforceable under PRC laws, the remaining provisions of the dispute resolution clauses are legal, valid and binding on the parties to the agreement under the Structured Contracts.

As a result of the above, in the event that any of our PRC Consolidated Affiliated Entities or the Registered Shareholders breaches any of the Structured Contracts, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our PRC Consolidated Affiliated Entities and conduct our business could be materially and adversely affected. See "Risk Factors — Risks Relating to our Structured Contracts" in this document for details.

### **PROTECTION IN THE EVENT OF DEATH, BANKRUPTCY OR DIVORCE OF THE REGISTERED SHAREHOLDERS**

Pursuant to the spouse undertakings executed by the respective spouse of the Registered Shareholders and Mr. Ge Xiaoliang ("Spouse Undertakings"), the respective spouse of each of the Registered Shareholders has irrevocably (i) acknowledged the entry into of the Structured Contracts by the respective Registered Shareholder; (ii) undertook that she shall not take any actions that are in conflict with purpose and intention of the Structured Contracts, including acknowledging that any equity interests held by the shareholders do not fall within the scope of their community properties; and (iii) confirmed that her consent and approval is not required for the implementation of the Structured Contracts, any amendments thereto or the termination thereof.

In addition, pursuant to the Exclusive Management Consultancy and Business Cooperation Agreements and Exclusive Call Option Agreements, the Registered Shareholders and the School Sponsors of Nanjing School undertake to the WFOE that, in the event of death, loss of or restriction on capacity, divorce or other circumstances which may affect the exercise of his/her direct or indirect equity interest in Anhui Xinhua Education, his rights and obligations thereunder shall be assumed by his successor(s), and unless with prior consent from Xinhua Chuangzhi, any will, divorce agreement, debt settlement agreement or legal document in any forms shall not prejudice or hinder the enforcement of the Exclusive Management Consultancy and Business Cooperation Agreements and the Exclusive Call Option Agreements.

### **PROTECTION IN THE EVENT OF DISSOLUTION OR LIQUIDATION OF OUR PRC CONSOLIDATED AFFILIATED ENTITIES**

Pursuant to the Exclusive Management Consultancy and Business Cooperation Agreements, in the event of the dissolution or liquidation of our PRC Consolidated Affiliated Entities, the Registered Shareholders, Anhui Xinhua Education and its subsidiary entities and the School Sponsors of Nanjing School undertake that, (i) in the event of dissolution or liquidation of any of our PRC Consolidated Affiliated Entities, the Registered Shareholders, Anhui Xinhua Education and its subsidiary entities and the School Sponsors of Nanjing School shall form the liquidation committee by members appointed by Xinhua Chuangzhi, to the extent permitted by PRC laws and regulation, to manage the assets of the relevant PRC Consolidated Affiliated Entities; and (ii) whether or not (i) is fulfilled, the remaining assets of a liquidated entity shall be transferred to Xinhua Chuangzhi.

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### LOSS SHARING

In the event that our PRC Consolidated Affiliated Entities incur any loss or encounters any operational crisis, Xinhua Chuangzhi may, but is not obliged to, provide financial support to our PRC Consolidated Affiliated Entities.

None of the agreements constituting the Structured Contracts provide that our Company or its wholly-owned PRC subsidiary, Xinhua Chuangzhi, is obligated to share the losses of our PRC Consolidated Affiliated Entities or provide financial support to our PRC Consolidated Affiliated Entities. Further, our PRC Consolidated Affiliated Entities shall be solely liable for its own debts and losses with assets and properties owned by it.

Under PRC laws and regulations, our Company or Xinhua Chuangzhi, is not expressly required to share the losses of our PRC Consolidated Affiliated Entities or provide financial support to our PRC Consolidated Affiliated Entities. Despite the foregoing, given that our PRC Consolidated Affiliated Entities' financial condition and results of operations are consolidated into our Group's financial condition and results of operations under the applicable accounting principles, our Company's business, financial condition and results of operations would be adversely affected if our PRC Consolidated Affiliated Entities suffer losses. However, due to the restrictive provisions contained in the Structured Contracts as disclosed in the respective paragraphs headed "— Summary of the Material Terms of the Structured Contracts — (1) Exclusive Management Consultancy and Business Cooperation Agreements" and "— Summary of the Material Terms of the Structured Contracts — (2) Exclusive Call Option Agreements" above, the potential adverse effect on the WFOE and our Company in the event of any loss suffered from our PRC Consolidated Affiliated Entities can be limited to a certain extent.

### TERMINATION OF THE STRUCTURED CONTRACTS

In the event that PRC laws and regulations allow Xinhua Chuangzhi or us to directly hold all or part of the interest of Anhui Xinhua Education and/or in our PRC Consolidated Affiliated Entities and/or all as part of the equity interest in Anhui Xinhua Education and operate private vocational training business in the PRC, Xinhua Chuangzhi shall exercise the equity call option as soon as practicable and Xinhua Chuangzhi or its designated party shall purchase such amount of equity interest to the extent permissible under the PRC laws and regulations, and upon exercise in full of the call option and the acquisition of all the equity interest that the Registered Shareholders (directly and indirectly) hold in our PRC Consolidated Affiliated Entities or all the school sponsor's interest that the School Sponsors of Nanjing School hold in Nanjing School by the WFOE or another party designated by our Company pursuant to the terms of the Exclusive Call Option Agreements, each of the Structured Contracts shall be automatically terminated.

### INSURANCE

Our Company does not maintain any insurance policy to cover the risks relating to the Structured Contracts.

### ARRANGEMENT TO ADDRESS POTENTIAL CONFLICT OF INTEREST

We have in place arrangements to address the potential conflicts of interest between the Registered Shareholders and the School Sponsors of Nanjing School on the one hand, and our Company on the other hand. Pursuant to the Exclusive Management Consultancy and Business Cooperation Agreements, each of the

## STRUCTURED CONTRACTS

Registered Shareholders and the School Sponsors of Nanjing School undertakes to Xinhua Chuangzhi that, unless with the prior written consent of Xinhua Chuangzhi, the Registered Shareholders and the School Sponsors of Nanjing School shall not directly or indirectly engage, participate in, conduct, acquire or hold any competing business. Our Directors are of the view that the measures we have adopted are sufficient to mitigate the risks associated with the potential conflicts of interest between the Registered Shareholders and the School Sponsors of Nanjing School on the one hand, and our Company on the other hand.

### LEGALITY OF THE STRUCTURED CONTRACTS

#### PRC Legal Opinions

Based on the above, our PRC legal advisors are of the opinion that:

- (a) each of our PRC Consolidated Affiliated Entities was duly incorporated and is validly existing and their respective establishment is valid, effective and complies with the relevant PRC laws and regulations, each of the Registered Shareholders and Mr. Ge Xiaoliang is a natural person with full civil and legal capacity. Each of our PRC Consolidated Affiliated Entities has also obtained all necessary approvals and authorizations to execute and perform the Structured Contracts;
- (b) the Structured Contracts as a whole and each of the agreements comprising the Structured Contracts are legal, valid and binding on the parties thereto. Parties to each of the agreements are entitled to perform their respective obligations thereunder, except that the Structured Contracts provide that the arbitral body may award remedies over the shares and/or assets of our PRC Consolidated Affiliated Entities, injunctive relief and/or winding up of our PRC Consolidated Affiliated Entities, and that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal, while under PRC laws, an arbitral body has no power to grant injunctive relief and may not directly issue a provisional or final liquidation order for the purpose of protecting the assets of or equity interest in our PRC Consolidated Affiliated Entities in case of disputes. In addition, interim remedies or enforcement orders granted by overseas courts such as the courts of Hong Kong and the Cayman Islands may not be recognizable or enforceable in China, and do not, individually or collectively, constitute a breach of any PRC laws and regulations and will not be deemed invalid or ineffective under those laws and regulations; in particular, none of the Structured Contracts would be deemed as "concealing illegal intentions with a lawful form," and void under the PRC Contract Law;
- (c) each of the Structured Contracts is not in violation of provisions of the articles of association of our PRC Consolidated Affiliated Entities and Xinhua Chuangzhi; and
- (d) entering and the performance of each of the Structured Contracts is not required to obtain any approvals or authorizations from the PRC governmental authorities, except that: (i) the pledge of the accounts receivable of Nanjing School in favor of Xinhua Chuangzhi is subject to registration requirements with the Credit Reference Centre of the People's Republic of China; (ii) the transfer of equity interest in Anhui Xinhua Education or the school sponsor's interest in Nanjing School contemplated under the Structured Contracts is

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subject to applicable approval and/or registration requirements under the then applicable laws, and (iii) any arbitral awards or foreign rulings and/or judgments in relation to the performance of the Structured Contracts are subject to applications to competent PRC courts for recognition and enforcement.

For details in relation to the risks involved in the Structured Contracts, see "Risk Factors — Risks Relating to Our Structured Contracts" in this document.

### Directors' Views on the Structured Contracts

[We believe that the Structured Contracts are narrowly tailored because the Structured Contracts are only used to enable our Group to consolidate the financial results of our PRC Consolidated Affiliated Entities which engage or will engage in the operation of vocational education and vocational training, where the PRC laws and regulations currently restrict operation of vocational education and vocational training to Sino-foreign ownership, in addition to imposing qualification requirements on the foreign owners and withholding government approval in respect of Sino-foreign ownership.

As of the date of this document, we have not encountered any interference or encumbrance from any governing bodies in our plan to adopt the Structured Contracts so that the financial results of the operation of our PRC Consolidated Affiliated Entities can be consolidated to those of our Group, and based on the advice of our PRC legal advisors, our Directors are of the view that the Structured Contracts are legal, valid and binding on the parties thereto under the PRC laws and regulations, except for relevant arbitration provisions, as disclosed in the paragraph headed "— Dispute Resolution" in this section.

The transactions contemplated under the Structured Contracts constitute continuing connected transactions of our Company under the Listing Rules upon the [REDACTED] and it is impracticable and unduly burdensome for them to be subject to the relevant requirements under the Listing Rules as our Directors are of the view that the transactions contemplated under the Structured Contracts are fundamental to our Group's legal structure and business operations, that such transactions have been and shall be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. See "Connected Transactions" in this document.]

### CONSOLIDATED FINANCIAL RESULTS OF OUR PRC CONSOLIDATED AFFILIATED ENTITIES

[According to HKFRSs 10 — Consolidated Financial Statements, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Although our Company does not directly or indirectly own our PRC Consolidated Affiliated Entities, the Structured Contracts as mentioned above enable our Company to exercise control over our PRC Consolidated Affiliated Entities. The basis of combining the results of our PRC Consolidated Affiliated Entities is disclosed in note 1 of Appendix I to this document. Our Directors consider that our Company can combine the financial results of our PRC Consolidated Affiliated Entities as if they were our Group's subsidiaries.]

## STRUCTURED CONTRACTS

### DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

#### Draft Foreign Investment Law and the Explanatory Notes

The MOFCOM published a discussion draft of the proposed Foreign Investment Law in January 2015 aiming to, upon its enactment, replace the major existing laws and regulations governing foreign investment in China. While the MOFCOM solicited comments on this draft in early 2015, substantial uncertainties exist with respect to its enactment timetable, interpretation and implementation. The Draft Foreign Investment Law, if enacted as proposed, may materially impact the entire legal framework regulating foreign investments in China.

Among other things, the Draft Foreign Investment Law purports to introduce the principle of "actual control" in determining whether a company is considered a foreign invested enterprise, or a foreign invested entity ("FIE"). The Draft Foreign Investment Law specifically provides that entities established in China but "controlled" by foreign investors will be treated as FIEs, whereas an entity organized in a foreign jurisdiction, but confirmed by the authority in charge of foreign investment as "controlled" by PRC entities and/or citizens, would nonetheless be treated as a PRC domestic entity for investment in the "restricted category" on the Special Management Measures Catalog to be issued subject to the examination of the relevant authority in charge of foreign investment. For these purposes, "control" is broadly defined in the draft law to cover any of the following summarized categories:

- (i) holding directly or indirectly 50% or more of the equity interest, assets, voting rights or similar equity interest of the subject entity;
- (ii) holding directly or indirectly less than 50% of the equity interest, assets, voting rights or similar equity interest of the subject entity but (a) having the power to directly or indirectly appoint or otherwise secure at least 50% of the seats on the board or other equivalent decision making bodies, (b) having the power to secure its nominated person to acquire at least 50% of the seats on the board or other equivalent decision making bodies, or (c) having the voting power to exert material influence over decision-making bodies, such as the shareholders' meeting or the board; or
- (iii) having the power to exert decisive influence, via contractual or trust arrangements, over the subject entity's operations, financial, staffing and technology matters.

In respect of "actual control", the Draft Foreign Investment Law looks at the identity of the ultimate natural person or enterprise that controls the foreign-invested enterprise. "Actual control" refers to the power or position to control an enterprise through investment arrangements, contractual arrangements or other rights and decision-making arrangements. Articles 19 of the Draft Foreign Investment Law defined "actual controllers" as the natural persons or enterprises that directly or indirectly control foreign investors or foreign-invested enterprises.

If an entity is determined to be an FIE, and its investment amount exceeds certain thresholds or its business operation falls within a Special Management Measures Catalog to be separately issued by the State Council in the future, market entry clearance by the authority in charge of foreign investment would be required.

## STRUCTURED CONTRACTS

The "variable interest entity" structure, or VIE structure, has been adopted by many PRC-based companies, and has been adopted by our Company in the form of the Structured Contracts, to establish control of our PRC Consolidated Affiliated Entities by the WFOE, through which we operate our education business in PRC. Under the Draft Foreign Investment Law, variable interest entities that are controlled via contractual arrangements would also be deemed as FIEs, if they are ultimately "controlled" by foreign investors. For companies with a VIE structure in an industry category that is in the "restricted category" on the Special Management Measures Catalog it is possible that the existing VIE structure may be deemed legitimate only if the ultimate controlling person(s) is/are of PRC nationality (either PRC state-owned enterprises or agencies, or PRC citizens). Conversely, if the actual controlling person(s) is/are of foreign nationalities, then the variable interest entities will be treated as FIEs and any operation in the industry category on the Special Management Measures Catalog without market entry clearance may be considered as illegal.

Pursuant to the Draft Foreign Investment Law, as far as the new VIE structures are concerned, if a domestic enterprise under the VIE structure is controlled by Chinese nationals, such domestic enterprise may be treated as a Chinese investor and therefore the VIE structures may be regarded as legal. However, if the domestic enterprise is controlled by foreign investors, such domestic enterprise may be treated as a foreign-investor or foreign-invested enterprise, and therefore the operation of such domestic enterprise through VIE structures may be regarded as illegal if the domestic enterprise operates in a sector which is on the Special Management Measures Catalog and the domestic enterprise does not apply for and obtain the necessary permission.

The Draft Foreign Investment Law stipulates restriction of foreign investment in certain industry sectors. The Special Management Measures Catalog set out in the Draft Foreign Investment Law classified the relevant prohibited and restricted industries into the Catalogue of Prohibitions and the Catalogue of Restrictions, respectively.

Foreign investors are not allowed to invest in any sector set out in the Catalogue of Prohibitions. Where any foreign investor directly or indirectly holds shares, equities, properties or other interests or voting rights in any domestic enterprise, such domestic enterprise is not allowed to invest in any sector set out in the Catalogue of Prohibitions, unless otherwise specified by the State Council.

Foreign investors are allowed to invest in sectors set out in the Catalogue of Restrictions, provided that the foreign investors are required to fulfil certain conditions and apply for permission before making such investment.

Notwithstanding that the accompanying explanatory notes to the Draft Foreign Investment Law (the "Explanatory Notes") do not provide a clear direction in dealing with VIE structures existing before the Draft Foreign Investment Law becoming effective, which is still pending for further study as of the Latest Practicable Date, the Explanatory Notes contemplate three possible approaches in dealing with foreign-invested enterprises with existing VIE structures and conducting business in an industry falling in the Special Management Measures Catalog:

- (a) to make a declaration to the competent authority that the actual control is vested with Chinese investors, then the VIE structures may be retained for its operation;
- (b) to apply to the competent authority for certification of its actual control vested with Chinese investors and upon verification by the competent authority, the VIE structures may be retained for its operation;

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## STRUCTURED CONTRACTS

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- (c) to apply to the competent authority for permission and the competent authority together with the relevant departments shall make a decision after taking into account the actual control of the foreign-invested enterprise and other factors.

Where foreign investors and foreign-invested enterprises circumvent the provisions of the Draft Foreign Investment Law by entrusted holding, trust, multi-level reinvestment, leasing, contracting, financing arrangements, protocol control, overseas transaction or otherwise, make investments in sectors specified in the Catalogue of Prohibitions, or make investments in sectors specified in the Catalogue of Restrictions without permission or violate the information reporting obligations specified therein, the penalty shall be imposed in accordance with Article 144 of (Investments in Sectors Specified in the Catalogue of Prohibitions), Article 145 (Violation of Provisions on Access Permission), Article 147 (Administrative Legal Liability for Violating the Information Reporting Obligation) or Article 148 (Criminal Legal Liability for Violating the Information Reporting Obligation) of the Draft Foreign Investment Law, as the case may be.

Where foreign investors make investments in the sectors specified in the Catalogue of Prohibitions, the competent authorities of foreign investment of the people's governments of provinces, autonomous regions and municipalities directly under the Central Government at the place where the investments are made shall order them to cease the implementation of such investments, dispose of equity or other assets within a prescribed time limit, confiscate illegal gains, if any, and impose a fine of not less than RMB100,000 but not more than RMB1 million or of not more than 10% of illegal investments.

Where foreign investors make investments in the sectors specified in the Catalogue of Restrictions without authorization, the competent authorities of foreign investment of the people's governments of provinces, autonomous regions and municipalities directly under the Central Government at the place where the investments are made shall order them to cease the implementation of such investments, dispose of equity or other assets within a prescribed time limit, confiscate illegal gains, if any, and impose a fine of not less than RMB100,000 but not more than RMB1 million or of not more than 10% of illegal investments.

Where foreign investors or foreign-invested enterprises are in violation of the provisions of the Draft Foreign Investment Law, including failing to perform on schedule, or evading the performance of, the information reporting obligation, or concealing the truth or providing false or misleading information, the competent authorities of foreign investment of the people's governments of provinces, autonomous regions and municipalities directly under the Central Government at the place where the investments are made shall order them to make rectifications within a prescribed time limit; if they fail to make rectifications within the prescribed time limit, or the circumstances are serious, a fine of not less than RMB50,000 but not more than RMB500,000 or of not more than 5% of the investments shall be imposed.

Where foreign investors or foreign-invested enterprises are in violation of the provisions of the Draft Foreign Investment Law, including failing to perform on schedule, or evading the performance of, the information reporting obligation, or concealing the truth or providing false or misleading information, and if the circumstances are extremely serious, a fine shall be imposed on the foreign investors or foreign-invested enterprises and the directly responsible person-in-charge and other persons liable shall be sentenced to fixed-term imprisonment of not more than one year or criminal detention.



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## STRUCTURED CONTRACTS

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If the Draft Foreign Investment Law is promulgated in the current draft form, on the basis that (i) Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing, who are of Chinese nationality, will indirectly hold in aggregate more than 50% (without taking into account any Shares which may be issued upon the exercise of the [REDACTED] or any options that may be granted under the [REDACTED] Share Option Scheme on the Share Option Scheme) of the issued share capital of our Company upon completion of the Capitalization Issue and the [REDACTED] and will indirectly hold an aggregate of more than 50% of the issued share capital of our Company assuming that the [REDACTED] is exercised in full; (ii) our Company through the WFOE exercises effective control over our PRC Consolidated Affiliated Entities pursuant to the Structured Contracts; and (iii) Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing are of Chinese nationality, our Directors are of the view that we should be able to apply for the recognition of the Structured Contracts as domestic investments and it is likely that the Structured Contracts will be considered as legal.

### **The Potential Impact to Our Company in the Worst Scenario that the Structured Contracts Are Not Treated as a Domestic Investment**

If our Group can legally operate the education business under PRC Laws, the WFOE will exercise the call option under the Exclusive Call Option Agreements to acquire the school sponsor's interest of our PRC Consolidated Affiliated Entities and/or the equity interest in Anhui Xinhua Education and unwind the Structured Contracts subject to re-approval by the relevant authorities.

Considering that a number of existing conglomerates are operating under contractual arrangements and some of which have obtained listing status abroad, our Directors are of the view that it is unlikely, if the Draft Foreign Investment Law is promulgated, that the relevant regulations will take retrospective effect to require the relevant enterprises to remove the contractual arrangements. In future, the PRC government is likely to take a relatively cautious attitude towards the aspects of supervision as well as the enactment, and make decisions according to different situations in practice.

However, there are uncertainties as to what the definition of control may be under the finally enacted version of the Foreign Investment Law in the future, and the relevant government authorities will have a broad discretion in interpreting the law and may ultimately take a view that is inconsistent with our PRC legal advisors' understanding. In any event, our Company will take reasonable steps in good faith to seek to comply with the enacted version of the Foreign Investment Law, if and when it comes into force.

### **Potential Measures to Maintain Control Over and Receive Economic Benefits from our PRC Consolidated Affiliated Entities**

As mentioned above, the Structured Contracts are likely to be deemed as a domestic investment if the Draft Foreign Investment Law were to become effective in its current form and content. To ensure the Structured Contracts remain a domestic investment so that our Group can maintain control over our PRC Consolidated Affiliated Entities and receive all economic benefits derived from our PRC Consolidated Affiliated Entities, the Registered Shareholders, namely Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing, have jointly given an undertaking to our Company, and our Company has agreed with the Stock Exchange to enforce such undertaking to:

- (a) continue to maintain their respective Chinese nationality and citizenship for as long as they hold a controlling interest or Shares, as the case may be, in our Company;

## STRUCTURED CONTRACTS

- (b) the Registered Shareholders shall not, directly or indirectly, individually or jointly, dispose of any interest in our Company which will lead to Mr. Wu Junbao ceasing to hold controlling interest or the Registered Shareholders to hold Shares representing more than 51% of the total issued Shares of our Company; such disposal shall include (i) issue or placement of any new Shares, (ii) sale, transfer, assign or grant any Shares or relevant rights attached thereto, and (iii) pledge, charge, lieu or set any security rights on any Shares; and
- (c) prior to conducting any transactions (including but not limited to any placement), for the benefits of our Group, that will lead to Mr. Wu Junbao ceasing to hold controlling interest or the Registered Shareholders to hold Shares representing more than 51% of the total issued Shares of our Company, such relevant Shareholders shall (i) demonstrate to the satisfaction of our Company and the Stock Exchange that the Contractual Arrangements will remain a domestic investment for the purpose of the Draft Foreign Investment Law, (ii) obtain prior written consent from our Company as to the identity of the successor, and (iii) procure that the successor, who will hold controlling interest or Shares representing more than 51% of the total issued Shares of our Company, to give an undertaking to our Company with similar terms and conditions.

Based on the aforesaid undertaking given by Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing, our Directors are of the view that (i) the Structured Contracts are likely to be deemed as a domestic investment and to be permitted to continue; and (ii) our Group can maintain control over our PRC Consolidated Affiliated Entities and receive all economic benefits derived from our PRC Consolidated Affiliated Entities. The aforesaid undertaking will become effective from the date of the [REDACTED] of our Shares on the Stock Exchange and will remain effective until compliance with the Draft Foreign Investment Law (together with all its subsequent amendments or updates, as promulgated) is not required.

Notwithstanding the above, there may be uncertainties that the above measures to maintain control over and receive the economic benefits from our PRC Consolidated Affiliated Entities alone may not be effective in ensuring compliance with the Draft Foreign Investment Law (if and when it becomes effective). In the event that such measures are not complied with, the Stock Exchange may take enforcement actions against us which may have a material adverse effect on the [REDACTED] of our Shares. See "Risk Factors — Risks Relating to Our Structured Contracts" in this document for more details.

### COMPLIANCE WITH THE STRUCTURED CONTRACTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Structured Contracts and our compliance with the Structured Contracts:

- (a) major issues arising from the implementation and compliance with the Structured Contracts or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (b) our Board will review the overall performance of and compliance with the Structured Contracts at least once a year;

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## STRUCTURED CONTRACTS

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- (c) our Company will disclose the overall performance and compliance with the Structured Contracts in its annual reports and interim reports to update the Shareholders and potential investors;
- (d) our Company and our Directors undertake to provide periodic updates in our annual and interim reports regarding the qualification requirement and our status of compliance with the Draft Foreign Investment Law and its accompanying explanatory notes as stipulated under the section headed "Structured Contracts — Background of the Structured Contracts" and the latest development of the Draft Foreign Investment Law and its accompanying explanatory notes as disclosed under the section headed "— Development in the PRC Legislation on Foreign Investment", including the latest relevant regulatory development as well as our plan and progress in acquiring the relevant experience to meet the qualification requirement; and
- (e) our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Structured Contracts, review the legal compliance of the WFOE and our PRC Consolidated Affiliated Entities to deal with specific issues or matters arising from the Structured Contracts.

In addition, notwithstanding that our non-executive Director, Mr. Wu Junbao and our executive Directors, Mr. Wu Wei and Mr. Xiao Guoqing are also one of the Registered Shareholders, we believe that our Directors are able to perform their roles in our Group independently and our Group is capable of managing its business independently after the [REDACTED] under the following measures:







- (a) the decision-making mechanism of the Board as set out in the Articles of Association includes provisions to avoid conflict of interest by providing, amongst other things, that in the event of conflict of interest in such contract or arrangement which is material, a Director shall declare the nature of his or her interest at the earliest meeting of the Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum;
- (b) each of our Directors is aware of his fiduciary duties as a Director which requires, amongst other things, that he acts for the benefits and in the best interests of our Group;
- (c) we have appointed three independent non-executive Directors, comprising over one-third of our Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of our Company and our Shareholders as a whole; and
- (d) we will disclose in our announcements, circulars, annual and interim reports in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by our Board (including independent non-executive Directors) relating to any business or interest of each Director and his associates that competes or may compete with the business of our Group and any other conflicts of interest which any such person has or may have with our Group.

## BUSINESS

### OVERVIEW

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 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 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, 2015 and December 31, 2017, the number of our Schools and our average students enrolled grew at a CAGR of 33.2% and 11.5% respectively. As of August 31, 2018, we operated 139 Schools with approximately 121,558 average students enrolled. 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 17 centers under our Cuisine Academy. The following chart sets forth the information of our five school brands and Cuisine Academy:

Segments	Brands	Logo	No. of Schools as of August 31, 2018	Average students enrolled as of August 31, 2018
Culinary Arts . . . . .	New East		50	70,004
	Omick		19	2,633
Information Technology . . . . .	Xinhua Internet		23	29,008
	Wisezone		22	1,229
Auto Services . . . . .	Wontone		25	18,684
<b>TOTAL . . . . .</b>			<b>139</b>	<b>121,558</b>
			<b>No. of centers as of August 31, 2018</b>	<b>Average number of customers registered as of August 31, 2018</b>
Customized Catering Experience Center . . . . .	Cuisine Academy		17	447

## BUSINESS

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						Eight months ended	
	Year ended December 31,						August 31,	
	2015	%	2016	%	2017	%	2018	%
Long-term . . . . .	85,046	90.7	94,337	89.8	105,130	90.2	109,483	90.1
– One to less than two years . . . . .	12,769	13.6	12,821	12.2	12,443	10.7	11,508	9.5
– Two to less than three years . . . . .	64,544	68.9	70,042	66.6	76,618	65.7	77,978	64.1
– Three years or more . . . . .	7,733	8.3	11,474	10.9	16,069	13.8	19,997	16.5
Short-term . . . . .	8,681	9.3	10,758	10.2	11,410	9.8	12,075	9.9
<b>TOTAL . . . . .</b>	<b>93,727</b>	<b>100</b>	<b>105,095</b>	<b>100</b>	<b>116,540</b>	<b>100</b>	<b>121,558</b>	<b>100</b>

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 Ministry of Human Resources and Social Security 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.

## BUSINESS

We believe that our curriculums and teaching methods enable us to benefit from such policies. 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 artificial intelligence, 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 27,000 enterprises. 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 90% for our long-term programs as of August 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 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 RMB1,828.2 million for the year ended December 31, 2015 to RMB2,335.7 million for the year ended December 31, 2016, and further to RMB2,850.2 million for the year ended December 31, 2017, representing a CAGR of approximately 24.9%. Our revenue from continuing operations amounted to RMB2,055.1 million for the eight months ended August 31, 2018, compared to RMB1,790.2 million for the eight months ended August 31, 2017. Our average students enrolled increased from 93,727 in 2015 to 105,905 in 2016 and further to 116,540 in 2017, representing a CAGR of approximately 11.5%. The average customers registered in Cuisine Academy has also reached 447 for the eight months ended August 31, 2018.

	Year ended December 31,			Eight months ended August 31,	2015-17 CAGR
	2015	2016	2017	2018	
Revenue (RMB million) . . .	1,828.2	2,335.7	2,850.2	2,055.1	24.9%
Average students enrolled at our Schools . . . . .	93,727	105,095	116,540	121,558	11.5%
Average number of customers registered in Cuisine Academy <sup>(1)</sup> . . .	-	-	63	447	-

Note:

- (1) Our average number of customers registered for a year/period 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

### 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.

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. Below table sets forth our leadership positions in each segment:

Segments	Description	Average students enrolled as of August 31, 2018
Culinary Arts . . . . .	<ul style="list-style-type: none"> <li>• No. 1 culinary arts vocational training education provider in China<sup>(1)</sup></li> <li>• Brands: New East, Omick</li> <li>• Curriculums: administrative chef, hotel management, western cuisines chef, fashionable western pastry and Chinese herbal cuisine, pastry baking, etc.</li> </ul>	72,637
Information Technology . . . . .	<ul style="list-style-type: none"> <li>• No. 1 Information Technology vocational training education provider in China<sup>(1)</sup></li> <li>• Brands: Xinhua Internet and Wisezone</li> <li>• Curriculums: 3D and graphic design, internet network, e-commerce, software development, e-sports, virtual reality, artificial intelligence, internet security, big data, etc.</li> </ul>	30,237
Auto Services. . . . .	<ul style="list-style-type: none"> <li>• No. 1 auto services vocational training education provider in China<sup>(1)</sup></li> <li>• Brands: Wontone</li> <li>• Curriculums: automobile remodeling, new energy automobile, automobile inspection and repair, automobile plating and painting, automobile detailing, and automobile quick repair and maintenance</li> </ul>	18,684
<b>TOTAL . . . . .</b>		<b>121,558</b>

*Note:*

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

## BUSINESS

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 jobs 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 eight months ended August 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 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.

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 139 self-owned Schools, and over 1.59 million sq.m. of aggregate gross floor area as of Latest Practicable Date. 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 August 31, 2018, we also operated 17 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 August 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 August 31, 2018	Number of provinces covered <sup>1</sup>	Average gross floor area for each School/center (approximate, sq.m.)	Number of Schools/centers under planning <sup>(2)</sup>
Culinary Arts . . . . .	New East	50	29	16,400	4
	Omick	19	19	4,700	5
Information Technology . . . . .	Xinhua Internet	23	16	17,300	1
	Wisezone	22	21	1,400	NA
Auto Services . . . . .	Wontone	25	21	18,500	2
<b>Total Schools . . . . .</b>		<b>139</b>			<b>11</b>
Cuisine Academy . . . . .	–	17	13	1,000	2



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Notes:

- (1) The number of schools and centers include provinces in mainland China and Hong Kong.
- (2) Number of Schools/centers under planning are calculated as of the Latest Practicable Date. See "– Our Expansion Plans" of this document for more details.

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 eight, 19, 36 and 13 new Schools in 2015, 2016, 2017 and the eight months ended August 31, 2018, respectively. For the year ended December 31, 2017 and the eight months ended August 31, 2018, we commenced operations of six and 11 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

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## BUSINESS

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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. 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 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 27,000 enterprises with the purpose to increase our students’ chance in searching for employment. 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, 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

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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.

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 August 31, 2018, we have a team of 4,261 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. 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.

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. 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. 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.

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

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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 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 August 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, artificial intelligence and internet security;
- Wisezone Data Technology Education offers 16 short-term majors, including innovative and popular majors for big data, artificial intelligence, 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 skills 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 from New East Culinary Education, Xinhua Internet Technology Education and Wontone Automotive Education increased during the Track Record Period, according to our internal record.

Below table sets forth the recommended employment rate for our three school brands for the eight months ended August 31, 2018:

<b>Brands<sup>(1)</sup></b>	<b>Recommended employment rate<sup>(2)</sup></b>
New East . . . . .	92.7%
Xinhua Internet . . . . .	92.1%
Wontone . . . . .	97.6%

*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.
- (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.

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### **(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 August 31, 2018, we have established cooperation with over 27,000 enterprises and established 277, 179 and 92 employer-tailored training programs under New East Culinary Education, Xinhua Internet Technology Education and Wontone Automotive Education, respectively.

### **(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 Second 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 Skill (上海世界拉花大賽) organized by Korean 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.

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### **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 139 self-owned Schools and 17 customized catering experience centers as of August 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.

### **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**

To better serve our existing and prospective students, we plan to establish five regional centers in China's five major geographical regions, including a northern regional center in Beijing, an eastern regional center in Shanghai, a southern regional center in Guangzhou, a southwestern regional center in Chengdu, and a northwestern regional center in Xi'an. We intend to use each of these regional centers to serve and support all the provinces within its designated region, and utilize these regions to provide customized courses with relatively higher tuition and service fee rates. Also, these regional centers will serve as research, human resources, and marketing centers for their respective designated region, which we believe will help us effectively manage our expanding school network.

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There are two key purposes in establishing such regional centers. First, while we intend to expand our school network, we are looking only to establish new schools in urban cities that are in populous areas. See "Expand school and center network domestically and internationally" below. As such, there will be geographical areas where there is demand for our services but where we do not currently have or intend to establish a school. To serve such unmet demand in a cost effective manner, we plan to offer the relevant courses at the regional centers to serve prospective students from such areas so that they can attend classes at the regional centers, thereby expanding the student base we can provide services to. We hope that by building our self-owned regional centers with advanced facilities and advanced teaching equipment and by providing dormitories and related facilities, we could on the one hand concentrate our resources in well-developed urban cities but at the same time also serve students from underserved areas. Secondly, by expanding our student base through such regional centers, we hope we could further enhance our brand and 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. With our expanded market presence, we believe we will be able to further enhance our market leadership.

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 transformation of 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.

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.



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### **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 such as 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 auto services. We currently expect to expand our school network primarily by building additional self-owned for-profit schools. 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. We currently have not identified any acquisition targets.

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;
- (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 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.

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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, artificial intelligence, 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.

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.

### **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, 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 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.

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### 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 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 139 self-owned Schools and over 1.59 million sq.m. gross floor area as of Latest Practicable Date. As of August 31, 2018, we also provide secondary vocational education in 25 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 eight months ended August 31, 2018, our average students enrolled were 121,558. As of Latest Practicable Date, school sponsors of 20 Schools out of our 139 Schools have elected to register as for-profit schools. Four of these Schools have finished the re-registration procedures and 16 Schools are in the process to complete such re-registration procedures. 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.

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As of August 31, 2018, we also operated 17 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 August 31, 2018:



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

	Year Ended December 31,						Eight Months Ended August 31,			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(Unaudited)</i>									
<b>CULINARY ARTS</b>										
New East . . . . .	1,057,205	57.8	1,432,112	61.3	1,738,743	61.0	1,103,722	61.7	1,232,005	59.9
Omick . . . . .	-	-	-	-	74,838	2.6	44,293	2.5	122,667	6.0
<b>INFORMATION TECHNOLOGY</b>										
Xinhua Internet . . . . .	443,198	24.2	480,533	20.6	542,249	19.0	332,769	18.6	364,262	17.7
Wisezone . . . . .	5,422	0.3	53,188	2.3	64,139	2.3	43,133	2.4	41,560	2.0
<b>AUTO SERVICES</b>										
Wontone . . . . .	319,841	17.5	354,256	15.2	419,347	14.7	256,702	14.3	277,468	13.5
<b>CUISINE ACADEMY<sup>(1)</sup></b>										
	-	-	-	-	333	-	-	-	11,530	0.6
<b>Others<sup>(2)</sup></b>										
	2,540	0.1	15,641	0.7	10,516	0.4	9,607	0.5	5,637	0.3
<b>Total<sup>(3)</sup></b>	<b>1,828,206</b>	<b>100</b>	<b>2,335,730</b>	<b>100</b>	<b>2,850,165</b>	<b>100</b>	<b>1,790,226</b>	<b>100</b>	<b>2,055,129</b>	<b>100</b>

*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) Others primarily include revenue from the internet technology solution and staff outsourcing services provided by Langjie Technology to our Schools and Independent Third Parties.
- (3) The total revenue and percentages do not include inter-segment sales which are eliminated upon consolidation.

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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 periods indicated:

Segments and Brands	Average Students Enrolled <sup>(1)</sup>	Year ended December 31,			Eight months ended
		2015	2016	2017	August 31, 2018
<b>CULINARY ARTS</b>					
New East . . . . .	Long-term	45,791	54,846	64,549	64,012
	– One to less than two years	9,089	9,210	9,252	7,779
	– Two to less than three years	35,726	43,670	51,609	51,566
	– Three years or more	976	1,966	3,688	4,667
	Short-term	6,416	7,276	6,631	5,992
	<b>Subtotal</b>	<b>52,207</b>	<b>62,122</b>	<b>71,180</b>	<b>70,004</b>
Omick . . . . .	Short-term	–	–	1,114	2,633
	<b>Subtotal</b>	<b>–</b>	<b>–</b>	<b>1,114</b>	<b>2,633</b>
<b>INFORMATION TECHNOLOGY</b>					
Xinhua Internet . . . . .	Long-term	23,080	22,798	24,234	28,621
	– One to less than two years	903	809	950	1,182
	– Two to less than three years	17,471	15,624	14,840	16,189
	– Three years or more	4,706	6,365	8,444	11,250
	Short-term	1,004	966	747	387
	<b>Subtotal</b>	<b>24,084</b>	<b>23,764</b>	<b>24,981</b>	<b>29,008</b>
Wisezone . . . . .	Short-term	–	1,138	1,165	1,229
	<b>Subtotal</b>	<b>–</b>	<b>1,138</b>	<b>1,165</b>	<b>1,229</b>
<b>AUTO SERVICES . . . . .</b>					
Wontone . . . . .	Long-term	16,175	16,693	16,347	16,850
	– One to less than two years	2,777	2,802	2,241	2,547
	– Two to less than three years	11,347	10,748	10,169	10,223
	– Three years or more	2,051	3,143	3,937	4,080
	Short-term	1,261	1,378	1,753	1,834
	<b>Subtotal</b>	<b>17,436</b>	<b>18,071</b>	<b>18,100</b>	<b>18,684</b>
<b>Total. . . . .</b>	Long-term	85,046	94,337	105,130	109,483
	– One to less than two years	12,769	12,821	12,443	11,508
	– Two to less than three years	64,544	70,042	76,618	77,978
	– Three years or more	7,733	11,474	16,069	19,997
	Short-term	8,681	10,758	11,410	12,075
	<b>Total</b>	<b>93,727</b>	<b>105,095</b>	<b>116,540</b>	<b>121,558</b>
Cuisine Academy . . . . .	Average number of customers registered <sup>(2)</sup>	–	–	63	447

**Note:**

- (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/period 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) Our average number of customers registered for a year/period 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.

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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 periods indicated:

Segments and Brands	New Student Enrollment <sup>(1)</sup>	Year ended December 31,			Eight months ended
		2015	2016	2017	August 31, 2018
<b>CULINARY ARTS</b>					
New East . . . . .	Long-term	31,451	38,645	40,929	30,539
	– One to less than two years	8,169	9,350	8,669	5,953
	– Two to less than three years	22,170	27,001	28,725	19,951
	– Three years or more	1,112	2,294	3,535	4,635
	Short-term	25,533	26,661	31,013	24,011
	<b>Subtotal</b>	<b>56,984</b>	<b>65,306</b>	<b>71,942</b>	<b>54,550</b>
Omick . . . . .	Short-term	–	–	2,788	5,989
	<b>Subtotal</b>	<b>–</b>	<b>–</b>	<b>2,788</b>	<b>5,989</b>
<b>INFORMATION TECHNOLOGY</b>					
Xinhua Internet . . . . .	Long-term	13,320	14,409	15,815	17,231
	– One to less than two years	939	633	1,103	932
	– Two to less than three years	8,722	8,664	8,203	8,838
	– Three years or more	3,659	5,112	6,509	7,461
	Short-term	3,493	2,834	3,554	2,318
	<b>Subtotal</b>	<b>16,813</b>	<b>17,243</b>	<b>19,369</b>	<b>19,549</b>
Wisezone . . . . .	Short-term	–	3,465	3,573	3,029
	<b>Subtotal</b>	<b>–</b>	<b>3,465</b>	<b>3,573</b>	<b>3,029</b>
<b>AUTO SERVICES</b>					
Wontone . . . . .	Long-term	9,836	9,805	9,685	9,630
	– One to less than two years	2,493	2,436	2,340	1,716
	– Two to less than three years	5,510	5,179	5,254	4,935
	– Three years or more	1,833	2,190	2,091	2,979
	Short-term	4,615	4,644	6,518	6,072
	<b>Subtotal</b>	<b>14,451</b>	<b>14,449</b>	<b>16,203</b>	<b>15,702</b>
<b>Total</b> . . . . .	Long-term	54,607	62,859	66,429	57,400
	– One to less than two years	11,601	12,419	12,112	8,601
	– Two to less than three years	36,402	40,844	42,182	33,724
	– Three years or more	6,604	9,596	12,135	15,075
	Short-term	33,641	37,604	47,446	41,419
	<b>Total</b>	<b>88,248</b>	<b>100,463</b>	<b>113,875</b>	<b>98,819</b>
<b>Cuisine Academy</b> . . . . .	<b>Number of new customers registered</b>	<b>–</b>	<b>–</b>	<b>146</b>	<b>3,537</b>

*Note:*

- (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.

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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 following table sets forth ranges of our tuition rates under each school brand and service fee rates of Cuisine Academy for the periods indicated:

Segments and Brands	Program	Tuition/Service fee			
		2015 <sup>(1)</sup>	2016 <sup>(1)</sup>	2017 <sup>(1)</sup>	2018 <sup>(1)</sup>
<i>(RMB/per year for long-term programs, RMB/per program for short-term programs)</i>					
<b>CULINARY ARTS</b>					
New East . . . . .	Long-term	10,400-34,480	10,400-34,500	11,400-36,800	5,600-76,000
	Short-term <sup>(2)</sup>	1,200-19,240	1,200-18,100	1,200-58,000 <sup>(3)</sup>	800-58,000 <sup>(3)</sup>
Omick . . . . .	Short-term <sup>(2)</sup>	–	–	9,000-47,000	5,000-50,000
<b>INFORMATION TECHNOLOGY</b>					
Xinhua Internet . . .	Long-term	10,180-31,800	5,980-35,800	6,680-39,800	6,680-37,800 <sup>(4)</sup>
	Short-term <sup>(2)</sup>	1,300-22,390	1,900-22,590	880-28,800	800-29,300
Wiszone . . . . .	Short-term <sup>(2)</sup>	–	2,000-14,800	2,000-29,800	999-26,800
<b>AUTO SERVICES</b>					
Wontone . . . . .	Long-term	13,600-31,000	12,800-36,800	6,680-38,500	4,800-38,500
	Short-term <sup>(2)</sup>	3,000-20,100	680-32,600	680-37,400	800-37,400
Cuisine Academy <sup>(5)</sup> . . . .	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) Tuition 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 which charged RMB39,800 per year in 2018.
- (5) We typically charge customers service fees by each program they registered in Cuisine Academy.



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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.

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 periods indicated:

For the eight months ended August 31, 2018									
	Number of	Utilization	Number of	Utilization	Number of	Utilization	Number of	Utilization	
Range of Capacity <i>(Estimated)</i>	Schools/ Centers	Rate <sup>(1)</sup> %	Schools/ Centers	Rate <sup>(1)</sup> %	Schools/ Centers	Rate <sup>(1)</sup> %	Schools/ Centers	Rate <sup>(1)</sup> %	Schools/ Centers
<b>CULINARY ARTS</b>									
New East . . . . .	60 (Hong Kong) 500-8,572 (the PRC)	5	39.0 – 50.0 <sup>(2)</sup>	32	50.0 – 100.0	7	Over 100.0 <sup>(3)</sup>	6	N/A <sup>(4)</sup>
Omick . . . . .	158-831	1	47.1 – 50.0 <sup>(2)</sup>	3	50.0 – 100.0	2	Over 100.0 <sup>(3)</sup>	13	N/A <sup>(4)</sup>
<b>INFORMATION TECHNOLOGY</b>									
Xinhua Internet . . . . .	218-6,221	2	39.6 – 50.0 <sup>(2)</sup>	14	50.0 – 100.0	6	Over 100.0 <sup>(3)</sup>	1	N/A <sup>(4)</sup>
Wisezone . . . . .	139-457	16	12.0 – 50.0 <sup>(2)</sup>	–	50.0 – 100.0	–	Over 100.0 <sup>(3)</sup>	6	N/A <sup>(4)</sup>
<b>AUTO SERVICES</b>									
Wontone . . . . .	480-5,340	2	39.1 – 50.0 <sup>(2)</sup>	13	50.0 – 100.0	–	Over 100.0 <sup>(3)</sup>	10	N/A <sup>(4)</sup>
<b>CUISINE ACADEMY . . . . .</b>	60-220	–	–	–	–	–	–	17	N/A <sup>(4)</sup>

**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 period is calculated by the annualized student enrollment of the School for a period divided by the classroom seats that School has as of the ending date of the same period.
- (2) 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 we commenced operations of Wisezone Data Technology Education in 2016 and the course length under such brand is relatively short, ranging from one to six months.
- (3) Classroom utilization rates for some Schools are above 100% because they have different groups of part-time students that use the same classroom during the same day.
- (4) These (i) Schools of our five school brands started to admit students from January 1, 2017 to August 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.

**BUSINESS**

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 August 31, 2018:

Segments and Brands	Geographic coverage	Number of Schools/ Centers in operation	Number of programs	
			Long-term	Short-term
<b>CULINARY ARTS</b>				
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 <sup>(1)</sup>	12	29
Omick . . . . .	Beijing, Shanghai, Liaoning, Jiangsu, Sichuan, Yunnan, Zhejiang, Shanxi, Jiangxi, Fujian, Hebei, Shaanxi, Henan, Guangdong, Chongqing, Hubei, Guizhou, Anhui, Heilongjiang	19	–	8
<b>INFORMATION TECHNOLOGY</b>				
Xinhua Internet	Anhui, Beijing, Shandong, Shaanxi, Shanxi, Hebei, Henan, Jiangsu, Hubei, Jiangxi, Hunan, Yunnan, Guizhou, Chongqing, Sichuan, Xinjiang	23 <sup>(2)</sup>	13	9
Wisezone . . . . .	Beijing, Chongqing, Tianjin, Anhui, Sichuan, Guangdong, Guizhou, Zhejiang, Hebei, Henan, Hunan, Shandong, Yunnan, Jiangxi, Jiangsu, Shaanxi, Shanxi, Hubei, Liaoning, Fujian, Gansu	22	–	16
<b>AUTO SERVICES</b>				
Wontone . . . . .	Beijing, Chongqing, Jilin, Liaoning, Xinjiang, Gansu, Inner Mongolia, Henan, Jiangsu, Shanxi, Shaanxi, Shandong, Sichuan, Anhui, Hubei, Hunan, Jiangxi, Zhejiang, Guangdong, Guizhou, Yunnan	25 <sup>(3)</sup>	7	36
<b>CUISINE ACADEMY</b> . .	Guangdong, Guizhou, Zhejiang, Anhui, Henan, Hubei, Jilin, Shandong, Yunnan, Gansu, Liaoning, Shanxi, Tianjin	17	–	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 23 Schools under Xinhua Internet Technology Education, five are secondary vocational Schools and four are technical Schools.
- (3) Among the 25 Schools under Wontone Automotive Education, five are technical Schools.

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As of August 31, 2018, we operated 17 customized catering experience centers under Cuisine Academy across 13 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 August 31, 2018, we operated 50 Schools under our New East Culinary Education in 29 out of 31 provinces in the PRC and Hong Kong. For the eight months ended August 31, 2018, we had an average students enrolled of 70,004 and a total of 54,550 new student enrollment under the brand of New East Culinary Education.

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.

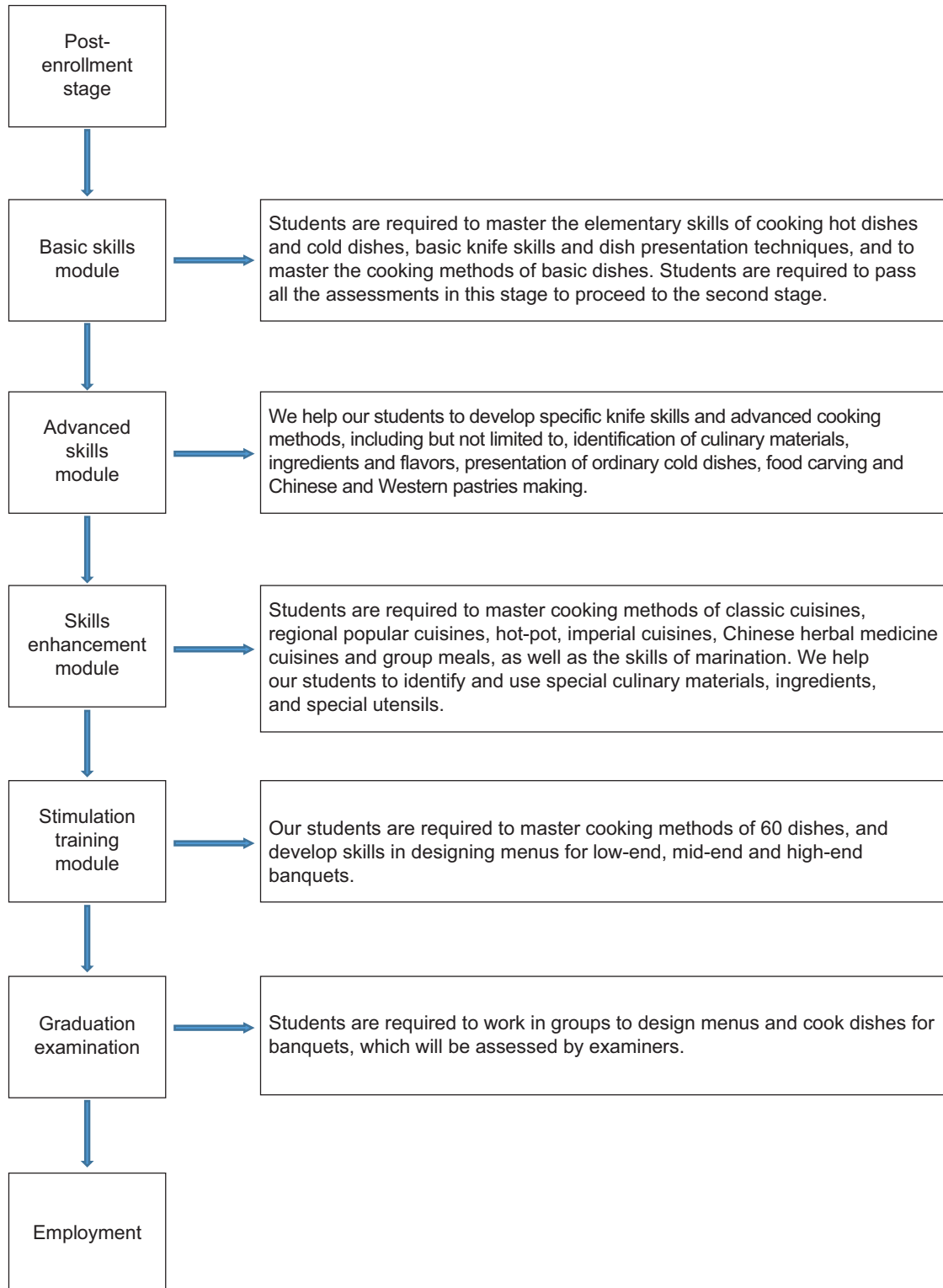
#### *Program and Curriculum Offerings*

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

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program", 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.

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:



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### *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 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 147 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 and Wowprime (China) Catering Co., Ltd., and various local enterprise partners, including restaurants, bakeries, and grocery stores. As of August 31, 2018, we have established 277 employer-tailored training programs which provide students with employment opportunities if they successfully pass our assessments.

For the eight months ended August 31, 2018, the recommended employment rate of our long-term program graduates under New East Culinary Education was 92.7%. 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 training 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 August 31, 2018 we operated 19 Schools under the brand of Omick Western Catering across 19 provinces in the PRC. For the eight months ended August 31, 2018, we had an average students enrolled of 2,633 and new student enrollment of 5,989 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.

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### ***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.

### ***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.



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## BUSINESS

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### OUR INFORMATION TECHNOLOGY SCHOOLS

#### Xinhua Internet Technology Education

Xinhua Internet Technology Education has a history dating back to 1990s. As of August 31, 2018 we operated 23 Xinhua Internet Technology Education Schools in the PRC. For the eight months ended August 31, 2018, we had an average students enrolled of 29,008 and a total of 19,549 new student enrollment under the brand of Xinhua Internet Technology Education. We provide a wide range of information technology-related training to students and equipping them with applicable information technology skills for employment in the information technology industry. We have strengths in providing training in certain information 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, artificial intelligence, internet security, and virtual reality.

#### ***Program and Curriculum Offerings***

We provide 125 courses with course lengths primarily ranging from three months to three years with a focus on the long-term programs, including vocational training education programs and secondary vocational training programs.

#### *Three-Year Programs*

Our Schools under the brand of Xinhua Internet offer a wide range of information 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.

#### *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 artificial intelligence. 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

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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.

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.

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

For instance, our Nanjing Xinhua Computer Institute\* (南京新華電腦專修學院) 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.

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 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 skills. As of August 31, 2018, 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 skills. For the eight months ended August 31, 2018, we had an average students enrolled of 1,229 and a total of 3,029 new student enrollment. 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.

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### **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 August 31, 2018, we offered six categories of career-oriented curriculums, including UI design, Java software engineering, big data engineering, artificial intelligence, cross-border e-commerce, and internet marketing.

### **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 August 31, 2018, 933 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.

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### ***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 August 31, 2018, we operated 25 Wontone Automotive Schools in 21 provinces in the PRC. For the eight months ended August 31, 2018, we had an average students enrolled of 18,684 and a total of 15,702 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 August 31, 2018, courses under planning included vehicle intelligent network technology, industrial robots and automotive manufacturing technology, commercial vehicle repair technology and welding technology.

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### ***Long-term Programs***

Our long-term programs, 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.

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### *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.

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.

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### ***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. 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.

### ***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. As of August 31, 2018, we operated 25 Schools, including 16 technical Schools and nine secondary vocational Schools, which provided secondary vocational education.



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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:

Segments and Brands	Year ended December 31,			Eight months ended
	2015	2016	2017	August 31, 2018
<b><u>CULINARY ARTS</u></b>				
New East				
Revenue (RMB'000) . . . . .	79,809	112,589	188,329	188,282
Tuition (RMB/year) . . . . .	10,400-29,800	10,400-29,900	11,400-36,800	5,600-39,100
Average students enrolled . . . . .	3,096	4,169	6,922	9,434
New student enrollment . . . . .	2,658	3,766	6,330	5,876
<b><u>INFORMATION TECHNOLOGY</u></b>				
Xinhua Internet				
Revenue (RMB'000) . . . . .	72,504	87,133	100,414	72,630
Tuition (RMB/year) . . . . .	11,800-25,600	5,980-25,800	6,680-28,900	6,680-29,800
Average students enrolled . . . . .	3,851	4,030	4,704	5,807
New student enrollment . . . . .	2,155	2,634	3,168	4,062
<b><u>AUTO SERVICES</u></b>				
Wontone				
Revenue (RMB'000) . . . . .	23,771	38,770	57,032	41,331
Tuition (RMB/year) . . . . .	13,600-31,000	12,800-36,800	6,600-38,500	8,500-38,500
Average students enrolled . . . . .	1,223	2,000	2,864	3,337
New student enrollment . . . . .	1,070	1,748	1,734	1,871

### **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 August 31, 2018, we have established 17 customized catering experience centers under Cuisine Academy across 13 provinces in the PRC. For the eight months ended August 31, 2018, we had 3,537 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.

#### **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.

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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:



*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.

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### 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.

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 industry experts who are highly committed to innovation and passionate about converting theoretical study to readily applicable technical skills and teaching materials. 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.

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 artificial intelligence. 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

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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 onsite to conduct field research. As a result, our students will be well-equipped with both knowledge and practical skills.

### **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 senior 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 senior 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 senior 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 August 31, 2018, our extensive network consisted of 50 Schools of New East Culinary Education, 23 Schools of Xinhua Internet Technology Education, 25 Schools of Wontone Automotive Education, 19 Schools of Omick Western Catering Education, 22 Schools of Wisezone Data Technology Education and 17 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 periods indicated. During the Track Record Period, we did not close any of Schools or centers:

	For the year ended December 31,			For the eight months ended August 31,
	2015	2016	2017	2018
<b>New East</b>				
At the beginning of the period . . . . .	32	39	41	46
Number of newly opened Schools which have commenced operations . . . . .	7	2	5	4
At the end of the period . . . . .	39	41	46	50
<b>Omick</b>				
At the beginning of the period . . . . .	–	–	–	17
Number of newly opened Schools which have commenced operations . . . . .	–	–	17	2
At the end of the period . . . . .	–	–	17	19
<b>Xinhua Internet</b>				
At the beginning of the period . . . . .	19	19	19	21
Number of newly opened Schools which have commenced operations . . . . .	–	–	2	2
At the end of the period . . . . .	19	19	21	23
<b>Wisezone</b>				
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
<b>Wontone</b>				
At the beginning of the period . . . . .	12	13	14	22
Number of newly opened Schools which have commenced operations . . . . .	1	1	8	3
At the end of the period . . . . .	13	14	22	25
<b>Total</b> . . . . .	<b>71</b>	<b>90</b>	<b>126</b>	<b>139</b>
<b>Cuisine Academy</b>				
At the beginning of the period . . . . .	–	–	–	6
Number of newly opened centers which have commenced operations . . . . .	–	–	6	11
At the end of the period . . . . .	–	–	6	17

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### 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 Schools — Wisezone Data Technology Education" in this section for more information of the e-commerce training base. As of August 31, 2018, we had a total of 933 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.

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 eight months ended August 31, 2018. The following table sets forth our students' recommended employment rate by segment for the eight months ended August 31, 2018.

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<u>Segments and Brands<sup>(1)</sup></u>	<u>Recommended Employment Rate<sup>(2)</sup></u>
New East . . . . .	92.7%
Xinhua Internet . . . . .	92.1%
Wontone . . . . .	97.6%

*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.
- (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 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 area the School located, and the tuition rates charged by our competitors in that geographic area. 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.

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 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. For the year ended December 31, 2017 and the eight months ended August 31, 2018, service fees we charged to customers ranged from RMB500 to RMB18,800 and RMB500 to RMB21,000, respectively.

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## **BUSINESS**

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### **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 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 other higher education institutions. Students who withdraw within 30 days after enrollment 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 other 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, 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.

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



## BUSINESS

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 periods 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 periods indicated:

	As of December 31,						As of August 31,	
	2015		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>	<i>Number of student</i>	<i>Percentage (%)</i>
<b>Total . . . .</b>	1,354	1.4	1,508	1.4	1,959	1.7	1,561	1.3

	Year Ended December 31,						Eight Months Ended August 31,	
	2015		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>	<i>Refund amount (RMB'000)</i>	<i>% of Total revenue</i>
<b>Total . . .</b>	12,169.8	0.7	13,573.2	0.6	21,800.0	0.8	16,710.3	0.8

### 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, 2015, 2016 and 2017 and the eight months ended August 31, 2018.

## BUSINESS

### 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 the August 31, 2018:

Brands <sup>(1)</sup>	Accomplishment	Year	Sponsoring Organization (主辦機構)
<b>CULINARY ARTS</b>			
<b>New East</b> . . . . .	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)
	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)
<b>Omick</b> . . . . .	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)

**BUSINESS**

<b>Brands<sup>(1)</sup></b>	<b>Accomplishment</b>	<b>Year</b>	<b>Sponsoring Organization (主辦機構)</b>
<b>AUTO SERVICES</b>			
<b>Wontone</b> . . . . .	“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
<b>INFORMATION TECHNOLOGY</b>			
<b>Xinhua Internet</b> . . .	ACA World Skill Competition, China Division, second prize, the best creative award and award for excellent instructors (ACA世界技能大賽 中國區二等獎,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.

**BUSINESS**

**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, 2015, 2016 and 2017 and August 31, 2018, we had 3,050, 3,254, 3,711 and 4,261 full-time teachers and instructors, respectively. We have experienced low turnover rate for our teachers. For the year ended December 31, 2015, 2016 and 2017 and eight months ended August 31, 2018, our full-time teachers' turnover rate was 17.4%, 17.0%, 16.6% and 14.0%, respectively.

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:

	<b>As of December 31,</b>			<b>As of</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>August 31,</b>
				<b>2018</b>
<b>Teachers</b>				
<b>CULINARY ARTS</b>				
New East . . . . .	1,587	1,694	1,878	1,987
Omick . . . . .	–	29	210	334
<b>AUTO SERVICES</b>				
Wontone . . . . .	600	613	676	797
<b>INFORMATION TECHNOLOGY</b>				
Xinhua Internet. . . . .	863	892	820	861
Wisezone . . . . .	–	26	127	199
<b>Instructors</b>				
Cuisine Academy . . . . .	–	–	–	83
<b>TOTAL . . . . .</b>	<b>3,050</b>	<b>3,254</b>	<b>3,711</b>	<b>4,261</b>

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## **BUSINESS**

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### **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 August 31, 2018, we had 4,261 full-time teachers and instructors, approximately 66.5% of our teachers and instructors had obtained junior college diploma or higher education. As of August 31, 2018, our teachers and instructors have an average of five years of experience in the relevant industry. During the Track Record Period and up to the Latest Practicable Date, some of our teachers did not obtain teacher licenses or teachers' qualifications as required under the relevant PRC laws and regulations. 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".

### **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.

## **OUR EXPANSION PLANS**

### **Expansion Plans of Our Schools in the PRC**

We intend to continue to grow our business and expand our school network to new geographic markets that we believe have growth potential. In the next one to three years, we plan to establish our operations in all capital cities across China. Also, we intend to expand our school network to strengthen our presence in cities with a population of over five million in densely populated provinces such as 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 auto services. 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. All of our planned schools will be self-operated schools, which is in line with our current business model. We believe the self-operated model will ensure the quality of our education services provided and maintain our strong centralized and differentiated management approach. From August 31, 2018 and up to the Latest Practicable Date, we had three new Schools including one School of Xinhua Internet Technology Education, one School of Wontone Automotive Education and one School of Omick Education of Western Cuisine and Pastry which had commenced operations and begun to admit students. As of the Latest Practicable Date, we plan to open another four Schools of New East Culinary Education, one School of Xinhua Internet Technology Education, one School of Wontone Automotive Education and five Schools of Omick Education of Western Cuisine and Pastry. See "— Our Business Strategies — Expand school and center network domestically and internationally" in this document.

**BUSINESS**

The following table sets forth the location and estimated gross floor area of our planned Schools that we have obtained business licenses or registration certificates and entered into leasing agreements for school premises as of the Latest Practicable Date:

<u>Segments and Brands</u>	<u>School name</u>	<u>Location</u>	<u>Gross floor area</u> <i>(Approximate, sq.m.)</i>
<b>New East</b> . . . . .	Ningbo New East Cuisine Training School Co., Ltd.* (寧波新東方烹飪培訓學校有限公司)	Ningbo, Zhejiang	15,041.76
	Zhuhai City New East Cuisine Training School Co., Ltd.* (珠海市新東方烹飪培訓學校有限公司)	Zhuhai, Guangdong	12,350.94
	Chengdu Cuisine Classroom Culinary Vocational Skills Training School Co., Ltd.* (成都美味講堂烹飪職業技能培訓學校有限公司)	Chengdu, Sichuan	642.91
<b>Omick</b> . . . . .	Tianjin City Xiqing District Omick Culinary Vocational Skills Training School Co., Ltd. Cuisine and Pastry Vocational Training Co., Ltd.* (天津市西青區歐米奇烹飪職業技能培訓有限公司)	Tianjin	2,672.00
	Shijiazhuang City Luancheng District Omick Western Pastry Vocational Training School* (石家莊市栾城區歐米奇西點職業培訓學校)	Shijiazhuang, Hebei	2,021.10
	Hohhot City Omick Western Pastry Vocational Training School Co., Ltd. Pastry Vocational Training School* (呼和浩特市歐米奇西點職業培訓學校有限公司)	Hohhot, Inner Mongolia	1,483.01
	Gansu Omick Western Pastry Vocational Training School* (甘肅歐米奇西點職業培訓學校)	Lanzhou, Gansu	1,600.00
<b>Wontone</b> . . . . .	Shijiazhuang Wontone Automotive Vocational Training School Co., Ltd.* (石家莊萬通汽車職業培訓有限公司)	Shijiazhuang, Hebei	19,132.50

## BUSINESS

The following table sets forth the location and estimated gross floor area of our planned Schools that we have not obtained requisite licenses or certificates but have entered into leasing agreements for school premises as of the Latest Practicable Date:

<u>Segments and Brands</u>	<u>School name</u>	<u>Location</u>	<u>Gross floor area</u> (Approximate, sq.m.)
<b>New East</b> . . . . .	Yibin New East Culinary School* (宜賓新東方烹飪學校)	Yibin, Sichuan	6,500.00
<b>Omick</b> . . . . .	Ningbo Omick Western Pastry and Western Food Academy* (寧波歐米奇西點西餐學院)	Ningbo, Zhejiang	1,996.45
<b>Xinhua Internet</b> . . . . .	Inner Mongolia Xinhua Internet Technology Education School* (內蒙古新華電腦學校)	Hohhot, Inner Mongolia	5,487.38
<b>Wontone</b> . . . . .	Fuzhou Wontone Automotive Education School* (福州萬通汽修學校)	Fuzhou, Fujian	13,398.70

*Note:*

(1) The school names listed in the table above are for reference only.

This information is prepared on the basis of our current expansion plans and our management's present expectation, which are subject to various risks, assumptions and uncertainties. There is no assurance that our actual expansion plans will not deviate from our current expansion plans. Our management will consider making various adjustments to our business plans, including but not limited to, delaying or suspending our expansion plans and increasing our debt and/or equity financing when our working capital or business performance may be materially and adversely affected. In the event of material change in circumstances or our business plans, to comply with Rule 13.09 of the Listing Rules, we will make announcements as and when appropriate if our business might be materially or adversely affected. All information contained in the above table is for reference and illustration purposes only.

In addition to our traditional expansion strategy, we plan to establish five regional education centers to enhance synergies with existing Schools in adjacent regions, including northern China center based in Beijing, eastern China center based in Shanghai, southern China center based in Guangzhou, southwestern center based in Chengdu, and northwestern center based in Xi'an. For these five centers, instead of using leased properties, we intend to purchase the land use rights and build our own campuses, which we believe will be a more cost effective approach to expand. Additionally, we believe the establishment of these five centers will provide stability to our programs. Due to the fact that we will no longer be subject to the campus area constraint of the leased properties, we plan to establish more boarding schools with higher capacity in these five centers and students from adjacent areas will be able to stay on campus and focus on their training and study. We also plan to build more advanced practical training centers in these regional education centers as well as provide more specialized majors.

## BUSINESS

### Expansion Plans of Overseas Schools

With a view to building our presence overseas and enhance our brand recognition in the international vocational education market, we also 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 diploma-awarding programs on November 16, 2018. The approval process with the BPPE is expected to complete within approximately 12 months from the date of application. As of the Latest Practicable Date, we had incurred approximately US\$44,700 for the establishment of Xinhua Training School US.

### Expansion Plans of Customized Catering Experience Centers

We also plan to expand our network of Cuisine Academy. From August 31, 2018 and up to the Latest Practicable Date, we had one new center of Cuisine Academy which had commenced operation. As of the Latest Practicable Date, we plan to open two customized catering experience centers of Cuisine Academy. The table below sets forth the locations and estimated gross floor area of our planned customized catering experience centers that we have obtained business licenses and entered into leasing agreements for premises as of the Latest Practicable Date.

Segment	Name of customized catering experience center	Location	Gross floor area (Approximate, sq.m.)
Cuisine Academy . . . .	Taiyuan Tasty Culinary Education Consultancy Co., Ltd.* (太原味美廚藝教育諮詢有限公司)	Taiyuan, Shanxi	1,000.00

The following table sets forth the location and estimated gross floor area of our planned customized catering experience center of Cuisine Academy that we have not obtained requisite licenses but entered into leasing agreements for premises as of the Latest Practicable Date:

Segment	Name of customized catering experience center	Location	Gross floor area (Approximate, sq.m.)
Cuisine Academy . . . .	Chongqing Cuisine Academy* (重慶美味學院)	Chongqing	678.00

*Note:*

- (1) The school names listed in the table above are for reference only.



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## BUSINESS

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### Our Expansion Strategy

We have adopted a systematic approach for expansion of our network or geographic coverage. The decision on whether to open a new school or customized catering experience center under a specific segment is typically made at the corporate level and involves a well-established process requiring participation by different levels of management personnel within our organizational structure. In selecting the locations for new Schools or centers, we perform a comprehensive research of each location and collect education statistics by taking into account various factors, including, among others, population, economic development, demand for vocational education and competition. We expect the average breakeven period and payback period of most of our new schools or centers would range from two to three years and three to four years, respectively. These parameters are preliminary estimations and are subject to change due to, among other things, market conditions, population in the regions where our new schools are located, overall economic environment, education level of the local population, development of vocational training education industry, demand of talent and students' satisfaction level of our program offerings.

With an increasing demand for vocational training, our extensive experience in the vocational education industry, including our ability to attract and retain sufficient qualified teaching staff and our centralized and standardized management system, we believe we are able to achieve our expansion plans. However, we may encounter challenges and uncertainties in implementing our expansion plans. See "Risk Factors — Risks Relating to Our Business and Our Industry — We may not be able to execute our growth strategies or manage our growth effectively, which may hinder our ability to capitalize on new business opportunities, which may cause us to lose the anticipated benefits from such investments and to incur significant additional expenses. Our gross profit margin may also be negatively impacted by our newly established Schools."

This information is prepared on the basis of our current expansion plans and our management's present expectation, which are subject to various risks, assumptions and uncertainties. There is no assurance that our actual expansion plans will not deviate from our current expansion plans. Our management will consider making various adjustments to our business plans, including but not limited to, delaying or suspending our expansion plans and increasing our debt and/or equity financing when our working capital or business performance may be materially and adversely affected. In the event of material change in circumstances or our business plans, to comply with Rule 13.09 of the Listing Rules, we will make announcements as and when appropriate if our business might be materially or adversely affected. All information contained in the above table is for reference and illustration purposes only.

### 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, 2015, 2016 and 2017 and the eight months ended August 31, 2018, our selling expenses from continuing operations were RMB335.0 million, RMB363.9 million, RMB456.9 million and RMB438.4 million, respectively, accounting for 18.3%, 15.6%, 16.0% and 21.3% of our total revenue from continuing operations, respectively.

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## BUSINESS

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### 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 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.

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## BUSINESS

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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."

### 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, 2015, 2016 and 2017 and the eight months ended August 31, 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, 2015, 2016 and 2017 and the eight months ended August 31, 2018, purchases from our five largest suppliers amounted to RMB94.0 million, RMB125.2 million, RMB193.5 million and RMB137.1 million, respectively, accounting for 9.4%, 11.2%, 12.2% and 11.5% of our total purchases for the relevant periods. For the same periods, purchases from our largest supplier amounted to RMB65.0 million, RMB79.0 million, RMB100.0 million and RMB87.0 million, accounting for 6.5%, 7.0%, 6.3% and 7.3%, 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.

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.

## BUSINESS

### INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we owned 20 patents, 37 copyrights, 123 registered trademarks, two trademark registration applications in Hong Kong and 77 trademark registration applications in the PRC. In addition, we have registered various domain names in China. See "Appendix V — C. Further Information about our Business — 2. Intellectual property rights" for more information.

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:

<b>Segments and Brands<sup>(1)</sup></b>	<b>Year of Award</b>	<b>Award/Accreditation</b>	<b>Awarding Organization</b>
<b>CULINARY ARTS</b>			
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)

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<b>Segments and Brands<sup>(1)</sup></b>	<b>Year of Award</b>	<b>Award/Accreditation</b>	<b>Awarding Organization</b>
	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
	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	Korean 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)

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<b>Segments and Brands<sup>(1)</sup></b>	<b>Year of Award</b>	<b>Award/Accreditation</b>	<b>Awarding Organization</b>
<b>INFORMATION TECHNOLOGY</b>			
Xinhua Internet . . . . .	2018	ACA WORLD SKILL COMPETITION, CHINA DIVISION, THE SECOND PRIZE, THE BEST CREATIVE AWARD AND AWARD FOR EXCELLENT INSTRUCTORS (ACA世界技能大賽 中國區二等獎,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
	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

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<b>Segments and Brands<sup>(1)</sup></b>	<b>Year of Award</b>	<b>Award/Accreditation</b>	<b>Awarding Organization</b>
	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)
Wiszone . . . . .	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
<b>AUTO SERVICES</b>			
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)

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Segments and Brands <sup>(1)</sup>	Year of Award	Award/Accreditation	Awarding Organization
	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,鈑金二等獎)	China Automobile Engineering Society (中國汽車工程學會)
	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)



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<u>Segments and Brands<sup>(1)</sup></u>	<u>Year of Award</u>	<u>Award/Accreditation</u>	<u>Awarding Organization</u>
Cuisine Academy . . . . .	2017	Advanced Western Patisserie (高級西點師)	China Cuisine Association (中國烹飪協會)
	2016	Pastry gold award, "Jinba 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)

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*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.

## BUSINESS

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).

## EMPLOYEES

As of December 31, 2015, 2016 and 2017 and August 31, 2018, we had a total of 6,870, 7,447, 9,026 and 10,450 employees, respectively. The following table sets forth the numbers of our employees, categorized by function, as of August 31, 2018:

Function	Number of Full-Time Employees	% of Total
Executive directors and senior management . . .	349	3.3%
Full-time teachers and instructors . . . . .	4,261	40.8%
Student accommodation staff . . . . .	103	1.0%
Logistic personnel . . . . .	903	8.6%
Administrative staff . . . . .	3,152	30.2%
Accounting and finance staff. . . . .	458	4.4%
Others . . . . .	1,224	11.7%
<b>Total<sup>(1)</sup></b> . . . . .	<b>10,450</b>	<b>100%</b>

Note:

(1) Among 10,450 employees, we had nine employees in Hong Kong and 10,441 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.

## **BUSINESS**

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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.

### **LICENSES AND PERMITS**

As a China-based company that mainly provides private vocational education, 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 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.

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

<b>Segments and Brands</b>	<b>License/Permit/ Approval/Certificate</b>	<b>Issuing Authority</b>
<b>CULINARY ARTS</b>		
New East . . . . .	Private school operating license	Local human resources and social security authorities, local education authorities
	Registration certificate of private non-enterprise entities	local civil affairs authorities
	Business license	Local administration of industry and commerce
Omick . . . . .	Private school operating license	Local human resources and social security authorities
	Registration certificate of private non-enterprise entities	Local civil affairs authorities
	Business license	Local administration of industry and commerce
<b>INFORMATION TECHNOLOGY</b>		
Xinhua Internet . . . . .	Private school operating license	Local human resources and social security authorities or local education authorities
	Registration certificate of private non-enterprise entities	Local civil affairs authorities
	Business license	Local administration of industry and commerce
Wisezone . . . . .	Private school operating license	Local human resources and social security authorities or local education authorities
	Business license	Local administration of industry and commerce
<b>AUTO SERVICES</b>		
Wontone . . . . .	Private school operating license	Local human resources and social security authorities
	Registration certificate of private non-enterprise entities	Local civil affairs authorities
	Business license	Local administration of industry and commerce

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. 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.

### 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* (《中華人民共和國民辦教育促進法》). According to the 2016 Decision, school sponsors of private schools can choose to establish schools as non-profit or for-profit entities, with the exception of schools providing compulsory education, which can only be established as non-profit entities. For details of the amendments pursuant to the 2016 Decision, including the major differences between non-profit schools and for-profit schools, 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.

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### **Implications**

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

#### *Election of For-profit or Non-profit Status*

Each of our Schools in the PRC is required to elect to be treated as a for-profit school or a non-profit school within a transitional period determined by the local government authorities. As of Latest Practicable Date, school sponsors of 20 Schools out of our 139 Schools have elected to register as for-profit schools. Four of these Schools have finished the re-registration procedures and 16 Schools are in the process to complete such re-registration procedures. 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 private schools can elect to become for-profit schools or non-profit schools, which, according to the 2016 Decision, shall be further clarified by relevant regulations to be promulgated by the local government authorities. As of the Latest Practicable Date, as advised by our PRC Legal Advisors, 26 provinces, including Anhui, Zhejiang, Jiangsu, Shandong, Guangdong, Hainan, Jiangxi, Beijing, Hubei, Guizhou, Yunnan, Hebei, Henan, Shaanxi, Shanxi, Gansu, Liaoning, Jilin, Sichuan, Qinghai, Inner Mongolia, Ningxia, Guangxi, Chongqing, Tianjin and Shanghai, have issued implementation opinions. Most of these Implementation Opinions provide a transition period ranging from one to six years. The school sponsors of relevant educational institutions can select either for-profit or non-profit purposes 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 schools shall apply to local counterparts of the Ministry of Civil Affairs of the PRC for the registration, while for-profit private schools shall apply to local counterparts of SAIC for the registration. Schools shall finish the re-registration procedure in principle before 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.

#### *Structured Contracts*

Our PRC Legal Advisors have advised us that, the 2016 Decision has no material impact on the Structured Contracts. The 2016 Decision does not prohibit the operation of vocational education 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. 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 to the form of Sino-foreign cooperation. Therefore, the Structured Contracts remain necessary for the operation of our Schools in the PRC.

#### *Re-registration as For-profit Schools*

Under the 2016 Decision, a private school electing to re-register as a for-profit school must carry out financial settlement procedures, clarify property ownership, pay relevant taxes and fees, and re-apply for registration. The specific registration requirements for existing private schools shall be formulated by the provincial governments. Despite the issuance of the Implementation Opinions, the specific requirements, policies and procedures for re-registration as for-profit or non-profit private schools remain unclear. As such, we are unable to quantify the impact that the

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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 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.

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.

#### **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".

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### ***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. 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.

### **DISCONTINUED OPERATION**

We operated six driving schools, including Hefei Yuxing, Hefei Xin'an, Nanjing Yuxing, Xi'an Yuxing, Chongqing Yuxing, and Changsha Yuxing. We also operated Miwei Technology which had developed and maintained two mobile applications, namely Miwei application and Xinhua Cloud. We disposed of these driving schools (other than Nanjing Yuxing and Hefei Xin'an) and Miwei Technology in or before December 2018 to companies controlled by Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing. The disposal of Hefei Xin'an to the same parties was filed with Hefei Bureau of Human Resources and Social Security on November 16, 2018. The filing with the competent Civil Affairs Bureau is being processed as of the Latest Practicable Date and is expected to be completed before the [REDACTED]. We disposed Nanjing Yuxing to two Independent Third Parties on October 31, 2018. We decided to divest these businesses as they do not relate to the vocational training and we wish to focus our resources on providing 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 schools are not included in the contractual arrangements under the Structured Contracts. After our disposal of these schools, their results of operations will not be consolidated with our Group's results of operations in any future period.

### **PROPERTIES**

As of the Latest Practicable Date, we owned seven parcels of land in the PRC with an aggregate gross site area of approximately 341,411.4 sq.m., and owned/occupied 48 buildings with a total gross floor area of approximately 224,984.91 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 October 31, 2018 was RMB17,330,000, according to the property valuation report prepared by Cushman & Wakefield Limited. As of the Latest Practicable Date, we also leased 80 lands and 199 buildings for our 171 campuses from Independent Third Parties with an aggregate gross site area of 1,586,759.13 sq.m. and an aggregate gross floor area of 1,615,105.44 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.



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### Land

As of the Latest Practicable Date, we owned seven parcels of land with an aggregate gross site area of approximately 341,411.4 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 . . . . .	1	Hefei, Anhui Province	94,382.9	Allocated <sup>(1)</sup>	Education	N/A
Anhui Xinhua Computer Institute . . . . .	2	Hefei, Anhui Province	119,101.61	Allocated <sup>(1)</sup>	Education	N/A
Anhui Wontone Automobile Maintenance Institute . . .	2	Hefei, Anhui Province	90,600.36	Allocated <sup>(1)</sup>	Education	N/A
Chengdu Tianji . . . . .	2	Chengdu, Sichuan Province	11,044.25/ 26,282.28	Transferred/ allocated <sup>(1)</sup>	Science and education/ education	September 29, 2053/ N/A
<b>Total . . . . .</b>	<b>7</b>		<b>341,411.4</b>			

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.

### Buildings

As of the Latest Practicable Date, we owned/occupied 48 buildings in the PRC with an aggregate gross floor area of approximately 224,984.91 sq.m.. The following table sets forth a summary of the buildings we owned/occupied as of the Latest Practicable Date:

Building owned/occupied by	No. of buildings/ units	Location	Gross floor area (sq.m.)	Existing use
Anhui New East Culinary Institute . . . . .	8	Hefei, Anhui Province	39,835.99	Classroom buildings, dormitories, and practical training studios and ancillary classroom buildings

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<b>Building owned/occupied by</b>	<b>No. of buildings/units</b>	<b>Location</b>	<b>Gross floor area (sq.m.)</b>	<b>Existing use</b>
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
<b>Total . . . . .</b>	<b>48</b>		<b>224,984.91</b>	

*Occupied Buildings lack of approvals and filings and/or building ownership certificates*

As of the Latest Practicable Date, among the 48 buildings we owned/occupied, we had not obtained building ownership certificates for buildings occupied by our Anhui New East Culinary Professional Institute, Anhui Xinhua Computer Institute and Anhui Wontone Automobile Maintenance Institute (the "Relevant Buildings") with an aggregate gross floor area of 102,725.36 sq.m., mainly due to without completing relevant acceptances and/or filings. The following table sets forth a summary of the Relevant Buildings without building ownership certificates occupied by us as of the Latest Practicable Date:

<b>No.</b>	<b>Defects of the Relevant Buildings<sup>(1)</sup></b>	<b>Total gross floor area (sq.m.)</b>	<b>Defect percentage<sup>(2)</sup> (%)</b>
1.	Relevant Buildings were put into use without building ownership certificates <sup>(3)</sup> . . . . .	102,725.36	58.8
2.	Certain Relevant Buildings were put into use without completion of the environmental protection acceptance . . . . .	81,337.18	46.6
3.	Certain Relevant Buildings were put in use without completion of the fire control acceptance . . . . .	80,174.28	45.9
4.	Certain Relevant Buildings were put into use without completion of the construction quality and completion acceptance . . . . .	90,234.64	51.7
5.	Certain Relevant Buildings were put into use without filing of the construction quality and completion acceptance with competent authority . . . . .	6,231.50	3.6

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*Notes:*

- (1) For certain Relevant Buildings, we have not obtained building ownership certificates due to multiple defects set forth in the above table.
- (2) Defect percentage is calculated as the aggregate gross floor area of the Relevant Buildings we occupied in Hefei, Anhui divided by the aggregate gross floor area of the Relevant Buildings with defects.
- (3) Among the Relevant Buildings, we have completed all relevant acceptances and filings and are currently in the process of obtaining the building ownership certificate for one building with an aggregate gross floor area of 6,259.22 sq.m.

In July 2010, we acquired Chengdu Tianji from Independent Third Parties. Among the 18 buildings owned/occupied by Chengdu Tianji, 16 buildings with a total gross floor area of 44,252.29 sq.m. used by us as classroom buildings, dormitories, practical training studios, office buildings and canteen were put into use without obtaining building ownership certificates, because the construction planning documents which are necessary for completing the relevant acceptance procedures and filings requisite to applying for the building ownership certificates were missing at the time of the acquisition. See "Risk Factor – Risks Relating to Our Business and Our Industry – We are subject to governmental approvals and compliance requirements in relation to the land and buildings that we own. Some of the properties we use for our operations are not in compliance with applicable laws and regulations in the PRC".

*Legal consequences and potential maximum penalties for buildings lack approvals and filings or without ownership certificates*

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) construction of buildings without construction planning permit, we may be subject to an order to rectify the impact and/or a fine ranging from 5% to 10% of the construction cost, or an order to demolish the buildings and/or a fine of not more than 10% of the construction cost; (iii) construction of buildings without construction commencement permit, we may be subject to a fine ranging from 1% to 2% of the contract price of constructing the buildings and/or a rectification order; (iv) 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; (v) 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 (vi) 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.

*Rectification*

As a rectification step, we have applied to competent authorities for completing the relevant procedures in order to obtain the building ownership certificates for the Relevant Buildings. Further, our PRC Legal Advisors have consulted the officials of the Environment Protection Bureau of High-tech Industrial Development Zone of Xinzhan District, Hefei\* (合肥新站高新技術產業開發區環境保護局), 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試驗區分站), being the competent authorities for providing relevant confirmations, respectively, regarding our use of Relevant Buildings. The officials orally confirmed that (i) there are no legal impediments to complete the relevant procedures requisite to obtaining the building ownership certificates for the Relevant Buildings; (ii) all of the Relevant Buildings

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conform to the fire control and quality requirements and can be put into use safely; and (iii) our Schools can continue to use the Relevant Buildings without being subject to any fines or penalties and without being ordered to stop using or demolish these buildings.

As a rectification step, we have also engaged qualified independent fire protection inspection companies in November 2018 to conduct appraisals regarding the fireproofing facilities of the Relevant Buildings and the 16 buildings occupied by Chengdu Tianji, respectively. 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.

### *Potential impact on our operations and financial condition*

Our Directors are of the view that the lack of approvals and filings or the building ownership certificates for the Relevant Buildings, either individually or collectively, does not have a material adverse effect on our business operations or financial conditions as a whole, because (i) there are no legal impediments to obtain the building ownership certificates; (ii) we had not been subject to penalties due to the lack of approvals and filings or the building ownership certificates as of the Latest Practicable Date; and (iii) the buildings are safe for use in respect of fire prevention.

As of the Latest Practicable Date, our Group had neither received any demand for demolition of the 16 buildings occupied by Chengdu Tianji nor been fined in relation to the use of such buildings. We endeavor to obtain the construction planning documents requisite to obtaining the building ownership certificates of the buildings where practicable. Our Directors consider that, in the event that the local government authorities require us to demolish such buildings, the impact thereof on our Group's operation should not be material, because (i) we do not expect to incur substantial costs as we are able to relocate to the campuses of other schools we operate in Chengdu and (ii) the revenue of the School operated in these buildings only constitutes 2.6%, 2.1%, 1.6%, and 1.2% of the total revenue of the Group for the three years ended December 31, 2017 and eight months ended August 31, 2018, respectively. We expect the costs in relation to such re-compliance will be funded from our operating cash flow.

### *Enhancement of internal control*

We had reviewed our internal control policy. 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, the Controlling Shareholders [have agreed to] indemnify all losses and liabilities 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.

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### 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:

Sub-lessor	No. of campuses	Leased lands		Leased buildings		Remaining term (years)
		No. of leases	Gross site area (sq.m.)	No. of leases	Gross floor area (sq.m.)	
<b>Culinary arts</b>						
New East . . . . . Independent Third Parties	56	46	825,785.40	63	776,115.88	0.5 – 40
Omick . . . . . Independent Third Parties	25	4	27,380.8	27	96,095.61	0.5 – 16
<b>Information Technology</b>						
Xinhua Internet . . . . . Independent Third Parties	19	12	456,967.74	22	312,371.41	0.5 – 38
Wisezone . . . . . Independent Third Parties	24	-	-	35	29,943.06	0.5 – 6
<b>Auto Services</b>						
Wontone . . . . . Independent Third Parties	25	18	276,625.19	31	382,678.95	0.5 – 9
<b>Cuisine Academy</b> . . . . . Independent Third Parties	21	-	-	20	17,784.91	3 – 10
<b>Others</b> . . . . . Independent Third Parties	1	-	-	1	115.62	0.5
<b>Total</b> . . . . . -	171	80	1,586,759.13	199	1,615,105.44	-

#### 1. Leased properties not in full compliance with applicable laws and regulations

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. The following table sets forth a summary of the leased properties with defects use by us mainly as campuses, dormitories and offices as of the Latest Practicable Date:

No.	Defects	Properties with defects	Defect percentage (%)	Rectified defective properties	Rectification percentage (%)
1..	We had not been provided by the landlords with the land use right certificates and/or building ownership certificates, or by the sub-lessors with the proofs of having the right to sublease the properties to us.	<b>No. of campuses</b>	69	63	91.3
		<b>Gross site area (sq.m.)</b>	615,072.94	428,406.24	69.7
		<b>Gross floor area (sq.m.)</b>	540,667.5	483,722.92	89.5
2..	We had not been provided by the landlord/sub-lessors with the fire control acceptance records.	<b>No. of campuses</b>	43	42	97.7
		<b>Gross floor area (sq.m.)</b>	646,210.91	634,910.91	98.3

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No.	Defects		Properties with defects	Defect percentage (%)	Rectified defective properties	Rectification percentage (%)
3..	Use of leased lands in contravention of the permitted use for "industrial" or other purposes.	<b>No. of campuses</b>	50	29.2	33	66.0
		<b>Gross site area (sq.m.)</b>	933,776.85	58.9	577,099.64	61.8
4..	Leased properties located on collective lands which may not be used for construction or non-agricultural purpose.	<b>No. of campuses</b>	22	12.9	20	90.9
		<b>Gross site area (sq.m.)</b>	239,299.28	15.1	199,299.28	83.3
		<b>Gross floor area (sq.m.)</b>	304,686.84	18.9	266,298.84	87.4
5..	Lands used by us owned by PRC military which we might not be able to continue to use pursuant to military regulations.	<b>No. of campuses</b>	1	0.01	1	100
		<b>Gross floor area (sq.m.)</b>	19,908	0.01	19,908	100

### *Legal consequences and rectification*

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, our PRC Legal Advisors have advised that, 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. For 63 out of the 69 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 in the event that we are not able to continue to use such properties. For the remaining six campuses, we have not had agreements with such a term with or obtained confirmation letters from the landlords/sub-lessors.

For the leased properties that we had not been provided with fire control acceptance records, we cannot assure that the leases conform to the regulatory requirements of fire protection. As a rectification step, we have engaged qualified independent fire protection inspection companies for 42 out of the 43 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, these buildings can be put into use safely in respect of fire prevention. For the remaining one campus, we are seeking for appropriate property in compliance with regulatory requirement for the purpose of relocation.

For the leased properties used for education purposes in contravention of permitted use for "industrial" or other purposes, our PRC Legal Advisors have advised that, 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. For 33 out of the 50 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 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 in the event that we are not able to continue to use such properties. For the remaining 17 campuses, we have not had agreements with such a term with or obtained confirmation letters from the landlords/sub-lessors.

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For the leased properties located on collective land, our PRC Legal Advisors have advised that, 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. For 20 out of the 22 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 (i) the landlords/sub-lessors 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 in the event that we are not able to continue to use such properties. For the remaining two campuses, we have not had agreements with such a term with or obtained confirmation letters from the landlords/sub-lessors.

For the properties used by us owned by the PRC military, our PRC Legal Advisors have advised that, we may not continue to use the property if the PRC military terminates the lease agreements pursuant to the relevant military regulations. 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.

### *Potential impact on our operations and financial condition*

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 never been requested to relocate due to the defects of the leased properties; (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 relocate to different sites relatively easy 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\* (云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 in the event that we are not able to continue to use such properties; and (v) the Controlling Shareholders [have agreed] to indemnify all losses and liabilities that our Group may suffer due to using the properties with the said defects.

### *2. Non-filing of leased properties with competent authorities*

As of the Latest Practicable Date, save as 44 of our leased properties with an aggregate floor area of 317,046.9 sq.m., other properties leased by our Group have not been filed with the relevant authorities as required by applicable PRC laws and regulations. As advised by our PRC Legal Advisors, 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. During the Track Record Period and up to the Latest Practicable Date, we had not been fined by the relevant authorities with respect to these non-filed leases. See "Risk Factors — Risks Relating to Our Business and Our Industry — We may face penalties for non-registration of our leases in the PRC" in this document.

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Our Directors are of the view that it is unlikely that our operations would be materially and adversely affected by the non-filing of the lease agreements, considering that (i) during the Track Record Period, we have not been subject to administrative penalties imposed by the relevant authorities for non-filing of the lease agreements and (ii) the Controlling Shareholders [have agreed] to indemnify all losses and liabilities that our Group may suffer due to the non-filing of the lease agreements.

### *Enhancement of internal control*

We had reviewed our internal control policy. 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 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.]

## 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 outstanding litigation whose claim amounts exceeds RMB1,000,000.

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 scheduled the court on November 28, 2018. As of the Latest Practicable Date, this legal proceeding was still pending. Our Directors are of the view that this particular lawsuit is not expected to have a material adverse effect on our operation of our operating Schools.

During the Track Record Period and up to the Latest Practicable Date, except as described above, we had not been and were not a party to 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, other than as disclosed in the paragraph headed "Non-compliance incidents" below, 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. During the same periods, we also did not experience any material non-compliance of the laws or regulations which taken as a whole, in the opinion of our Directors, 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 "Properties" in this section for a description of certain legal matters relating to our compliance with certain property related laws and regulations which our Directors consider would not have a material and adverse effect on our business, financial condition or results of operations for the reasons described in those paragraphs.





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No.	Particulars of non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Enhanced internal control measures
	<p>As of the Latest Practicable Date, three Schools under the brand of New East Culinary Education, namely, Guiyang City New East Culinary Secondary Vocational School* (貴陽新東方烹飪中等職業學校), Jiangxi Nanchang New East Culinary Secondary Vocational School* (江西南昌新東方烹飪中專學校) and Shanghai Xinman Cuisine Training Co., Ltd.* (上海新曼烹飪培訓有限公司) ("Shanghai Xinman") have branch campuses that differ from the addresses set out on their respective private school operating licences, but have not obtained the permits from or filed registration with the local education authorities or the local authorities of MHRSS.</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術培訓學校) and Beijing City Daxing District Wontone Automobile Vocational Skills Training School* (北京市大興區萬通汽車修職業技術培訓學校), we did not promptly update and renew the private school operating license due to the relocation.</p> <p>For failing to file registration of the branch campuses, the non-compliance incidents occurred mainly due to administrative oversight by the handling personnel of our Schools being unfamiliar with relevant regulatory requirements.</p>	<p>For Beijing City Daxing District Wontone Automobile Vocational Skills Training School* (北京市大興區萬通汽車修職業技術培訓學校), we are in the process of transferring its business to Beijing Tongzhou New District Wontone Automobile Repairing Vocational Skills Training School* (北京通州州新區萬通汽車修理職業技術培訓學校), 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>As advised by our PRC Legal Advisors, establishing a branch campus of a private school should file registration with the relevant education authorities or human resources and social security departments, according to the PRC laws and regulations.</p>	
			<p>For Schools (excluding Shanghai Xinman) having branch campuses that differ from the addresses set out on their respective school operating licenses, we have obtained confirmation letters from the relevant government authorities confirming that there were no violations to relevant regulations and we had not been subject to any penalty or punishment for opening branch campuses with addresses not set out on the school operating licenses.</p>	
			<p>For Shanghai Xinman, we are in the process of applying for the private school operating license and we do not expect there will be any legal impediment to obtain it.</p>	
			<p>For the years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2018, revenue generated by those Schools, which commenced operations without obtaining private school operating licenses was approximately RMB5.5 million, RMB50.8 million, RMB73.6 million and RMB94.9 million, respectively, accounting for approximately 0.3%, 2.2%, 2.6% and 4.6%, respectively, of the total revenue of our Group for the same periods. For the years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2018, losses that those Schools incurred for the years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2018 was approximately RMB3.2 million, RMB17.0 million, RMB78.6 million and RMB73.5 million, respectively.</p>	
				<p>Accordingly, our Directors are of the view that this non-compliance is not expected to have any material impact on our business operations and financial condition.</p>

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No.	Particulars of non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Enhanced internal control measures
2.	<p>As of the Latest Practicable Date, (i) certain of our entities without hiring employees failed to open social insurance and/or 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 the event that the relevant social security and housing provident fund authorities demand us to pay the outstanding amounts of social insurance, which we estimate to be RMB0.6 million, RMB0.9 million, RMB2.2 million and RMB0.7 million, respectively, for the years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2018; and the outstanding amounts of housing provident fund contributions, which we estimate to be RMB1.9 million, RMB1.8 million, RMB1.7 million and RMB1.2 million, respectively, for the same periods, we shall pay such amounts within a prescribed time.</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>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 and 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 between 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, 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 have designated Mr. Sha Xu, the vice president of our Group, to be directly responsible for overseeing the implementation of the rectification measures.</p>

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No.	Particulars of non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Enhanced internal control measures
			<p>As of the Latest Practicable Date, 21 of our subsidiaries did not open social insurance accounts and 24 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.</p> <p>Among our 161 PRC subsidiaries who hired employees, 144 entities have obtained confirmation 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 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 rest 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>Among our 161 PRC subsidiaries who hired employees, 123 entities have obtained 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 rest 38 PRC subsidiaries, the PRC Legal Advisors are of the view that such entities may be imposed penalties by the competent government authorities.</p> <p>As 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. We intend to make social insurance and housing provident fund contributions in accordance with the applicable laws and regulations going forward.</p> <p>Our Controlling Shareholders have agreed to indemnify us for all claims, costs, expenses and losses incurred by us arising from such non-compliance incidents.</p>	

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No.	Particulars of non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Enhanced internal control measures
3.	<p>As of the Latest Practicable Date, 16 buildings owned by Chengdu Tianji with an aggregate gross floor area of 44,252.29 sq.m. had not obtained 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. We did not obtain building ownership certificates of these buildings.</p>	<p>We acquired Chengdu Tianji from independent Third Parties in 2010. We could not obtain building ownership certificates for these 16 buildings, because the construction planning documents which are necessary for completing the acceptance procedures and filings requisite to applying for the building ownership certificates were missing at the time of the acquisition.</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 up to 5% of the total amount of investment in the construction project and a rectification order; (ii) construction of buildings without construction planning permit, we may be subject to an order to demolish the buildings and/or a fine of up to 10% of the construction cost; (iii) construction of buildings without construction commencement permit, we may be subject to a fine up to 2% of the contract price of constructing the buildings and/or a rectification order; (iv) using the buildings without completing fire control assessment procedures, we may be subject to a fine up to RMB300,000 and/or suspension from using such buildings; (v) using the building without completing the construction quality and completion acceptance procedures, we may be subject to a fine up to 4% of the contract price of constructing the buildings and/or a rectification order; and (vi) using the building without filing the construction quality and completion acceptance, we may be subject to a fine up to RMB500,000 and/or a rectification order.</p>	<p>We have engaged a qualified independent fire prevention inspection company in November, 2018 to conduct appraisals regarding the fireproofing facilities of the 16 buildings occupied by Chengdu Tianji. According to the inspection reports issued by the independent fire prevention inspection company in November, 2018, these buildings can be put into use safely in respect of fire prevention.</p>
			<p>As of the Latest Practicable Date, our Group had neither received any demand for demolition of the 16 buildings occupied by Chengdu Tianji nor been fined in relation to such buildings. Our Directors consider that, in the event that the local government authorities require us to demolish such buildings, the impact thereof on our Group's operation should not be material, because (i) we endeavor to obtain the construction planning documents requisite to obtaining the building ownership certificates of the buildings where practicable, (ii) we do not expect to incur substantial costs as we are able to relocate to the campuses of other schools we operate in Chengdu; and (iii) the revenue of the School operated in these buildings constitutes 2.6%, 2.1%, 1.6%, and 1.2% of the total revenue of the Group for the three years ended December 31, 2017 and eight months ended August 31, 2018, respectively. We expect the costs in relation to such rectification measures will be funded from our operating cash flow.</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.</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 intend to adopt or have adopted the following measures:

- we will 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 will 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 will be the primary point of contact to liaise with our external legal counsel;
- we will 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 will 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 non-compliance incidents 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. 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.

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### 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 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.

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### 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.

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 areas, 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. 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. 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.



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In assessing a proposal to invest in wealth management products, a number of criteria must be met, including but not limited to:

- 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;
- 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.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

### CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalization Issue and the [REDACTED], the Controlling Shareholders will together control the exercise of voting rights of more than 30% of the Shares eligible to vote in the general meeting of our Company (assuming no exercise of the [REDACTED] or any options that may be granted under the [REDACTED] Share Option Scheme or the Share Option Scheme).

### Information on Other Companies Owned by Our Controlling Shareholders

We are currently primarily engaged in the provision of vocational training education services primarily in the fields of culinary arts, information technology and auto services in China. We also provide secondary vocational education through some of our Schools.

Other than the interest in our Group, Mr. Wu Junbao, a Controlling Shareholder, and his spouse also hold direct or indirect interests in companies outside of our Group, which are engaged in non-education and education businesses. In relation to education businesses other than those conducted by our Group, Mr. Wu Junbao also held interests in the following:

**1. A private middle school (民辦中學) and 19 tutorial institutions operated by Xinhua Investment, which is outside China Xinhua Education Group Limited ("China Xinhua Education")**

- Hefei Xinhua Experimental Middle School is a private middle school located in Hefei, Anhui province, which provides private formal middle school education (民辦中學學歷教育). It is wholly-owned by Xinhua Investment, where Mr. Wu Junbao indirectly held 99% equity interest as of the Latest Practicable Date.
- Xinhua Investment, through 19 tutorial institutions located in Anhui province, also provides tutoring services to primary and secondary school students in local schools.
- Our Directors are of the view that the business activities of the private formal middle school education provided by Hefei Xinhua Experimental Middle School and the tutoring services provided by the 19 tutorial institutions are clearly delineated from the vocational training education provided by our Group and there is no competition between them.

**2. Schools operated by China Xinhua Education**

China Xinhua Education, a company whose shares are listed on the Stock Exchange with the stock code of 2779, provides formal higher education and secondary vocational education through Anhui Xinhua University and Anhui Xinhua School respectively, as mentioned below. Based on the public available information of China Xinhua Education and information confirmed by Mr. Wu Junbao, a controlling shareholder and director of China Xinhua Education, the particulars of the businesses of the schools operated by China Xinhua Education and the relevant analysis are set out below:

*Private formal higher education (民辦高等學歷教育)*

- Anhui Xinhua University\* (安徽新華學院) is a formal university-level education institution located in Hefei, Anhui province, which provides formal undergraduate education, junior college education (大專教育) and continuing education focused on applied sciences.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- According to the 2018 interim report of China Xinhua Education dated September 28, 2018, as at June 30, 2018, there were approximately 22,679 full-time students enrolled in the undergraduate program and junior college, and approximately 6,860 students enrolled in the continuing education program, at Anhui Xinhua University.
- Our Directors are of the view, and the board of directors (including the independent non-executive directors) of China Xinhua Education also confirm they concur with such view that the business activities of the private formal higher education provided by Anhui Xinhua University is adequately delineated from the vocational training education provided by our Group.

### *Private secondary vocational education (民辦職業中專學歷教育)*

- Anhui Xinhua School\* (安徽新華學校) is a secondary education institution located in Hefei, Anhui province, which provides three types of full-time programs:
  - (1) degree granting undergraduate oriented secondary vocational education with a focus on subsequent undergraduate admission (以升讀可獲學歷證書的本科為導向的中專教育);
  - (2) higher diploma granting junior college oriented secondary vocational education with a focus on subsequent junior college admission (以升讀可獲高等文憑的大專為導向的中專教育); and
  - (3) formal general secondary vocational education (普通中專學歷教育).
- Anhui Xinhua School's general secondary vocational education programs mainly comprise 10 majors, including computer graphic design, e-commerce and computer applications (the "Relevant Majors"), which overlap with some of the courses offered by our Schools which also provide secondary vocational education.
- According to the 2018 interim report of China Xinhua Education dated September 28, 2018, and as confirmed by Mr. Wu Junbao as at June 30, 2018, there were 5,350 full-time students enrolled at Anhui Xinhua School, which included 1,443 full-time students enrolled in programs under the Relevant Majors, representing approximately 5.1% of the total full-time students enrolled at China Xinhua Education.
- Our Directors are of the view, and the board of directors (including the independent non-executive directors) of China Xinhua Education also confirm they concur with such view that the undergraduate oriented secondary vocational education and junior college oriented secondary vocational education provided by Anhui Xinhua School are adequately delineated from the vocational training education provided by our Group.
- Having regard to the facts and circumstances elaborated below, our Directors are further of the view, and the board of directors (including the independent non-executive directors) of China Xinhua Education confirm they concur with such view, that notwithstanding certain overlapping courses in the Relevant Majors provided by certain of our Schools and by Anhui Xinhua School, the general secondary vocational education provided by Anhui Xinhua School is adequately delineated from the vocational training education by our Group.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

In particular, our Directors and the board of directors (including the independent non-executive directors) of China Xinhua Education have taken the following information into consideration when reaching the above view:

- While we are primarily engaged in the provision of vocational training education which is non-formal, as at the Latest Practicable Date, 25 out of the 139 Schools we operate provide secondary vocational education in the fields of culinary arts, auto services, and information technology in the PRC. Of these 25 Schools, 16 are technical schools (技工學校) and nine are Schools providing specialized secondary vocational education (中專教育).
- The curriculum provided by our 16 technical schools (技工學校) consist of skill oriented vocational training courses which are designed according to the relevant regulations in the PRC, including the National Occupational Skill Standard (國家職業技能標準), the Technical Level Standard of Workers (工人技術等級標準) and the *National Directory of Professional Technical Colleges* (《全國技工院校專業目錄》), with the goal to provide our students trainings on practical and technical skills. The curriculum provided by Anhui Xinhua School provides more compulsory general education courses whose curriculum is designed according to the *Regular Secondary Specialized Professional Directory* (《普通中等專業學校專業目錄》). In addition, the operation of our 16 technical schools are subject to the approval from the relevant human resources and social security department, while the operation of Anhui Xinhua School is subject to the approval from the relevant education department.
- Of the nine Schools we operate which provide specialized secondary vocational education services, only five Schools provide curriculum in the Relevant Majors (the "Five Relevant Schools"). The remaining four Schools offer only culinary arts courses which do not overlap with any curriculum offered by Anhui Xinhua School.

With respect to the Five Relevant Schools, our Directors and the directors (including the independent non-executive directors) of China Xinhua Education also considered there is adequate delineation after taken into consideration of the following:

	<b>The Five Relevant Schools</b>	<b>Relevant Majors in Anhui Xinhua School</b>
<b>Geographic locations . . . .</b>	The Five Relevant Schools are located in Jiangxi province, Yunnan province, Henan province, Guizhou province and Gansu province, respectively	Anhui Xinhua School is located in Hefei, Anhui province
<b>Tuition fee charged for 2017-2018 school year . . .</b>	Three out of the Five Relevant Schools charge tuition fees that range from RMB11,800 – RMB23,190; one School charges tuition fees of RMB6,680; another School started operation in 2018 and charges tuition fees for 2018-2019 school year, that range from RMB12,600- RMB19,800	RMB5,200 – RMB7,600
<b>Aims of students . . . .</b>	Improve practical and technical skills in order to capture industry opportunities	Obtain official diplomas in order to enter into further study after graduation or as proof of academic background
<b>Course structure. . . .</b>	More credits are allocated to courses related to skills and practice in addition to the compulsory general education courses under relevant regulations	Compulsory general education courses under relevant regulations and a few skill-based courses

## **RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS**

The total revenue generated by the secondary vocational education provided by the Five Relevant Schools represented approximately 1.6%, 1.3%, 1.3% and 1.2% of our total revenue, for the three years ended December 31, 2015, 2016 and 2017 and eight months ended August 31, 2018. Based on the prospectus dated March 14, 2018 and the interim report dated September 28, 2018 of China Xinhua Education and as confirmed by Mr. Wu Junbao, it is estimated that the revenue generated by the Relevant Majors provided by the general secondary vocational education programs of Anhui Xinhua School represent less than 5% of the total revenue of China Xinhua Education for the three years ended December 31, 2015, 2016 and 2017 and six months ended June 30, 2018.

The average students enrolled in the secondary vocational education provided by the Five Relevant Schools represent 2.4%, 2.3%, 2.3% and 2.9% of our average students enrolled, for the three years ended December 31, 2015, 2016 and 2017 and eight months ended August 31, 2018. Based on the prospectus dated March 14, 2018 and the interim report dated September 28, 2018 of China Xinhua Education and as confirmed by Mr. Wu Junbao, the student enrollment in the Relevant Majors provided by general secondary vocational education programs of Anhui Xinhua School represent approximately 6.7%, 6.4% and 5.1% of the total student enrollment of China Xinhua Education for the three school years of 2015-2016, 2016-2017 and 2017-2018.

Further to the abovementioned aspects where our businesses are delineated from formal higher education, middle school education and secondary vocational education, the management team of our Group is different from that of the formal higher education, secondary vocational education and formal middle school in which Mr. Wu Junbao is indirectly interested. To manage any potential conflicts of interests, our Group has in place the following arrangements: (i) Mr. Wu Junbao, together with others, has provided certain non-competition undertakings in favour of our Company, details of which are set out in the paragraph headed "Non-competition Undertaking of the Controlling Shareholders" in this section and in the paragraph headed "Structured Contracts — Agreement to Address Potential Conflict of Interest"; and (ii) we have adopted adequate corporate governance measures, details of which are set out in the paragraph headed "Corporate Governance Measures" in this section.

Our Directors are further of the view, and the board of directors (including the independent non-executive directors) of China Xinhua Education confirm they concur with such view, that our Group is independent in all materials respects (including in areas of financial independence, operational independence and management independence) from China Xinhua Education and vice versa. Please refer to the paragraph headed "Independence from the Controlling Shareholders" in this section.

## **NON-COMPETITION UNDERTAKING OF THE CONTROLLING SHAREHOLDERS**

Our Controlling Shareholders, together with others, have entered into the Deed of Non-competition on [●], 2019 in favour of our Company, pursuant to which our Controlling Shareholders have jointly and severally and irrevocably undertaken with our Company (for itself and for the benefit of its subsidiaries) that it or he would not, and would procure that its or his controlled entities (except any members of our Group) would not, during the restricted period set out below, directly or indirectly, either on its or his own account or in conjunction with or on behalf of any person, company (enterprise or corporate entity), partnership or associate (whether of an economic nature), among other things, carry on, participate or be interested or engaged in or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may be in competition with the business of any member of our Group (the "Restricted Business") to the extent such competition would materially and adversely impact the operations and financial position or prospects of our Group.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The non-competition undertaking above does not apply to:

- (a). any opportunity to invest, participate, be engaged in and/or operate with a third party any Restricted Business which has first been offered or made available to our Company, and at the request of our Company, the offer should include: (i) terms of offer between our Company and such third party, or (ii) terms for our Company to engage in the Restricted Business with them and/or their associates, and our Company, after review and approval by our independent non-executive Directors, has declined such opportunity to invest, participate, be engaged in or operate the Restricted Business with such third party or together with them and/or their associates, provided that the principal terms by which our Controlling Shareholder(s) (or his/its relevant associate(s)) subsequently invests, participates, engages in or operates the Restricted Business are not more favourable than those disclosed to our Company; or
- (b). any interests in the shares of any member of our Group; or
- (c). interests in the shares of a company other than our Group which shares are listed on a recognized stock exchange provided that:
  - (i) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or
  - (ii) the total number of the shares held by our Controlling Shareholders and/or its/his respective associates in aggregate does not exceed 5% of the issued shares of that class of that company and such Controlling Shareholders and/or its/his respective associates are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company whose shareholdings in that company should be more than the total number of shares held by our Controlling Shareholders and its/his respective associates in aggregate; and
  - (iii) our Controlling Shareholders and/or their respective associates do not have the control over the board of such company; or
- (d). any business conducted by China Xinhua Education.

The "restricted period" stated in the Deed of Non-competition refers to the period during which (i) the Shares of our Company remain listed on the Stock Exchange; (ii) in relation to each Controlling Shareholder, the relevant Controlling Shareholder or any of its/his associates still holds directly or indirectly an equity interest in our Company; and (iii) our Controlling Shareholders and/or its/his respective associates jointly or severally are entitled to exercise or control the exercise of not less than 30% in aggregate of the voting power at general meetings of our Company.

Under the Structured Contracts, the Mr. Wu Junhao, together with others, was also provided certain non-competition undertakings in favour of our Company. See "Structured Contracts — Agreement to Address Potential Conflict of Interest" for details of the non-competition undertaking provided by the Controlling Shareholders under the Structured Contracts.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

### INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, we believe that we are capable of carrying on our business independently from our Controlling Shareholders and its/his respective associates after completion of the [REDACTED]:

#### Management Independence

Our Board comprises two executive Directors, two non-executive Directors and three independent non-executive Directors. Only Mr. Wu Junbao, a Controlling Shareholder and non-executive Director of our Company, and Mr. Lu Zhen, a non-executive Director, are also acting as directors of China Xinhua Education since October 27, 2017.

Save as disclosed above, no other Controlling Shareholder holds any directorship in our Company. Each of our Directors is aware of his fiduciary duties as a director of our Company which requires, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, we have an independent senior management team to carry out the business decisions of our Group independently.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders following the completion of the [REDACTED].

#### Operational Independence

We have also established a set of internal control procedures to facilitate the effective operation of our business.

We believe that we are capable of carrying on our business independently of our Controlling Shareholders and its or his respective associates. Our Directors confirmed that our Group will be able to operate independently from our Controlling Shareholders and their associates upon the [REDACTED].

#### Financial Independence

Our Group has an independent financial system and makes financial decisions according to our Group's own business needs. Our source of funding was independent from our Controlling Shareholders and none of our Controlling Shareholders or their respective associates, financed our operations during the Track Record Period. Our Group's accounting and finance functions are independent of our Controlling Shareholders. Our Directors confirm that our Group does not intend to obtain any borrowings, guarantees, pledges or mortgages from any of our Controlling Shareholders or entities controlled by our Controlling Shareholders. Therefore, we have no financial dependence on our Controlling Shareholders.

#### Confirmation Given by Directors

Each Director confirms that he or she does not have any competing business with our Group.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

### CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to avoid any conflict of interests arising from competing business and to safeguard the interests of our Shareholders:

- (a) our independent non-executive Directors will review, on an annual basis, the compliance with the undertaking given by our Controlling Shareholders under the Structured Contracts and whether there are any conflicts of interests between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority shareholders;
- (b) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the undertaking under the Structured Contracts;
- (c) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the non-competition undertaking of our Controlling Shareholders under the Structured Contracts in the annual reports of our Company;
- (d) our Controlling Shareholders will make annual declarations on compliance with their undertaking under the Structured Contracts in the annual report of our Company;
- (e) under the Articles, where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their respective associates has a material interests, the relevant Controlling Shareholders or associates will not vote on the relevant resolutions;
- (f) our Company has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if our Company enters into connected transactions with our Controlling Shareholders or any of its associates, our Company will comply with the applicable Listing Rules;
- (g) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expenses;
- (h) our Directors will abstain from voting in proposals in which they have conflict of interests;
- (i) we have appointed Haitong International Capital Limited as compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and
- (j) [we have established our audit committee, remuneration committee and nomination committee with written terms of reference in compliance with the Listing Rules and the Code on Corporate Governance and Corporate Governance Report in Appendix 14 of the Listing Rules. All of the members of our audit committee including the chairman, are independent non-executive Directors.]



## CONNECTED TRANSACTIONS

### CONTINUING CONNECTED TRANSACTIONS




We have entered into a number of continuing agreements and arrangements with our connected persons in our ordinary and usual course of business. Upon the [REDACTED] of the Shares on the Stock Exchange, the transactions disclosed in this section will constitute continuing connected transactions under the Listing Rules.

No.	Transactions	Applicable Listing Rules	Waiver Sought	Proposed annual cap (in RMB million) for the year ending December 31,		
				2018	2019	2020
<b>Exempt continuing connected transaction</b>						
1	Trademark License Agreements	14A.34, 14A.52, 14A.53, 14A.76	N/A	Nil	Nil	Nil
<b>Non-exempt continuing connected transactions</b>						
1	Service Agreements . .	14A.34, 14A.52, 14A.53	Requirements as to announcement	2.5	2.7	2.9
2	Tenancy Agreement . . .	14A.34, 14A.52, 14A.53	N/A	N/A	7.2	4.2
3	Structured Contracts . . . .	14A.34, 14A.35, 14A.36, 14A.49, 14A.52, 14A.53 to 59 and 14A.71	Requirements as to announcement, circular, shareholders approval, annual cap, and terms not more than three years	N/A	N/A	N/A

### Exempt Continuing Connected Transactions

#### *Trademark License Agreements*

Xinhua Internet Technology Education has been using two trademarks (the "Trademarks") for its marketing and operation for many years.

Trademarks	License No.	Trademark owner
 新华教育 XINHUA EDUCATION	5393809	Xinhua Investment
 新华教育 XINHUA EDUCATION	5393810	Xinhua Investment
 新华电脑教育 XINHUA COMPUTER EDUCATION		

Pursuant to the trademark license agreements (the "Trademark License Agreements") entered into between Anhui Xinhua Education and Xinhua Investment dated March 5, 2018 and June 1, 2018, respectively, Xinhua Investment has agreed to grant to Anhui Xinhua Education a royalty-free license to use the Trademarks during the validity period of the Trademarks, which will both end on May 6, 2021 and have a remaining term of less than three years.

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## CONNECTED TRANSACTIONS

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### *Listing Rules Implications*

Xinhua Investment is controlled by Mr. Wu Junbao, our Controlling Shareholder, and therefore an associate of Mr. Wu Junbao and a connected person of our Company.

Pursuant to the Trademark License Agreements, Anhui Xinhua Education is entitled to use the Trademarks for free during the validity period of the Trademarks. As such, the connected transactions contemplated under the Trademark License Agreements constitute de minimis connected transactions under Rule 14A.76 of the Listing Rules and are exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors are of the view that the transactions contemplated under the Trademark License Agreements are on normal commercial terms.

### *Historical Amount and Annual Caps*

Historically, no licensing fees were charged by Xinhua Investment for our use of the Trademarks. The annual cap for the years ending December 31, 2018, 2019 and 2020 is nil, nil and nil, respectively.

## **Non-exempt Continuing Connected Transactions**

### **(1) Service Agreements**

Pursuant to the service agreements (the "Service Agreements") dated March 8, 2018 entered into by Anhui Xinhua University\* (安徽新華學院) ("Xinhua University") with each of Anhui New East Culinary Education Institute\* (安徽新東方烹飪專修學院) and Anhui Xinhua Computer Institute\* (安徽新華電腦專修學院) (the "Relevant Institutes"), each of the Relevant Institutes have agreed to assist Xinhua University in promoting its adult higher education program to students of the Relevant Institutes. In connection with such promotional effort, for those students who enrolled in our adult higher education program (the "Relevant Students"), each of the Relevant Institutes have also agreed to provide convenient teaching locations for the Relevant Students to attend some of the classes for such program. In consideration of the foregoing services, Xinhua University shall pay to the Relevant Institutes a service fee equivalent to 50% of the tuition fees of the Relevant Students. The Service Agreements are for a term with effect from March 26, 2018 to December 31, 2020, renewable for another three years unless terminated by either party by serving written notice to the other party within 30 days prior to expiry of the Service Agreements (subject to compliance with the provisions under the Listing Rules regarding continuing connected transactions).

The Directors are of the view that the transactions contemplated under the Service Agreements are on normal commercial terms or terms more favorable to our Group.

### *Listing Rules Implications*

Xinhua University is controlled by Mr. Wu Junbao, our Controlling Shareholder, and therefore our associate of Mr. Wu Junbao and a connected person of our Company.

As the counterparty in each Service Agreement is Xinhua University, which is controlled by Mr. Wu Junbao, our Controlling Shareholder and therefore a connected person of our Company, we consider it appropriate to aggregate the service fees under the Service Agreements to calculate the applicable percentage ratios under Chapter 14 of the Listing Rules for the Service Agreements.

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## CONNECTED TRANSACTIONS

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Based on the current service fees payable by Xinhua University to our Group as aggregated, we expect that each of the applicable percentage ratios (other than the profit ratio) for the Service Agreements calculated in accordance with Rule 14A.77 of the Listing Rules will be more than 0.1% but less than 5% and thus the transactions contemplated under the Service Agreements as aggregated constitute continuing connected transactions of our Company which are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements and are subject to the annual review, reporting and announcement requirements pursuant to Rule 14A.76(2)(a) of the Listing Rules.

### *Historical Amount and Proposed Annual Caps*

Historically, the service fees charged by the Relevant Institutes to Xinhua University for the years ended December 31, 2015, 2016 and 2017 and eight months ended August 31, 2018 was equivalent to 70% of the tuition fees of the Relevant Students and amounted to RMB1.0 million, RMB2.7 million, RMB2.8 million and RMB0.6 million, respectively.

The annual cap for the Service Agreements for each of the years ending December 31, 2018, 2019 and 2020 is expected to be RMB2.5 million, RMB2.7 million and RMB2.9 million, respectively.

### *The Basis of the Annual Caps*

The annual caps are estimated based on the service fees payable as determined with reference to (i) agreed percentage of 50% of the tuition fees of the Relevant Students, at a lower level as compared with the historical tuition fee charged at the percentage of 70%, (ii) number of the Relevant Students enrolled in our adult higher education program in 2016 and 2017, who are generally expected to continue to study in our adult higher education program in 2018 and/or 2019 (as the case may be) until they graduate and we expect the total number of the Relevant Students who will enroll in our adult higher education program in 2018 to 2020 to slightly increase as compared to 2015 to 2017 based on the historical trend, and (iii) tuition fees as filed with the relevant authority.

### *Application for Waiver*

We have applied to the Stock Exchange for, and the Stock Exchange [has] granted, a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement under the Listing Rules in respect of the transactions contemplated under the Service Agreements, provided that the total value of transactions under the Service Agreements for each of the three years ending December 31, 2018, 2019 and 2020 will not exceed the relevant proposed annual caps set forth above.

In addition, our Company has confirmed that we will comply with the applicable requirements set out in Chapter 14A of the Listing Rules in relation to such non-exempt continuing connected transaction, and will re-comply with relevant Listing Rules if the annual caps set out above are exceeded, or when the relevant Service Agreement is renewed or when there is a material change to the terms of the relevant Service Agreement.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on this non-exempt continuing connected transaction, our Company will take immediate steps to ensure the compliance with such new requirements within a reasonable time. Such transaction will continue to be subject to the annual reporting requirement under the Listing Rules.

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## CONNECTED TRANSACTIONS

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### *Views of our Directors and the Sole Sponsor*

Our Directors (including the independent non-executive Directors) are of the view, and based on the due diligence conducted in respect of such transactions with our Company, the Sole Sponsor concurs, that (i) the transactions contemplated under the Service Agreements have been and will be entered into in the ordinary and usual course of business, on normal terms or better that are fair and reasonable and in the interest of the Shareholders as a whole; and (ii) the proposed annual caps for the transactions contemplated under the Service Agreements are fair and reasonable and in the interests of the Shareholders as a whole.

### **(2) Tenancy Agreement**

On December [●], 2018, Anhui New East Culinary Institute, one of our PRC Consolidated Affiliated Entities and as the landlord, and the School of Clinical Medicine of Anhui Medical University\* (安徽醫科大學臨床醫學院) (the "School of Clinical Medicine"), as the tenant, entered into a tenancy agreement (the "Tenancy Agreement"), for leasing to the School of Clinical Medicine a premise located at Guanjing Road, Xiangshan Road, Professional Education Town, Yaohai District, Hefei, Anhui province, the PRC (the "Premise"), as the campus of the School of Clinical Medicine (the "Connected Lease"). Pursuant to the Tenancy Agreement, our Group will lease to the School of Clinical Medicine the Premise for a term from January 1, 2019 to July 31, 2020, at a monthly rental of RMB600,000. The Tenancy Agreement was entered into by us and the School of Clinical Medicine after taking into the consideration that (i) the Premise was not utilized by Anhui New East Culinary Institute as of the date of the Tenancy Agreement, (ii) leasing out the Premise is of economic benefit of our Group, and (iii) the principal business of the School of Clinical Medicine is also education.

### *Listing Rules Implications*

The School of Clinical Medicine is a school jointly operated by an Independent Third Party and China Xinhua Education Group Limited, which is controlled by Mr. Wu Junbao, our Controlling Shareholder. Therefore, the School of Clinical Medicine is an associate of Mr. Wu Junbao and a connected person of our Company.

Based on the annual caps that have been proposed, we expect that the highest relevant percentage ratios in respect of the Connected Lease with connected persons will, on an annual basis, be more than 0.1% but less than 5%, and as such the Connected Lease will be exempt from the circular (including independent financial advice) and independent shareholders' approval requirements and are subject to the annual review, reporting and announcement requirements pursuant to Rule 14A.76(2)(a) of the Listing Rules.

### *Historical Amount and Proposed Annual Caps*

There was no connected lease during the Track Record Period. Pursuant to a tenancy agreement entered into between Anhui New East Culinary Education Institute and the School of Clinical Medicine dated November 16, 2018, the Premise was leased from us to the School of Clinical Medicine for a term from December 1, 2018 to December 31, 2018, at a monthly rental of RMB600,000.

The proposed annual caps for the maximum amount receivable for each of the year ending December 31, 2019 and for the seven months ending July 31, 2020 under the Connected Lease is expected to be RMB7.2 million and RMB4.2 million, respectively.

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## CONNECTED TRANSACTIONS

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### *The Basis of the Annual Caps*

The annual caps are estimated based on the annual rental receivable by our Group under the Connected Lease. The rental payable under the Connected Leases were negotiated on arm's length basis with reference to the prevailing market rental prices of comparable premises in the locality confirmed by an independent property valuer.

### *Application for Waiver*

We have applied to the Stock Exchange for, and the Stock Exchange [has] granted, a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement under the Listing Rules in respect of the transactions contemplated under the Tenancy Agreement, provided that the total value of transactions under the Tenancy Agreement for each of the year ending December 31, 2019 and the seven months ending July 31, 2020 will not exceed the relevant proposed annual caps set forth above.

In addition, our Company has confirmed that we will comply with the applicable requirements set out in Chapter 14A of the Listing Rules in relation to such non-exempt continuing connected transaction, and will re-comply with relevant Listing Rules if the annual caps set out above are exceeded, or when the Tenancy Agreement is renewed or when there is a material change to the terms of the Tenancy Agreement.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on this non-exempt continuing connected transaction, our Company will take immediate steps to ensure the compliance with such new requirements within a reasonable time. Such transaction will continue to be subject to the annual reporting requirement under the Listing Rules.

### *Views of our Directors and the Sole Sponsor*

Our Directors (including the independent non-executive Directors) are of the view, and based on the data and information provided by our Company and the valuation report issued by the independent property valuer, the Sole Sponsor concurs, that (i) the transactions contemplated under the Connected Lease have been and will be entered into on normal terms that are fair and reasonable and in the interest of the Shareholders as a whole; and (ii) the proposed annual caps for the transactions contemplated under the Connected Lease are fair and reasonable and in the interests of the Shareholders as a whole.

### **(3) Structured Contracts**

As disclosed in the paragraph headed "Structured Contracts — Background of the Structured Contracts" in this document, relevant laws and regulations restrict the operation of vocational education and vocational training institutions to Sino-foreign cooperation ownership, in addition to imposing qualification requirements on the foreign owners. Further, it is expected that the possibility of government approval for establishing and operating a vocational education and vocational training institute in the PRC by way of Sino-foreign ownership in the foreseeable future is very low. As a result, our Group, through our wholly-owned subsidiary, the WFOE, our PRC Consolidated Affiliated Entities and other parties, have entered into the Structured Contracts such that

## CONNECTED TRANSACTIONS

we can conduct our business operations indirectly in the PRC through our PRC Consolidated Affiliated Entities while complying with applicable PRC law and regulations. The Structured Contracts, as a whole, are designed to provide our Group with effective control over the financial and operational policies of our PRC Consolidated Affiliated Entities, to the extent permitted by PRC law and regulations, the right to acquire the equity interest in and/or the assets of our PRC Consolidated Affiliated Entities and/or the school sponsors interest in Nanjing School after the [REDACTED] through the WFOE. As we operate our education business through our PRC Consolidated Affiliated Entities, which are controlled by their respective school sponsors and we do not hold any direct equity interest in our PRC Consolidated Affiliated Entities, the Structured Contracts were entered into on November 30, 2018 pursuant to which all material business activities of our PRC Consolidated Affiliated Entities are instructed and supervised by our Group, through the WFOE, and the relevant economic benefits arising from such business of the our PRC Consolidated Affiliated Entities are transferred to our Group.

The Structured Contracts consist of a series of agreements, collectively, the exclusive management consultancy and business cooperation agreements, the exclusive call option agreements, the equity pledge agreement, the powers of attorney, the accounts receivable pledge agreement, the school sponsors' or capital contributors' rights entrustment agreement and the school sponsors' or capital contributors' powers of attorney, each of which is an integral part of the Structured Contracts. See "Structured Contracts" in this document for details of these agreements.

### *Listing Rules Implications*

The table below sets forth the connected persons of our Company involved in the Structured Contracts and the nature of their connection with our Group. The transactions contemplated under the Structured Contracts, as a whole, constitute continuing connected transactions of our Company under the Listing Rules upon the [REDACTED].

<b>Name</b>	<b>Connected Relationships</b>
Mr. Wu Junbao . . . .	a non-executive Director and a substantial shareholder of our Company, and therefore a connected person of our Company under the Listing Rules
Mr. Wu Wei . . . . .	an executive Director and a substantial shareholder of our Company, and therefore a connected person of our Company under the Listing Rules
Mr. Xiao Guoqing . .	an executive Director and a substantial shareholder of our Company, and therefore a connected person of our Company under the Listing Rules

Our Directors (including the independent non-executive Directors) are of the view that the Structured Contracts and the transactions contemplated thereunder are fundamental to our Group's legal structure and business operations, that such transactions have been and shall be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Structured Contracts and any new transactions, contracts and agreements or

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## CONNECTED TRANSACTIONS

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renewal of existing agreements to be entered into between any of our PRC Consolidated Affiliated Entities and any member of our Group technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Structured Contracts, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement and independent shareholders' approval requirements.

### *Application for Waiver*

In view of the Structured Contracts, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Structured Contracts pursuant to Rule 14A.105 of the Listing Rules, and (ii) the requirement of setting an annual cap for the transactions under the Structured Contracts under Rule 14A.53 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange subject however to the following conditions:

- (a) No change without independent non-executive Directors' approval

No change to the Structured Contracts will be made without the approval of the independent non-executive Directors.

- (b) No change without independent Shareholders' approval

Save as described in paragraph (d) below, no change to the agreements governing the Structured Contracts will be made without the approval of our Company's independent shareholders.

Once independent shareholders' approval of any change has been obtained, no further announcement or approval of the independent shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Structured Contracts in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable.

- (c) Economic benefits flexibility

The Structured Contracts shall continue to enable our Group to receive the economic benefits derived by our PRC Consolidated Affiliated Entities through (i) our Group's option, to the extent permitted under PRC laws and regulations, to acquire all or part of the equity or school sponsor's interest held by the Registered Shareholders and/or the school sponsors of Nanjing School, as the case may be, at the lowest possible amount permissible under the applicable PRC laws and regulations, (ii) the business structure under which the net profit generated by our PRC Consolidated Affiliated Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to WFOE by our PRC Consolidated Affiliated Entities under the exclusive technical service and management consultancy

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## CONNECTED TRANSACTIONS

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agreements, and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of our PRC Consolidated Affiliated Entities as appointed by the Registered Shareholders in our PRC Consolidated Affiliated Entities or by the school sponsors of Nanjing School in Nanjing School, as the case may be.

(d) Renewal and reproduction

On the basis that the Structured Contracts provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on one hand, and our PRC Consolidated Affiliated Entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Structured Contracts. The directors, chief executives or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/or reproduction of the Structured Contracts, however be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar Structured Contracts shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

(e) Ongoing reporting and approvals

Our Group will disclose details relating to the Structured Contracts on an ongoing basis as follows:

- The Structured Contracts in place during each financial period will be disclosed in our Company's annual report in accordance with relevant provisions of the Listing Rules.
- Our independent non-executive Directors will review the Structured Contracts annually and confirm in our Company's annual report for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Structured Contracts, have been operated so that the profit generated by our PRC Consolidated Affiliated Entities has been substantially retained by our Group, (ii) no dividends or other distributions have been made by our PRC Consolidated Affiliated Entities to the respective holders of equity or school sponsor's interest which are not otherwise subsequently assigned or transferred to our Group, and (iii) the Structured Contracts and if any, any new contracts entered into, renewed or reproduced between our Group and our PRC Consolidated Affiliated Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Shareholders as a whole.



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## CONNECTED TRANSACTIONS

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- Our Company's auditors will carry out procedures annually on the transactions carried out pursuant to the Structured Contracts and will provide a letter to our Directors with a copy to the Stock Exchange, confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Structured Contracts and that no dividends or other distributions have been made by our PRC Consolidated Affiliated Entities to the respective holders of equity or school sponsor's interest which are not otherwise subsequently assigned or transferred to our Group.
- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", each of our PRC Consolidated Affiliated Entities will be treated as our Company's wholly-owned subsidiary, but at the same time, the directors, chief executives or substantial shareholders of each of our PRC Consolidated Affiliated Entities and their respective associates will be treated as connected persons of our Company, and transactions between these connected persons and our Group, other than those under the Structured Contracts, will be subject to the requirements under Chapter 14A of the Listing Rules.
- Each of our PRC Consolidated Affiliated Entities will undertake that, for so long as our Shares are listed on the Stock Exchange, each of our PRC Consolidated Affiliated Entities will provide our Group's management and our Company's auditors' full access to its relevant records for the purpose of our Company's auditors' review of the continuing connected transactions.

### *New Transactions amongst Our PRC Consolidated Affiliated Entities and Our Company*

Given that the financial results of our PRC Consolidated Affiliated Entities will be consolidated into our financial results and the relationship between our PRC Consolidated Affiliated Entities and our Company under the Structured Contracts, all agreements other than the Structured Contracts that may be entered into between each of our PRC Consolidated Affiliated Entities and our Company in the future will also be exempted from the "continuing connected transactions" provisions of the Listing Rules.

### *Views of our Directors and the Sole Sponsor*

Our Directors (including the independent non-executive Directors) are of the view and the Sole Sponsor concurs that the transactions contemplated under the Structured Contracts have been and will be entered into in the ordinary and usual course of business of our Group, are fundamental to our Group's legal structure and business operations, are on normal commercial terms or better, and are fair and reasonable and in the interests of our Company and the Shareholders as a whole. With respect to the term of the relevant agreements underlying the Structured Contracts which is of a duration longer than three years, it is a justifiable and normal business practice to ensure that (i) the financial and operational policies of our PRC Consolidated Affiliated Entities can be effectively controlled by the WFOE or its designee, (ii) the WFOE or its designee can obtain the economic benefits derived from the PRC Consolidated Affiliated Entities, and (iii) any possible leakages of assets and values of the PRC Consolidated Affiliated Entities can be prevented, on an uninterrupted basis.

## DIRECTORS AND SENIOR MANAGEMENT

### OUR DIRECTORS AND SENIOR MANAGEMENT

Our Board is responsible for and has general power over the management and conduct of our business. As at the Latest Practicable Date, it consists of seven Directors. Two of them are executive Directors, two of them are non-executive Directors and three of them are independent non-executive Directors. The table below sets forth certain information regarding members of our Board:

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Roles and responsibilities	Relationship with other Director(s) and the senior management
Mr. Wu Wei (吳偉) . . . . .	[51]	September 1999	October 4, 2018	Chairman and executive Director	In charge of overall management and strategic planning,	Cousin of Mr. Wu Junbao and Mr. Xiao Guoqing
Mr. Xiao Guoqing (肖國慶) . . . . .	[50]	September 1999	November 25, 2018	Executive Director	Business management and providing opinion and judgement to our Board	Cousin of Mr. Wu Wei and Mr. Wu Junbao
Mr. Wu Junbao (吳俊保)	[52]	September, 1999	November 25, 2018	Non-executive Director	Providing opinion and judgment to our Board	Cousin of Mr. Wu Wei and Mr. Xiao Guoqing
Mr. Lu Zhen (陸真)	[42]	February, 2009	November 25, 2018	Non-executive Director	Providing opinion and judgment to our Board	None
Mr. Hung Ka Hai, Clement (洪嘉禧)	[63]	November 25, 2018	November 25, 2018	Independent non-executive Director	Providing independent opinion and judgment to our Board	None
Mr. Cheung Tsun Yung, Thomas (張俊勇)	[48]	November 25, 2018	November 25, 2018	Independent non-executive Director	Providing independent opinion and judgment to our Board	None
Dr. Zhu Guobin (朱國斌)	[55]	November 25, 2018	November 25, 2018	Independent non-executive Director	Providing independent opinion and judgment to our Board	None

## DIRECTORS AND SENIOR MANAGEMENT

The table below sets forth certain information regarding senior management of our Company:

Name	Age	Date of joining our Group	Date of appointment as senior management	Position	Roles and responsibilities	Relationship with Director(s) and other senior management
Mr. Au Yeung Siu Kei (歐陽兆基)	[42]	January 28, 2019	November 26, 2018	Chief financial officer	In charge of financial management of the Company	None

## BOARD OF DIRECTORS

### Executive Directors

**Mr. Wu Wei (吳偉)**, aged 51, a founder of our Group, was appointed as a Director of our Company on October 4, 2018 and was redesignated as an executive Director and the chairman of the Board on November 25, 2018. He is in charge of the overall management and strategic development of our Group.

Mr. Wu Wei has 30 years of experience in education. The following table shows the key working experience of Mr. Wu Wei:

Period	Company	Position	Roles and responsibilities
September 1999 to December 2008	Anhui Xinhua Group Investment Co., Ltd.* (安徽新華集團投資有限公司)	Vice chairman and vice general manager	Assisting chairman in strategic planning, overall management and operation, and improvement and implementation of corporate governance
March 2004 to February 2008	Anhui Xinhua Education	Vice chairman	In charge of providing opinion and judgment to the board of directors
February 2008 to December 2009	Anhui Xinhua Education	Chairman and general manager	In charge of strategic planning, overall management and operation, and formulation and improvement of business objectives
December 2009 to March 2018	Anhui Xinhua Education	Vice chairman	In charge of providing opinion and judgment to the board of directors

## DIRECTORS AND SENIOR MANAGEMENT

Period	Company	Position	Roles and responsibilities
March 2018 to present	Anhui Xinhua Education	Chairman and president	In charge of strategic planning, overall management and operation, and formulation and improvement of business objectives

Mr. Wu Wei obtained the qualification of senior economist granted by the Personnel Bureau of Hefei\* (合肥市人事局) in July 2004. Mr. Wu Wei has been a director of the board of directors of Beijing Foreign Studies Universities Since November 2017. He graduated from Tsinghua University School of Economics and Management (清華大學經濟管理學院) in Beijing, the PRC, with an executive master of business administration in July, 2009. Mr. Wu Wei has been a doctoral student of Tsinghua University School of Economics and Management, majoring in global executive management, since 2016 .

Mr. Wu Wei did not hold any directorship in any listed companies during the last three years.

**Mr. Xiao Guoqing (肖國慶)**, aged 50, was appointed as an executive Director of our Company on November 25, 2018, and is responsible for business management and providing opinion and judgement to our Board.

Mr. Xiao Guoqing has more than 19 years of experience in education. The following table shows the key working experience of Mr. Xiao Guoqing:

Period	Company	Position	Roles and responsibilities
September 1999 to December 2008	Anhui Xinhua Group Investment Co., Ltd.* (安徽新華集團投資有限公司)	Vice chairman and vice general manager	Assisting chairman in strategic planning, overall management and operation, and improvement and implementation of corporate governance
March 2004 to February 2008	Anhui Xinhua Education	Chairman and general manager	In charge of overall management and operation, and formulation and improvement of business objectives
February 2008 to present	Anhui Xinhua Education	Vice chairman	In charge of providing opinion and judgement to the board of directors

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Xiao Guoqing obtained the qualification of senior economist granted by the Personnel Bureau of Hefei City (合肥市人事局) in July 2004. He graduated from Renmin University of China (中國人民大學) in Beijing, the PRC with a degree of master of business administration in April 2004 and a degree of executive master of business administration in January 2009, and from Cheung Kong Graduate School of Business (長江商學院) with a degree of executive master of business administration in October 2012.

Save as disclosed above, and that Mr. Xiao Guoqing has been a director of Xin'an Financial Group Co., Ltd.\* (安徽新安金融集團有限公司), a company whose shares are listed on the National Equities Exchange and Quotations (stock code: 834397) since August 2014, Mr. Xiao Guoqing did not hold any directorship in any listed companies during the last three years.

### Non-executive Directors

**Mr. Wu Junbao** (吳俊保), aged 52, the founder of our Group, was appointed as a non-executive Director of our Company on November 25, 2018, responsible for providing opinion and judgment to our Board.

Mr. Wu Junbao has more than 30 years of experience in education. The following table shows the key working experience of Mr. Wu Junbao:

<u>Period</u>	<u>Company</u>	<u>Position</u>	<u>Roles and responsibilities</u>
September 1999 to present	Anhui Xinhua Group Investment Co., Ltd.* (安徽新華集團投資有限公司)	Chairman of the board of directors/general manager	In charge of strategic planning, overall management and operation, and improvement and implementation of the corporate governance
December 2009 to March 2018	Anhui Xinhua Education	Chairman of the board of directors/general manager	In charge of strategic planning, overall management and operation, and improvement and implementation of the corporate governance
March 2018 to present	Anhui Xinhua Education	Director	Providing opinion and judgment to the board of directors

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Wu Junbao obtained the qualification of senior economist granted by the Personnel Bureau of Hefei City (合肥市人事局) in July 2004. He graduated from Anhui Institute of Business Administration\* (安徽工商管理學院) in Hefei, Anhui province, the PRC with a degree of master of business administration in December 2003.

Save as disclosed above, and that Mr. Wu Junbao has been the chairman of the board of directors and non-executive director of China Xinhua Education Group Limited (stock code: 2779) since October 2017, Mr. Wu Junbao did not hold any directorship in any listed companies during the last three years.

**Mr. Lu Zhen (陸真)**, aged [42], was appointed as a non-executive Director of our company on November 25, 2018, responsible for providing opinion and judgment to our Board.

Mr. Lu has more than 9 years of experience in education. The following table shows the key working experience of Mr. Lu:

<u>Period</u>	<u>Company</u>	<u>Position</u>	<u>Roles and responsibilities</u>
July 1999 to February 2005	Hefei Meiling Co., Ltd.* (合肥美菱股份有限公司)	Business manager	In charge of business and operation and management, including overseeing the sales of products, staff training, logistic and warehouse management, and distributor and customer relationship management
February 2005 to February 2009	Hefei Meiling Home Appliances Industrial and Trading Co., Ltd.* (合肥美菱家電工貿有限公司)	General manager for Anhui district	In charge of business management including overseeing the planning and performance of the sales targets and marketing strategies, sales team training and management, and account receivables and finance management

## DIRECTORS AND SENIOR MANAGEMENT

Period	Company	Position	Roles and responsibilities
February 2009 to October 2014	Anhui Xinhua Education	Deputy head of business department/ principal of Shandong school/ general manager of business department	In charge of daily operation and management of the department and the school
October 2014 to present	Anhui Xinhua Group Investment Co., Ltd.* (安徽新華集團 投資有限公司)	Deputy principal/ executive deputy principal/ executive director/ assistant to the president/ vice president/ executive vice president	In charge of the management of Anhui Xinhua University* (安徽新華學院) and Anhui Xinhua School* (安徽新華學校) and the management of the group's finance and human resources departments

Mr. Lu graduated from Zhengzhou Institute of Textile Engineering\* (鄭州紡織工學院), currently known as Zhongyuan University of Technology\* (中原工學院), in Zhengzhou, Henan province, the PRC, with a bachelor degree majoring in mechanical engineering in July 1999, and from Nanjing University (南京大學) in Nanjing, Jiangsu province, the PRC, with a degree of master of business administration in March 2009.

Save as disclosed above, and that Mr. Lu has been an executive director of China Xinhua Education Group Limited (stock code: 2779) since October 2017, Mr. Lu did not hold any directorship in any listed companies during the last three years.

## DIRECTORS AND SENIOR MANAGEMENT

### Independent non-executive Directors

**Mr. Hung Ka Hai, Clement (洪嘉禧)**, aged 63, was appointed as an independent non-executive Director of our Company on November 25, 2018.

The following table shows the key working experience of Mr. Hung:

Period	Company	Position	Roles and responsibilities
May 1985 to June 2016	Deloitte China	Office managing partner of Shenzhen & Guangzhou offices/member of the China management team of Deloitte China/southern audit leader and deputy managing partner of southern region of Deloitte China/chairman of Deloitte China/board member of Deloitte global	Overseeing the management and operation of Deloitte China
October 2016 to present	Gome Finance Technology Co., Ltd. (formerly known as Sino Credit Holdings Limited), a company whose shares are listed on the Stock Exchange (stock code: 628)	Independent non-executive director	Providing independent opinion and judgment
March 2017 to present	SMI Holdings Group Limited, a company whose shares are listed on the Stock Exchange (stock code: 198)	Non-executive director	Providing opinion and judgment



## DIRECTORS AND SENIOR MANAGEMENT

<u>Period</u>	<u>Company</u>	<u>Position</u>	<u>Roles and responsibilities</u>
June 2017 to September 30, 2018	LT Commercial Real Estate Limited, a company whose shares are listed on the Stock Exchange (stock code: 112)	Independent non-executive director	Providing independent opinion and judgment
June 2017 to present	High Fashion International Limited, a company whose shares are listed on the Stock Exchange (stock code: 608)	Non-executive director	Providing opinion and judgment
June 2017 to present	Sheng Ye Capital Limited, a company whose shares are listed on the Stock Exchange (stock code: 8469)	Independent non-executive director	Providing independent opinion and judgment
January 2018 to present	Zhong Chang International Holdings Group Limited (formerly known as Henry Group Holdings Limited, a company whose shares are listed on the Stock Exchange (stock code: 859)	Independent non-executive director	Providing independent opinion and judgment

Mr. Hung has been an honorary member of Shenzhen Institute of Certified Public Accountants since 2004 and a member of the Chinese People's Political Consultative Conference of Luohu District, Shenzhen City in 2006. Mr. Hung has also been an expert consultant of the Ministry of Finance in the PRC since June 2016.

Save as disclosed above, Mr. Hung did not hold any directorship in any listed companies during the last three years.

## DIRECTORS AND SENIOR MANAGEMENT

**Mr. Cheung Tsun Yung, Thomas (張俊勇)**, aged 48, was appointed as an independent non-executive Director of our Company on November 25, 2018.

The following table shows the key working experience of Mr. Cheung:

Period	Company	Position	Roles and responsibilities
December 1993 to present	Chinagrowth Group Limited formerly known as Cheung's Holdings Limited	Chief executive officer and director	Overall management of the Group
January 1, 2016 to December 31, 2018	City University of Hong Kong	Council member	Supervision of the management of the university

Mr. Cheung was a director of the following companies incorporated in Hong Kong and the PRC, which were dissolved (otherwise by a members' voluntary winding-up) during the period when he was a director:

Name of the company	Nature of business	Date of dissolution	Methods of dissolution	Reasons
Cornell Club of Hong Kong Limited	Non-profit organization	2010-01-08	Dissolved by Striking Off	Ceased operation
Derby Management Limited	Investment Holding	2001-08-24	Dissolved by Striking Off	Ceased business operation
Innomed Bioscience Group Limited	Operating biotechnology business	2009-08-07	Dissolved by Striking Off	Ceased business operation
Nam Kwong Investment Company Limited	Investment Holding	2003-01-10	Dissolved by Striking Off	Ceased business operation
SEM Marine And Offshore Equipment Company Limited	Sales of marine equipment	2016-10-21	Dissolved by Striking Off	Ceased business operation
Genelife Innovations Limited	Operating biotechnology business	2006-09-29	Dissolved by Striking Off	Ceased business operation
Chongqing Jiangjin Jinchaoyang City Pipe Network Construction Management* (重慶江津市金朝陽城市管網建設管理有限公司)	Operating construction project	N/A	Revoked	Ceased business operation as project was completed
Chongqing Jinchaoyang City Pipe Network Construction Management Co., Ltd.* (重慶金朝陽城市管網建設管理有限公司)	Operating construction project	N/A	Revoked	Ceased business operation as project was completed

## DIRECTORS AND SENIOR MANAGEMENT

Name of the company	Nature of business	Date of dissolution	Methods of dissolution	Reasons
Shaanxi Shengshi Famen Tourism Development Co., Ltd.* (陝西盛世法門旅遊發展有限公司)	Operating construction project	N/A	Revoked	Ceased business operation as project was completed
Wuyishan City Pipeline Construction Investment Co., Ltd.* (武夷山城市管道建設投資有限公司)	Operating construction project	–	Revoked, not yet deregistered	Ceased business operation as project was completed
Guangzhou Shengguo Property Management Co., Ltd.* (廣州盛國物業管理有限公司)	Operating construction project	–	Revoked, not yet deregistered	Ceased business operation as project was completed
Wuhan Shengguo Traffic Construction Development Co., Ltd.* (武漢盛國交通建設開發有限公司)	Operating construction project	–	Revoked, not yet deregistered	Ceased business operation as project was completed
Changchun Jinchao yang City Pipe Network Construction Investment Management Co., Ltd.* (長春金朝陽城市管網投資建設管理有限公司)	Operating construction project	–	Revoked, not yet deregistered	Ceased business operation as project was completed
Weinan City Pipe Network Construction Management Co., Ltd.* (渭南市城市管網建設管理有限公司)	Operating construction project	–	Revoked, not yet deregistered	Ceased business operation as project was completed

Mr. Cheung graduated from the University of Wisconsin at Madison, the U.S., with a bachelor degree of science in May 1991, and from Cornell University, the U.S., with a master degree of engineering in operations research and industrial engineering in May 1992. Mr. Cheung is a deputy to the 13th National People's Congress of the PRC since March 2018.

Mr. Cheung did not hold any directorship in any listed companies during the last three years.

## DIRECTORS AND SENIOR MANAGEMENT

**Dr. Zhu Guobin (朱國斌)**, aged 55, was appointed as an independent non-executive Director of our Company on November 25, 2018.

The following table shows the key working experience of Dr. Zhu:

<b>Period</b>	<b>Company</b>	<b>Position</b>	<b>Roles and responsibilities</b>
June 1995 to present	School of Law of City University of Hong Kong	Research Fellow/ Research Assistant Professor/Assistant Professor/Associate Professor/Professor	Teaching and academic research
January 2002 to December 2011/ December 2011 to present	Legal Education Trust Fund (currently known as The Legal Education Fund Limited)	Trustee/director	Management of the fund as trustee
January 2004 to December 2008	City University of Hong Kong	Director of external liaison and corporation office	In charge of maintenance of external relations and developing external cooperation
July 2010 to present	Hybrid Kinetic Group Limited, a company whose shares are listed on the Stock Exchange (stock code: 1188)	Non-executive director/ independent non-executive director	Providing opinion and judgment/ providing independent opinion and judgment
December 2015 to present	CityU Research (Shenzhen) Co. Ltd.	Supervisor	Supervising the operation of the Company

Dr. Zhu obtained a bachelor's degree in history, a master's degree in history and a master's degree in law from Renmin University of China in July 1983, July 1986 and June 2007, a master of laws from the University of Hong Kong in December 1999, and a doctorate in law and an accreditation to supervise research (Diplôme d'Habilitation à Diriger des Recherches) from the University of Aix-Marseilles in France in June 1994. Dr. Zhu obtained a certificate in administrative engineering class from the National School of Administration (École Nationale d'Administration) in France from June 1989 to March 1990. Dr. Zhu was a visiting scholar of Harvard Law School, the U.S., from 2007 to 2008, and a visiting scholar of Columbia Law School, the U.S., in 2011.

## DIRECTORS AND SENIOR MANAGEMENT

Dr. Zhu is a guest professor of law in the Shandong University and Sichuan University in the PRC, an adjunct professor of law at the school of Law of Zhejiang University, Wuhan University and Qingdao University in the PRC, respectively. Dr. Zhu is a titular member of the International Academy of Comparative Law (Paris, France) a member of International Association of Constitutional Law, a member of the French Society of Comparative Legislation, a council member of the Chinese Association of Constitutional Law (中國憲法學研究會), a council member of the Chinese Society of Judicial Studies (中華司法研究會), a member of the Chinese Association of the Hong Kong & Macao Studies, and a member of the Association of Hong Kong Basic Law and Macao Basic Law.

Save as disclosed above, Dr. Zhu did not hold any directorship in any listed companies during the last three years.

### SENIOR MANAGEMENT

**Mr. Au Yeung Siu Kei (歐陽兆基)**, aged 42 was appointed as the chief financial officer of our Company on November 26, 2018, with effect from January 28, 2019, and is responsible for financial management of the Group.

Mr. Au Yeung has more than 18 years of experience in accounting and financial management. The following table shows the key working experience of Mr. Au Yeung:

<u>Period</u>	<u>Company</u>	<u>Position</u>	<u>Roles and responsibilities</u>
November 2000 to March 2010	Arthur Anderson Hong Kong/ PricewaterhouseCoopers Hong Kong Ltd.	Staff accountant/ senior associate/manager/ senior manager	Providing auditing and capital market consulting services
April 2010 to May 2011/September 2012 to December 2015	China Oriental Group Co., Ltd., a company whose shares are listed on the Stock Exchange (stock code: 0581)	Financial controller and company secretary	In charge of day-to-day management of finance and tax related matters and corporate governance
September 2011 to September 2012	Doxen Energy Group Limited (currently known as Doyen International Holdings Limited), a company whose shares are listed on the Stock Exchange (stock code: 668)	Financial controller	In charge of day-to-day management of finance and tax related matters and corporate governance

Mr. Au Yeung obtained from The Chinese University of Hong Kong a degree of bachelor of business administration in December 1998 and from the University of London, the United Kingdom, a degree of bachelor of laws in August 2014. Mr. Au Yeung became a member of The Association of Chartered Certified Accountants since July 2002, a fellow member of The Association of Chartered Certified Accountants since July 2007, an associate of The Hong Kong Society of Accountants (currently known as the Hong Kong Institute of Certified Public Accountants (the "HKICPA")) since January 2003, a fellow member of the HKICPA since September 2012, and a certified public accountant of the HKICPA since May 2012.

Save as disclosed above, Mr. Au Yeung did not hold any directorship in any listed companies during the last three years.

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## DIRECTORS AND SENIOR MANAGEMENT

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### JOINT COMPANY SECRETARIES

**Mr. Mao Chaosheng (毛超聖)**, aged 38, was appointed as our joint company secretary with effect from November 26, 2018. Mr. Mao has over 16 years of experience in management of administrative matters and human resources relating to school operation, and has been working in the Group since August 2004, where his current position is the head of administration department and human resources department of the Group.

**Ms. Leung Suet Wing (梁雪穎)** was appointed as our joint company secretary with effect from November 26, 2018. Ms. Leung is an assistant manager of the listing services department of TMF Hong Kong Limited and is responsible for providing company secretarial and compliance services. Ms. Leung is an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom and holds a degree of master of science in professional accounting and corporate governance obtained from City University of Hong Kong in July 2016. She has over 7 years of experience in company secretarial management and compliance.

### BOARD COMMITTEES

#### Audit Committee

We [established] an audit committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system of our Group, oversee the audit process, risk management process and external audit functions. The audit committee consists of three members, namely, Mr. Hung Ka Hai, Clement, Dr. Zhu Guobin and Mr. Cheung Tsun Yung, Thomas. The chairman of the audit committee is Mr. Hung Ka Hai, Clement.

#### Remuneration Committee

We [established] a remuneration committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to make recommendations to the Board on our Company's policy and structure concerning the remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy, review and approve performance based remuneration by reference to corporate goals and objectives, to determine the terms of the specific remuneration package of each executive Director and senior management and to ensure none of our Directors determine their own remuneration. The remuneration committee consists of three members, namely Dr. Zhu Guobin, Mr. Xiao Guoqing and Mr. Hung Ka Hai, Clement. The chairman of the remuneration committee is Dr. Zhu Guobin.

#### Nomination Committee

We [established] a nomination committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board on the appointment of members of our Board. The nomination committee consists of three members, namely, Mr. Wu Wei, Dr. Zhu Guobin and Mr. Hung Ka Hai, Clement. The chairman of the nomination committee is Mr. Wu Wei.

## DIRECTORS AND SENIOR MANAGEMENT

### REMUNERATION POLICY

For the three years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2018, the aggregate of the remuneration paid and benefits in kind granted to our Directors by us and our subsidiaries was RMB219,000, RMB229,000, RMB285,000 and RMB105,000, respectively.

For the three years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2018, the aggregate of the remuneration paid and benefits in kind granted to the five highest paid individuals who are neither a director nor chief executive of our Group was RMB1,614,000, RMB1,649,000, RMB1,713,000 and RMB668,000, respectively.

During the Track Record Period, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as a compensation for loss of office. None of our Directors had waived any remuneration during the Track Record Period.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for the year ending December 31, 2019 will be approximately HK\$[2,520,000].

In order to incentivize our Directors, senior management and other employees for their contribution to the Group and to retain suitable personnel in our Group, we adopted the [REDACTED] Share Option Scheme on [●], 2018. Please see "F. [REDACTED] Share Option Scheme and Share Option Scheme — 1. [REDACTED] Share Option Scheme" in Appendix V to this document for further details.

Save as disclosed in this document, no other payments had been made, or are payable, by any member of the Group to the Directors during the Track Record Period.

### MANAGEMENT PRESENCE

We have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules in relation to the requirement of management presence in Hong Kong. For details of the waiver, see "Waivers from Strict Compliance with the Listing Rules and Exemption from Companies (WUMP) Ordinance — Management Presence" in this document.

### COMPLIANCE ADVISER

Our Company has appointed Haitong International Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company on the following matters:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

## DIRECTORS AND SENIOR MANAGEMENT

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- (iii) where we propose to use the proceeds of the [REDACTED] in a manner different from that detailed in this document or where our business activities, developments or results materially deviate from any forecast, estimate, or other information in this document; and
- (iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or [REDACTED] volume of our Shares.

The term of the appointment of Haitong International Capital Limited will commence from (and including) the [REDACTED] and end on (and including) the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED].



## SUBSTANTIAL SHAREHOLDERS

As of the Latest Practicable Date and immediately following completion of the Capitalization Issue and the [REDACTED] (assuming no exercise of the [REDACTED] or any options that may be granted under the [REDACTED] Share Option Scheme or the Share Option Scheme), the following persons will have an interest or short position in Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

<u>Name</u>	<u>Capacity/ Nature of interest</u>	<u>Immediately after the [REDACTED] and the Capitalization Issue<sup>(1)</sup></u>	
		<u>Number of Shares</u>	<u>Approximate percentage of shareholding in our Company</u>
Mr. Wu Junbao . . . . .	Interest in a controlled corporation	[REDACTED]	[REDACTED]%
Wu Junbao Education . .	Beneficial owner	[REDACTED]	[REDACTED]%
Mr. Wu Wei. . . . .	Interest in a controlled corporation	[REDACTED]	[REDACTED]%
Wu Wei Education . . . .	Beneficial owner	[REDACTED]	[REDACTED]%
Mr. Xiao Guoqing . . . . .	Interest in a controlled corporation	[REDACTED]	[REDACTED]%
Xiao Guoqing Education . . . . .	Beneficial owner	[REDACTED]	[REDACTED]%

*Note:*

- (1) Assuming the [REDACTED] is not exercised and no Shares are issued under the [REDACTED] Share Option Scheme or the Share Option Scheme.

Except as disclosed above, our Directors are not aware of any person who will, immediately following the Capitalization Issue and the [REDACTED], have an interest or short position in Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

## SHARE CAPITAL

### SHARE CAPITAL

The authorized and issued share capital of our Company is as follows:

<b>Authorized Share Capital:</b>	<i>(HK\$)</i>
3,800,000,000 Shares	380,000

Assuming no exercise of the [REDACTED] or any options that may be granted under the [REDACTED] Share Option Scheme or the Share Option Scheme, the issued share capital of our Company immediately following the completion of the Capitalization Issue and the [REDACTED] will be as follows:

<b>Issued Share Capital:</b>	<i>HK\$</i>	<b>Approximate percentage of issued share capital</b> <i>(%)</i>
1,000,030 Shares in issue as of the date of this document	100.003	[REDACTED]
[REDACTED] Shares to be issued under the Capitalization Issue	[REDACTED]	[REDACTED]
[REDACTED] Shares to be issued under the [REDACTED]	[REDACTED]	[REDACTED]
<u>[REDACTED] Shares in total</u>	<u>[REDACTED]</u>	<u>100.00</u>

Assuming the [REDACTED] is exercised in full, and without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the [REDACTED] Share Option Scheme or the Share Option Scheme, the issued share capital of our Company immediately following the completion of the Capitalization Issue and the [REDACTED] will be as follows:

<b>Issued Share Capital:</b>	<i>HK\$</i>	<b>Approximate percentage of issued share capital</b> <i>(%)</i>
1,000,030 Shares in issue as of the date of this document	100.003	[REDACTED]
[REDACTED] Shares to be issued under the Capitalization Issue	[REDACTED]	[REDACTED]
[REDACTED] Shares to be issued under the [REDACTED]	[REDACTED]	[REDACTED]
<u>[REDACTED] Shares in total</u>	<u>[REDACTED]</u>	<u>100.00</u>

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## SHARE CAPITAL

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Notes:

- (1) The Shares referred to in the above table have been or will be fully paid or credited as fully paid when issued.
- (2) Assuming a total of [REDACTED] Shares will be issued upon the full exercise of the [REDACTED].

### RANKING

The [REDACTED] are ordinary Shares in the share capital of our Company and will rank equally in all respects with all Shares in issue or to be issued as set out in the above table, and will qualify and rank equally for all dividends or other distributions declared, made or paid after the date of this document.

### ALTERATIONS OF SHARE CAPITAL

Our Company may from time to time by ordinary resolution or special resolution (as the case may be) of shareholders alter the share capital of our Company. For a summary of the provisions in the Article of Association regarding alterations of share capital, see "Appendix IV — Summary of the Constitution of the Company and Cayman Islands Company Law — 2. Articles of Association — (a) Shares — (iii) Alteration of Capital" in this document.

### [REDACTED] SHARE OPTION SCHEME

We have adopted the [REDACTED] Share Option Scheme on [●], 2018. Please see "F. [REDACTED] Share Option Scheme and Share Option Scheme — 1. [REDACTED] Share Option Scheme" in Appendix V to this document for further details.

### THE SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on [●], 2019. The principal terms of the Share Option Scheme are summarized in "F. [REDACTED] Share Option Scheme and Share Option Scheme — 2. Share Option Scheme" in this document.

### GENERAL MANDATE TO ISSUE SHARES

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

- (i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the [REDACTED] (excluding any Shares which may be issued pursuant to the [REDACTED]); and
- (ii) the aggregate nominal value of share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below.

This mandate will expire at the earliest of:

- (i) the conclusion of our Company's next annual general meeting unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

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## SHARE CAPITAL

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- (ii) the expiration of the period within which our Company is required by law or the Articles of Association to hold its next annual general meeting; or
- (iii) the time when such mandate is varied, revoked or renewed by an ordinary resolution of our Company's Shareholders in a general meeting.

Further details of this general mandate are set out in "Appendix V — Statutory and General Information — A. Further Information about Our Company — 4. Written resolutions of the then Shareholders passed on [●], 2019" in this document.

### GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue or to be issued immediately following the completion of the Capitalization Issue and the [REDACTED] (excluding any Shares which may be issued upon the exercise of the [REDACTED]).

This mandate only relates to repurchases made on the Stock Exchange, or any other approved stock exchange(s) on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in "Appendix V — Statutory and General Information — A. Further information about our Company — 5. Repurchase of our Shares" in this document.

This mandate will expire at the earliest of:

- (i) the conclusion of our Company's next annual general meeting unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which our Company is required by law or the Articles of Association to hold its next annual general meeting; or
- (iii) the time when such mandate is varied, revoked or renewed by an ordinary resolution of our Company's Shareholders in a general meeting.

For further details of this share repurchase mandate, see "Appendix V — Statutory and General Information — A. Further Information about Our Company — 4. Written resolutions of the then Shareholders passed on [●], 2019" in this document.

## FINANCIAL INFORMATION

*You should read the following discussion and analysis with our audited combined financial information, including the notes thereto, included in the Accountants' Report set out in Appendix I to this document. The Accountants' Report has been prepared in accordance with HKFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States.*

*The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future development, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in the sections headed "Risk Factors" and "Forward-Looking Statements" in this document.*

*For the purpose of this section, unless the context otherwise requires, references to 2015, 2016 and 2017 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a combined basis.*

### OVERVIEW

We are the largest vocational training education provider in China in terms of average students enrolled and revenue for the year ended December 31, 2017, according to the Frost & Sullivan Report. We have a leading position in China in providing vocational training education services in three industry sectors, namely, culinary arts, auto services, and information technology, where we ranked first in each sector in terms of average students enrolled, according to the Frost & Sullivan Report. We also provide secondary vocational education services through 25 out of the 139 Schools we had as of August 31, 2018.

Headquartered in Hefei, Anhui province, we had established a nationwide school network consisting of 139 Schools as of August 31, 2018 spanning 29 of the 31 provinces in mainland China and Hong Kong. We operate our business and establish our Schools under five school brands, namely, New East Culinary Education, Omick Education of Western Cuisine and Pastry, Wontone Automotive Education, Xinhua Internet Technology Education, Wontone Automotive Education and Wisezone Data Technology Education. For the eight months ended August 31, 2018, our average students enrolled were 70,004, 2,633, 18,684, 29,008 and 1,209, respectively, under these school brands. As of August 31, 2018, we also operated 17 customized catering experience centers under Cuisine Academy.

We derive revenue primarily from (i) tuition fees collected by our Schools; (ii) service fees collected by Cuisine Academy; and (iii) fees for other ancillary services we provide, such as test preparation and training for professional certificate examinations. We generally require students of long-term programs to pay tuition fees in advance for the next 12 months and students of short-term programs to pay in advance all of the tuition fees for the programs they are enrolled in. We also require customers of Cuisine Academy to pay service fees in advance for the programs they are registered. Tuition and service fees are recognized proportionately over the relevant periods of the applicable programs (not exceeding one year).

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We experienced significant growth in our revenue, gross profit and profit and total comprehensive income from continuing operations as well as our average students enrolled during the Track Record Period. Our revenue from continuing operations increased from RMB1,828.2 million for the year ended December 31, 2015 to RMB2,335.7 million for the year ended December 31, 2016, and further to RMB2,850.2 million for the year ended December 31, 2017, representing a CAGR of 24.9%. Our revenue from continuing operations amounted to RMB2,055.1 million for the eight months ended August 31, 2018, compared to RMB1,790.2 million for the eight months ended August 31, 2017, representing a growth rate of 14.8%. Our gross profit from continuing operations increased from RMB987.5 million for the year ended December 31, 2015 to RMB1,321.5 million for the year ended December 31, 2016, and further to RMB1,568.8 million for the year ended December 2017, representing a CAGR of 26.3%. Our gross profit from continuing operations amounted to RMB1,064.2 million for the eight months ended August 31, 2018, compared to RMB1,028.7 million for the eight months ended August 31, 2017. Our profit and total comprehensive income from continuing operations increased from RMB353.1 million for the year ended December 31, 2015 to RMB587.4 million for the year ended December 31, 2016, and further to RMB661.2 million for the year ended December 31, 2017, representing a CAGR of 39.5%. Our profit and total comprehensive income from continuing operations decreased by 27.0% from RMB407.2 million for the eight months ended August 31, 2017 to RMB297.3 million for the eight months ended August 31, 2018, primarily due to a significant increase in our selling expenses to promote our brand name and facilitate the student recruitment of our newly established schools as well as a significant increase in our administrative expenses because we hired additional administrative staff and professional consultants to meet the needs of our expanded school network. Our average students enrolled grew cumulatively from 93,727 for the year ended December 31, 2015 to 116,603 for the year ended December 31, 2017, representing a CAGR of 13.7%. Our average students enrolled grew by 4.8% from 116,400 for the eight months ended August 31, 2017 to 121,558 for the eight months ended August 31, 2018.

### **BASIS OF PRESENTATION**

Our Company was incorporated in the Cayman Islands on October 4, 2018 and registered as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company is an investment holding company. The principal activities of its subsidiaries are in the operation of vocational education institutions.

We are restricted by the relevant PRC laws and regulations from independently or jointly operating the vocational training education business. Our wholly-owned subsidiary, Xinhua Chuangzhi, has entered into the Structured Contracts with Anhui Xinhua Education and the relevant equity holders. The Structured Contracts enable Xinhua Chuangzhi to exercise effective control over Anhui Xinhua Education and obtain substantially all economic returns generated by Anhui Xinhua Education in consideration for the business support, technical and consulting services provided by our Group. Consequently, we regard Anhui Xinhua Education as an indirect subsidiary of our Group.

Pursuant to the Corporate Reorganization as more fully explained in the paragraph under "Corporate Reorganization" in the sections headed "History and Corporate Structure" and "Structured Contracts" in the document, the Company became the holding company of the companies now comprising the Group on October 4, 2018. Since the Controlling Shareholders control all the companies now comprising the Group before and after the Corporate Reorganization, the Group comprising the Company and its subsidiaries is regarded as a continuing entity. The historical financial information for the Track Record Period has been prepared on the basis as if the Company had been the

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holding company of its subsidiaries since the beginning of the Track Record Period using the principle of merger accounting.

### FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, which primarily include the following:

#### Demand for Private Vocational Education in China

Demand for private vocational education in China is a function of a number of factors, including the level of economic development and demographic changes. Our business has benefited from the growth of PRC economy and the increasing demand for private education in China. According to the Frost & Sullivan Report, as the PRC economy has continued to grow over the past five years, its real GDP has also increased at a fast pace. The per capita real GDP in China grew from RMB42,812.0 for 2013 to RMB54,829.4 for 2017 and is expected to reach RMB72,534.3 for 2022, representing a CAGR of 5.8% from 2017 to 2022. According to the Frost & Sullivan Report, the urban population in China is likely to grow due to the relaxation and termination of the "one-child policy" and the adoption of the universal "two-child policy," which in turn will likely affect the demand for private vocational education in China. Due to the rapid economic development and the influx of migrant workers from rural areas into developed areas, urban population in China has been steadily increasing since the 1990s, according to the Frost & Sullivan Report. China's urban population increased from 731.1 million in 2013 to 813.5 million in 2017, and is expected to further increase to 934.5 million by the end of 2022, according to the Frost & Sullivan Report. To address this shift in population distribution, the Central Committee of the Communist Party of China and 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 get employed as skilled workers.

#### *Information Technology Industry*

The economic growth in relevant industries will likely increase the demand for private vocational education. According to the Frost & Sullivan Report, the revenue of China's information technology industry increased from RMB5,050.1 billion in 2013 to RMB8,337.8 billion in 2017, representing a CAGR of 13.4%; the employed population increased accordingly, rising from 6.9 million in 2013 to 8.8 million in 2017, representing a CAGR of 6.3%. As a result, the gap between the supply of and the demand for information technology talents in China increased from 3.5 million in 2013 to 7.7 million in 2017, representing a CAGR of 21.8% from 2013 to 2017. With the rapid development of information technology industry, information technology training market also shows a positive growth trend. The demand for the information technology talents is expected to continue to grow, thus driving the rapid development of information technology training market. The revenue of the information technology vocational training market has experienced rapid growth. From 2013 to 2017, the revenue of information technology training market increased from RMB18.6 billion to RMB33.2 billion, representing a CAGR of 15.6%, and to RMB60.3 billion in 2022, realizing a CAGR of 12.7%.

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### *Catering Industry*

Additionally, according to the Frost & Sullivan Report, the revenue of China's catering industry increased from RMB2,636.8 billion in 2013 to RMB3,964.4 billion in 2017, representing a CAGR of 10.7%. With the prosperity of the catering industry, the supply and demand gap for skilled chefs in the catering industry is likely to grow from 2.2 million for 2017 to 3.1 million for 2022, representing a CAGR of 7.1%. Driven by the flourishing catering industry, government support as well as the attractive salary package of professional chefs, there are an increasing number of students enrolled in culinary vocational training programs. The total revenue of culinary vocational training market has experienced rapid growth. From 2013 to 2017, total revenue of catering training market increased from RMB2.4 billion to RMB4.0 billion, representing a CAGR of 13.6%, and then to RMB6.4 billion in 2022, representing a CAGR of 9.9%.

### *Auto Services Industry*

Furthermore, the employed population in auto services market in China has witnessed a rapid growth in last few years. The employed population increased from 3.0 million in 2013 to 4.4 million in 2017, representing a CAGR of 10.0% from 2013 to 2017. Going forward, the employed population market in China is forecasted to reach 6.8 million in 2022, which represents a CAGR of 8.9% from 2017 to 2022. Therefore, we anticipate the demand for private education in China, including private vocational education, to continue to increase. Accordingly, revenue generated by auto services vocational education in China increased from RMB1,140.0 million in 2013 to RMB2,104.5 million in 2017, representing a CAGR of 16.6%, according to the Frost & Sullivan Report.

The increase in economy and talent demands in relevant industries, together with the potential increase in PRC urban population, and the increasing PRC urban household income and wealth, has also played an important role in the increase in the demand for private vocational education in China.

### **Student Enrollment Levels**

Our revenue primarily depends on the number of students enrolled at our Schools and the level of tuition fees we charge. During the Track Record Period, the average students enrolled at our Schools increased from 93,727 for the year ended December 31, 2015 to 105,095 for the year ended December 31, 2016, and further to 116,603 for the year ended December 31, 2017. For the eight months ended August 31, 2018, the number of average students enrolled at our Schools was 121,558 compared to 116,400 as of the same date in 2017, representing a growth rate of 4.8%. Our student enrollment largely depends on a number of factors, including, but not limited to, our Schools' reputation, which is primarily reflected by the quality of education we provide. We believe the educational philosophy of our Schools, the practical educational curriculums we offer, and our high employment rates help us attract students who seek high-quality private education as a pathway to their career success in the future. Moreover, the quality of our teachers is also a major factor, and will continue to play an important role in the future in the success of our Schools. Accordingly, we enforce stringent teacher selection criteria and maintain rigorous training programs for our newly hired and experienced teachers, as well as regular teacher evaluation processes to assess and improve their performance.



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### Tuition Fees and Service Fees

Our results of operations are affected by the level of tuition fees and service fees we are able to charge. We require students and customers to pay tuition fees and service fees in advance prior to the commencement of each new program. We generally require students of long-term programs to pay tuition fees in advance for the next 12 months and students of short-term programs to pay in advance all of the tuition fees for the program they are enrolled in. We also require customers of Cuisine Academy to pay service fees in advance for the programs they are registered. Tuition fees charged by Schools that offer long-term courses also cover boarding services, and students have the option to live on-campus in dormitories we provide. See "Business — Pricing Policy" in this document. The tuition and service fees we charged are typically based on the demand for our programs, the cost of our operations, the geographic markets where we operate our Schools, the tuition and service fees charged by our competitors, our pricing strategy to gain market share and general economic conditions in China. During the Track Record Period, we raised tuition rates by optimizing our course offerings with more high-end courses with a high demand in the job market at a higher tuition rate. During the Track Record Period, our management department for each brand in our headquarters uniformly adjusts the tuition fee rates of the same program offered by our Schools. Each of our Schools or centers has discretion in determining the tuition rate and service fee rate for the current year which is subject to the approval of the respective management department in our headquarters. For our tuition and service fees information, see "Business — Pricing Policy". As a private vocational education service provider, we are not required to obtain any approval from the government to raise tuition rates. We have full discretion in our own pricing policy as long as we give public notification prior to tuition rate increases. New tuition will only be applicable to newly admitted students and the tuition levels for existing students remain unchanged. While we successfully increased tuition rates at a substantial portion of our Schools during the Track Record Period, there is no guarantee that we will be able to continue to raise tuition rates in the future. See "Risk Factors — Risks Relating to Our Business and Our Industry — Our business and results of operations depend on the level of tuition fees we are able to charge and our ability to maintain and raise tuition fees" in this document.

### Ability to Control Operating Costs and Expenses

Our profitability also depends, in part, on our ability to control our operating costs and expenses. For the years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2017 and 2018, our cost of revenue represented 46.0%, 43.4%, 45.0%, 42.5% and 48.2% of our total revenue, respectively. Our cost of revenue primarily consists of teaching staff salaries and benefits, student and teaching activity related costs, leasing expenses, campus maintenance and renovation expenses, depreciation and amortization, utilities and office expenses. Our teaching staff salaries and benefits consist of salaries and benefits for our teaching staff. Teaching staff salaries and benefits constitute 31.2%, 30.1%, 29.4% and 30.3% of our total cost of revenue for the years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2018, respectively. Our student and teaching activity related costs mainly consist of costs of raw materials for skill training, depreciation of training equipment, costs relating to student activities, costs of teaching materials, and other costs in relation to our students. Student and teaching activity related costs constitute 28.5%, 28.0%, 27.2%, 25.8% and 24.4% of our total cost of revenue for the years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2017 and 2018, respectively.

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Furthermore, our operating expenses include two major components, namely, selling expenses and administrative expenses. For the years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2017 and 2018, the total amount of selling expenses and administrative expenses as a percentage of our total revenue from continuing operations was approximately 32.0%, 27.5%, 28.3%, 28.7% and 33.8% respectively. While our operating expenses have generally remained relatively stable during the Track Record Period, we cannot guarantee they will not increase as we expand our business operations and become a public company. If we are unable to control our costs and expenses, our profitability may be materially and adversely affected.

### Expansion of School Network

Our business has experienced significant growth in recent years. The number of our Schools increased from 71 as of December 31, 2015 to 139 as of August 31, 2018. We plan to continue to expand our operations in cities which have a population of over five million in densely populated provinces such as Guangdong, Zhejiang, Jiangsu, Hunan, Hebei, Sichuan, Inner Mongolia and Heilongjiang, which we believe have significant unmet demand for skilled workers in culinary arts, auto services, and information technology in China. Establishing new schools poses challenges and requires us to make investments in management, capital expenditures, marketing expenses and other resources. The average payback period and average breakeven period for our new schools range from three to four years and two to three years, respectively. See "Business — Our Expansion Plans" for more details.

During the ramp-up period of a new school, we incur fixed costs relating to staff compensation, costs relating to student and teaching activities, rent, maintenance and renovation, depreciation and amortization, and other miscellaneous expenses, while our revenue is relatively limited because student enrollment numbers are usually low at the initial stage and it takes time to gradually increase the utilization rate of a new school. As a result, new schools negatively impact our overall profitability during their ramp-up periods.

### Preferential Tax Treatment

Our results of operations are affected by the preferential tax treatment we receive. During the Track Record Period, our subsidiaries are subject to the PRC EIT at the standard rate of 25%, except for those which were either exempted or entitled to different preferential tax rates pursuant to relevant PRC policies, laws, rules and regulations. Some of our subsidiaries are exempted from EIT according to the *Implementation Rules for the Law for Promoting Private Education*, which allows private schools for which the school sponsors do not require reasonable returns to enjoy the same preferential tax treatment as public schools. 28 subsidiaries are eligible to enjoy the 15% preferential tax rate because they are located in the western region of China pursuant to the "Western Region Development Plan" (西部大開發計劃) promulgated by the State Council of the PRC, or because they were recognized as "high and new technology enterprises" by relevant authorities. One subsidiary is entitled to the 20% preferential tax rate because it was recognized as "small and micro businesses" by relevant local authorities.

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The discontinuation of any preferential tax treatment currently available to us would cause our effective tax rate to increase, which would increase our tax expenses and reduce our net profit. See “Risk Factors — Risks Relating to Conducting Business in China — The discontinuation of any preferential tax treatments currently available to us, in particular the tax exempt status of certain of our Schools, could materially and adversely affect our results of operations.” in this document for details. In addition, our overseas school and future overseas expansion plan may subject us to tax obligations in foreign jurisdictions and potentially affect our results of operations.

### **CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES**

The methods, estimates and judgments we use in applying our accounting policies have a significant impact on our financial position and operating results. Some of the accounting policies require us to apply estimates and judgments on matters that are inherently uncertain. Set forth below are discussions of the accounting policies applied in preparing our financial information that we believe are most dependent on the application of these estimates and judgments and, in addition, certain other accounting policies that we believe are material to an understanding of our financial information. For details of these critical accounting policies, judgements and estimates, and other significant accounting policies, judgements and estimates we applied in preparing our financial information, see Accountants’ Report of the Group in Appendix I to this document.

#### **Revenue Recognition**

Revenue is recognized to reflect the transfer of promised services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for our services. We recognize revenue when (or as) a performance obligation is satisfied, i.e., when “control” of the services underlying the particular performance obligation representing tuition and ancillary services are transferred to the students.

Tuition and service fees are generally paid in advance at the beginning of each program, and are initially recorded as contract liabilities. Tuition and service fees are recognized proportionately over the relevant periods of the applicable courses (not exceeding one year). The portion of tuition and service fee payments received from students and customers but not earned is recorded as contract liabilities and is reflected as a current liability as such amounts represent revenue that we expect to earn within one year. We have tuition fee refund policies in place at our Schools for students who withdraw from our courses. See “Business — Pricing Policy — Student Withdrawal and Refund Policy” for details.

#### **Property and Equipment**

Property and equipment, including buildings, held for use in the production or supply of services or for administrative purposes (other than properties under construction as described below) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group’s accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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Depreciation is recognized so as to write off the cost of items of property and equipment, other than construction in progress, less their residual values over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. During the Track Record Period, we did not have any material write off.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the combined statement of profit or loss and other comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the combined financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

### **Government Grants**

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

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Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the combined statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. See “— Key Components of Our Results of Operations — Continuing Operations — Other Income” in this section for details.

### Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognized as an expense on a straight-line basis over the lease term.

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the combined statement of financial position and is amortized over the lease term on a straight-line basis. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

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### RESULTS OF OPERATIONS

The following table presents our selected combined statements of profit or loss and other comprehensive income for the periods indicated:

	Year ended December 31,			Eight months ended August 31,	
	2015	2016	2017	2017	2018
	<i>(Unaudited)</i>				
	<i>(RMB in thousands)</i>				
<b>Continuing operations</b>					
Revenue . . . . .	1,828,206	2,335,730	2,850,165	1,790,226	2,055,129
Cost of revenue . . . . .	(840,670)	(1,014,265)	(1,281,339)	(761,497)	(990,941)
<b>Gross profit</b>	987,536	1,321,465	1,568,826	1,028,729	1,064,188
Other income . . . . .	31,260	21,578	34,403	14,612	32,293
Other gains and losses . . . . .	9,306	26,704	59,809	30,241	28,496
Selling expenses . . . . .	(335,000)	(363,889)	(456,926)	(301,130)	(438,370)
Administrative expenses . . . . .	(249,567)	(277,798)	(349,936)	(213,545)	(255,304)
[REDACTED] . . . . .	-	-	-	-	(8,290)
Research and development expenses . . . . .	(5,951)	(8,403)	(24,021)	(14,398)	(14,214)
Profit before taxation . . . . .	437,584	719,657	832,155	544,509	408,799
Income tax expense . . . . .	(84,483)	(132,278)	(170,965)	(137,278)	(111,458)
<b>Profit and total comprehensive income for the year/period from continuing operations . . . . .</b>	<b>353,101</b>	<b>587,379</b>	<b>661,190</b>	<b>407,231</b>	<b>297,341</b>
<b>Discontinued operation</b>					
Loss and total comprehensive expense for the year/period from discontinued operation . . . . .	(17,834)	(21,901)	(19,569)	(8,995)	(7,749)
Profit and total comprehensive income for the year/period . . . . .	<u>335,267</u>	<u>565,478</u>	<u>641,621</u>	<u>398,236</u>	<u>289,592</u>
<b>Profit (loss) and total comprehensive income (expenses) for the year/period attributable to owners of the Company</b>					
– from continuing operations . . . . .	353,101	587,379	661,190	407,231	297,341
– from discontinued operation . . . . .	(17,834)	(21,901)	(19,569)	(8,995)	(7,749)
	<u>335,267</u>	<u>565,478</u>	<u>641,621</u>	<u>398,236</u>	<u>289,592</u>

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Our new Schools and centers generally incur significant fixed costs while their initial revenue is limited due to the relatively small number of student enrollment or customer registration in their ramp-up periods. Therefore, new Schools and centers generally have a negative impact on our gross profit, net profit and the relevant profit margins which may give the investors an inaccurate impression of the performance of our Schools and centers. In the table below, new Schools and centers in a period mainly represent Schools and centers that began to generate revenue for the first time during the period. The following table is presented because our management believes that such information will be helpful for investors to assess our performance and the profitability of our Schools and centers that had been in relatively stable operations for an extended period of time.

	Years ended December 31,			Eight months ended August 31,	
	2015	2016	2017	2017	2018
	<i>(RMB in thousands)</i>			<i>(Unaudited)</i>	
<b>Profit and total comprehensive income for the year/period from continuing operations . . .</b>	353,101	587,379	661,190	407,231	297,341
<b>Profit/(loss) in relation to new schools/centers:</b>					
Aggregate net profit/(loss) of new Schools/centers commenced to generate revenue in 2015. . . . .	(26,591)	(10,912)	5,864	3,662	7,422
Aggregate net profit/(loss) of new Schools/centers commenced to generate revenue in 2016. . . . .	–	(21,373)	(7,505)	4,650	(27,043)
Aggregate net profit/(loss) of new Schools/centers commenced to generate revenue in 2017. . . . .	–	–	(116,314)	(35,750)	(95,025)
Aggregate net profit/(loss) of Schools/centers commenced to generate revenue in 2018. . . . .	–	–	–	–	(35,316)

Our new Schools/centers that commenced operations in 2015 incurred net losses for 2015, narrowed their losses for 2016, began to generate a net profit for 2017 and their profitability continued to improve in the eight months ended August 31, 2018 compared with the eight months ended August 31, 2017. Our new Schools/centers that commenced operations in 2016 recorded a net profit for the eight months ended August 31, 2017 but had net losses for the eight months ended August 31, 2018 primarily because we opened 16 new Schools under our Wisezone brand in 2016 and the profitability of these Wisezone schools decreased between these periods. See “— Key Components of Our Results of Operations — Continuing Operations — Gross Profit and Gross Profit Margin” below for details.

### KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

#### Continuing Operations

##### Revenue

During the Track Record Period, we derived revenue primarily from (i) tuition fees paid by students from each of our Schools, which include, as applicable, boarding

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services and test preparation and training services for professional certificate examinations; (ii) service fees collected by Cuisine Academy from customers; and (iii) fees for other ancillary services we provide, including staff outsourcing services and



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logistics management services. Generally, we require students of long-term programs to pay tuition fees in advance for the next 12 months and students of short-term programs to pay in advance all of the tuition fees for the programs they are enrolled in. We also require customers of Cuisine Academy to pay service fees in advance for the programs they are registered. For the years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2017 and 2018, we generated total revenue from continuing operations of RMB1,828.2 million, RMB2,335.7 million, RMB2,850.2 million, RMB1,790.2 million and RMB2,055.1 million, respectively.

During the Track Record Period, we operated our business under five school brands, namely, New East Culinary Education, Xinhua Internet Technology Education, Wontone Automotive Education, Omick Education of Western Cuisine and Pastry and Wisezone Data Technology Education. We also offered customized catering experience services through Cuisine Academy. The following table sets forth a breakdown of our external revenue from continuing operations by business segments for the periods indicated:

	Year ended December 31,						Eight months ended August 31,			
	2015		2016		2017		2017		2018	
	<i>(Unaudited)</i>									
	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total
	<i>(RMB in thousands except percentages)</i>									
<b>Revenue from continuing operations</b>										
New East . . . . .	1,057,205	57.8	1,432,112	61.2	1,738,743	61.0	1,103,722	61.7	1,232,005	59.9
Xinhua Internet . . . . .	443,198	24.2	480,533	20.6	542,249	19.0	332,769	18.6	364,262	17.7
Wontone . . . . .	319,841	17.5	354,256	15.2	419,347	14.7	256,702	14.3	277,468	13.5
Omick . . . . .	-	-	-	-	74,838	2.6	44,293	2.5	122,667	6.0
Wisezone . . . . .	5,422	0.3	53,188	2.3	64,139	2.3	43,133	2.4	41,560	2.0
Cuisine Academy . . . . .	-	-	-	-	333	-	-	-	11,530	0.6
Other Miscellaneous Businesses <sup>(1)</sup> . . . . .	2,540	0.2	15,641	0.7	10,516	0.4	9,607	0.5	5,637	0.3
<b>Total</b> <sup>(2)</sup> . . . . .	<u>1,828,206</u>	<u>100</u>	<u>2,335,730</u>	<u>100</u>	<u>2,850,165</u>	<u>100</u>	<u>1,790,226</u>	<u>100</u>	<u>2,055,129</u>	<u>100</u>

**Notes:**

- (1) Other miscellaneous businesses primarily include revenue from the internet technology solution and staff outsourcing services provided by Langjie Technology to Independent Third Parties.
- (2) The total revenue and percentages do not include inter-segment sales which are eliminated upon consolidation.

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The following table sets forth a breakdown of our revenue from continuing operations by source for the periods indicated:

	Year ended December 31,						Eight months ended August 31,			
	2015		2016		2017		2017		2018	
	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total
	<i>(Unaudited)</i>									
	<i>(RMB in thousands except percentages)</i>									
<b>Revenue from continuing operations</b>										
Tuition fees and service fees <sup>(1)</sup>	1,825,666	99.9	2,320,089	99.3	2,839,649	99.6	1,780,619	99.5	2,049,492	99.7
Fees from ancillary services	2,540	0.1	15,641	0.7	10,516	0.4	9,607	0.5	5,637	0.3
<b>Total</b>	<b>1,828,206</b>	<b>100</b>	<b>2,335,730</b>	<b>100</b>	<b>2,850,165</b>	<b>100</b>	<b>1,790,226</b>	<b>100</b>	<b>2,055,129</b>	<b>100</b>

Note:

- (1) Tuition fees are primarily generated from our vocational education services. Service fees are mainly generated from customized catering experience services offered by Cuisine Academy.

The following table sets forth the new student enrollments in our long-term programs and short-term programs under each brand for the years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2018:

Segments and Brands	New Student Enrollment <sup>(1)</sup>	Year ended December 31,			Eight months ended August 31,
		2015	2016	2017	2018
<b>CULINARY ARTS</b>					
New East	Long-term	31,451	38,645	40,929	30,539
	– One to less than two years	8,169	9,350	8,669	5,953
	– Two to less than three years	22,170	27,001	28,725	19,951
	– Three years or more	1,112	2,294	3,535	4,635
	Short-term <sup>(2)</sup>	25,533	26,661	31,013	24,011
	<b>Subtotal</b>	<b>56,984</b>	<b>65,306</b>	<b>71,942</b>	<b>54,550</b>
Omick	Long-term	–	–	–	–
	Short-term <sup>(2)</sup>	–	–	2,788	5,989
	<b>Subtotal</b>	<b>–</b>	<b>–</b>	<b>2,788</b>	<b>5,989</b>

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Segments and Brands	New Student Enrollment <sup>(1)</sup>	Year ended December 31,			Eight months ended
		2015	2016	2017	August 31, 2018
<b><u>INFORMATION TECHNOLOGY</u></b>					
Xinhua Internet . . . . .	Long-Term	13,320	14,409	15,815	17,231
	– One to less than two years	939	633	1,103	932
	– Two to less than three years	8,722	8,664	8,203	8,838
	– Three years or more	3,659	5,112	6,509	7,461
	Short-term <sup>(2)</sup>	3,493	2,834	3,554	2,318
	<b>Subtotal</b>	<b>16,813</b>	<b>17,243</b>	<b>19,369</b>	<b>19,549</b>
Wisezone . . . . .	Long-Term	–	–	–	–
	Short-term <sup>(2)</sup>	–	3,465	3,573	3,029
	<b>Subtotal</b>	<b>–</b>	<b>3,465</b>	<b>3,573</b>	<b>3,029</b>
<b><u>AUTO SERVICES</u></b>					
Wontone . . . . .	Long-term	9,836	9,805	9,685	9,630
	– One to less than two years	2,493	2,436	2,340	1,716
	– Two to less than three years	5,510	5,179	5,254	4,935
	– Three years or more	1,833	2,190	2,091	2,979
	Short-term <sup>(2)</sup>	4,615	4,644	6,518	6,072
	<b>Subtotal</b>	<b>14,451</b>	<b>14,449</b>	<b>16,203</b>	<b>15,702</b>
<b>Total</b> . . . . .	Long-Term	54,607	62,859	66,429	57,400
	– One to less than two years	11,601	12,419	12,112	8,601
	– Two to less than three years	36,402	40,844	42,182	33,724
	– Three years or more	6,604	9,596	12,135	15,075
	Short-term <sup>(2)</sup>	33,641	37,604	47,446	41,419
	<b>Total</b>	<b>88,248</b>	<b>100,463</b>	<b>113,875</b>	<b>98,819</b>
<b>Cuisine Academy<sup>(2)</sup></b> . .	Number of new customers	–	–	146	3,537

**Note:**

- (1) New student enrollment represents the total number of students newly enrolled at our operating schools during the period indicated. We use new student enrollment to assess 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 during the period indicated.

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For the year ended December 31, 2017 and the eight months ended August 31, 2018, 146 and 3,537 new customers, respectively, participated in the customized catering experience centers under Cuisine Academy.

The following table sets forth the average students enrolled in our long-term programs and short-term programs for the periods indicated:

Segments and Brands	Average Students Enrolled <sup>(1)</sup>	Year ended December 31,			Eight months ended
		2015	2016	2017	August 31, 2018
<b>CULINARY ARTS</b>					
New East . . . . .	Long-term	45,791	54,846	64,549	64,012
	– One to less than two years	9,089	9,210	9,252	7,779
	– Two to less than three years	35,726	43,670	51,609	51,566
	– Three years or more	976	1,966	3,688	4,667
	Short-term	6,416	7,276	6,631	5,992
	<b>Subtotal</b>	<b>52,207</b>	<b>62,122</b>	<b>71,180</b>	<b>70,004</b>
Omick . . . . .	Long-term	–	–	–	–
	Short-term	–	–	1,114	2,633
	<b>Subtotal</b>	<b>–</b>	<b>–</b>	<b>1,114</b>	<b>2,633</b>
<b>INFORMATION TECHNOLOGY</b>					
Xinhua Internet . . . . .	Long-term	23,080	22,798	24,234	28,621
	– One to less than two years	903	809	950	1,182
	– Two to less than three years	17,471	15,624	14,840	16,189
	– Three years or more	4,706	6,365	8,444	11,250
	Short-term	1,004	966	747	387
	<b>Subtotal</b>	<b>24,084</b>	<b>23,764</b>	<b>24,981</b>	<b>29,008</b>
Wisezone. . . . .	Long-term	–	–	–	–
	Short-term	–	1,138	1,165	1,229
	<b>Subtotal</b>	<b>–</b>	<b>1,138</b>	<b>1,165</b>	<b>1,229</b>

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Segments and Brands	Average Students Enrolled <sup>(1)</sup>	Year ended December 31,			Eight months ended
		2015	2016	2017	August 31, 2018
<b><u>AUTO SERVICES</u></b>					
Wontone . . . . .	Long-term	16,175	16,693	16,347	16,850
	– One to less than two years	2,777	2,802	2,241	2,547
	– Two to less than three years	11,347	10,748	10,169	10,223
	– Three years or more	2,051	3,143	3,937	4,080
	Short-term	1,261	1,378	1,753	1,834
	<b>Subtotal</b>	<b>17,436</b>	<b>18,071</b>	<b>18,100</b>	<b>18,684</b>
<b>Total.</b> . . . . .	Long-term	85,046	94,337	105,130	109,483
	– One to less than two years	12,769	12,821	12,443	11,508
	– Two to less than three years	64,544	70,042	76,618	77,978
	– Three years or more	7,733	11,474	16,069	19,997
	Short-term	8,681	10,758	11,410	12,075
	<b>Total</b>	<b>93,727</b>	<b>105,095</b>	<b>116,540</b>	<b>121,558</b>
<b>Cuisine Academy.</b> . . . .	Average number of customers registered <sup>(2)</sup>	–	–	63	447

**Note:**

- (1) As our Schools provide various vocational training education programs during a year and the course length and commencement of our long-term and short-term programs are different, we believe that the average students enrolled is a measure that is comparable to that of our competitors and therefore can more fairly present our ranking and market position in the industry. Our average students enrolled for a year/period 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.
- (2) Our average number of customers registered for a year/period 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.

For the year ended December 31, 2017 and the eight months ended August 31, 2018, we had an average of 63 and 447 customers participating in the customized catering experience centers under Cuisine Academy.

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Due to the different income and consumption levels in different areas of China, the tuition fee rates and service fee rates we charge vary across geographical markets. The following table sets forth ranges of our tuition fee rates under each school brand and service fee rates of Cuisine Academy for the periods indicated:

Segments and Brands	Tuition/Service fees				
	2015 <sup>(1)</sup>	2016 <sup>(1)</sup>	2017 <sup>(1)</sup>	2018 <sup>(1)</sup>	
<i>(RMB per year for long-term program, RMB per program for short-term program/program in Cuisine Academy, unless otherwise indicated)</i>					
<b>CULINARY ARTS</b>					
New East . . . . .	<b>Long-term</b>	10,400-34,480	10,400-34,500	11,400-36,800	5,600-76,000
	<b>Short-term<sup>(2)</sup></b>	1,200-19,240	1,200-18,100	1,200-58,000 <sup>(3)</sup>	800-58,000 <sup>(3)</sup>
Omick . . . . .	<b>Long-term</b>	-	-	-	-
	<b>Short-term<sup>(2)</sup></b>	-	-	9,000-47,000	5,000-50,000
<b>INFORMATION TECHNOLOGY</b>					
Xinhua Internet . . . . .	<b>Long-term</b>	10,180-31,800	5,980-35,800	6,680-39,800	6,680-37,800 <sup>(4)</sup>
	<b>Short-term<sup>(2)</sup></b>	1,300-22,390	1,900-22,590	800-28,800	800-29,300
Wisezone . . . . .	<b>Long-term</b>	-	-	-	-
	<b>Short-term<sup>(2)</sup></b>	-	2,000-14,800	2,000-29,800	999-26,800
<b>AUTO SERVICES</b>					
Wontone . . . . .	<b>Long-term</b>	13,600-31,000	12,800-36,800	6,680-38,500	4,800-38,500
	<b>Short-term<sup>(2)</sup></b>	3,000-20,100	680-32,600	680-37,400	800-37,400
<b>Cuisine Academy<sup>(4)</sup></b> . . . . .	<b>Customized catering experience program</b>	-	-	360-16,000	1,980-18,800

*Notes:*

- (1) We charge tuition fees to students enrolled at our schools. Tuition fees of our long-term programs are charged based on the yearly tuition standards of different programs that students enrolled in such year.
- (2) Tuition fees of our short-term programs are charged by each program that students enrolled in.
- (3) Tuition fees 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 fee 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 which charged RMB39,800 per year in 2018.
- (5) We charge customers service fees by each program they registered in Cuisine Academy.

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### Cost of Revenue

Our cost of revenue consists of teaching staff salaries and benefits, student and teaching activity related costs, leasing expenses, campus maintenance and depreciation, utilities and office expenses. Teaching staff salary and benefits consist of salaries and benefits for our teaching staff. Student and teaching activity related costs primarily consist of costs of raw materials for skills training, costs of student activities, costs of teaching materials, and other costs in relation to our students. Leasing expenses primarily consist of rental fees we pay to rent the premises of our Schools. Campus maintenance and depreciation primarily consist of expenses we incur for the maintenance and renovation of our school campuses and facilities as well as depreciation and amortization for our school facilities and teaching equipment. Utilities represent the utility costs incurred by our Schools. Office expenses primarily consisted of office equipment expenses, meeting expenses and other office overhead costs. Our cost of revenue was RMB840.7 million, RMB1,014.3 million, RMB1,281.3 million, RMB761.5 million, and RMB990.9 million for the years ended December 31, 2015, 2016, 2017 and 2018, and the eight months ended August 31, 2017 and 2018, respectively.

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

	Year ended December 31,						Eight months ended August 31,			
	2015		2016		2017		2017		2018	
	Cost	% of Total	Cost	% of Total	Cost	% of Total	Cost	% of Total	Cost	% of Total
	(RMB in thousands except percentages)									
	(Unaudited)									
Teaching staff salaries and benefits . . . . .	262,108	31.2	305,784	30.1	376,417	29.4	236,265	31.0	300,209	30.3
Student and teaching activity related costs . . . . .	239,242	28.5	283,679	28.0	348,354	27.2	196,758	25.8	241,567	24.4
Leasing expenses . . . . .	127,172	15.1	158,268	15.6	217,042	16.9	124,888	16.4	177,728	17.9
Campus maintenance and depreciation . . . . .	148,728	17.7	178,500	17.6	239,728	18.7	153,628	20.2	201,302	20.3
Utilities . . . . .	34,469	4.1	40,788	4.0	52,300	4.1	29,710	3.9	41,238	4.2
Office expenses . . . . .	28,951	3.4	47,246	4.7	47,498	3.7	20,248	2.7	28,898	2.9
<b>Total . . . . .</b>	<b>840,670</b>	<b>100</b>	<b>1,014,265</b>	<b>100.0</b>	<b>1,281,339</b>	<b>100.0</b>	<b>761,497</b>	<b>100.0</b>	<b>990,941</b>	<b>100.0</b>

### Sensitivity Analysis

The following table sets out a sensitivity analysis of: (i) the effect of the fluctuations of tuition fees and service fees during the Track Record Period, and (ii) the effect of the fluctuations of our teaching staff salaries and benefits during the Track Record Period, assuming no change of depreciation and amortization or any other costs. The sensitivity analysis involving tuition fees, service fees, teaching staff salaries and benefits is hypothetical in nature and we assume that all other variables remain constant. The following sensitivity analysis is for illustrative purposes only, which indicates the potential impact on our profitability during the Track Record Period if the relevant variables increased or decreased to the extent illustrated. To illustrate the potential effect on our financial performance, the sensitivity analysis below shows the potential impact on our profit for the year with a 5% and 10% increase or decrease in revenue from tuition fees, service fees, teaching staff salaries and benefits. While none of the hypothetical fluctuation ratios applied in the sensitivity analysis equals the historical

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fluctuations of the tuition, service fees, teaching related costs, we believe that the application of hypothetical fluctuations of 5% and 10% in the tuition and service fees income and teaching staff costs presents a meaningful analysis of the potential impact of changes in the tuition, service fees, teaching staff salaries and benefits on our revenue and profitability.

	For the year ended December 31,			Eight months ended August 31,	
	2015	2016	2017	2017	2018
	<i>(RMB in thousands)</i>				
	<i>(Unaudited)</i>				
<b>Tuition and service fees income</b>					
	<b>(decrease)/increase</b>				
	<b>Impact on our profit for the year/period</b>				
(10)%	(182,567)	(232,009)	(283,965)	(178,062)	(204,949)
(5)%	(91,283)	(116,004)	(141,982)	(89,031)	(102,475)
5%	91,283	116,004	141,982	89,031	102,475
10%	182,567	232,009	283,965	178,062	204,949
<b>Teaching staff salaries and benefits</b>					
	<b>(decrease)/increase</b>				
	<b>Impact on our profit for the year/period</b>				
(10)%	26,211	30,578	37,642	23,627	30,021
(5)%	13,105	15,289	18,821	11,813	15,010
5%	(13,105)	(15,289)	(18,821)	(11,813)	(15,010)
10%	(26,211)	(30,578)	(37,642)	(23,627)	(30,021)

### **Gross Profit and Gross Profit Margin**

Gross profit represents our revenue less cost of revenue. Our gross profit margin represents our gross profit as a percentage of our revenue. For the years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2017 and 2018, our gross profit was RMB987.5 million, RMB1,321.5 million, RMB1,568.8 million, RMB1,028.7 million, and RMB1,064.2 million, respectively, and our gross profit margin was 54.0%, 56.6%, 55.0%, 57.5%, and 51.8%, respectively. Our gross profit margin decreased from 56.6% for the year ended December 31, 2016 to 55.0% for the year ended December 31, 2017 and further to 51.8% for the eight months ended August 31, 2018 as we operated 39 new Schools in 2017 and 21 new Schools for the eight months ended August 31, 2018. Generally, the establishment of new schools has a negative impact on our gross profit margin. During the initial ramp-up period after a new school commences operations, we incur substantial fixed costs for teaching staff salaries and benefits, teaching activity costs, leasing expenses, and other fixed costs while initial revenue from the new school is limited due to the relatively small beginning number of student enrollment.



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The table below sets forth a breakdown of our gross profit by brand and the gross profit margin for each brand for the periods indicated:

	Year ended December 31,						Eight months ended August 31,			
	2015		2016		2017		2017		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	<i>(Unaudited)</i>			
<i>(RMB in thousands except percentages)</i>										
<b>Continuing operations</b>										
New East . . . . .	562,386	53.2%	826,305	57.7%	1,029,223	59.2%	655,694	59.4%	703,957	57.1%
Xinhua Internet. . . . .	242,045	54.6%	266,272	55.4%	302,337	55.8%	198,472	59.6%	210,028	57.7%
Wontone . . . . .	178,790	55.9%	197,890	55.9%	216,611	51.7%	137,066	53.4%	114,711	41.3%
Omick . . . . .	-	-	-	-	5,890	7.9%	17,187	38.8%	38,551	31.4%
Wisezone . . . . .	3,821	70.5%	22,390	42.1%	13,342	20.8%	13,312	30.9%	2,061	5.0%
Cuisine Academy . . . . .	-	-	-	-	(2,664)	-800.0%	-	-	(5,964)	-51.7%
Other Miscellaneous Businesses <sup>(1)</sup> . . . . .	494	19.4%	8,608	55.0%	4,087	38.9%	6,998	72.8%	844	15.0%
<b>Total . . . . .</b>	<b>987,536</b>	<b>54.0%</b>	<b>1,321,465</b>	<b>56.6%</b>	<b>1,568,826</b>	<b>55.0%</b>	<b>1,028,729</b>	<b>57.5%</b>	<b>1,064,188</b>	<b>51.8%</b>

(1) Other miscellaneous businesses primarily include gross profit derived from the internet technology solution and staff outsourcing services provided by Langjie Technology to Independent Third Parties.

New East Culinary Education's gross profit margin increased from 53.2% for 2015 to 57.7% for 2016 primarily because the growth in its revenue outpaced the increase in its cost of revenue, which in turn was because in 2016 the growth in long-term program student enrollment increased at a higher rate than that of short-term student enrollment. Long-term programs generally have higher gross profit margins than short-term programs. New East Culinary Education's gross profit margin increased from 57.7% in 2016 to 59.2% in 2017, mainly because the growth in its revenue outpaced the increase in its cost of revenue. New East Culinary Education's gross profit margin decreased from 59.4% for the eight months ended August 31, 2017 to 57.1% for the eight months ended August 31, 2018 primarily because in 2018 some newly established Schools in this segment began operations and negatively impacted the gross profit margin.

Xinhua Internet Technology Education's gross profit margin remained relatively stable throughout the Track Record Period because its Schools generally have relatively long operating histories and stable results of operations. Xinhua Internet Technology Education's gross profit margin decreased from 59.6% for the eight months ended August 31, 2017 to 57.7% for the eight months ended August 31, 2018 primarily due to a larger increase in costs relating to campus maintenance and renovation as a result of equipment upgrade and replacement in 2018 compared to the same period in 2017.

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Wontone Automotive Education's gross profit margin decreased from 55.9% for 2016 to 51.7% for 2017 primarily because in 2017 eight newly established Schools in this segment began operations and negatively impacted the gross profit margin in 2017. Wontone Automotive Education's gross profit margin decreased from 53.4% for the eight months ended August 31, 2017 to 41.3% for the eight months ended August 31, 2018 primarily because in addition to the eight newly established Schools that commenced operations in 2017, in 2018 two newly established Schools in this segment began operations and negatively impacted the gross profit margin for the relevant period in 2018.

Omick Education of Western Cuisine and Pastry's gross profit margin decreased from 38.8% for the eight months ended August 31, 2017 to 31.4% for the eight months ended August 31, 2018 primarily because we established 13 new Schools in the fourth quarter of 2017 which incurred a large amount of fixed costs, which did not impact the gross profit margin for the eight months ended August 31, 2017 as the new Schools were established after August 31, 2017 but had a negative impact on the gross profit margin for the eight months ended August 31, 2018 because the fixed costs were higher but revenue was still limited during the initial ramp-up period.

Wisezone Data Technology Education's gross profit margin fluctuated during the Track Record Period because this business segment was still evolving and had limited operational record. Wisezone Data Technology Education's gross profit margin decreased from 70.5% for the year ended December 31, 2015 to 42.1% for the year ended December 31, 2016, and further decreased to 20.8% for the year ended December 31, 2017, primarily as a result of increases in staff costs and rental fees for school premises. Wisezone Data Technology Education leased additional school premises and hired more teachers to expand its business. As a result the fixed costs increased significantly but revenue was relatively limited at the initial stage, resulting in a decrease in gross profit margin. Wisezone Data Technology Education's gross profit margin decreased from 30.9% for the eight months ended August 31, 2017 to 5.0% for the eight months ended August 31, 2018, primarily due to the increases in staff costs and expenses for procuring teaching equipment as we hired new teachers and opened new courses for our newly established Schools in 2018. Wisezone Data Technology Education intends to continue to optimize its course offerings, enhance the cost efficiency of its marketing and promotional efforts and expand its student base to improve its gross profit margin.

Cuisine Academy incurred losses for 2017 and the eight months ended August 31, 2018 primarily because we commenced our operations of Cuisine Academy in 2017 and incurred significant fixed costs at the beginning but the revenue was still limited at the initial stage of operations.

## FINANCIAL INFORMATION

### Other Income

Other income consists of asset-related government grants, unconditional government grants, interest income from banks, interest income from related parties, interest income from third parties, and others. The following table sets forth the breakdown of our other income and gains for the periods indicated:

	Year ended December 31,			Eight months ended August 31,	
	2015	2016	2017	2017	2018
	<i>(Unaudited)</i>				
	<i>(RMB in thousands)</i>				
<b>Continuing operations</b>					
Asset-related					
government grants . . .	438	2,176	1,146	733	668
Unconditional					
government grants . . .	6,682	8,781	15,076	7,297	17,455
Interest income from					
banks . . . . .	1,976	9,034	16,959	5,868	12,443
Interest income from					
related parties . . . . .	7,439	–	–	–	–
Interest income from					
third parties . . . . .	14,582	–	–	–	–
Others . . . . .	143	1,587	1,222	714	1,727
<b>Total . . . . .</b>	<b>31,260</b>	<b>21,578</b>	<b>34,403</b>	<b>14,612</b>	<b>32,293</b>

During the Track Record Period, we received certain asset-related government grants, which were granted to us for procuring land to build practical skills training facilities and to purchase practical skills training equipment. For the years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2017 and 2018, revenue derived from asset-related government grants was RMB0.4 million, RMB2.2 million, RMB1.1 million, RMB0.7 million and RMB0.7 million, respectively. During the Track Record Period, we also received certain unconditional government grants, which were used by local governments to encourage the development of vocational education in those areas. Certain local governments provided unconditional grants to vocational education providers like us for the numbers of student we trained each year. For the years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2017 and 2018, the amount of unconditional government grants was RMB6.7 million, RMB8.8 million, RMB15.1 million, RMB7.3 million and RMB17.5 million, respectively. Interest income from third parties was the interest income from financial intuitions other than banks due to the higher earnings ratio they provided. During the Track Record Period, we only received interest income from certain non-bank financial institutions in 2015 due to the one-time experimental investment we made in expectation of higher return on investments.

## FINANCIAL INFORMATION

### **Other Gains and Losses**

Our other gains and losses consists of net gain on structured deposit and losses or gains on disposals of property and equipment. The following table sets forth the breakdown for the periods indicated:

	Year ended December 31,			Eight months ended August 31,	
	2015	2016	2017	2017	2018
	<i>(Unaudited)</i>				
	<i>(RMB in thousands)</i>				
<b>Continuing operations</b>					
Net gains on financial assets at FVTPL . . . . .	10,372	27,457	61,077	30,083	28,169
(Losses) gains on disposals of property and equipment . . . . .	(1,066)	(753)	(1,268)	158	327
<b>Total . . . . .</b>	<b>9,306</b>	<b>26,704</b>	<b>59,809</b>	<b>30,241</b>	<b>28,496</b>

### **Selling Expenses**

Selling expenses primarily consist of sales and marketing staff salaries and benefits, advertising expenses, sales and market costs, travel expenses, depreciation and amortization, and others. Sales and marketing staff salaries and benefits consist of salaries and benefits for our marketing staff, salespersons, and other staff in other marketing and publicity functions. Advertising expenses include expenses for our commercials placed on various platforms such as the internet, television, and outdoor billboards, as well as related costs such as website designing and maintenance expenses, and other expenses related to advertising activities. Sales and marketing costs are primarily for promotional brochures and other items used for sales and marketing activities. Travel expenses relate to expenses our sales and marketing staff incurred for business travel. Depreciation and amortization expenses relate to depreciation and amortization of our assets used for sales and marketing activities. Others primarily consist of other overhead expenses in connection with sales and marketing activities.

## FINANCIAL INFORMATION

The following table sets forth the breakdown of our selling expenses for the periods indicated:

	Year ended December 31,			Eight months ended August 31,	
	2015	2016	2017	2017	2018
				<i>(Unaudited)</i>	
				<i>(RMB in thousands)</i>	
Sales and marketing staff salaries and benefits . . . . .	88,388	115,988	159,151	102,282	166,865
Advertising expenses . . .	226,117	224,622	263,695	176,780	240,256
Sales and marketing costs . . . . .	11,017	13,562	21,294	13,513	18,871
Sales and marketing travel expenses . . . . .	4,248	4,959	6,204	4,318	6,305
Depreciation and amortization . . . . .	2,621	3,137	4,308	2,754	4,245
Others . . . . .	2,609	1,621	2,274	1,483	1,828
<b>Total</b> . . . . .	<b>335,000</b>	<b>363,889</b>	<b>456,926</b>	<b>301,130</b>	<b>438,370</b>

### **Administrative Expenses**

Administrative expenses primarily consist of salaries and benefits for administrative staff, depreciation and amortization, administrative office expenses, professional consulting service expenses, transportation costs, meeting expenses, travel expenses, leasing expenses, bank charges and others. Salaries and benefits for administrative staff represent salaries and benefits paid to our staff in an administrative function. Depreciation and amortization expenses are for the depreciation and amortization of our assets used for general office administrative purposes. Professional consulting service expenses represent fees we paid to professional parties for consulting, legal and auditing services rendered. Transportation costs represent costs incurred for local transportation in connection with administrative activities. Meeting expenses represent expenses for various meetings we organized or participated in. Travel expenses represent expenses incurred by our administrative personnel for business travels. Leasing expenses are for renting our administrative offices. Bank charges represent miscellaneous charges by our banks. Others primarily include fees we paid to recruiting websites to recruit teachers and other staff and miscellaneous administrative tax expenses.

## FINANCIAL INFORMATION

The following table sets forth the breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,			Eight months ended August 31,	
	2015	2016	2017	2017	2018
				(Unaudited)	
	(RMB in thousands)				
Administrative staff salaries and benefits . .	146,737	173,605	213,101	134,766	155,446
Depreciation and amortization . . . . .	33,044	27,639	38,921	21,288	30,541
Administrative office expenses . . . . .	28,041	33,859	42,440	25,222	32,704
Professional consulting service expenses . . . .	4,414	3,841	5,391	3,686	3,627
Transportation costs . . .	11,125	12,546	13,996	8,692	9,766
Meeting expenses . . . . .	5,966	6,333	7,499	4,548	5,606
Travel expenses . . . . .	8,780	9,762	11,587	6,250	6,649
Leasing expenses . . . . .	5,566	3,812	6,624	3,109	2,353
Banking charges . . . . .	2,144	2,454	3,433	2,234	3,432
Others <sup>(1)</sup> . . . . .	3,750	3,947	6,944	3,750	5,180
<b>Total</b> . . . . .	<b>249,567</b>	<b>277,798</b>	<b>349,936</b>	<b>213,545</b>	<b>255,304</b>

Note:

- (1) Others primarily include fees we paid to recruiting websites to recruit teachers and other staff and miscellaneous administrative tax expenses.

**[REDACTED]**

We incurred RMB[REDACTED] of expenses in relation to the [REDACTED] for the eight months ended August 31, 2018, which primarily consist of fees paid to professional parties. We did not incur any listing expenses for the years ended December 31, 2015, 2016 and 2017.

**Income Tax Expenses**

*PRC Income Tax*

Our subsidiaries established in China were subject to the PRC EIT of 25% during the Track Record Period, except for subsidiaries which were either exempted from tax or entitled to different preferential tax rates during the Track Record Period. For further details, see note eight to the Accountants' Report set out in Appendix I to this document.

## FINANCIAL INFORMATION

According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. As a result, private schools, which are providing academic qualification education, are eligible to enjoy income tax exemption treatment if the school sponsors of such schools do not require reasonable returns. During the Track Record Period, our six non-profit Schools located in Hebei, Jiangxi and Jiangsu provinces have received EIT exemption confirmations/approvals from relevant local tax authorities.

- Two subsidiaries of the Company are entitled to the preferential tax rate of 15% because they are recognized as the high and new technology enterprises by the local governments in China.
- 26 subsidiaries of the Company are entitled to the preferential tax rate of 15% because they are located in the western region of China.
- One subsidiary of the Company are entitled to the preferential tax rate of 20% because they are recognized as the small and micro businesses by the local governments in China.

The following table sets forth our current PRC EIT from continuing operation and deferred tax charge information:

	Year ended December 31,			Eight months ended August 31,	
	2015	2016	2017	2017	2018
				<i>(Unaudited)</i>	
				<i>(RMB in thousands)</i>	
<b>Continuing operations</b>					
PRC EIT					
– Current tax . . . . .	86,114	132,917	171,235	137,455	119,726
Deferred tax charge (credit) . . . . .	(1,631)	(639)	(270)	(117)	(8,268)
<b>Total . . . . .</b>	<b>84,483</b>	<b>132,278</b>	<b>170,965</b>	<b>137,278</b>	<b>111,458</b>

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Our current PRC EIT from continuing operation increased from RMB86.1 million for the year ended December 31, 2015 to RMB132.9 million for the year ended December 31, 2016 and further increased to RMB171.2 million for the year ended December 31, 2017, primarily due to the increases in our taxable profit. Our current PRC EIT from continuing operation decreased from RMB137.5 million for the eight months ended August 31, 2017 to RMB119.7 million for the eight months ended August 31, 2018, mainly attributable to a decrease in our taxable profit as a result of the increased teaching staff salaries and benefits. Our deferred tax charge increased from RMB0.1 million for the eight months ended August 31, 2017 to RMB8.3 million for the eight months ended August 31, 2018, primarily due to an increase in advertisement fees we incurred, which are tax deductible expenses. Our deferred tax charge decreased in the past three years, primarily because the tax deductible expenses remained relatively stable while our revenue increased during the years.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of certain of research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the year. We have made its best estimate for the additional deduction to be claimed for our entities in ascertaining their assessable profits during the Track Record Period.

### *Cayman Islands Income Tax*

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

### *Hong Kong Profit Tax*

No provision for Hong Kong profits tax has been made as we had no assessable profits derived from or earned in Hong Kong.

### ***Discontinued Operation***

We disposed of a group of subsidiaries consisting of (i) six companies located in Hefei, Nanjing, Xi'an, Chongqing and Changsha, respectively, which were all engaged in the operation of automobile driving training schools; and (ii) Miwei Technology, which operates two mobile applications at the time of its disposal. Except for Hefei Xin'an, the disposal of these companies were completed in or before December 2018. The disposal of Hefei Xin'an is expected to be completed before the [REDACTED]. We disposed of these businesses in order to focus our resources and management attention on our five primary brands and customized catering service centers.



## FINANCIAL INFORMATION

The loss for the year/period from discontinued operation is set out below:

	Year ended December 31,			Eight months ended August 31,	
	2015	2016	2017	2017	2018
	<i>(RMB in thousands)</i>				
	<i>(Unaudited)</i>				
Revenue . . . . .	46,708	52,702	40,184	29,670	20,588
Cost of revenue . . . . .	(46,538)	(52,264)	(44,514)	(29,133)	(20,260)
Gross profit (loss) . . . . .	170	438	(4,330)	537	328
Other income and expenses . . . . .	6,040	(214)	267	81	396
Selling expenses . . . . .	(8,770)	(9,829)	(7,139)	(4,698)	(3,657)
Administrative expenses.	(15,585)	(12,671)	(8,367)	(4,915)	(4,816)
Loss before taxation from discontinued operation . . . . .	(18,145)	(22,276)	(19,569)	(8,995)	(7,749)
Income tax credit . . . . .	311	375	–	–	–
Loss for the year/period from discontinued operation . . . . .	<u>(17,834)</u>	<u>(21,901)</u>	<u>(19,569)</u>	<u>(8,995)</u>	<u>(7,749)</u>
Loss for the year/period from discontinued operation include the followings:					
Staff costs					
– salaries and other allowances . . . . .	28,173	30,450	23,963	16,416	11,411
– retirement benefit scheme contributions . . . . .	3,258	3,727	3,382	2,354	1,751
Total staff costs . . . . .	<u>31,431</u>	<u>34,177</u>	<u>27,345</u>	<u>18,770</u>	<u>13,162</u>
Interest income from related parties . . . . .	808	–	–	–	–
Interest income from third parties . . . . .	5,254	–	–	–	–
Depreciation of property and equipment . . . . .	11,007	10,210	9,314	7,040	5,178
Purchase of property and equipment . . . . .	3,201	6,133	4,157	2,529	820
Operating lease rental expenses in respect of rental premises. . . . .	<u>3,091</u>	<u>4,001</u>	<u>5,995</u>	<u>3,111</u>	<u>3,751</u>

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## FINANCIAL INFORMATION

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### PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

#### Eight Months Ended August 31, 2018 Compared to Eight Months Ended August 31, 2017

##### Continuing Operations

##### *Revenue*

Our revenue increased by 14.8% from RMB1,790.2 million for the eight months ended August 31, 2017 to RMB2,055.1 million for the eight months ended August 31, 2018. This increase was primarily due to increases in revenue derived from our New East Culinary Education, Xinhua Internet Technology Education, Wontone Automotive Education, Omick Education of Western Cuisine and Pastry, and Cuisine Academy business segments.

Revenue generated from New East Culinary Education increased by RMB128.3 million, or 11.6%, from RMB1,103.7 million for the eight months period ended August 31, 2017 to RMB1,232.0 million for the eight months period ended August 31, 2018, primarily as a result of an increase in the tuition fee rates and more students enrolled in long-term programs, which charge higher tuition rates. The tuition fee rates for long-term courses increased from RMB11,400 to RMB36,800 for the eight months ended August 31, 2017, to RMB5,600 to RMB76,000 for the eight months ended August 31, 2018.

Revenue generated from Xinhua Internet Technology Education increased by RMB31.5 million, or 9.5%, from RMB332.8 million for the eight months ended August 31, 2017 to RMB364.3 million for the eight months ended August 31, 2018 due to increases in the average students enrolled and the tuition fee rates. The average students enrolled for Xinhua Internet Technology Education increased from approximately 24,541 for the eight months ended August 31, 2017 to approximately 29,008 for the eight months ended August 31, 2018. The tuition fee rates for most of our long-term courses increased for the eight months ended August 31, 2017, compared with the eight months ended August 31, 2018.

Revenue generated from Wontone Automotive Education increased by RMB20.8 million, or 8.1%, from RMB256.7 million for the eight months ended August 31, 2017 to RMB277.5 million for the eight months ended August 31, 2018. The increase was primarily due to increases in the average students enrolled and the tuition fee rates. The average students enrolled for Wontone Automotive Education increased from 18,469 for eight months ended August 31, 2017 to 18,684 for eight months ended August 31, 2018. Our tuition fee rates for most of Wontone Automotive Education's long-term courses increased for the eight months ended August 31, 2017, compared with the eight months ended August 31, 2018.

Revenue generated from Omick Education of Western Cuisine and Pastry increased by RMB78.4 million, or 177.0%, from RMB44.3 million for the eight months ended August 31, 2017 to RMB122.7 million for the eight months ended August 31, 2018 as a result of the commencement of operations of new Schools which lead to an increase in the average students enrolled from 1,121 for eight months ended August 31, 2017 to 2,633 for eight months ended August 31, 2018.

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## FINANCIAL INFORMATION

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Revenue generated from Wisezone Data Technology Education decreased by RMB1.5 million, or 3.5%, from RMB43.1 million for the eight months ended August 31, 2017 to RMB41.6 million for the eight months ended August 31, 2018 primarily because we disposed of our staff outsourcing services to Langjie Technology and Wisezone Data Technology Education recorded revenue for such services for the eight months ended August 31, 2017 but not for the eight months ended August 31, 2018.

Revenue generated from Cuisine Academy increased from nil for the eight months ended August 31, 2017 to RMB11.5 million for the eight months ended August 31, 2018. We commenced operation of our Cuisine Academy in September 2017 and there was no revenue generated by Cuisine Academy for the eight months ended August 31, 2017.

Revenue generated from others decreased by RMB4.0 million from RMB9.6 million for the eight months ended August 31, 2017 to RMB5.6 million for the eight months ended August 31, 2018 because Anhui Simai'er Catering Co. Ltd. conducted certain catering business in the eight months ended August 31, 2017 but did not conduct this business in the eight months ended August 31, 2018.

### **Cost of Revenue**

Cost of sales increased by 30.1% from RMB761.5 million for the eight months ended August 31, 2017 to RMB990.9 million for the eight months ended August 31, 2018. This increase was primarily due to the increases in teaching staff salaries and benefits and in student and teaching activity related costs. We hired additional teaching staff to meet needs of the increased number of students and we increased our teaching staff's salary in 2017 as well. The increase in student and teaching activity related costs was primarily due to the increased cost of procuring practical training raw materials and equipment to meet the needs of the increased number of students. The increase in campus maintenance and depreciation mainly due to the increase in expenses for renovating school facilities in connection with the expansion of our school network.

### **Gross Profit and Gross Profit Margin**

Gross profit increased by 3.5% from RMB1,028.7 million for the eight months ended August 31, 2017 to RMB1,064.2 million for the eight months ended August 31, 2018. Our gross profit margin decreased from 57.5% for the eight months ended August 31, 2017 to 51.8% for the eight months ended August 31, 2018, primarily because we had 21 newly established Schools for the eight months ended August 31, 2018. During the initial ramp-up period after a new school commences operations, it incurred the same fixed costs for staff compensation, rent and other fixed costs while its revenue is limited due to the relatively small beginning number of student enrollment. As a result, new schools during ramp-up period have a negative impact on our gross profit margin.

### **Other Income**

Other income increased by RMB17.7 million, or 121.2%, from RMB14.6 million for the eight months ended August 31, 2017 to RMB32.3 million for the eight months ended August 31, 2018, primarily due to an increase of RMB10.2 million in unconditional government grants pursuant to local government policies to encourage vocational education service providers like us to bring quality practical skill training to their areas. Also, we had an increase of RMB6.6 million in interest income from banks as a result of an increase in cash on bank deposit. In late 2016 and early 2017, we adopted a new cash management system across all our Schools in China, which allowed our headquarters to collect unutilized cash from local Schools and re-invest the cash based on decisions made by our central management team.

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## FINANCIAL INFORMATION

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### ***Other Gains and Losses***

Our other gains decreased by 5.8% from RMB30.2 million for the eight months ended August 31, 2017 to RMB28.5 million for the eight months ended August 31, 2018, primarily due to a RMB1.9 million decrease in net gain on structured deposits, which represent our investment in certain restricted low risk debt instruments arranged by banks for terms of less than one year. Each investment in such structured deposits was reviewed by our director of finance and accounting and ultimately signed off by our Chairman.

### ***Selling Expenses***

Selling expenses increased by 45.6% from RMB301.1 million for the eight months ended August 31, 2017 to RMB438.4 million for the eight months ended August 31, 2018, primarily due to the increase in sales and marketing staff salaries and benefits and advertising expenses. We increased our expenses relating to selling and marketing efforts to promote our brand name and facilitate the student recruitment of our newly established Schools in the eight months ended August 31, 2018.

### ***Administrative Expenses***

Our administrative expenses increased by 19.6% from RMB213.5 million for the eight months ended August 31, 2017 to RMB255.3 million for the eight months ended August 31, 2018, primarily due to increases in administrative staff salaries and benefits, administrative office expenses, and professional consulting service fees. Our administrative salaries and benefits increased because we hired additional administrative staff to meet the increasing needs due to the expansion of our school network. The professional consulting service expenses increased because we engaged more business consultants for consulting services due to the expansion of our school network.

### ***Income Tax Expense***

Our income tax expenses decreased by 18.8% from RMB137.3 million for the eight months ended August 31, 2017 to RMB111.5 million for the eight months ended August 31, 2018, primarily because of the decrease in our taxable income from August 31, 2017 to August 31, 2018.

### ***Profit and Total Comprehensive Income for the Period from Continuing Operations***

As a result of all the factors mentioned above, our profit and total comprehensive income for the period from continuing operations decreased by 27.0% from RMB407.2 million for the eight months ended August 31, 2017 to RMB297.3 million for the eight months ended August 31, 2018.

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## FINANCIAL INFORMATION

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### Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

#### Continuing Operations

##### Revenue

Our revenue increased by RMB514.5 million, or 22.0%, from RMB2,335.7 million for the year ended December 31, 2016 to RMB2,850.2 million for the year ended December 31, 2017, which was primarily driven by an increase in revenue from tuition fees as a result of the increase in the student enrollment. Our average students enrolled increased from 105,095 for 2016 to 116,540 for 2017.

Revenue generated from our New East Culinary Education brand increased by RMB306.6 million, or 21.4%, from RMB1,432.1 million for the year ended December 31, 2016 to RMB1,738.7 million for the year ended December 31, 2017, primarily as a result of an increase from tuition fees we received from our students. Under our New East Culinary Education brand, our average students enrolled increased from 62,122 for 2016 to 71,180 for 2017, and our tuition fee rate range increased from a range of RMB17,000-RMB32,000 in 2016 to RMB18,000-RMB33,800 in 2017 for long-term courses, and from a range of RMB1,600-RMB17,000 in 2016 to RMB1,700-RMB20,000 in 2017 for short-term courses.

Revenue generated from Xinhua Internet Technology Education increased by RMB61.7 million, or 12.8%, from RMB480.5 million for the year ended December 31, 2016 to RMB542.2 million for the year ended December 31, 2017, primarily due to the increase in tuition fees we received. Our average students enrolled increased from approximately 23,764 for 2016 and approximately 24,981 for 2017, and our tuition fee rate range increased from a range of RMB13,000-RMB23,800 in 2016 to RMB13,000-RMB25,000 in 2017 for long-term courses, and from a range of RMB1,500-RMB12,000 in 2016 to RMB1,600-RMB12,000 in 2017 for short-term courses.

Revenue generated from Wontone Automotive Education increased by RMB65.0 million, or 18.3%, from RMB354.3 million for the year ended December 31, 2016 to RMB419.3 million for the year ended December 31, 2017 primarily as a result of the increase in tuition fees from our students. We established eight new Wontone Schools in 2017. The average students enrolled remained relatively stable with a total of 18,071 for 2016 and 18,100 for 2017, while new student enrollment increased from 14,449 for 2016 to approximately 16,203 for 2017. The tuition fee rate range increased from a range of RMB11,000-RMB23,800 in 2016 to RMB12,000-RMB25,800 in 2017 for long-term courses, and from a range of RMB2,500-RMB11,800 to RMB2,500-RMB14,000 in 2017 for short-term courses.

Revenue generated from Omick Education of Western Cuisine and Pastry increased from nil for the year ended December 31, 2016 to RMB74.8 million for the year ended December 31, 2017 as a result of our newly establish Schools under this brand. We opened one new School under the Omick Education of Western Cuisine and Pastry brand in 2016 but did not admit any student in 2016. In 2017, we established two more Schools under this brand with approximately 1,114 average students enrolled for 2017.

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## FINANCIAL INFORMATION

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Revenue generated from Wisezone Data Technology Education increased by RMB10.9 million, or 20.5%, from RMB53.2 million for the year ended December 31, 2016 to RMB64.1 million for the year ended December 31, 2017 primarily due to increase in tuition fees we received as a result of our increased new student enrollment and increased tuition fee rates. Our new student enrollment increased from 3,465 for 2016 to 3,573 for 2017. Our average students enrolled remained relatively stable, from a total of 1,138 for 2016 to 1,165 for 2017. Our tuition fee rate range increased from RMB9,800-RMB14,800 in 2016 to RMB10,800-RMB19,800 in 2017.

Revenue generated from Cuisine Academy increased from nil for the year ended December 31, 2016 to RMB0.3 million for the year ended December 31, 2017. Our Cuisine Academy brand commenced operations in 2017 and therefore had a relatively low revenue in 2017 and nil in the previous year.

### ***Cost of Revenue***

Cost of revenue increased by RMB267 million, or 26.3%, from RMB1,014.3 million for the year ended December 31, 2016 to RMB1,281.3 million for the year ended December 31, 2017. This increase was primarily due to increases in teaching staff salaries and benefits, student and teaching activity related costs, leasing expenses and campus maintenance and renovation expenses. Teaching staff salaries and benefits increased primarily due to our increasing number of newly hired teaching staff to meet the needs of our increased number of students. Also, we increased teaching staff's salary in 2017 to maintain our competitive teaching staff team. Student and teaching activity related costs increased primarily due to the increase of average students enrolled from 105,095 for the year ended December 31, 2016 to 116,603 for the year ended December 31, 2017. As a result, we increased our expenses for procurement of raw materials and equipment related to practical training. Leasing expense increased primarily due to the expansion of our school network and we leased campuses for our newly opened Schools. Campus maintenance and depreciation increased primarily due to the increase in expenses for renovating school facilities in connection with the expansion of our school network.

### ***Gross Profit and Gross Profit Margin***

Gross profit increased by RMB247.3 million or 18.7% from RMB1,321.5 million for the year ended December 31, 2016 to RMB1,568.8 million for the year ended December 31, 2017. Our gross profit margin decreased slightly from 56.6% for 2016 to 55.0% for 2017, primarily because our two brands, Omick Education of Western Cuisine and Pastry and Cuisine Academy, established new Schools/workshops and began operations in 2017, and we also added 39 more new Schools during 2017 compared with 2016. During the initial ramp-up period after a new School commences operations, it incurred substantial fixed costs for staff compensation, rent and other fixed costs while its revenue is limited due to the relatively small beginning number of student enrollment. As a result, new Schools during ramp-up period have a negative impact on our gross profit margin.

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## FINANCIAL INFORMATION

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### ***Other Income***

Other income increased by RMB12.8 million, or 59.3%, from RMB21.6 million for the year ended December 31, 2016 to RMB34.4 million for the year ended December 31, 2017. The increase was primarily due to an increase of RMB6.3 million in unconditional government grants. We were eligible for such unconditional government grants pursuant to local government policies to encourage vocational education service providers like us to bring quality practical skill training to their areas. Also, we had an increase of RMB7.9 million in interest income from banks as a result of an increase in cash on bank deposit. In late 2016 and early 2017, we adopted a new cash management system across all our Schools in China, which allowed our headquarters to collect unutilized cash from local Schools and re-invest the cash based on decisions made by our central management team.

### ***Other Gains and Losses***

Other gains increased by RMB33.1 million, or 124.0%, from RMB26.7 million for the year ended December 31, 2016 to RMB59.8 million for the year ended December 31, 2017. The increase was primarily due to a RMB33.6 million increase in net gain on structured deposits, which represent our investment in certain restricted low risk debt instruments arranged by banks for terms of less than one year. Each investment in such structured deposits was reviewed by our director of finance and accounting and ultimately signed off by our Chairman.

### ***Selling Expenses***

Selling expenses increased by RMB93.0 million, or 25.6%, from RMB363.9 million for the year ended December 31, 2016 to RMB456.9 million for the year ended December 31, 2017. The increase was primarily due to increases in sales and marketing staff salaries and benefits and advertising expenses to promote our market recognition and facilitate student recruitment.

### ***Administrative Expenses***

Our administrative expenses increased by RMB72.1 million, or 26.0%, from RMB277.8 million for the year ended December 31, 2016 to RMB349.9 million for the year ended December 31, 2017, primarily due to increases in administrative staff salaries and benefits and administrative office expenses. The administrative staff salaries and benefits increased due to the additional administrative staff we hired to meet the needs of our expanding school network. Our administrative office expenses increased as a result of the expansion of our school network.

### ***Income Tax Expense***

Income tax expense increased by 29.3% from RMB132.3 million for the year ended December 31, 2016 to RMB171.0 million for the year ended December 31, 2017, as a result of an increase in our taxable income.

### ***Profit and Total Comprehensive Income for the Year from Continuing Operations***

As a result of all the factors mentioned above, our profit and total comprehensive income for the year from continuing operations increased by 12.6% from RMB587.4 million for the year ended December 31, 2016 to RMB661.2 million for the year ended December 31, 2017.

## FINANCIAL INFORMATION

### YEAR ENDED DECEMBER 31, 2016 COMPARED TO YEAR ENDED DECEMBER 31, 2015

#### Continuing Operations

##### Revenue

Our revenue increased by RMB507.5 million, or 27.8%, from RMB1,828.2 million for the year ended December 31, 2015 to RMB2,335.7 million for the year ended December 31, 2016, which was primarily driven by an increase in revenue from tuition fees as a result of our increased student enrollment. We had approximately 88,248 of newly admitted students in 2015 as compared to approximately 100,463 in 2016.

Revenue generated from our New East Culinary Education brand increased by RMB374.9 million, or 35.5%, from RMB1,057.2 million for the year ended December 31, 2015 to RMB1,432.1 million for the year ended December 31, 2016, primarily due to the increase from tuition fees we received from our students. The average students enrolled under our New East Culinary Education brand increased from 52,207 for 2015 to 62,122 for 2016, and new student enrollment increased from 56,984 for 2015 to 65,306 for 2016. Tuition fee rate range increased from RMB10,400-RMB34,480 in 2015 to RMB10,400-RMB34,500 in 2016 for long-term programs, and from RMB1,200-RMB19,240 in 2015 to RMB1,200-RMB58,000 in 2016 for short-term programs.

Revenue generated from Xinhua Internet Technology Education increased by RMB37.3 million, or 8.4%, from RMB443.2 million for the year ended December 31, 2015 to RMB480.5 million for the year ended December 31, 2016, primarily attributable to the increase in tuition fees we received as a result of our increased new student enrollment and increased tuition fee rates. Xinhua Internet Technology Education's new student enrollment increased from 16,813 in 2015 to 17,243 in 2016, while the average students enrolled remained relatively stable at 24,084 for 2015 and 23,764 for 2016. Tuition rate range increased from RMB11,000-RMB21,000 in 2015 to RMB13,000-RMB23,800 in 2016 for long-term programs, and from RMB1,500-RMB10,000 in 2015 to RMB1,500-RMB12,000 in 2016 for short-term programs.

Revenue generated from Wontone Automotive Education increased by RMB34.5 million, or 10.8%, from RMB319.8 million for the year ended December 31, 2015 to RMB354.3 million for the year ended December 31, 2016 primarily as a result of an increase in tuition fees from our students. The new student enrollment and average students enrolled were relatively stable from 2015 to 2016, with a total of 14,451 new student enrollment in 2015 compared to a total of 14,449 in 2016, and a total of 17,436 average students enrolled for 2015 compared to 18,071 for 2016. Tuition fee rate range increased from RMB13,600-RMB31,000 in 2015 to RMB12,800-RMB36,800 in 2016 for our long-term courses. As to our short-term courses, our tuition rate range was RMB3,000 to RMB20,100 in 2015 to RMB680 to RMB32,600 in 2016.

Omick Education of Western Cuisine and Pastry commenced its operation in 2017. As a result, there was no revenue generated in previous years.



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## FINANCIAL INFORMATION

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Revenue generated from Wisezone Data Technology Education increased by RMB47.8 million, from RMB5.4 million for the year ended December 31, 2015 to RMB53.2 million for the year ended December 31, 2016 primarily due to the increase in tuition fees we received as a result of our new Schools opened in the year end of 2015. We established 16 new Wisezone Schools at the end of 2015, which commenced full operations in 2016, and as a result all revenue from these newly established Schools were received in 2016. We had a total of 3,465 new student enrollment and 1,138 average students enrolled in 2016.

Cuisine Academy commenced operations in 2017, and therefore no revenue was generated in any previous years.

### ***Cost of Revenue***

Cost of revenue increased by RMB173.6 million, or 20.6%, from RMB840.7 million for the year ended December 31, 2015 to RMB1,014.3 million for the year ended December 31, 2016. This increase was primarily due to costs in relation to our school network expansion with 20 new Schools established in 2015 and five new Schools in 2016. The costs primarily included leasing expenses and campus maintenance and renovation expenses. Teaching staff salaries and benefits increased primarily due to the increased number of our teaching staff which was in line with the needs of our increased number of students. We also raised our teaching staff's salary in 2016 to maintain our high-quality teaching team. Student and teaching activity related costs increased primarily due to the increased expenses for procurement of raw materials and equipment in relation to practical training as a result of the increase in our average students enrolled from 93,727 for the year ended December 31, 2015 to 105,095 for the year ended December 31, 2016. Leasing expense increased primarily due to the increase in expenses for leasing new campuses for our newly opened Schools. Campus maintenance and depreciation increased largely due to the increase in expenses for renovating school facilities in connection with the expansion of our school network.

### ***Gross Profit and Gross Profit Margin***

Gross profit increased by 33.8% from RMB987.5 million for the year ended December 31, 2015 to RMB1,321.5 million for the year ended December 31, 2016, which was in line with the growth of our business. Gross profit margin increased from 54.0% for 2015 to 56.6% in 2016, primarily because the proportion of new student enrollment in our long-term courses, which have relatively higher tuition fee rates, has increased.

### ***Other Income***

Other income decreased by RMB9.6 million, or 31.0%, from RMB31.3 million for the year ended December 31, 2015 to RMB21.6 million for the year ended December 31, 2016. The decrease was primarily due to our one-time experimental investments in non-bank financial institutions in 2015. We had RMB14.6 million interest income from the investment product from an Independent Third Party wealth management fund which amounted to RMB980.0 million. In addition, we received RMB7.4 million in interest income from related parties arising from a loan we made to related parties. Please see "— Related Party Transactions" for details.

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## FINANCIAL INFORMATION

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### ***Other Gains and Losses***

Other gains increased by RMB17.4 million, or 187.1%, from RMB9.3 million for the year ended December 31, 2015 to RMB26.7 million for the year ended December 31, 2016. The increase was primarily due to the increase of our net gain on structured deposits we purchased amounted to RMB10.4 million in 2015 and RMB27.5 million in 2016, with an increase of RMB17.1 million. To ensure our prudent investment approach, we put a very strict investment approval structure in place. All investments are selected by our finance managers, then reviewed and approved by our director of finance and accounting at our headquarters, and eventually signed off by the Chairman of our board.

### ***Selling Expenses***

Selling expenses increased by RMB28.9 million, or 8.6%, from RMB335.0 million for the year ended December 31, 2015 to RMB363.9 million for the year ended December 31, 2016. The increase was primarily due to an increase in the sales and marketing staff salaries and benefits. We hired additional sales and marketing staff and raised salaries for the existing sales and marketing staff at that time, in order to build and maintain a competitive team.

### ***Administrative Expenses***

Our administrative expenses increased by RMB28.2 million, or 11.3%, from RMB249.6 million for the year ended December 31, 2015 to RMB277.8 million for the year ended December 31, 2016, primarily due to increases in administrative staff salaries and benefits and administrative office expenses. The administrative staff salaries and benefits increased primarily because we hired additional administrative staff. Our administrative office expenses increased primarily due to the expansion of our school network.

### ***Income Tax Expense***

Income tax expense increased by 56.6% from RMB84.5 million for the year ended December 31, 2015 to RMB132.3 million for the year ended December 31, 2016, as a result of the increase in our taxable income.

### ***Profit and Total Comprehensive Income for the Year from Continuing Operations***

As a result of all factors above, our profit and total comprehensive income for the year from continuing operations increased by RMB234.3 million or 66.3% from RMB353.1 million for the year ended December 31, 2015 to RMB587.4 million for the year ended December 31, 2016.

## FINANCIAL INFORMATION

### DISCUSSION OF SELECTED ITEMS FROM THE COMBINED STATEMENTS OF FINANCIAL POSITION

#### Current Assets and Current Liabilities

The following table sets forth details of our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of	As of
	2015	2016	2017	August 31,	October 31,
				2018	2018
	<i>(Unaudited)</i>				
	<i>(RMB in thousands)</i>				
<b>CURRENT ASSETS</b>					
Inventories . . . . .	20,267	26,896	29,899	33,636	31,730
Prepaid lease payments . . . . .	2,010	2,010	2,940	2,940	2,940
Trade and other receivables . . . . .	124,912	127,193	190,506	310,000	374,619
Tax recoverable . . . . .	22,247	1,357	1,029	2,970	13,075
Other financial assets . . . . .					
– measured at fair value through profit or loss (“FVTPL”) . . . . .	50,000	–	–	1,220,000	1,390,000
– measured at amortized cost . . . . .	–	–	–	460,000	100,000
Bank balances and cash . . . . .	906,135	1,738,599	2,034,750	372,033	334,395
<b>TOTAL CURRENT ASSETS . . . . .</b>	<b>1,125,571</b>	<b>1,896,055</b>	<b>2,259,124</b>	<b>2,401,579</b>	<b>2,246,759</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables . . . . .	235,339	308,010	471,082	484,125	533,730
Amounts due to the Controlling Equity Holders <sup>(1)</sup> . . . . .	209,000	209,000	209,000	209,000	41,300
Dividend payable . . . . .	–	–	–	232,100	122,958
Tax liabilities . . . . .	21,221	81,085	101,566	86,547	10,141
Contract liabilities . . . . .	794,012	955,170	1,089,507	1,588,507	1,476,482
<b>TOTAL CURRENT LIABILITIES . . . . .</b>	<b>1,259,572</b>	<b>1,553,265</b>	<b>1,871,155</b>	<b>2,600,279</b>	<b>2,184,611</b>
<b>NET CURRENT (LIABILITIES)/ASSETS . . . . .</b>	<b>(134,001)</b>	<b>342,790</b>	<b>387,969</b>	<b>(198,700)</b>	<b>62,148</b>

*Note:*

(1) Our Controlling Equity Holders refer to Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing.

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## FINANCIAL INFORMATION

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As of August 31, 2018 we had net current liabilities of RMB198.7 million, as compared to net current assets of RMB388.0 million as of December 31, 2017. The change was primarily due to (i) a decrease of RMB1,662.7 million in bank balances and cash primarily because we had RMB1,680.0 million of other financial assets as of August 31, 2018 which had not been redeemed; (ii) an increase of RMB499.0 million in contract liabilities as a result of the increase in our student enrollment and tuition fee payment; and (iii) dividend payable of RMB232.1 million because we declared dividends in the eight months ended August 31, 2018, as partially offset by (i) an increase of RMB1,220.0 million in our other financial assets measured at fair value through profit or loss; (ii) an increase of RMB460.0 million in other financial assets measured at amortized cost; and (iii) an increase of RMB119.5 million in trade and other receivables primarily as a result of an increase of RMB34.3 million in prepayments for rental as we leased premises for new Schools during the expansion of our school network and an increase of RMB66.5 million in prepayments for advertisements as we increased our efforts to promote our brands and new Schools. As of October 31, 2018 we had net current assets of RMB62.1 million, as compared to net current liabilities of RMB198.7 million as of August 31, 2018. The change was primarily due to (i) an increase of RMB1,680.0 million in other financial assets as a result of our increased investments in financial products; (ii) an increase of RMB64.6 million in trade and other receivables, primarily due to the increased prepayments for renovation expenses of our new schools; and (iii) a decrease of RMB167.7 million in amounts due to the Controlling Equity Holders which had been fully settled in November 2018.

Our net current assets increased from RMB342.8 million as of December 31, 2016 to RMB388.0 million as of December 31, 2017, primarily as a result of (i) an increase in our bank balances and cash from RMB1,738.6 million as of December 31, 2016 to RMB2,034.8 million as of December 31, 2017, due to the increase in our average students enrolled and tuition fees paid in advance of each relevant course; and (ii) an increase of RMB63.3 million in trade and other receivables due to increases in prepayments for consumables, prepayments for rental and prepayments for advertisements as a result of the growth of our business and expansion of our school network, as partially offset by (i) an increase of RMB163.1 million in trade and other payables which in turn primarily resulted from an increase in payable for property and equipment and an increase in payroll payable due to the expansion of our school network and addition of new Schools.

As of December 31, 2015, we had net current liabilities of RMB134.0 million, as compared to net current assets of RMB342.8 million as of December 31, 2016. The change was primarily due to an increase of RMB832.5 million in our bank balances and cash. The expansion of our school network from 2015 to 2016 resulted in the increased tuition fees we received in cash during 2016. Also in 2016, our investment with non-bank financial institutions as well as our other financial assets measured at fair value through profit or loss were investments for terms shorter than a year, and we redeemed them for cash prior to the end of 2016, resulting in a significant increase in cash balance at the end of 2016. This increase in current assets was partially offset by increases in current liabilities including an increase of RMB161.2 million in contract liabilities due to the increase in our student enrollment and tuition fee payments, an increase of RMB72.7 million in trade and other payables which in turn primarily resulted from an increase in payable for property and equipment and an increase in payroll payable due to the expansion of our school network and addition of new Schools, an increase of RMB59.9 million in tax liabilities as a result of the increase in our taxable income.

## FINANCIAL INFORMATION

### Trade and Other Receivables

Trade and other receivables consist of (i) trade receivables, which primarily represent receivables from local governments that purchased vocational education services for students and receivables from customers who purchased ancillary services other than vocational education services. (ii) prepayments for consumables, which primarily represent the prepayment we made to purchase consumables used in teaching activities and by students who board at our Schools; (iii) prepayments for rental, which primarily consist of the prepaid leasing expenses for our school premises; (iv) prepayments for services, which represent registration fees we paid on behalf of our students to third party enterprise partners; (v) prepayments for advertisement, which represent repayments we made in connection with promotional and advertising activities to promote our brands; (vi) prepayments for [REDACTED]; (vii) value added tax recoverable, which represents value added tax payments we have made but are entitled to recover; (viii) advance to staff, which represents advances we made to relevant staff for business procurement and business travels. Each advance needs to be reviewed by relevant supervisors and receive approvals from them; (ix) deferred issue costs, which represent the portion of the [REDACTED] we incurred that will be capitalized and charged to share premium after the [REDACTED]; and (x) other receivables, which represent our small transactions with other parties, including, among others, deposits we made to utility companies, fee paid by other enterprises used our utilities, and the maintenance and repair expenses we made in order to receive prompt services in relation to our school premises and expected relevant landlords to reimburse us later.

The following table sets forth our trade and other receivables as of the dates indicated:

	As of December 31,			As of
	2015	2016	2017	August 31, 2018
	<i>(RMB in thousands)</i>			
Trade receivables				
– from government <sup>(1)</sup> . . . . .	17,061	22,227	23,717	24,755
– from others <sup>(2)</sup> . . . . .	6,120	4,891	7,242	9,955
	23,181	27,118	30,959	34,710
Prepayments for consumables . . . . .	9,788	15,132	27,681	28,059
Prepayments for rental . . . . .	40,774	39,325	71,778	106,085
Prepayments for services . . . . .	8,639	11,286	16,959	18,907
Prepayments for advertisement . . . . .	12,533	16,501	24,914	91,452
Prepayments for [REDACTED] . . . . .	–	–	–	426
Value added tax recoverable . . . . .	16,665	708	3,602	876
Advance to staff . . . . .	7,611	10,586	8,758	20,328
Deferred issue costs . . . . .	–	–	–	2,763
Other receivables . . . . .	5,721	6,537	5,855	6,394
<b>Total</b> . . . . .	<b>124,912</b>	<b>127,193</b>	<b>190,506</b>	<b>310,000</b>

Notes:

- (1) The amounts represent receivables from local governments that purchased vocational education services for students.
- (2) The amounts mainly represent receivables from customers who purchased ancillary services other than vocational education services.

## FINANCIAL INFORMATION

Our trade and other receivables increased by 62.7% from RMB190.5 million as of December 31, 2017 to RMB310.0 million as of August 31, 2018, primarily due to an increase of RMB66.5 million in prepayments for advertisement as we increased our efforts to promote our brands and new Schools and RMB34.3 million in prepayments for rental as we leased premises for new Schools during the expansion of our school network.

Our trade and other receivables increased by 49.8% from RMB127.2 million as of December 31, 2016 to RMB190.5 million as of December 31, 2017, primarily reflecting an increase of RMB12.5 million in prepayments for consumables, prepayment for rental, and an increase of RMB8.4 million in prepayments advertisement an increase of RMB32.5 million. These increases were due to the expansion of our school network resulting in significant prepayment made for renting school premises and purchasing consumables for new Schools as well as our increased efforts to promote our brands and new Schools.

Our trade and other receivables increase slightly by 1.8% from RMB124.9 million as of December 31, 2015 to RMB127.2 million as of December 31, 2016, primarily as a result of an increase of RMB5.2 million in trade receivables from government as local governments purchased more vocation education services from us, an increase of RMB5.3 million in prepayments for consumables in line with the increase in our average students enrolled, an increase of RMB4.0 million in prepayments for advertisement as we continued to promote our brands and our new Schools, and an increase of RMB3.0 million in advance to staff due to our increased business activities. These increases were offset in part by a decrease of RMB16.0 million in value added tax recoverable. During the Track Record Period, we made value added tax payments on a quarterly basis, where we prepaid our tax in each quarter and recovered the overpayment at the end of the year. The tax recoverable in 2015 included the overpaid amount of business tax. As a result of the comprehensive implementation of value-added tax in May 2016, effectively replacing the business tax that previously applied to us, our value added tax recoverable at the end of 2016 was less than the amount in 2015.

The following table sets forth an aging analysis of our trade receivables net of allowance for doubtful debts presented based on revenue recognition dates:

	As of December 31,			As of
	2015	2016	2017	August 31, 2018
	<i>(RMB in thousands)</i>			
Within 3 months . . . . .	14,482	16,194	18,583	25,345
Over 3 months but within				
12 months . . . . .	7,111	9,070	9,758	6,147
Over 1 year . . . . .	1,588	1,854	2,618	3,218
<b>Total</b> . . . . .	<b>23,181</b>	<b>27,118</b>	<b>30,959</b>	<b>34,710</b>

The expected loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

We considered that the impairment loss was insignificant as there has not been a significant change in credit quality and amounts are considered recoverable based on repayment history of respective customers.

## FINANCIAL INFORMATION

### Trade and Other Payables

Trade and other payables consist of (i) trade payables, mainly consisting of payables relating to our procurement, rent for leasing our school premises and advertising costs; (ii) payables for property and equipment, which primarily relate to payables in connection with the renovation and construction of school facilities, including office buildings and classroom buildings; (iii) value added tax and other tax payable; (iv) payroll payable; (v) discretionary subsidies received on behalf of students, which we record as payables until all relevant conditions under the subsidies are met and we recognize the subsidies as revenue; (vi) miscellaneous deposits received from students within 12 months which primarily consist of public property damage deposits paid by our students during the Track Record Period as well as advance deposits for meal card in 2018; (vii) [REDACTED] and issue costs payable; and (viii) other payables, which primarily consists of all the remaining categories of small amount transactions we made with various business partners. The following table sets forth our trade and other payables as of the dates indicated:

	As of December 31,			As of
	2015	2016	2017	August 31, 2018
	<i>(RMB in thousands)</i>			
Trade payables . . . . .	63,596	90,393	138,001	130,805
Payable for property and equipment . . . . .	24,039	39,145	89,016	72,281
Value added tax and other taxes payable . . . . .	4,829	8,859	25,878	13,327
Payroll payable . . . . .	72,219	90,237	132,313	123,620
Discretionary subsidies received on behalf of students . . . . .	16,784	18,972	16,021	27,405
Miscellaneous deposits received from students – within 12 months . . . . .	28,846	32,398	41,900	74,639
[REDACTED] and issue costs payable . . . . .	–	–	–	3,114
Other payables . . . . .	25,026	28,006	27,954	38,934
<b>Total . . . . .</b>	<b>235,339</b>	<b>308,010</b>	<b>471,082</b>	<b>484,125</b>

We make payments to our trade creditors upon satisfaction of quality inspection and receipt of invoice. The credit period of trade creditors is normally within 90 days. The following is an aging analysis of trade payables presented based on the dates of delivery of goods/dates of rendering of services:

	As of December 31,			As of
	2015	2016	2017	August 31, 2018
	<i>(RMB in thousands)</i>			
Within 90 days . . . . .	63,596	90,393	138,001	130,805

## FINANCIAL INFORMATION

Our trade and other payables increased from RMB471.1 million as of December 31, 2017 to RMB484.1 million as of August 31, 2018, primarily reflecting (i) an increase of RMB32.7 million in miscellaneous deposits received from students-within 12 months primarily because in 2018 we began to implement a meal card system and received deposits from students for meals; (ii) an increase of RMB11.4 million in discretionary subsidies received on behalf of students because local governments purchased more vocational education services from us; and (iii) an increase of RMB11.0 million in other payables. These increases were partially offset by a decrease of RMB16.7 million in payable for property and equipment as we settled some of the payables, a decrease of RMB8.7 million in payroll payable because we typically have higher payroll payable at year end due to bonus payments.

Our trade and other payables increased by 53.0% from RMB308.0 million as of December 31, 2016 to RMB471.1 million as of December 31, 2017, primarily as the result of a RMB47.6 million increase in trade payables, a RMB49.9 million increase in payable for property and equipment, and a RMB42.1 million increase in our payroll payable due to the significant expansion of our school network in 2017 compared to 2016.

Our trade and other payables increased by 21.6% from RMB235.3 million as of December 31, 2015 to RMB308.0 million as of December 31, 2016, primarily as the result of a RMB36.8 million increase in trade payables and a RMB15.1 million increase in payable for property and equipment due to the significant expansion of our school network in 2016 compared to 2015.

### Inventories

Inventories primarily consist of materials used in relation to our teaching and skills training, equipment and tools, school uniforms and beddings for students who board at our Schools. Due to the expansion of our school network, we procured in advance such school supplies in anticipation of the need from additional students. The following table sets forth our inventories as of the dates indicated:

	As of December 31,			As of August 31,
	2015	2016	2017	2018
	<i>(RMB in thousands)</i>			
School materials and Consumables .....	20,267	26,896	29,899	33,636



## FINANCIAL INFORMATION

### Other Financial Assets

Other financial assets represent financial products we purchased from banks. Our other financial assets mainly consist of low-risk wealth management products that we purchased in order to obtain higher yields than we can receive on regular bank deposits. We purchased other financial assets in each year/period during the Track Record Period, and they all had a maturity term of less than one year. In 2016 and 2017, we redeemed our other financial assets before the end of the year and, as a result, there was no balance shown as of December 31, 2016 and 2017.

Pursuant to the relevant underlying agreements, other financial assets carried interest rate of 5% per annum during the Track Record Period and the principal sums are denominated in RMB. The following table sets forth our other financial assets as of the dates indicated:

	As of December 31,			As of
	2015	2016	2017	August 31,
	(RMB in thousands)			
Other financial assets measured at FVTPL <sup>(1)</sup> . . . . .	50,000	–	–	1,220,000
Other financial assets measured at amortized cost <sup>(2)</sup> . . . . .	–	–	–	460,000

*Notes:*

- (1) As of December 31, 2015 and August 31, 2018, the financial products issued by banks and securities were short-term investments with no predetermined or guaranteed return and were not principal protected. These financial assets are with expected rates of return (not guaranteed), depending on the market price of underlying financial instruments, including listed shares, bonds, debentures and other financial assets.
- (2) The amount represents (i) a loan of RMB160.0 million granted to related parties through banks for purposes of earning interest income. The loan was fully settled in October 2018; and (ii) short-term principal protected investments of RMB300.0 million with predetermined return, which were issued by a bank.

## FINANCIAL INFORMATION

### Contract Liabilities

We generally require long-term course students to pay tuition fees in advance for the next 12 months and short-term course students to pay in advance all of the tuition fees for the courses they are enrolled in. We also require customers of Cuisine Academy to pay service fees in advance for the programs they are registered. We record tuition fees and service fees as contract liabilities when we initially receive advance tuition payments from our students and service fees from our customers. Tuition fees and service fees are recognized proportionately over the relevant periods of the applicable courses and programs. The portion of tuition payments received from students and service fees from our customers for which we expect to provide the corresponding services within 12 months is recorded as a current liability in our consolidated statements of financial position as such amounts represent deferred revenue that we expect to earn within one year. We recorded non-current liabilities from tuition fees during the Track Record Period primarily because some students chose to make one-time tuition payment for the full tuition amounts of their two-year programs as we offered a discount for such payments. The following table sets forth our contract liabilities as of the dates indicated:

	As of December 31,			As of August 31,
	2015	2016	2017	2018
	<i>(RMB in thousands)</i>			
Tuition fees service fees . . . . .	815,060	982,116	1,125,824	1,639,241
Less: current liabilities . . . . .	794,012	955,170	1,089,507	1,588,507
Non-current liabilities . . . . .	21,048	26,946	36,317	50,734

Increases in our contract liability balances from December 31, 2015 to December 31, 2016 then to December 31, 2017 are in line with the increase in our average students enrolled, the expansion of our school network and the growth of our business.

### LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash have been to fund our working capital requirements and our capital expenditures, including purchases of property and equipment. During the Track Record Period, we have funded our operations principally with cash generated from our operations. In the future, we believe that our liquidity requirements will be satisfied with a combination of cash flows generated from our operating activities, [REDACTED] from this [REDACTED] and other funds raised from the capital markets from time to time. Any significant decrease in our student enrollment or tuition fee rates may adversely impact our liquidity. As of December 31, 2015, 2016 and 2017 and August 31, 2018, we had cash and cash equivalents of RMB906.1 million, RMB1,738.6 million, RMB2,034.8 million, and RMB372.0 million, respectively.

## FINANCIAL INFORMATION

We combine the results of our PRC Consolidated Affiliated Entities and our access to their cash balance or future earnings through our Structured Contracts with them. See "History and Corporate Structure" and "Structured Contracts" in this document.

### Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated.

	Year ended December 31,			Eight months ended August 31,	
	2015	2016	2017	2017	2018
				(Unaudited)	
				(RMB in thousands)	
<b>OPERATING ACTIVITIES</b>					
Net cash from operating activities . . . . .	635,975	981,579	997,248	1,002,509	887,174
<b>INVESTING ACTIVITIES</b>					
Net cash from (used in) investing activities . . . . .	105,125	(149,115)	(601,097)	(1,999,767)	(2,096,800)
<b>FINANCING ACTIVITIES</b>					
Net cash used in financing activities . . . . .	(85,818)	–	(100,000)	–	(453,091)
Net increase (decrease) in cash and cash equivalents .	655,282	832,464	296,151	(997,258)	(1,662,717)
Cash and cash equivalents at the beginning of the year/period . . . . .	250,853	906,135	1,738,599	1,738,599	2,034,750
Cash and cash equivalents at the end of the year/period, representing bank balances and cash . . . . .	906,135	1,738,599	2,034,750	741,341	372,033

### Cash Flows from Operating Activities

Our cash inflow from operating activities is generated primarily from tuition and service fees. We generally require our students and customers to pay tuition and service fees in advance at the beginning of the programs they are enrolled in. Tuition fees are initially recorded under contract liabilities. Our cash outflow under operating activities is primarily for teaching staff salaries and benefits, student and teaching activity costs, selling expenses and administrative expenses.

Net cash from operating activities amounted to RMB887.2 million for the eight months ended August 31, 2018, primarily reflecting (i) operating cash flow before movements in working capital of RMB608.7 million, which resulted from (A) profit for the period of RMB289.6 million and (B) total positive adjustments of RMB319.1 million primarily including RMB111.5 million of positive adjustments for income tax expense, RMB12.4 million negative adjustments for interest income from banks, RMB247.3 million of positive adjustments for depreciation of property and equipment, and RMB28.2 million of negative adjustments for gains on structured deposits; and (ii) positive movements in working capital of RMB415.2 million as a result of a RMB513.4 million increase in contract liabilities and a RMB31.9 million increase in trade and other payables, as offset in part by a RMB85.2 million increase in trade and other receivables, a RMB23.6 million increase in prepayments for rental and a RMB17.5 million increase in deposits for rental and utilities.

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## FINANCIAL INFORMATION

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Net cash from operating activities amounted to RMB997.2 million for the year ended December 31, 2017, primarily reflecting (i) operating cash flow before movements in working capital of RMB977.2 million, which resulted from (A) profit for the year of RMB641.6 million and (B) total positive adjustments of RMB335.5 million primarily including RMB171.0 million of positive adjustments for income tax expense, RMB17.0 million of negative adjustments for interest income from banks, RMB239.5 million of positive adjustments for depreciation of property and equipment, and RMB61.1 million of negative adjustments for net gain on structured deposits; and (ii) positive movements in working capital of RMB170.5 million as a result of a RMB113.2 million increase in trade and other payables and a RMB143.7 million increase in contract liabilities, as offset in part by a RMB45.4 million increase in prepayments for rental, a RMB30.9 million increase in trade and other receivables and a RMB7.1 million increase in deposits for rental and utilities.

Net cash from operating activities amounted to RMB981.6 million for the year ended December 31, 2016, primarily reflecting (i) operating cash flow before movements in working capital of RMB832.9 million, which resulted from (A) profit for the year of RMB565.5 million and (B) total positive adjustments of RMB267.4 million primarily including RMB131.9 million of positive adjustments for income tax expense, RMB9.0 million of negative adjustments for interest income from banks, RMB171.4 million of positive adjustments for depreciation of property and equipment, and RMB27.5 million of negative adjustments for net gain on structured deposits; and (ii) positive movements in working capital of RMB200.5 million as a result of a RMB57.6 million increase in trade and other payables, and a RMB167.1 million increase in contract liabilities, as offset in part by a RMB6.6 million increase in inventories, a RMB3.7 million increase in trade and other receivables, a RMB4.3 million increase in prepayments for rental, and a RMB9.5 million increase in deposits for rental and utilities.

Net cash from operating activities amounted to RMB636.0 million for the year ended December 31, 2015, primarily reflecting (i) operating cash flow before movements in working capital of RMB528.3 million, which resulted from (A) profit for the year of RMB335.3 million and (B) total positive adjustments of RMB193.0 million primarily including RMB84.2 million of positive adjustments for income tax expense, RMB2.0 million of negative adjustments for interest income from banks, RMB8.2 million of negative adjustment for interest income from related parties, RMB19.8 million of negative adjustment for interest income from third parties, RMB147.0 million of positive adjustments for depreciation of property and equipment, and RMB10.4 million of negative adjustments for net gain on structured deposits; and (ii) positive movements in working capital of RMB203.2 million as a result of a RMB16.4 million increase in trade and other payables and a RMB207.2 million increase in contract liabilities, as offset in part by a RMB2.8 million increase in inventories, a RMB9.6 million decrease in trade and other receivables, a RMB19.1 million increase in prepayments for rentals and a RMB8.2 million increase in deposits for rental and utilities.

### ***Cash Flows from/Used in Investing Activities***

Our cash flows from and used in investing activities were primarily for the purchase of property and equipment, prepaid land lease payments, and purchase of structured deposits.

Net cash used in investing activities amounted to RMB2,096.8 million for the eight months ended August 31, 2018, primarily attributable to (i) RMB4,400.0 million used to purchase structured deposits; and (ii) RMB462.6 million used for purchases of property and equipment primarily relating to construction of school facilities in connection with the

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## FINANCIAL INFORMATION

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expansion of our school network. This cash outflow was partially offset by RMB2,748.2 million of cash inflow as a result of the redemption of structured deposits we purchased previously.

Net cash used in investing activities amounted to RMB601.1 million for the year ended December 31, 2017, primarily attributable to (i) RMB6,540.0 million used to purchase structured deposits; (ii) RMB643.6 million used to purchase items of property and equipment primarily relating to construction of school facilities in connection with the expansion of our school network; and (iii) RMB41.7 million in payment for prepaid lease payments, as partially offset by RMB6,601.1 million of cash inflow as a result of the redemption of structured deposits we purchased previously.

Net cash used in investing activities amounted to RMB149.1 million for the year ended December 31, 2016, primarily attributable to (i) RMB3,105.0 million used to purchase structured deposits; and (ii) RMB240.5 million used to purchase items of property and equipment primarily relating to construction of school facilities in connection with the expansion of our school network, as partially offset by RMB3,182.5 million of cash inflow as a result of the redemption of structured deposits we purchased previously.

Net cash generated from investing activities amounted to RMB105.1 million for the year ended December 31, 2015, primarily attributable to (i) RMB1,350.4 million of cash inflow as a result of the redemption of structured deposits we purchased previously; (ii) RMB440.0 million in repayment from third parties as we redeemed our wealth management products; and (iii) RMB248.2 million in repayment from related parties, as partially offset by (i) RMB1,300.0 million used to purchase structured deposit; (ii) RMB240.8 million used to purchase items of property and equipment primarily relating to construction of school facilities in connection with the expansion of our school network; (iii) RMB180.0 million in advances to third parties, which represented our purchases of wealth management products from a wealth management fund. All such wealth management products have been fully redeemed; and (iv) RMB210.0 million in advances to related parties for their working capital needs, which have been repaid in full together with interest.

### ***Net Cash Used in Financing Activities***

Our net cash used in financing activities were primarily consists of (i) deemed distribution to the Controlling Equity Holders; (ii) dividends paid; and (iii) issue costs paid.

Net cash used in financing activities amounted to RMB453.1 million for the eight months ended August 31, 2018 as a result of the RMB451.0 million of dividends and RMB2.1 million of issue costs we paid.

Net cash used in financing activities for the year ended December 31, 2017 amounted to RMB100.0 million as a result of the RMB100.0 million of dividends we paid out in 2017.

We did not have cash generated from or used in financing activities for the year ended December 31, 2016.

## FINANCIAL INFORMATION

Net cash used in financing activities amounted to RMB85.8 million for the year ended December 31, 2015, reflecting (i) RMB35.8 million of distribution to the Controlling Equity Holders, which represented the price we paid to our shareholders Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Quoqing for acquiring Langjie Technology from them; and (ii) RMB50.0 million of dividends we paid out in 2015.

### Working Capital

During the Track Record Period, we had net current liabilities of RMB134.0 million as of December 31, 2015 and net current assets of RMB342.8 million and RMB388.0 million as of December 31, 2016 and 2017, respectively. We had net current liabilities of RMB198.7 million as of August 31, 2018. Taking into account the financial resources available to our Group, including cash flows from operating activities and the estimated [REDACTED] from the [REDACTED], our Directors are of the view that, after due and careful inquiry, our Group has sufficient available working capital for our present requirements for at least the next 12 months from the date of this document.

### CAPITAL EXPENDITURES

During the Track Record Period, our capital expenditures primarily consisted of purchases of property and equipment and leasehold improvements, and amounted to RMB255.8 million, RMB255.7 million, RMB693.5 million and RMB445.9 million, respectively, for the years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2018. Our capital expenditure during the Track Record Period primarily related to renovation and maintenance of school premises and purchase of additional educational equipment.

We currently expect to incur approximately RMB892.3 million in capital expenditures in 2019 primarily for (i) the expansion of our school network; (ii) renovation and upgrade of school facilities; (iii) purchase of teaching equipment; and (iv) establishment of our five geographical regional centers which we expect to fund primarily through cash generated from operations and the [REDACTED] from the [REDACTED]. Our current capital expenditure plans for any future period are subject to change, and we may adjust our capital expenditures according to our future cash flows, results of operations and financial condition, our business plans, the market conditions and various other factors we believe to be appropriate.

### CONTRACTUAL COMMITMENTS

#### Capital Commitments

Our capital commitments primarily relate to the purchase of property and equipment. The following table sets forth a summary of our capital commitments as of the dates indicated:

	As of December 31,			As of
	2015	2016	2017	August 31, 2018
	<i>(RMB in thousands)</i>			
Capital expenditure contracted for but not provided in the combined financial statements in respect of acquisition of property and equipment . . . .	6,768	65,903	107,468	67,003

## FINANCIAL INFORMATION

As of December 31, 2015, 2016 and 2017 and August 31, 2018, we had no significant authorized but not contracted capital commitment.

### Operating Lease Commitments

Operating lease payments commitments represent rental payables for the premises we leased to use as classrooms and offices. The rental is fixed during the lease term. These leases are negotiated for terms of one to ten years. The following table sets forth our future minimum lease payments payable under non-cancellable operating leases as of the dates indicated:

	As of December 31,			As of
	2015	2016	2017	August 31, 2018
	<i>(RMB in thousands)</i>			
Within one year . . . . .	131,605	163,142	244,172	258,288
In the second to fifth year inclusive . . . . .	372,785	487,381	756,602	791,508
Over five years . . . . .	499,639	626,216	811,087	806,342
Total . . . . .	<u>1,004,029</u>	<u>1,276,739</u>	<u>1,811,861</u>	<u>1,856,138</u>

## INDEBTEDNESS

### Borrowings

The following table sets forth our borrowings as of December 31, 2015, 2016 and 2017 and August 31, 2018 and October 31, 2018, being the latest practicable date for the purpose of the statement of indebtedness:

	As of December 31,			As of	As of
	2015	2016	2017	August 31, 2018	October 31, 2018
	<i>(RMB in thousands)</i>				
Amounts due to Controlling Equity Holders . . . . .	<u>209,000</u>	<u>209,000</u>	<u>209,000</u>	<u>209,000</u>	<u>41,300</u>

Such borrowings are interest-free, unsecured and have no fixed terms of repayment or covenant, which were fully repaid in November 2018.

Our Directors have confirmed that we have not had any material delay or default in payment with regard to any borrowings during the Track Record Period and up to the Latest Practicable Date.

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## FINANCIAL INFORMATION

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### Banking facilities

As of December 31, 2015, 2016 and 2017 and August 31, 2018, the amount of our utilized and unutilized banking facilities was nil.

During the Track Record Period, we did not obtain any banking facilities. Our Directors have confirmed that our Group did not experience any difficulty in obtaining credit facilities or withdrawal of facilities during the Track Record Period and up to the Latest Practicable Date.

To the best knowledge and belief of our Directors, we do not expect to have difficulties in obtaining banking facilities after the [REDACTED].

### Disclaimer

Except as disclosed above, we did not have any outstanding loan capital issued or agreed to be issued, debt securities, bank overdrafts, utilized or unutilized banking facilities, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, finance leases, hire purchases commitments, guarantees or other material contingent liabilities as of October 31, 2018, being the latest practicable date for the preparation of the indebtedness statement in this document. As of the Latest Practicable Date, we do not expect to raise material external debt financing in the near future based on our current business plans.

### CONTINGENT LIABILITIES

As of October 31, 2018, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group. The Directors have confirmed that there has not been any material change in the contingent liabilities of our Group since October 31, 2018.

### OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.



## FINANCIAL INFORMATION

### RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into various transactions with related parties. The following table sets forth information relating to our transactions with our related parties during the periods indicated:

	Year ended December 31,			Eight months ended August 31,
	2015	2016	2017	2018
	(RMB in thousands)			
<i>Service income</i>				
Anhui Xinhua University . . . . .	988	2,741	2,778	620
<i>Interest income from related parties</i>				
Anhui Xinhua Real Estate . . . . .	5,289	–	–	–
Anhui Huadi Hengrun Real Estate Co., Ltd.* (安徽華地恒潤房地產有限公司) . . . . .	2,041	–	–	–
Anhui Huadi Assets Management Co., Ltd.* (安徽華地資產經營有限公司) . . . . .	720	–	–	–
Anhui Xinhua Group Investment Co., Ltd.* (安徽新華集團投資有限公司) . . . . .	197	–	–	–
<b>Total</b> . . . . .	<b>8,247</b>	<b>–</b>	<b>–</b>	<b>–</b>

Pursuant to the service agreements (the "Service Agreements") entered into by Anhui Xinhua University with each of our Anhui New East Culinary Institute\* (安徽新東方烹飪專修學院) and Anhui Xinhua Computer Institute\* (安徽新華電腦專修學院) (the "Relevant Institutes") on March 8, 2018, each of the Relevant Institute has agreed to assist Anhui Xinhua University in promoting its adult higher education program to students of the Relevant Institutes. The Relevant Institutes are entitled to certain amount of service fees under the Service Agreements. Such connected transactions are expected to continue pursuant to the Service Agreements. As of the Latest Practicable Date, other than the abovementioned related parties transactions, all balances with related parties had been settled.

Our Directors believe that each of the related party transactions set out in note 30 to the Accountants' Report in Appendix I to this document was conducted in the ordinary course of business on an arm's length basis. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance.

## FINANCIAL INFORMATION

[REDACTED]

We expect to incur a total of RMB[REDACTED] of [REDACTED] (assuming an [REDACTED] of HK\$[REDACTED], being the mid-point of the indicative [REDACTED] range between HK\$[REDACTED] and HK\$[REDACTED], and assuming that the [REDACTED] is not exercised) until the completion of the [REDACTED], of which RMB[REDACTED] million and RMB[REDACTED] million are expected to be charged to our combined statements of profit or loss and other comprehensive income for the year ending December 31, 2018 and 2019 respectively, and RMB[REDACTED] million is directly attributable to the issue of the Shares to the public and to be capitalized. [REDACTED] represent professional fees and other fees incurred in connection with the [REDACTED], including [REDACTED] [but excluding discretionary bonus]. The [REDACTED] above are the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate. We do not expect these [REDACTED] to have a material impact on our results of operations for the years ending December 31, 2018 and 2019.

### FINANCIAL RATIOS

	As of/for the year ended December 31,			As of/for the eight months ended August 31,
	2015	2016	2017	2018
	Gross profit margin <sup>(1)</sup> . . . . .	54.0%	56.6%	55.0%
Net profit margin <sup>(2)</sup> . . . . .	19.3%	25.1%	23.2%	14.5%
Return on assets <sup>(3)</sup> . . . . .	19.8%	22.2%	18.8%	7.7%
Current ratio <sup>(4)</sup> . . . . .	0.89	1.22	1.21	0.92
Return on equity <sup>(5)</sup> . . . . .	70.7%	55.1%	41.2%	24.5%

*Notes:*

- (1) Gross profit margin equals our gross profit divided by revenue for the year/period.
- (2) Net profit margin equals our net profit after tax divided by revenue for the year/period.
- (3) Return on assets equals net profit for the year/period divided by total assets as of the end of the year/period.
- (4) Current ratio equals our current assets divided by current liabilities as of the end of the year/period.
- (5) Return on equity equals profit for the year/period divided by average total equity amounts as of the end of the year/period.

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## FINANCIAL INFORMATION

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### Analysis of Key Financial Ratios

#### *Return on Assets*

Our return on assets remained relatively stable for the years ended December 31, 2015 and 2016. Our return on assets decreased from 22.2% for the year ended December 31, 2016 to 18.8% for the year ended December 31, 2017, primarily because our newly established Schools were still in the investment period in 2017, which had adversely affected our net profit margin in 2017. Our return on assets decreased to 7.7% for the eight months ended August 31, 2018, mainly due to an increase in our total assets as a result of the increase in deposits received and a decrease in net profit margin as a number of newly established Schools were in the investment period.

#### *Current Ratio*

Our current ratio increased from 0.89 for the year ended December 31, 2015 to 1.22 for the year ended December 31, 2016, mainly due to an increase in total current assets as a result of an increase in cash and cash equivalents in 2016. Our current ratio decreased to 1.21 for the year ended December 31, 2017, primarily attributable to our investments in establishing new Schools, which resulted in an increase in total non-current assets. Our current ratio further decreased to 0.92 for the eight months ended August 31, 2018, mainly due to (i) an increase in non-current assets; and (ii) an increase in current liabilities as a result of increases in loans from equity holders and dividend payable.

#### *Return on Equity*

Our return on equity decreased from 70.7% as of December 31, 2015 to 55.1% as of December 31, 2016, and further to 41.2% as of December 31, 2017, primarily because a larger increase in our total equity compared to the increase in our profit for the year as a result of increases in our teaching staff salaries and benefits and students and teaching activities related costs. Our return on equity was 24.5% as of August 31, 2018, which was lower than that as of December 31, 2017, primarily due to a decrease of our profit for the period from continuing operations.

### DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands and has not carried out any business since the date of its incorporation. Accordingly, our Company has no reserve available for distribution to the Shareholders as of August 31, 2018.

### DIVIDEND POLICY

During the Track Record Period, we declared dividends of RMB50.0 million in 2015, RMB100.0 million in 2017 and RMB683.1 million in August 2018. We intend to adopt, after our [REDACTED], a general dividend policy of declaring and paying dividends on an annual basis of no less than 30% of our distributable net profit attributable to our Shareholders in the future but subject to, among other things, our future operation and earnings, capital requirements and surplus, financial condition, working capital requirements and other factors that our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the relevant laws. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all.

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## FINANCIAL INFORMATION

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### DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

### NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position since August 31, 2018 (being the date on which the latest audited combined financial information of our Group was prepared) and there is no event since August 31, 2018 which would materially affect the information shown in our combined financial statements included in the Accountants' Report in Appendix I to this document.

### QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to a variety of market risks, including interest rate risk, credit risk and liquidity risk, as set out below. We manage and monitor policies to mitigate each of these risks to ensure appropriate measures are implemented in a timely and effective manner. For further details, including the relevant sensitivity analysis, see note 26 to the Accountants' Report set out in Appendix I to this document.

#### Interest Rate Risk

We are exposed to cash flow interest rate risk through the impact of rate changes on bank balances. Our cash flow interest rate risk is mainly concentrated on the fluctuation of Benchmark Borrowing Rate of the People's Bank of China.

Our Group will continue to monitor the exposure on cash flow interest risk and will consider hedging the interest rate should the need rise. Our Directors are of the view that we do not have material interest rate risk exposure and hence no sensitivity analysis is presented.

#### Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to us. At the end of the reporting period, our maximum exposure is arising from the carrying amount of the respective recognized financial assets as stated in the combined statement of financial position.

In order to minimize the credit risk on trade and other receivables, our management makes periodic collective assessments as well as individual assessment on the recoverability of trade and other receivables based on historical settlement records and past experience. Our directors believe that there is no material credit risk inherent in our outstanding balance of trade and other receivables.

The credit risk on bank balances and the structured deposit are limited because the counterparties are reputable financial institutions.

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### Liquidity risk

In the management of the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance our operations and mitigate the effects of fluctuations in cash flows. We regularly review our major funding positions to ensure that we have adequate financial resources in meeting our financial obligations.

The following is the maturity analysis for financial assets and financial liabilities held by us which is based on undiscounted remaining contractual obligations:

	<u>Weighted average interest rate</u>	<u>On demand or less than one year</u>	<u>Total undiscounted balances</u>	<u>Closing amount</u>
		<i>(RMB in thousands)</i>		
On December 31, 2015				
Trade and other payables . . . . .	–	158,291	158,291	158,291
Amounts due to Controlling Equity Holders . . . . .	–	209,000	209,000	209,000
		<u>367,291</u>	<u>367,291</u>	<u>367,291</u>
On December 31, 2016				
Trade and other payables . . . . .	–	208,914	208,914	208,914
Amounts due to Controlling Equity Holders . . . . .	–	209,000	209,000	209,000
		<u>417,914</u>	<u>417,914</u>	<u>417,914</u>
On December 31, 2017				
Trade and other payables . . . . .	–	312,892	312,892	312,892
Amounts due to Controlling Equity Holders . . . . .	–	209,000	209,000	209,000
		<u>521,892</u>	<u>521,892</u>	<u>521,892</u>
On August 31, 2018				
Trade and other payables . . . . .	–	347,178	347,178	347,178
Amounts due to Controlling Equity Holders . . . . .	–	209,000	209,000	209,000
		<u>556,178</u>	<u>556,178</u>	<u>556,178</u>

## FINANCIAL INFORMATION

### UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following our unaudited pro forma statement of adjusted combined net tangible assets has been prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Unaudited Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA for illustration purpose only, and is set out below to illustrate the effect of the [REDACTED] on our combined net tangible assets as of August 31, 2018 as if it had taken place on that date.

Our unaudited pro forma adjusted combined net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the [REDACTED] been completed as of August 31, 2018 or any future date. It is prepared based on our combined net tangible assets as of August 31, 2018 as set out in the Accountants' Report in Appendix I to this document, and adjusted as described below:

	Combined net tangible assets attributable to owners of our Company as of August 31, 2018 <sup>(1)</sup>	Estimated [REDACTED] from the [REDACTED] <sup>(2)</sup>	Unaudited pro forma adjusted combined net tangible assets	Unaudited pro forma adjusted combined net tangible assets per Share <sup>(3)</sup>	
	<i>(RMB in thousands)</i>			<i>RMB</i>	<i>HK\$<sup>(4)</sup></i>
Based on the [REDACTED] of HK\$[REDACTED] per Share. . . . .	1,213,216	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on the [REDACTED] of HK\$[REDACTED] per Share. . . . .	1,213,216	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

**Notes:**

- (1) The audited combined net tangible assets of the Group attributable to owners of the Company as at August 31, 2018 is extracted from the Accountants' Report as set out in Appendix I to this document.
- (2) The estimated [REDACTED] from the [REDACTED] are based on [REDACTED] at the indicative [REDACTED] of HK\$[REDACTED] (equivalent to RMB[REDACTED]) and HK\$[REDACTED] (equivalent to RMB[REDACTED]) per [REDACTED], respectively, after deduction of [REDACTED] and [REDACTED] and other [REDACTED] related expenses paid/payable by the Company (excluding the [REDACTED] which has been charged to profit or loss up to August 31, 2018), and without taking into account of any shares (i) which may be allotted and issued upon the exercise of the [REDACTED] or (ii) which may be issued under the [REDACTED] Share Option Scheme or (iii) which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Company. For the purpose of the estimated [REDACTED] from the [REDACTED], the amount denominated in Hong Kong dollars has been converted into Renminbi at the rate of HK\$1 to RMB[0.8880], which was the exchange rate prevailing on Latest Practicable Date with reference to the rate published by the People's Bank of China. No representation is made that the HK\$ amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or any other rates or at all.

## FINANCIAL INFORMATION

- (3) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share is arrived at on the basis that [REDACTED] Shares were in issue assuming that the [REDACTED] had been completed on August 31, 2018 and without taking into account of any shares (i) which may be allotted and issued upon the exercise of the [REDACTED] or (ii) which may be issued under the [REDACTED] Share Option Scheme or (iii) which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Company.
- (4) For the purpose of unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share, the amount stated in RMB is converted into Hong Kong dollar at the rate of RMB[0.8880] to HK\$1, which was the exchange rate prevailing on Latest Practicable Date with reference to the rate published by the People's Bank of China. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.
- (5) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as of August 31, 2018 to reflect any trading result or other transaction of the Group entered into subsequent to August 31, 2018.

## PROPERTY INTERESTS AND PROPERTY VALUATION REPORT

The value of our property interests as of October 31, 2018 as valued by Cushman & Wakefield, an independent property valuation firm, was RMB17.34 million. The text of its letter and valuation certificate are set out in the Property Valuation Report as set forth in Appendix III to this document.

The following table presents the reconciliation of the net book value of the relevant property interests, as of August 31, 2018 to their market value as of October 31, 2018 attributed by Cushman & Wakefield as stated in the valuation certificate in the Property Valuation Report as set forth in Appendix III to this document:

	<i>(RMB'000)</i>
Net book value of the following properties as of August 31, 2018:	
Buildings and construction in progress included in property and equipment . . . . .	405,580
Prepaid lease payments . . . . .	127,329
Less: Property interests without commercial value . . . . .	(527,781)
Less:	
Depreciation and amortisation for the two months ended October 31, 2018 . . . . .	(66)
Valuation surplus . . . . .	12,268
<b>Valuation as of October 31, 2018 . . . . .</b>	<b>17,330</b>

## **FUTURE PLANS AND [REDACTED]**

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### **FUTURE PLANS**

Please refer to "Business — Our Business Strategies" in this document for a detailed discussion of our future plans.

**[REDACTED]**



**FUTURE PLANS AND [REDACTED]**

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[REDACTED]

**[REDACTED]**

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**[REDACTED]**

**[REDACTED]**

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**[REDACTED]**

**[REDACTED]**

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**[REDACTED]**

**[REDACTED]**

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**[REDACTED]**

## **STRUCTURE OF THE [REDACTED]**

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[REDACTED]

**STRUCTURE OF THE [REDACTED]**

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[REDACTED]

## **STRUCTURE OF THE [REDACTED]**

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[REDACTED]



**STRUCTURE OF THE [REDACTED]**

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[REDACTED]

**STRUCTURE OF THE [REDACTED]**

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[REDACTED]

**STRUCTURE OF THE [REDACTED]**

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[REDACTED]

**STRUCTURE OF THE [REDACTED]**

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[REDACTED]

**STRUCTURE OF THE [REDACTED]**

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[REDACTED]

## **HOW TO APPLY FOR THE [REDACTED]**

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[REDACTED]

## **HOW TO APPLY FOR THE [REDACTED]**

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[REDACTED]

## **HOW TO APPLY FOR THE [REDACTED]**

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[REDACTED]



## **HOW TO APPLY FOR THE [REDACTED]**

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[REDACTED]

## **HOW TO APPLY FOR THE [REDACTED]**

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**[REDACTED]**

## **HOW TO APPLY FOR THE [REDACTED]**

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[REDACTED]

## **HOW TO APPLY FOR THE [REDACTED]**

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**[REDACTED]**

## **HOW TO APPLY FOR THE [REDACTED]**

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[REDACTED]

## **HOW TO APPLY FOR THE [REDACTED]**

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[REDACTED]

## **HOW TO APPLY FOR THE [REDACTED]**

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[REDACTED]

## **HOW TO APPLY FOR THE [REDACTED]**

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[REDACTED]



## **HOW TO APPLY FOR THE [REDACTED]**

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[REDACTED]

## **HOW TO APPLY FOR THE [REDACTED]**

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[REDACTED]

## **HOW TO APPLY FOR THE [REDACTED]**

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[REDACTED]

## **HOW TO APPLY FOR THE [REDACTED]**

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[REDACTED]

## **HOW TO APPLY FOR THE [REDACTED]**

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[REDACTED]

## **HOW TO APPLY FOR THE [REDACTED]**

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[REDACTED]

## **HOW TO APPLY FOR THE [REDACTED]**

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[REDACTED]



**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA EAST EDUCATION HOLDINGS LIMITED AND BNP PARIBAS SECURITIES (ASIA) LIMITED**

**Introduction**

We report on the historical financial information of China East Education Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages I-3 to [I-71], which comprises the combined statements of financial position as at December 31, 2015, 2016 and 2017 and August 31, 2018, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for the three years ended December 31, 2017 and the eight months period ended August 31, 2018 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to [I-71] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [date 1] (the "Document") in connection with the [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

**Directors' responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

**Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## APPENDIX I

## ACCOUNTANTS' REPORT OF THE GROUP

### Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at December 31, 2015, 2016 and 2017 and August 31, 2018 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

### Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the eight months period ended August 31, 2017 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

### Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

#### Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

#### Dividends

We refer to note 12 to the Historical Financial Information which contains information about the dividends declared or paid by the group entities in respect of the Track Record Period.

### No historical financial statements for the Company

No financial statements have been prepared for the Company since its date of incorporation.

**[Deloitte Touche Tohmatsu]**  
*Certified Public Accountants*  
Hong Kong  
**[REDACTED]**

## **APPENDIX I**

## **ACCOUNTANTS' REPORT OF THE GROUP**

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### **HISTORICAL FINANCIAL INFORMATION OF THE GROUP**

#### **Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report was prepared based on the consolidated financial statements of [Anhui Xinhua Education Group Co., Ltd. ("Anhui Xinhua Education")] for the Track Record Period. The consolidated financial statements have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

**APPENDIX I ACCOUNTANTS' REPORT OF THE GROUP**

**COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	NOTES	Year ended December 31,			Eight months period ended August 31,	
		2015	2016	2017	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(Unaudited)
<b>Continuing operations</b>						
Revenue . . . . .	5	1,828,206	2,335,730	2,850,165	1,790,226	2,055,129
Cost of revenue . . . . .		(840,670)	(1,014,265)	(1,281,339)	(761,497)	(990,941)
Gross profit . . . . .		987,536	1,321,465	1,568,826	1,028,729	1,064,188
Other income . . . . .	6	31,260	21,578	34,403	14,612	32,293
Other gains and losses . . . . .	7	9,306	26,704	59,809	30,241	28,496
Selling expenses . . . . .		(335,000)	(363,889)	(456,926)	(301,130)	(438,370)
Administrative expenses . . . . .		(249,567)	(277,798)	(349,936)	(213,545)	(255,304)
[REDACTED] . . . . .		-	-	-	-	(8,290)
Research and development expenses . . . . .		(5,951)	(8,403)	(24,021)	(14,398)	(14,214)
Profit before taxation . . . . .		437,584	719,657	832,155	544,509	408,799
Income tax expense . . . . .	8	(84,483)	(132,278)	(170,965)	(137,278)	(111,458)
Profit and total comprehensive income for the year/period from continuing operations . . . . .		353,101	587,379	661,190	407,231	297,341
<b>Discontinued operation</b>						
Loss and total comprehensive expense for the year/period from discontinued operation . . . . .	10	(17,834)	(21,901)	(19,569)	(8,995)	(7,749)
Profit and total comprehensive income for the year/period . . . . .	9	335,267	565,478	641,621	398,236	289,592
<b>Profit (loss) and total comprehensive income (expenses) for the year/period attributable to owners of the Company</b>						
- from continuing operations . . . . .		353,101	587,379	661,190	407,231	297,341
- from discontinued operation . . . . .	10	(17,834)	(21,901)	(19,569)	(8,995)	(7,749)
		335,267	565,478	641,621	398,236	289,592

## APPENDIX I ACCOUNTANTS' REPORT OF THE GROUP

### COMBINED STATEMENTS OF FINANCIAL POSITION

	NOTES	As at December 31,			As at
		2015	2016	2017	August 31,
		RMB'000	RMB'000	RMB'000	2018
					RMB'000
<b>Non-current assets</b>					
Property and equipment . . . . .	14	530,858	611,342	1,060,309	1,254,100
Prepaid lease payments . . . . .	15	90,559	88,549	126,349	124,389
Deferred tax assets . . . . .	16	2,940	3,579	3,849	12,117
Prepayments for rental . . . . .		13,224	18,959	31,902	21,215
Deposits for rental and utilities . . . . .		20,146	29,660	36,792	54,330
		<u>657,727</u>	<u>752,089</u>	<u>1,259,201</u>	<u>1,466,151</u>
<b>Current assets</b>					
Inventories . . . . .	17	20,267	26,896	29,899	33,636
Prepaid lease payments . . . . .	15	2,010	2,010	2,940	2,940
Trade and other receivables . . . . .	18	124,912	127,193	190,506	310,000
Tax recoverable . . . . .		22,247	1,357	1,029	2,970
Other financial assets	19				
– measured at fair value					
through profit or loss ("FVTPL").		50,000	–	–	1,220,000
– measured at amortised cost . . . . .		–	–	–	460,000
Bank balances and cash . . . . .	20	906,135	1,738,599	2,034,750	372,033
		<u>1,125,571</u>	<u>1,896,055</u>	<u>2,259,124</u>	<u>2,401,579</u>
<b>Current liabilities</b>					
Trade and other payables . . . . .	21	235,339	308,010	471,082	484,125
Amounts due to Controlling Equity					
Holders . . . . .	22	209,000	209,000	209,000	209,000
Dividend payable . . . . .		–	–	–	232,100
Tax liabilities . . . . .		21,221	81,085	101,566	86,547
Contract liabilities . . . . .	23	794,012	955,170	1,089,507	1,588,507
		<u>1,259,572</u>	<u>1,553,265</u>	<u>1,871,155</u>	<u>2,600,279</u>
<b>Net current (liabilities) assets . . . . .</b>		<u>(134,001)</u>	<u>342,790</u>	<u>387,969</u>	<u>(198,700)</u>
<b>Total assets less current liabilities . . . . .</b>		<u>523,726</u>	<u>1,094,879</u>	<u>1,647,170</u>	<u>1,267,451</u>
<b>Non-current liabilities</b>					
Contract liabilities . . . . .	23	21,048	26,946	36,317	50,734
Government grants . . . . .		3,053	2,830	4,129	3,501
		<u>24,101</u>	<u>29,776</u>	<u>40,446</u>	<u>54,235</u>
<b>Net assets . . . . .</b>		<u>499,625</u>	<u>1,065,103</u>	<u>1,606,724</u>	<u>1,213,216</u>
<b>Capital and reserves</b>					
Paid-in capital . . . . .	24	360,000	360,000	360,000	360,000
Reserves . . . . .		139,625	705,103	1,246,724	853,216
<b>Total equity . . . . .</b>		<u>499,625</u>	<u>1,065,103</u>	<u>1,606,724</u>	<u>1,213,216</u>

**APPENDIX I ACCOUNTANTS' REPORT OF THE GROUP**

**COMBINED STATEMENTS OF CHANGES IN EQUITY**

	Note	Attributable to owners of the Company			
		Paid-in capital	Statutory surplus reserve	Retained profits	Total
		RMB'000	RMB'000 (note a)	RMB'000	RMB'000
At January 1, 2015 . . . . .		133,850	127,215	198,111	459,176
Profit and total comprehensive income for the year . . . . .		–	–	335,267	335,267
Transfer . . . . .		–	742	(742)	–
Group Reorganisation (defined in note 1) (note b) . . . . .		230,000	–	(230,000)	–
Deemed distribution to the Controlling Equity Holders (note c) . . . . .		(3,850)	–	(240,968)	(244,818)
Dividend distribution . . . . .	12	–	–	(50,000)	(50,000)
At December 31, 2015 . . . . .		<u>360,000</u>	<u>127,957</u>	<u>11,668</u>	<u>499,625</u>
Profit and total comprehensive income for the year . . . . .		–	–	565,478	565,478
Transfer . . . . .		–	118,577	(118,577)	–
At December 31, 2016 . . . . .		<u>360,000</u>	<u>246,534</u>	<u>458,569</u>	<u>1,065,103</u>
Profit and total comprehensive income for the year . . . . .		–	–	641,621	641,621
Transfer . . . . .		–	157,015	(157,015)	–
Dividend distribution . . . . .	12	–	–	(100,000)	(100,000)
At December 31, 2017 . . . . .		<u>360,000</u>	<u>403,549</u>	<u>843,175</u>	<u>1,606,724</u>
Profit and total comprehensive income for the period . . . . .		–	–	289,592	289,592
Transfer . . . . .		–	(112,542)	112,542	–
Dividend distribution . . . . .	12	–	–	(683,100)	(683,100)
At August 31, 2018 . . . . .		<u>360,000</u>	<u>291,007</u>	<u>562,209</u>	<u>1,213,216</u>
At January 1, 2017 . . . . .		360,000	246,534	458,569	1,065,103
Profit and total comprehensive income for the period (unaudited) . . . . .		–	–	398,236	398,236
At August 31, 2017 (unaudited) . . . . .		<u>360,000</u>	<u>246,534</u>	<u>856,805</u>	<u>1,463,339</u>

## APPENDIX I

## ACCOUNTANTS' REPORT OF THE GROUP

Notes:

- (a) Pursuant to the relevant laws in the People's Republic of China (the "PRC"), the Company's subsidiaries in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the management of the relevant PRC subsidiaries. These reserves include: (i) general reserve of the limited liabilities companies and (ii) the development fund of schools.
- i. For PRC subsidiaries with limited liability, they are required to make annual appropriations to general reserve of 10% of after-tax profits as determined under the PRC laws and regulations at each year-end until the balance reaches 50% of the relevant PRC entity's registered capital.
  - ii. According to the relevant PRC laws and regulations, for private school that does not require for reasonable return, it is required to appropriate to development fund of not less than 25% of the net income of the relevant schools as determined in accordance with generally accepted accounting principles in the PRC. The development fund shall be used for the construction or maintenance of the schools or procurement or upgrading of educational equipment. When the development fund is used, the reserve will be transferred back to retained profits directly.
- (b) In 2015, Anhui Xinhua Education has entered into contracts with the Controlling Equity Holders (defined in note 1) to obtain the equity interests of Beijing Wisezone Education Technology Co., Ltd. (北京華信智原教育技術有限公司) ("Beijing Wisezone"), Anhui New East Culinary Professional Institute (安徽新東方烹飪專修學院) ("Anhui New East"), Anhui Wontone Automobile Maintenance Institute (安徽萬通汽車專修學院) ("Anhui Wontone") by issuing an aggregated paid-in capital of RMB320,000,000. Before completion of the transactions, the aggregated equity interests of those PRC operating subsidiaries were RMB90,000,000 and included in the paid-in capital.
- (c) In 2015, Anhui Xinhua Education has entered into the sales and purchase agreements with the Controlling Equity Holders to acquire the entire equity interests of Beijing Langjie Technology Co., Ltd. (北京朗傑科技有限公司) ("Langjie Technology"), Shijiazhuang New East Secondary Vocational School (石家莊新東方中等專業學校) ("Shijiazhuang Secondary"), Nanjing Culinary Vocational School (南京烹飪技工學校) ("Nanjing Culinary") and Beijing City New East Culinary Vocational Training School (北京市新東方烹飪職業技能培訓學校) ("Beijing New East") at cash considerations of RMB35,818,000, RMB72,000,000, RMB87,000,000, and RMB50,000,000 respectively. The amounts of RMB35,818,000 was settled in 2015 while the remaining considerations of RMB209,000,000 were settled in November 2018.

**APPENDIX I**

**ACCOUNTANTS' REPORT OF THE GROUP**

**COMBINED STATEMENTS OF CASH FLOWS**

	Year ended December 31,			Eight months period ended August 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
<b>OPERATING ACTIVITIES</b>					
Profit for the year/period . . . . .	335,267	565,478	641,621	398,236	289,592
Adjustments for: . . . . .					
Income tax expense . . . . .	84,172	131,903	170,965	137,278	111,458
Interest income from banks . . . . .	(1,976)	(9,034)	(16,959)	(5,868)	(12,443)
Interest income from related parties . . . . .	(8,247)	—	—	—	—
Interest income from third parties . . . . .	(19,836)	—	—	—	—
Depreciation of property and equipment . . . . .	147,020	171,428	239,544	133,877	247,253
Amortisation of prepaid lease payments . . . . .	1,613	2,010	2,940	1,960	1,960
Release of asset-related government grants . . . . .	(438)	(2,176)	(1,146)	(733)	(668)
Losses (gains) on disposals of property and equipment . . . . .	1,066	753	1,268	(158)	(327)
Gains on other financial assets measured at FVTPL . . . . .	(10,372)	(27,457)	(61,077)	(30,083)	(28,169)
Operating cash flow before movements in working capital . . . . .	528,269	832,905	977,156	634,509	608,656
Increase in inventories . . . . .	(2,811)	(6,629)	(3,003)	(2,899)	(3,737)
Decrease (increase) in trade and other receivables . . . . .	9,591	(3,730)	(30,860)	(63,950)	(82,424)
Increase in prepayments for rental . . . . .	(19,062)	(4,286)	(45,396)	(26,056)	(23,620)
Increase in deposits for rental and utilities . . . . .	(8,153)	(9,514)	(7,132)	(3,875)	(17,538)
Increase in trade and other payables . . . . .	16,409	57,565	113,201	53,260	29,106
Increase in contract liabilities . . . . .	207,231	167,056	143,708	496,725	513,417
Cash generated from operations . . . . .	731,474	1,033,367	1,147,674	1,087,714	1,023,860
Income taxes paid . . . . .	(95,499)	(51,788)	(150,426)	(85,205)	(136,686)
Net cash from operating activities . . . . .	635,975	981,579	997,248	1,002,509	887,174
<b>INVESTING ACTIVITIES</b>					
Interest received from banks . . . . .	1,976	9,034	16,959	5,868	12,443
Proceeds on disposals of property and equipment . . . . .	1,122	2,989	3,692	3,349	5,151
Purchases of property and equipment . . . . .	(240,775)	(240,548)	(643,600)	(407,796)	(462,603)
Payments for prepaid lease payments . . . . .	(6,831)	—	(41,670)	(41,670)	—
Purchases of other financial assets . . . . .	(1,300,000)	(3,105,000)	(6,540,000)	(4,870,000)	(4,400,000)
Redemptions of other financial assets . . . . .	1,350,372	3,182,457	6,601,077	3,309,083	2,748,169
Advances to related parties . . . . .	(210,000)	—	—	—	—
Repayments from related parties . . . . .	248,247	—	—	—	—
Advances to third parties . . . . .	(180,000)	—	—	—	—
Repayments from third parties . . . . .	440,014	—	—	—	—
Asset-related government grants . . . . .	1,000	1,953	2,445	1,399	40
Net cash from (used in) investing activities . . . . .	105,125	(149,115)	(601,097)	(1,999,767)	(2,096,800)

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**ACCOUNTANTS' REPORT OF THE GROUP**

	Year ended December 31,			Eight months period ended August 31,	
	2015	2016	2017	2017	2018
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
<b>FINANCING ACTIVITIES</b>					
Deemed distribution to the Controlling Equity Holders . . . . .	(35,818)	–	–	–	–
Dividend paid . . . . .	(50,000)	–	(100,000)	–	(451,000)
Issue costs paid . . . . .	–	–	–	–	(2,091)
Net cash used in financing activities . .	<u>(85,818)</u>	<u>–</u>	<u>(100,000)</u>	<u>–</u>	<u>(453,091)</u>
Net increase (decrease) in cash and cash equivalents . . . . .	655,282	832,464	296,151	(997,258)	(1,662,717)
Cash and cash equivalents at the beginning of the year/period . . . . .	<u>250,853</u>	<u>906,135</u>	<u>1,738,599</u>	<u>1,738,599</u>	<u>2,034,750</u>
Cash and cash equivalents at the end of the year/period, representing bank balances and cash. . . . .	<u>906,135</u>	<u>1,738,599</u>	<u>2,034,750</u>	<u>741,341</u>	<u>372,033</u>



## APPENDIX I

## ACCOUNTANTS' REPORT OF THE GROUP

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 1. CORPORATE INFORMATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands and registered as an exempted company with limited liability under the Companies Law Chapter 22 of the Cayman Islands on October 4, 2018. Its shareholders are Wu Wei Education Company Limited ("Wu Wei Education"), Wu Junbao Education Company Limited ("Wu Junbao Education") and Xiao Guoqing Education Company Limited ("Xiao Guoqing Education"), which are incorporated in the British Virgin Islands (the "BVI"). Its ultimate controlling parties are Mr. Wu Wei, Mr. Wu Junbao and Mr. Xiao Guoqing, who have historically and throughout the Track Record Period been the controlling equity holders of the Group (Mr. Wu Wei, Mr. Wu Junbao and Mr. Xiao Guoqing collectively referred as the "Controlling Equity Holders"). The addresses of the registered office and the principal place of business of the Company are disclosed in the section "Corporate Information" in the Document.

The Company is an investment holding company. The principal activities of its subsidiaries are mainly engaged in the operation of vocational education institutions. Details of the subsidiaries are disclosed in note 31.

The Historical Financial Information has been prepared based on the accounting policies set out in note 3 which conform with HKFRSs issued by the HKICPA.

Prior to December 31, 2015, Beijing Wisezone, Anhui New East, Anhui Wontone, Langjie Technology, Shijiazhuang Secondary, Nanjing Culinary and Beijing New East were under the common control of and jointly and collectively managed by the Controlling Equity Holders. On January 20, 2015, December 12, 2015 and December 31, 2015, the Controlling Equity Holders transferred the entire equity interest of these entities to Anhui Xinhua Education. Therefore, the equity interest transfer of the abovementioned entities are accounted for as business combinations under common control by using the principal of merger accounting in accordance with Accounting Guidance 5 "Merger Accounting for Common Control Combinations" issued by HKICPA.

Pursuant to the reorganisation as more fully explained in the paragraph under the sections headed "History and Corporate Structure" and "Structured Contracts" in the Document (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on November 26, 2018. Since the Controlling Equity Holders control all the companies now comprising the Group before and after the Reorganisation, the Group comprising the Company and its subsidiaries is regarded as a continuing entity.

Under the relevant PRC laws and regulations requirement, the Company is restricted to independently or jointly operate most of vocational and training business. In preparation for the [REDACTED] of the Company's shares on the Main Board of the Stock Exchange, the Group underwent the Reorganisation through entering into contractual arrangements with the Controlling Equity Holders to maintain and exercise the control over the operation of Anhui Xinhua Education, and to obtain all of its entire economic benefits (the "Contractual Arrangements"). The Contractual Arrangements were entered into by a wholly-owned subsidiary of the Company, Hefei Xinhua Chuangzhi Education Management Co., Ltd. (合肥新華創智教育管理有限公司) ("Xinhua Chuangzhi") with Anhui Xinhua Education and the Controlling Equity Holders, which, effective from November 30, 2018, enable Xinhua Chuangzhi and the Group to:

- exercise effective financial and operational control over Anhui Xinhua Education;
- exercise equity holders' voting rights of Anhui Xinhua Education;
- receive substantially all economic returns generated by Anhui Xinhua Education in consideration for the business support, technical and consulting services provided by the Group;
- obtain an irrevocable and exclusive right to purchase the entire equity interest in Anhui Xinhua Education from the Controlling Equity Holders at nil consideration or a minimum purchase price permitted under PRC laws and regulations. The Group may exercise such options at any time until it has acquired all equity interests and/or all assets of Anhui Xinhua Education. In addition, Anhui Xinhua Education is not allowed to sell, transfer, or dispose any assets, or make any distributions to its equity holders without prior consent of the Group; and



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The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16 . . . . .	<i>Leases</i> <sup>1</sup>
HKFRS 17 . . . . .	<i>Insurance Contracts</i> <sup>3</sup>
HK(IFRIC) – Interpretation 23 . . . . .	<i>Uncertainty over Income Tax Treatments</i> <sup>1</sup>
Amendments to HKFRS 9 . . . . .	<i>Prepayment Features with Negative Compensation</i> <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28. . . . .	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>2</sup>
Amendments to HKAS 19 . . . . .	<i>Plan Amendment, Curtailment or Settlement</i> <sup>1</sup>
Amendments to HKAS 28 . . . . .	<i>Long-term Interests in Associates and Joint Ventures</i> <sup>1</sup>
Amendments to HKFRSs . . . . .	<i>Annual Improvements to HKFRSs 2015-2017 Cycle</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after January 1, 2019.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or after January 1, 2021.

### HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flow by the Group.

Other than certain requirement which are also applicable to lessors, HKFRS 16 substantially carries forward the lessors accounting requirements in HKAS 17, and continues to require a lessors to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at August 31, 2018, the Group has non-cancellable operating lease commitments of RMB1,856,138,000 as disclosed in note 27. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of RMB48,948,000 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustment to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial

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## **ACCOUNTANTS' REPORT OF THE GROUP**

application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

The management of the Group assessed that such changes would increase the combined assets and combined liabilities of the Group, but would not result in a significant impact on the financial performance of the Group upon adoption of HKFRS 16.

### **HK(IFRIC) – Interpretation 23 “Uncertainty over Income Tax Treatments”**

HK(IFRIC) – Interpretation 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires an entity to determine whether uncertain tax positions are assessed separately or as a group; and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings.

As disclosed in note 8, the detailed implementation rules of New Law for Promoting Private Education has not yet been announced, certain schools of the Group have not yet elected to be for-profit or not-for-profit schools, there will be uncertainty whether the schools could follow previous PRC Enterprise Income Tax (“EIT”) exemption treatment for the tuition income when facts and circumstances change or new information become available. The management of the Group would reassess any judgments and estimates if the facts and circumstances change or new information becomes available.

Except as described above, the management of the Group anticipates that the application of other new and revised HKFRSs in issue but not yet effective will have no material impact on the Group’s financial statements in the foreseeable future.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The Historical Financial Information has been prepared in accordance with the accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information have been prepared on the historical cost basis except for certain financial investments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of Assets”.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

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### **Basis of combination**

The Historical Financial Information incorporates the financial statements of the entities now comprising the Group. Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Combination of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the combined statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

When the Group loses control of a subsidiary, the assets and liabilities of the subsidiary and non-controlling interest (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets, and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

### **Merger accounting for business combination involving businesses under common control**

The Historical Financial Information incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The combined statements of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

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## **ACCOUNTANTS' REPORT OF THE GROUP**

### **Revenue recognition**

Revenue is recognised to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation, representing tuition and ancillary services are transferred to the students.

A performance obligation represents service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct service.

Contract liabilities represents the Group's obligation to transfer services to the students for which the Group has received tuition fees and fees for ancillary services from the students.

### ***Input method***

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs (mainly representing teaching staff costs, rental expenses and depreciation of school premises) to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Tuition fees are generally paid in advance at the beginning of each courses, and are initially recorded as contract liabilities. The portion of tuition payments received from students but not earned is recorded as contract liabilities. Amounts which will be earned within one year is reflected as a current liability and those which will be earned beyond one year is reflected as a non-current liability.

### **Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### ***The Group as lessee***

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

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### ***Leasehold land and building***

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the combined statements of financial position and is amortised over the lease term on a straight-line basis. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

### **Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

### **Government grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the combined statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

### **Retirement benefit costs**

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

### **Short-term employee benefits**

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from 'profit before taxation as reported in the combined statements of profit or loss and other comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

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Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or in equity respectively.

### **Property and equipment**

Property and equipment, including buildings held for use in the supply of services or for administrative purposes (other than properties under construction as described below) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property and equipment, other than construction in progress, less their residual values over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### **Impairment of tangible assets**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.



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## ACCOUNTANTS' REPORT OF THE GROUP

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years/periods. A reversal of an impairment loss is recognised immediately in profit or loss.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### **Financial instruments**

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 during the Track Record Period. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

### **Financial assets**

#### *Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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All other financial assets are subsequently measured at FVTPL, except that at the date of initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend earned on the financial asset and is included in the "other gains and losses" line item.

### *Impairment of financial assets*

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, other financial assets measured at amortised cost and bank balances). The amount of ECL is updated at each reporting dates to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after each reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at each reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

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- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

### (ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

### (iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

### (iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

### (v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

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Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables and other financial assets measured at amortised cost, where the corresponding adjustment is recognised through a loss allowance account.

### ***Financial liabilities and equity***

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definition of a financial liability and an equity instrument.

#### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by group entities are recognised at the proceeds received, net of direct issue costs.

#### *Financial liabilities at amortised cost*

All financial liabilities including trade and other payables and amounts due to the Controlling Equity Holders are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

#### *Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, is recognised in profit or loss.

## **4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES**

In the application of the Group's accounting policies, which are described in note 3, the management of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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### Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that the management of the Group has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

#### *Contractual Arrangements*

The Group conducts a substantial portion of the business through Anhui Xinhua Education in the PRC due to regulatory restrictions on foreign ownership in the Group's schools in the PRC. The Group does not have any equity interest in Anhui Xinhua Education. The management of the Group assessed whether or not the Group has control over Anhui Xinhua Education based on whether the Group has the power over Anhui Xinhua Education, has rights to variable returns from its involvement with Anhui Xinhua Education and has the ability to affect those returns through its power over Anhui Xinhua Education. After assessment, the management of the Group concluded that the Group has control over Anhui Xinhua Education as a result of the Contractual Arrangements and accordingly, the assets, liabilities and their operating results of Anhui Xinhua Education are included in the Historical Financial Information throughout the Track Record Period or since the respective dates of establishment, whichever is the shorter period.

Nevertheless, the Contractual Arrangements and other measures may not be as effective as direct legal ownership in providing the Group with direct control over Anhui Xinhua Education and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of Anhui Xinhua Education. The management of the Group, based on the advice of its legal counsel, considers that the Contractual Arrangements among Xinhua Chuangzhi, Anhui Xinhua Education and the Controlling Equity Holders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

### Key sources of estimation uncertainties

The following are the key assumptions concerning the future, and other key sources of estimation uncertainties at the end of each reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

#### *Useful lives and impairment of property and equipment*

The Group's management determines the estimated useful lives and the depreciation method in determining the related depreciation charges of its property and equipment. This estimate is based on the management's experience of the actual useful lives of property and equipment of similar nature and functions. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property and equipment may not be recoverable. Management will increase the depreciation charge where useful lives are estimated to be shorter than previously estimated, or will write off or write down obsolete assets that have been abandoned or impaired. Any change in these estimates may have a material impact on the results of the Group.

As at December 31, 2015, 2016 and 2017 and August 31, 2018, the carrying amounts of property and equipment of the Group were RMB530,858,000, RMB611,342,000, RMB1,060,309,000 and RMB1,254,100,000 respectively, details of which are set out in note 14.

#### *Income taxes*

Significant judgment is required in interpreting the relevant tax rules and regulation so as to determine whether the Group is subject to EIT. This assessment relies on estimates and assumptions about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of the tax liabilities. Such changes to tax liabilities will impact tax expense in the period that such determination is made.

## 5. REVENUE AND SEGMENT INFORMATION

The Group is mainly engaged in the provision of vocational education services in the PRC.

Revenue represents service income from tuition fees and service fees less sales related tax.

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The Group's operating segments are based on information prepared and reported to the chief operating decision makers ("CODM"), the board of directors of the Company, for the purposes of resource allocation and performance assessment. The Group is organised into the following segments,

- (a) New East Culinary Education: providing comprehensive culinary training programs to students who pursue a career in becoming professional chefs;
- (b) Xinhua Internet Technology Education: providing a wide range of information technology-related training to students;
- (c) Wontone Automotive Education: providing hands-on auto repair skill training as well as practical knowledge of automobile commerce;
- (d) Omick Education of Western Cuisine and Pastry: offering a variety of courses, including baking, deserts, western cuisines, bartending and barista training;
- (e) Wisezone Data Technology Education: providing short-term programs to junior college and university students who have already had the basic theoretical knowledge and seek to further develop relevant practical skills;
- (f) Cuisine Academy: providing people with culinary skill training on small-class settings and/or individual classes that are delivered on an one-on-one basis; and
- (g) Other miscellaneous businesses.

These segments are the basis on which the Group reports its segment information.

The management of the Group assesses the performance of the reportable segment based on the revenue and gross profit for the year of the Group as presented in the combined statements of profit or loss and other comprehensive income. The accounting policies of the reportable segment are the same as the Group's accounting policies described in note 3. Segment results represent the profits earned by each segment and excluding certain other income, other gains and losses, corporate administrative expenses, [REDACTED] and income tax expense. No analysis of the Group's assets and liabilities is regularly provided to the management of the Group for review. Inter-segment sales are charged at cost plus approach.

Provision of steer training services was discontinued during the eight months period ended August 31, 2018. The segment information reported does not include any amounts for the discontinued operation, which are described in note 10.

The following is an analysis of the Group's revenue from continuing operations and results by operating and reportable segments for the Track Record Period:

### For the year ended December 31, 2015

	New East Culinary Education	Xinhua Internet Technology Education	Wontone Automotive Education	Omick Education of Western Cuisine and Pastry	Wisezone Data Technology Education	Cuisine Academy	Other miscellaneous businesses	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Revenue</b>									
External sales . . . . .	1,057,205	443,198	319,841	-	5,422	-	2,540	-	1,828,206
Inter-segment sales . . . . .	-	-	-	-	-	-	30,188	(30,188)	-
Segment revenue . . . . .	1,057,205	443,198	319,841	-	5,422	-	32,728	(30,188)	1,828,206
<b>Results</b>									
Segment results . . . . .	254,748	107,699	73,594	-	(3,131)	-	(7,428)	-	425,482
<b>Unallocated</b>									
Other income . . . . .									24,140
Other gains and losses . . . . .									9,306
Corporate administrative expenses . . . . .									(21,344)
Profit before taxation . . . . .									437,584
Income tax expense . . . . .									(84,483)
Profit for the year . . . . .									353,101

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	New East Culinary Education	Xinhua Internet Technology Education	Wontone Automotive Education	Omick Education of Western Cuisine and Pastry	Wisezone Data Technology Education	Cuisine Academy	Other miscellaneous businesses	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Other segment information</b>									
Depreciation of property and equipment . . . . .	83,222	25,071	26,248	-	381	-	1,091	-	136,013
Amortisation of prepaid lease payments . . . . .	264	896	93	-	-	-	360	-	1,613
Purchase of property and equipment . . . . .	162,850	40,240	36,891	-	1,025	-	2,923	-	243,929
Acquisition of prepaid lease payments . . . . .	-	-	6,831	-	-	-	-	-	6,831

### For the year ended December 31, 2016

	New East Culinary Education	Xinhua Internet Technology Education	Wontone Automotive Education	Omick Education of Western Cuisine and Pastry	Wisezone Data Technology Education	Cuisine Academy	Other miscellaneous businesses	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Revenue</b>									
External sales . . . . .	1,432,112	480,533	354,256	-	53,188	-	15,641	-	2,335,730
Inter-segment sales . . . . .	-	-	-	-	25,385	-	64,624	(90,009)	-
Segment revenue . . . . .	1,432,112	480,533	354,256	-	78,573	-	80,265	(90,009)	2,335,730
<b>Results</b>									
Segment results . . . . .	507,920	129,192	89,659	-	(11,542)	-	(8,681)	-	706,548
<b>Unallocated</b>									
Other income . . . . .									10,621
Other gains and losses . . . . .									26,704
Corporate administrative expenses . . . . .									(24,216)
Profit before taxation . . . . .									719,657
Income tax expense . . . . .									(132,278)
Profit for the year . . . . .									587,379
<b>Other segment information</b>									
Depreciation of property and equipment . . . . .	80,040	43,420	31,902	1,490	3,183	-	1,183	-	161,218
Amortisation of prepaid lease payments . . . . .	536	896	219	-	-	-	359	-	2,010
Purchase of property and equipment . . . . .	122,768	49,425	38,822	17,381	17,548	-	3,259	-	249,203

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For the year ended December 31, 2017

	New East Culinary Education	Xinhua Internet Technology Education	Wontone Automotive Education	Omick Education of Western Cuisine and Pastry	Wisezone Data Technology Education	Cuisine Academy	Other miscellaneous businesses	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Revenue</b>									
External sales . . . . .	1,738,743	542,249	419,347	74,838	64,139	333	10,516	-	2,850,165
Inter-segment sales . . . . .	-	-	-	-	23,656	-	43,042	(66,698)	-
Segment revenue . . . . .	1,738,743	542,249	419,347	74,838	87,795	333	53,558	(66,698)	2,850,165
<b>Results</b>									
Segment results . . . . .	691,082	148,053	44,189	(41,119)	(40,540)	(5,020)	(12,847)	-	783,798
<b>Unallocated</b>									
Other income . . . . .									18,181
Other gains and losses . . . . .									59,809
Corporate administrative expenses . . . . .									(29,633)
Profit before taxation . . . . .									832,155
Income tax expense . . . . .									(170,965)
Profit for the year . . . . .									661,190
<b>Other segment information</b>									
Depreciation of property and equipment . . . . .	133,366	35,854	41,006	11,612	6,793	89	1,510	-	230,230
Amortisation of prepaid lease payments . . . . .	1,033	928	619	-	-	-	360	-	2,940
Purchase of property and equipment . . . . .	267,348	99,528	177,507	116,406	13,385	13,149	2,781	-	690,104
Acquisition of prepaid lease payments . . . . .	22,196	-	19,474	-	-	-	-	-	41,670



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For the eight months period ended August 31, 2017 (unaudited)

	New East Culinary Education	Xinhua Internet Technology Education	Wontone Automotive Education	Omick Education of Western Cuisine and Pastry	Wisezone Data Technology Education	Cuisine Academy	Other miscellaneous businesses	Elimination	Total
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
<b>Revenue</b>									
External sales . . . . .	1,103,722	332,769	256,702	44,293	43,133	-	9,607	-	1,790,226
Inter-segment sales . . . . .	-	-	-	-	10,542	-	23,750	(34,292)	-
Segment revenue . . . . .	<u>1,103,722</u>	<u>332,769</u>	<u>256,702</u>	<u>44,293</u>	<u>53,675</u>	<u>-</u>	<u>33,357</u>	<u>(34,292)</u>	<u>1,790,226</u>
<b>Results</b>									
Segment results . . . . .	<u>427,002</u>	<u>79,963</u>	<u>47,521</u>	<u>(1,332)</u>	<u>(19,477)</u>	<u>-</u>	<u>(11,987)</u>	<u>-</u>	<u>521,690</u>
<b>Unallocated</b>									
Other income . . . . .									6,582
Other gains and losses . . . . .									30,241
Corporate administrative expenses . . . . .									(14,004)
Profit before taxation . . . . .									544,509
Income tax expense . . . . .									<u>(137,278)</u>
Profit for the period . . . . .									<u>407,231</u>
<b>Other segment information</b>									
Depreciation of property and equipment . . . . .	68,522	23,454	23,670	5,286	4,922	-	983	-	126,837
Amortisation of prepaid lease payments . . . . .	688	619	413	-	-	-	240	-	1,960
Purchase of property and equipment . . . . .	163,426	74,920	103,794	79,226	9,681	-	2,238	-	433,285
Acquisition of prepaid lease payments . . . . .	<u>22,196</u>	<u>-</u>	<u>19,474</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,670</u>

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For the eight months period ended August 31, 2018

	New East Culinary Education	Xinhua Internet Technology Education	Wontone Automotive Education	Omick Education of Western Cuisine and Pastry	Wisezone Data Technology Education	Cuisine Academy	Other miscellaneous businesses	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Revenue</b>									
External sales . . . . .	1,232,005	364,262	277,468	122,667	41,560	11,530	5,637	-	2,055,129
Inter-segment sales . . . . .	-	-	-	-	6,500	-	11,132	(17,632)	-
Segment revenue . . . . .	1,232,005	364,262	277,468	122,667	48,060	11,530	16,769	(17,632)	2,055,129
<b>Results</b>									
Segment results . . . . .	411,613	116,741	(15,793)	(25,613)	(52,453)	(17,942)	(18,437)	-	398,116
<b>Unallocated</b>									
Other income . . . . .									14,170
Other gains and losses . . . . .									28,496
Corporate administrative expenses . . . . .									(23,693)
[REDACTED] . . . . .									(8,290)
Profit before taxation . . . . .									408,799
Income tax expense . . . . .									(111,458)
Profit for the period . . . . .									297,341
<b>Other segment information</b>									
Depreciation of property and equipment . . . . .	96,282	35,440	57,239	35,509	4,005	9,287	4,313	-	242,075
Amortisation of prepaid lease payments . . . . .	688	619	413	-	-	-	240	-	1,960
Purchase of property and equipment . . . . .	179,112	48,005	101,303	75,440	8,510	24,492	8,186	-	445,048

### Geographical information

The Group primarily operates in the PRC. Substantially all of the non-current assets of the Group are located in the PRC.

### Information about major customers

No single customer contributes over 10% or more of total revenue of the Group during the Track Record Period.

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**6. OTHER INCOME**

	Year ended December 31,			Eight months period ended August 31,	
	2015	2016	2017	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i>
<b>Continuing operations</b>					
Asset-related					
government grants . . .	438	2,176	1,146	733	668
Unconditional					
government grants . . .	6,682	8,781	15,076	7,297	17,455
Interest income from					
banks . . . . .	1,976	9,034	16,959	5,868	12,443
Interest income from					
related parties . . . . .	7,439	—	—	—	—
Interest income from					
third parties . . . . .	14,582	—	—	—	—
Others . . . . .	143	1,587	1,222	714	1,727
	<u>31,260</u>	<u>21,578</u>	<u>34,403</u>	<u>14,612</u>	<u>32,293</u>

**7. OTHER GAINS AND LOSSES**

	Year ended December 31,			Eight months period ended August 31,	
	2015	2016	2017	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i>
<b>Continuing operations</b>					
Net gains on other					
financial assets					
measured at FVTPL . .	10,372	27,457	61,077	30,083	28,169
(Losses) gains on					
disposals of property					
and equipment . . . . .	(1,066)	(753)	(1,268)	158	327
	<u>9,306</u>	<u>26,704</u>	<u>59,809</u>	<u>30,241</u>	<u>28,496</u>

## APPENDIX I ACCOUNTANTS' REPORT OF THE GROUP

### 8. INCOME TAX EXPENSE

	Year ended December 31,			Eight months period ended August 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
<b>Continuing operations</b>					
EIT					
– Current tax . . . . .	86,114	132,917	171,235	137,455	119,726
Deferred tax credit (note 16). . . . .	(1,631)	(639)	(270)	(177)	(8,268)
	<u>84,483</u>	<u>132,278</u>	<u>170,965</u>	<u>137,278</u>	<u>111,458</u>

The applicable tax rate in Hong Kong is 16.5%. No provision for Hong Kong Profits Tax was made in the Historical Financial Information as no assessable profit was generated in Hong Kong.

Pursuant to the Enterprise Income Tax Law and Implementation Regulations of the Law of the PRC (the "New PRC Tax Law"), the applicable tax rate of PRC subsidiaries is 25% during the Track Record Period.

[According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. As a result, private schools, which are providing academic qualification education, are eligible to enjoy income tax exemption treatment if the school sponsors of such schools do not require reasonable returns. During the Track Record Period, Shijiazhuang Secondary, Jiangxi Wontone Automobile Technical School (江西萬通汽車技工學校), Jiangxi Nanchang New East Culinary Secondary Vocational School (江西南昌新東方烹飪中專學校), Jiangxi Nanchang Xinhua Computer Secondary Vocational School (江西南昌新華電腦中專學校), Nanjing Wontone Automobile Vocational Training School (南京萬通汽車技工學校) and Nanjing Culinary (collectively referred as "EIT Exempted Schools") have received EIT exemption confirmations/approvals from relevant local tax authorities.]

[The management of the Group incline to apply the for-profit business model to the EIT Exempted Schools. Given that the specific taxation policies applicable to for-profit private schools under the Decision on Amending the Law for Promoting Private Education of the PRC are yet to be introduced, the EIT Exempted Schools may be subject to PRC enterprise income tax going forward.]

For the years ended December 31, 2015, 2016 and 2017 and eight months period ended August 31, 2017 and 2018, the non-taxable tuition income amounted to approximately RMB125,695,000, RMB169,083,000, RMB213,599,000, RMB121,524,000 (unaudited) and RMB157,284,000, and the related nondeductible expenses amounted to approximately RMB88,832,000, RMB143,123,000, RMB135,412,000, RMB72,926,000 (unaudited) and RMB107,814,000, respectively.

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Certain subsidiaries were qualified as high-tech companies and enjoyed the preferential tax rate of 15% during the Track Record Period. Details are set out below:

Name of subsidiary	Starting date	Expiring date
Langjie Technology . . . . .	January 1, 2004	December 31, 2020
Beijing Wisezone . . . . .	January 1, 2016	December 31, 2019

Certain subsidiaries of the Company are entitled to the preferential tax rate of 15% because they are located in the western region of the PRC. Details are set out below:

Name of subsidiary	Starting date	Expiring date
Chengdu New East Culinary School 成都新東方烹飪學校 . . . . .	January 1, 2011	December 31, 2020
Chengdu Wisezone Technology Co., Ltd. 成都華信智原科技有限公司 . . . . .	January 1, 2016	December 31, 2020
Sichuan Wontone Automobile Vocational Training Institute 四川萬通汽車職業培訓學院 . . . . .	January 1, 2011	December 31, 2020
Sichuan Xinhua Computer Institute 四川新華電腦學院 . . . . .	January 1, 2011	December 31, 2020
Gansu New East Culinary Vocational Training School 甘肅新東方烹飪職業培訓學校 . . . . .	January 1, 2015	December 31, 2020
Guiyang City New East Culinary Secondary Vocational School 貴陽市新東方烹飪中等職業學校 . . . . .	January 1, 2011	December 31, 2020
Guiyang City Xinhua Computer Secondary Vocational School 貴陽市新華電腦中等職業學校 . . . . .	January 1, 2011	December 31, 2020
Guiyang New East Culinary Institute 貴陽新東方烹飪學院 . . . . .	January 1, 2011	December 31, 2020
Guizhou Xinhua Computer Institute 貴州新華電腦學院 . . . . .	January 1, 2011	December 31, 2020
Guizhou Wisezone Technology Co., Ltd. 貴州華信智原科技有限公司 . . . . .	January 1, 2016	December 31, 2020
Guiyang Xinhua Internet Technical School 貴陽新華互聯網技工學校 . . . . .	January 1, 2017	December 31, 2020
Guiyang New East Culinary Training School 貴陽新東方烹飪技工學校 . . . . .	January 1, 2016	December 31, 2020
Hohhot New East Training School 呼和浩特市新東方技工學校 . . . . .	January 1, 2016	December 31, 2020
Hohhot New East Culinary Vocational Training School 呼和浩特市新東方烹飪職業培訓學校 . . . . .	January 1, 2016	December 31, 2020
Ningxia New East Vocational Training School 寧夏新東方職業技能培訓學校 . . . . .	January 1, 2017	December 31, 2020
Shaanxi New East Culinary Training School Co., Ltd. 陝西新東方烹飪培訓學校有限公司 . . . . .	August 1, 2011	December 31, 2020
Shaanxi Xinhua Computer Software School Co., Ltd. 陝西新華電腦軟體學校有限公司 . . . . .	January 1, 2012	December 31, 2020
Xi'an Wontone Automobile Vocational Skills Training School Co., Ltd. 西安萬通汽車職業技能培訓學校有限公司 . . . . .	January 1, 2014	December 31, 2020
Sinkiang New East Culinary School 新疆新東方烹飪學校 . . . . .	January 1, 2016	December 31, 2020
Yunnan Wontone Automobile Repair Vocational Training School 雲南萬通汽修職業培訓學校 . . . . .	January 1, 2014	December 31, 2020

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<u>Name of subsidiary</u>	<u>Starting date</u>	<u>Expiring date</u>
Yunnan New East Culinary School 雲南新東方烹飪學校 . . . . .	January 1, 2015	December 31, 2020
Yunnan New East Culinary Vocational Training School 雲南新東方烹飪職業培訓學校 . . . . .	January 1, 2015	December 31, 2020
Yunnan Xinhua Computer Vocational Training School 雲南新華電腦職業培訓學校 . . . . .	January 1, 2009	December 31, 2020
Chongqing City New East Culinary Vocational Training Institute 重慶市新東方烹飪職業培訓學院 . . . . .	January 1, 2012	December 31, 2020
Chongqing Xinhua Computer Vocational Training School 重慶新華電腦職業培訓學校 . . . . .	January 1, 2011	December 31, 2020
Chongqing City Xinhua Technical School 重慶市新華技工學校 . . . . .	January 1, 2017	December 31, 2020

Anhui Wontone Automobile Technical School 安徽萬通汽車技工學校 was qualified as a small and micro business and enjoyed the preferential tax rate of 20%.

The income tax expense for the Track Record Period can be reconciled to the profit before taxation per the combined statements of profit or loss and other comprehensive income as follows:

	<u>Year ended December 31,</u>			<u>Eight months period ended August 31,</u>	
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2017</u>	<u>2018</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation (from continuing operations) . . . . .	437,584	719,657	832,155	544,509	408,799
Tax at PRC EIT rate of 25% . . . . .	109,396	179,914	208,039	136,128	102,200
Tax effect on expenses not deductible for tax purposes. . . . .	24,377	38,108	36,516	25,425	41,409
Tax effect of income not taxable for tax purpose . . . . .	(31,424)	(42,271)	(53,400)	(30,381)	(39,332)
Tax effect of tax losses not recognised . . . . .	24,797	14,212	40,404	36,189	36,176
Utilisation of tax losses previously not recognised . . . . .	(17,748)	(18,697)	(18,570)	–	(9,778)
Tax benefit on research and development expenses . . . . .	(434)	(1,081)	(1,836)	(1,080)	(1,066)
Income tax at concessionary rate . . .	(24,481)	(37,907)	(40,188)	(29,003)	(18,151)
	<u>84,483</u>	<u>132,278</u>	<u>170,965</u>	<u>137,278</u>	<u>111,458</u>

## APPENDIX I ACCOUNTANTS' REPORT OF THE GROUP

### 9. PROFIT FOR THE YEAR/PERIOD

	Year ended December 31,			Eight months period ended August 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Profit for the year/period from continuing operations has been arrived after changing:					
Director's remuneration . . . . .	219	229	285	81	105
Other staff costs . . . . .					
– salaries and other allowances . . . . .	448,312	535,775	679,611	428,473	560,571
– retirement benefit scheme contributions . . . . .	54,527	67,354	89,601	54,459	75,809
Total staff costs . . . . .	<u>503,058</u>	<u>603,358</u>	<u>769,497</u>	<u>483,013</u>	<u>636,485</u>
Depreciation of property and equipment . . . . .	136,013	161,218	230,230	126,837	242,075
Amortisation of prepaid lease payments . . . . .	1,613	2,010	2,940	1,960	1,960
Operating lease rental expenses in respect of rental premises . . . . .	132,738	162,081	223,668	122,355	173,881
Auditor's remuneration . . . . .	650	550	850	–	1,199

### 10. DISCONTINUED OPERATION

In October and [December] 2018, the Group disposed of six subsidiaries which provided training courses for driving examinations. Five out of these subsidiaries were disposed to the Controlling Equity Holders at cash consideration of RMB10,000 each and the remaining one was disposed to the independent third parties at cash consideration of RMB1,000,000. The disposals were consistent with the Group's long-term policy to focus its activities on operation of private higher education institutions.

The loss for the year/period from discontinued operation were set out below:

	Year ended December 31,			Eight months period ended August 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Loss for the year/period from discontinued operation . . . . .	<u>(17,834)</u>	<u>(21,901)</u>	<u>(19,569)</u>	<u>(8,995)</u>	<u>(7,749)</u>

## APPENDIX I ACCOUNTANTS' REPORT OF THE GROUP

The results of the discontinued operation were as follows:

	Year ended December 31,			Eight months period ended August 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue . . . . .	46,708	52,702	40,184	29,670	20,588
Cost of revenue . . . . .	(46,538)	(52,264)	(44,514)	(29,133)	(20,260)
Gross profit (loss) . . . . .	170	438	(4,330)	537	328
Other income and expenses . . . . .	6,040	(214)	267	81	396
Selling expenses . . . . .	(8,770)	(9,829)	(7,139)	(4,698)	(3,657)
Administrative expenses . . . . .	(15,585)	(12,671)	(8,367)	(4,915)	(4,816)
Loss before taxation from discontinued operation.	(18,145)	(22,276)	(19,569)	(8,995)	(7,749)
Income tax credit . . . . .	311	375	–	–	–
Loss for the year/period from discontinued operation . . . . .	<u>(17,834)</u>	<u>(21,901)</u>	<u>(19,569)</u>	<u>(8,995)</u>	<u>(7,749)</u>
Loss for the year/period from discontinued operation include the followings:					
Staff costs					
– salaries and other allowances . . . . .	28,173	30,450	23,963	16,416	11,411
– retirement benefit scheme contributions . . . . .	3,258	3,727	3,382	2,354	1,751
Total staff costs . . . . .	<u>31,431</u>	<u>34,177</u>	<u>27,345</u>	<u>18,770</u>	<u>13,162</u>
Interest income from related parties . . . . .	808	–	–	–	–
Interest income from third parties . . . . .	5,254	–	–	–	–
Depreciation of property and equipment . . . . .	11,007	10,210	9,314	7,040	5,178
Purchase of property and equipment . . . . .	11,888	6,451	3,367	2,529	820
Operating lease rental expenses in respect of rental premises . . . . .	3,091	4,001	5,995	3,111	3,751

The net cash flows (used in) from the discontinued operation were as follows:

	Year ended December 31,			Eight months period ended August 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Operating activities . . . . .	(6,065)	1,563	6,059	1,193	542
Investing activities . . . . .	3,229	(4,059)	(1,601)	(2,529)	(820)
Financing activities . . . . .	–	–	(5,500)	–	–
Net cash outflow . . . . .	<u>(2,836)</u>	<u>(2,496)</u>	<u>(1,042)</u>	<u>(1,336)</u>	<u>(278)</u>



## APPENDIX I ACCOUNTANTS' REPORT OF THE GROUP

### 11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

#### Directors

Details of the emoluments paid or payable by the entities comprising the Group to the directors and chief executive of the Company (including emolument for services as employee/directors of the group entities prior to becoming the directors of the Company) during the Track Record Period are as follows:

#### For the year ended December 31, 2015

	Directors fees	Salaries and other allowances	Retirement benefit contribution	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Executive directors</u>				
Mr. Wu Wei . . . . .	–	–	–	–
Mr. Xiao Guoqing . . . . .	–	–	–	–
	–	–	–	–
	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<u>Non-executive director</u>				
Mr. Wu Junbao . . . . .	–	216	3	219
	–	216	3	219
	<b>–</b>	<b>216</b>	<b>3</b>	<b>219</b>

#### For the year ended December 31, 2016

	Directors fees	Salaries and other allowances	Retirement benefit contribution	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Executive directors</u>				
Mr. Wu Wei . . . . .	–	–	–	–
Mr. Xiao Guoqing . . . . .	–	–	–	–
	–	–	–	–
	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<u>Non-executive director</u>				
Mr. Wu Junbao . . . . .	–	224	5	229
	–	224	5	229
	<b>–</b>	<b>224</b>	<b>5</b>	<b>229</b>

#### For the year ended December 31, 2017

	Directors fees	Salaries and other allowances	Retirement benefit contribution	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Executive directors</u>				
Mr. Wu Wei . . . . .	–	–	–	–
Mr. Xiao Guoqing . . . . .	–	–	–	–
	–	–	–	–
	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<u>Non-executive director</u>				
Mr. Wu Junbao . . . . .	–	280	5	285
	–	280	5	285
	<b>–</b>	<b>280</b>	<b>5</b>	<b>285</b>

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*For the eight months period ended August 31, 2017 (unaudited)*

	Directors fees	Salaries and other allowances	Retirement benefit contribution	Total
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
<u>Executive directors</u>				
Mr. Wu Wei . . . . .	–	–	–	–
Mr. Xiao Guoqing . . . . .	–	–	–	–
	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
<u>Non-executive director</u>				
Mr. Wu Junbao . . . . .	–	78	3	81
	–	78	3	81
	<u>–</u>	<u>78</u>	<u>3</u>	<u>81</u>

*For the eight months period ended August 31, 2018*

	Directors fees	Salaries and other allowances	Retirement benefit contribution	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Executive directors</u>				
Mr. Wu Wei . . . . .	–	84	–	84
Mr. Xiao Guoqing . . . . .	–	–	–	–
	–	84	–	84
	<u>–</u>	<u>84</u>	<u>–</u>	<u>84</u>
<u>Non-executive director</u>				
Mr. Wu Junbao . . . . .	–	20	1	21
	–	104	1	105
	<u>–</u>	<u>104</u>	<u>1</u>	<u>105</u>

The executive directors' emoluments shown above were paid for their services in connection with the management of affairs of the Group entities during the Track Record Period.

On November 25, 2018, Mr. Lu Zhen was appointed as a non-executive director of the Company and Mr. Hung Ka Hai, Clement, Mr. Cheung Tsun Yung, Thomas and Dr. Zhu Guobin were appointed as the independent non-executive directors of the Company. No emoluments were paid/payable to them during the Track Record Period.

### Employees

The five highest paid individuals of the Group did not include any directors for the Track Record Period whose emoluments are included in the disclosures above. The emoluments of the five highest paid individuals for the Track Record Period are as follows:

	Year ended December 31,			Eight months period ended August 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries and other benefits . . . . .	1,593	1,628	1,688	493	653
Retirement benefit scheme contributions . . . . .	21	21	25	9	15
	<u>1,614</u>	<u>1,649</u>	<u>1,713</u>	<u>502</u>	<u>668</u>

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The emoluments of the five highest paid individuals, other than directors of the Company, were within the following bands:

	Year ended December 31,			Eight months period ended August 31,	
	2015	2016	2017	2017	2018
	number of employees	number of employees	number of employees	number of employees (Unaudited)	number of employees
Not exceeding HK\$1,000,000 . . . . .	5	5	5	5	5

During the Track Record Period, no emoluments were paid by the Group to any of the executive directors, non-executive director, independent non-executive directors, or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors, supervisors and chief executive has waived any emoluments during the Track Record Period.

### 12. DIVIDENDS

During the years/periods ended December 31, 2015, 2016 and 2017 and August 31, 2017 and 2018, the Group distributed dividends of RMB50,000,000, nil, RMB100,000,000, nil (unaudited) and RMB683,100,000, respectively, to the Controlling Equity Holders. No dividends per share information is presented for the purpose of this report as such information is not considered meaningful with regard to the Reorganisation and the financial performance of the Group for the Track Record Period that is prepared on a combined basis as set out in note 1.

### 13. EARNINGS PER SHARE

No earnings per share information is presented for the purpose of this report as such information is not considered meaningful with regard to the Reorganisation and the financial performance of the Group for the Track Record Period that is prepared on a combined basis as set out in note 1.

## APPENDIX I ACCOUNTANTS' REPORT OF THE GROUP

### 14. PROPERTY AND EQUIPMENT

	Buildings	Leasehold improvements and structures	Furniture and fixtures	Electronic equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>COST</b>							
At January 1, 2015 . . . . .	259,741	105,316	146,227	127,866	49,086	1,217	689,453
Additions . . . . .	1,157	128,108	53,745	32,745	14,510	25,552	255,817
Transfer . . . . .	131	10,878	–	–	–	(11,009)	–
Disposals/write-off . . . . .	–	(50,300)	(5,844)	(8,384)	(3,267)	–	(67,795)
At December 31, 2015 . . . . .	261,029	194,002	194,128	152,227	60,329	15,760	877,475
Additions . . . . .	–	118,468	44,348	35,903	18,141	38,794	255,654
Transfer . . . . .	1,037	3,001	1,471	–	–	(5,509)	–
Disposals/write-off . . . . .	–	(59,465)	(4,046)	(12,296)	(13,266)	–	(89,073)
At December 31, 2016 . . . . .	262,066	256,006	235,901	175,834	65,204	49,045	1,044,056
Additions . . . . .	1,255	323,180	144,294	76,237	17,473	131,032	693,471
Transfer . . . . .	42,341	5,823	–	–	–	(48,164)	–
Disposals/write-off . . . . .	–	(100,641)	(11,369)	(10,588)	(8,019)	–	(130,617)
At December 31, 2017 . . . . .	305,662	484,368	368,826	241,483	74,658	131,913	1,606,910
Additions . . . . .	854	226,640	92,294	54,790	8,039	63,251	445,868
Transfer . . . . .	–	2,030	–	–	–	(2,030)	–
Disposals/write-off . . . . .	–	(89,634)	(9,779)	(7,474)	(7,971)	–	(114,858)
At August 31, 2018 . . . . .	306,516	623,404	451,341	288,799	74,726	193,134	1,937,920
<b>DEPRECIATION</b>							
At January 1, 2015 . . . . .	47,058	33,531	74,315	78,760	31,540	–	265,204
Provided for the year . . . . .	12,631	84,524	24,363	17,027	8,475	–	147,020
Eliminated on disposals/write-off . . . . .	–	(50,300)	(4,742)	(7,979)	(2,586)	–	(65,607)
At December 31, 2015 . . . . .	59,689	67,755	93,936	87,808	37,429	–	346,617
Provided for the year . . . . .	11,957	86,184	33,923	29,078	10,286	–	171,428
Eliminated on disposals/write-off . . . . .	–	(59,465)	(3,265)	(11,568)	(11,033)	–	(85,331)
At December 31, 2016 . . . . .	71,646	94,474	124,594	105,318	36,682	–	432,714
Provided for the year . . . . .	12,620	141,032	37,354	37,511	11,027	–	239,544
Eliminated on disposals/write-off . . . . .	–	(100,641)	(9,564)	(8,848)	(6,604)	–	(125,657)
At December 31, 2017 . . . . .	84,266	134,865	152,384	133,981	41,105	–	546,601
Provided for the period . . . . .	9,804	158,080	34,675	33,815	10,879	–	247,253
Eliminated on disposals/write-off . . . . .	–	(89,634)	(6,499)	(7,592)	(6,309)	–	(110,034)
At August 31, 2018 . . . . .	94,070	203,311	180,560	160,204	45,675	–	683,820
<b>CARRYING VALUES</b>							
At December 31, 2015 . . . . .	201,340	126,247	100,192	64,419	22,900	15,760	530,858
At December 31, 2016 . . . . .	190,420	161,532	111,307	70,516	28,522	49,045	611,342
At December 31, 2017 . . . . .	221,396	349,503	216,442	107,502	33,553	131,913	1,060,309
At August 31, 2018 . . . . .	212,446	420,093	270,781	128,595	29,051	193,134	1,254,100

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The above items of property and equipment other than construction in progress are depreciated on a straight line basis, after taking into account their estimated residual value, at the following useful life:

Buildings . . . . .	20 years
Leasehold improvements . . . . .	Shorter of lease term or 3-5 years
Structures . . . . .	Shorter of lease term or 15 years
Furniture and fixtures . . . . .	3-5 years
Electronic equipment . . . . .	3-5 years
Motor vehicles . . . . .	4-8 years

As of December 31, 2015, 2016 and 2017, and August 31, 2018, the Group is in the process of obtaining title deeds of buildings with carrying value of approximately RMB6,190,000, RMB5,792,000, RMB5,394,000 and RMB5,129,000, respectively.

### 15. PREPAID LEASE PAYMENTS

	As at December 31,			As at
	2015	2016	2017	August 31,
	RMB'000	RMB'000	RMB'000	2018
				RMB'000
Analysed for reporting purpose as:				
Current assets . . . . .	2,010	2,010	2,940	2,940
Non-current assets . . . . .	90,559	88,549	126,349	124,389
	<u>92,569</u>	<u>90,559</u>	<u>129,289</u>	<u>127,329</u>

The prepaid lease payments are amortised on a straight-line basis over a period of 50 years, which is based on the lease terms or estimated by the management with reference to the normal terms in the PRC.

At December 31, 2015, 2016 and 2017 and August 31, 2018, the carrying values of the prepaid lease payments of RMB86,508,000, RMB84,666,000, RMB123,564,000 and RMB121,716,000 respectively are allocated by the government, which have no definite lease term stated in the relevant land use rights certificates. However, without the relevant administrative authorities' permission, the Group cannot transfer, lease or pledge as security such land use rights allocated by the government.

### 16. DEFERRED TAX ASSETS

The followings are the major deferred tax assets recognised and movements thereon during the Track Record Period:

	Asset-related government grants	Excess of advertising expenses	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2015 . . . . .	440	869	1,309
Credit to profit or loss . . . . .	112	1,519	1,631
At December 31, 2015 . . . . .	552	2,388	2,940
(Charge) credit to profit or loss . . . . .	(27)	666	639
At December 31, 2016 . . . . .	525	3,054	3,579
(Charge) credit to profit or loss . . . . .	(211)	481	270
At December 31, 2017 . . . . .	314	3,535	3,849
(Charge) credit to profit or loss . . . . .	(70)	8,338	8,268
At August 31, 2018 . . . . .	<u>244</u>	<u>11,873</u>	<u>12,117</u>

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At December 31, 2015, 2016 and 2017 and August 31, 2018, the Group has unrecognised tax losses of approximately RMB125,024,000, RMB107,084,000, RMB194,420,000 and RMB300,012,000, respectively from continuing operations. In the opinion of the directors of the Company, no deferred tax asset is recognised due to the unpredictability of future profit streams. Such unrecognised losses will expire at various dates up to and including 2023.

### 17. INVENTORIES

	As at December 31,			As at
	2015	2016	2017	August 31,
	RMB'000	RMB'000	RMB'000	2018
School materials and consumables . . . . .	20,267	26,896	29,899	33,636

### 18. TRADE AND OTHER RECEIVABLES

Details of trade and other receivables are as follows:

	As at	As at December 31,			As at
	January 1,	2015	2016	2017	August 31,
	2015	RMB'000	RMB'000	RMB'000	2018
Trade receivables					
– from government (note i) . . . . .	9,368	17,061	22,227	23,717	24,755
– from others (note ii) . . . . .	665	6,120	4,891	7,242	9,955
	10,033	23,181	27,118	30,959	34,710

	As at December 31,			As at
	2015	2016	2017	August 31,
	RMB'000	RMB'000	RMB'000	2018
Other receivables				
Prepayments for consumables . . . . .	9,788	15,132	27,681	28,059
Prepayments for rental . . . . .	40,774	39,325	71,778	106,085
Prepayments for services . . . . .	8,639	11,286	16,959	18,907
Prepayments for advertisement . . . . .	12,533	16,501	24,914	91,452
Prepayments for [REDACTED] . . . . .	–	–	–	426
Value added tax recoverable . . . . .	16,665	708	3,602	876
Advance to staff . . . . .	7,611	10,586	8,758	20,328
Deferred issue costs . . . . .	–	–	–	2,763
Other receivables . . . . .	5,721	6,537	5,855	6,394
	101,731	100,075	159,547	275,290

Notes:

- i. The amounts represent receivables from the local governments, which purchased vocational education services for students.
- ii. The amounts mainly represent receivables from customers, which purchased ancillary services other than vocational education services.

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The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on revenue recognition dates:

	As at December 31,			As at
	2015	2016	2017	August 31,
	RMB'000	RMB'000	RMB'000	2018
Within 3 months . . . . .	14,482	16,194	18,583	25,345
Over 3 months but within				
12 months . . . . .	7,111	9,070	9,758	6,147
Over 1 year . . . . .	1,588	1,854	2,618	3,218
	<u>23,181</u>	<u>27,118</u>	<u>30,959</u>	<u>34,710</u>

In order to minimise credit risk on trade receivables and other receivables, the management of the Group makes individual assessment on the historical default experience and considering various external sources of actual and forecast economic information, as appropriate.

The expected loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

In the opinion of the management of the Group, all of the trade receivable balances at the end of each year/period which have been past due over 90 days are not considered as in default as these are contributed by local governments with extremely low credit risks. The management of the Group considered that the impairment loss was insignificant as there has not been a significant change in credit quality and amounts are considered recoverable at the end of each year/period.

### 19. OTHER FINANCIAL ASSETS

	As at December 31,			As at
	2015	2016	2017	August 31,
	RMB'000	RMB'000	RMB'000	2018
Other financial assets measured				
at FVTPL ( <i>note i</i> ) . . . . .	50,000	–	–	1,220,000
Other financial assets measured				
at amortised cost ( <i>note ii</i> ) . . . . .	–	–	–	460,000

*Notes:*

- i. As at December 31, 2015 and August 31, 2018, the other financial assets measured at FVTPL issued by banks and financial institutions are short-term investments with no predetermined or guaranteed return and are not principal protected. These financial assets are with expected rates of return (not guaranteed), depending on the market price of underlying financial instruments, including listed shares, bonds, debentures and other financial assets.
- ii. The amount represents entrusted loans amounted to RMB160 million, which was granted to the independent third parties, controlled by the Controlling Equity Holders, for earning interest via the banks and short-term investments amounted to RMB300 million with predetermined return and are principal protected issued by a bank. The entrusted loans were fully settled in October 2018.

### 20. BANK BALANCES AND CASH

The Group's bank balances carry interest at prevailing market rates is 0.35% per annum for the Track Record Period.

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### 21. TRADE AND OTHER PAYABLES

	As at December 31,			As at
	2015	2016	2017	August 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2018
Trade payables . . . . .	63,596	90,393	138,001	130,805
Payable for property and equipment . . . . .	24,039	39,145	89,016	72,281
Value added tax and other taxes payable . . . . .	4,829	8,859	25,877	13,327
Payroll payable . . . . .	72,219	90,237	132,313	123,620
Discretionary subsidies received on behalf of students . . . . .	16,784	18,972	16,021	27,405
Miscellaneous deposits received from students				
– within 12 months . . . . .	28,846	32,398	41,900	74,639
[REDACTED] and issue costs payable . . . . .	–	–	–	3,114
Other payables . . . . .	25,026	28,006	27,954	38,934
	<u>235,339</u>	<u>308,010</u>	<u>471,082</u>	<u>484,125</u>

The credit period of trade creditors is normally 90 days. The following is an aged analysis of trade payables presented based on the dates of delivery of goods:

	As at December 31,			As at
	2015	2016	2017	August 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2018
Within 90 days . . . . .	<u>63,596</u>	<u>90,393</u>	<u>138,001</u>	<u>130,805</u>

### 22. AMOUNTS DUE TO CONTROLLING EQUITY HOLDERS

	As at December 31,			As at
	2015	2016	2017	August 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2018
Amounts due to Controlling Equity Holders . . . . .	<u>209,000</u>	<u>209,000</u>	<u>209,000</u>	<u>209,000</u>

On December 31, 2015, the Group entered into a sales and purchase agreement with the Controlling Entity Holders to acquire the entire equity interest of Shijiazhuang Secondary, Nanjing Culinary and Beijing New East, with an aggregate consideration of RMB209,000,000. The amounts were unsecured, interest-free and repayable on demand, which were fully repaid in November 2018.



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### 23. CONTRACT LIABILITIES

	As at	As at December 31,			As at
	January 1,				August 31,
	2015	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Tuition fees and service fees . . . . .	607,829	815,060	982,116	1,125,824	1,639,241
Less: current liabilities . . .	585,281	794,012	955,170	1,089,507	1,588,507
Non-current liabilities . . .	22,548	21,048	26,946	36,317	50,734

The contract liabilities as at January 1, 2015, December 31, 2015, 2016 and 2017, amounted of RMB585,281,000, RMB794,012,000, RMB955,170,000 and RMB1,089,507,000, respectively, were recognised as revenue during the years ended December 31, 2015, 2016 and 2017, and eight months period ended August 31, 2018, respectively.

### 24. PAID-IN CAPITAL

The paid-in capital of the Group at January 1, 2015 represented the aggregate paid in capital of Anhui Xinhua Education, Beijing Wisezone, Anhui New East, Anhui Wontone, Langjie Technology, Shijiazhuang Secondary, Nanjing Culinary and Beijing New East. The paid-in capital of the Group at December 31, 2015, 2016 and 2017 and August 31, 2018 represented the paid-in capital of Anhui Xinhua Education directly held by the Controlling Equity Holders.

### 25. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to equity holders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of equity attributable to owners of the Group, comprising capital and retained profits as disclosed in the combined statements of changes in equity.

The management of the Group reviews the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends as well as new share issues.

### 26. FINANCIAL INSTRUMENTS

#### A. Categories of financial instruments

	As at December 31,			As at
	2015	2016	2017	August 31,
	RMB'000	RMB'000	RMB'000	2018
	RMB'000	RMB'000	RMB'000	RMB'000
<i>Financial assets</i>				
Financial assets at FVTPL . . . . .	50,000	–	–	1,220,000
Financial assets at amortised cost (including bank balances and cash) . . . . .	942,648	1,782,840	2,080,322	893,465
<i>Financial liabilities</i>				
Amortised cost . . . . .	367,291	417,914	521,892	556,178

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### B. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, other financial assets measured at amortised cost, bank balances and cash, amounts due to Controlling Equity Holders and trade and other payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. The risks associated with these financial instruments and the management policies remain unchanged during the Track Record Period.

#### (i) **Market risk**

##### (a) *Interest rate risk*

The Group is exposed to cash flow interest rate risk through the impact of rate changes on bank balances. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of Benchmark Borrowing Rate of the People's Bank of China.

The Group will continue to monitor the exposure on cash flow interest rate risk and will consider hedging the interest rate should the need arise. In the management's opinion, the Group does not have material interest rate risk exposure and hence no sensitivity analysis is presented.

#### (ii) **Credit Risk and Impairment Assessment**

The Group's maximum exposure to credit risk which will cause a financial loss to the Group is arising from the amount of each class of financial assets as disclosed in the combined statements of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The ECL on trade receivables are assessed individually, based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort at the end of each year/period.

For other receivables, the management of the Group makes periodic collective as well as individual assessment on the recoverability of these financial assets based on historical settlement records and past experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of each year/period.

The Group has concentration of credit risk as 73.6%, 82.0%, 76.6% and 71.3% of the total trade receivables were due from the PRC government as at December 31, 2015, 2016, 2017 and August 31, 2018 respectively. The Group's remaining customers were mainly the corporate customers, and individually contributed less than 10% of the total trade receivables of the Group.

In the opinion of management, the Group has no significant credit risk for the receivables from the PRC government.

In order to minimise the credit risk with the corporate customers, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on trade and other receivables.

The management of the Group believe that the Group's credit risk in trade and other receivables is significantly reduced.

The credit risk on bank balances and other financial assets measured at amortised cost are limited because the counterparties are reputable financial institutions.

#### (iii) **Liquidity Risk**

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

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The Group recorded net current liabilities of RMB198,700,000 as at August 31, 2018. In view of the net current liabilities position, the management of the Group have given careful consideration to the future liquidity and performance of the Group to continue as a going concern. Having considered the cash inflow from operations, the management of the Group are satisfied that the Group is able to meet in full its financial obligations as they fall due for the foreseeable future.

The following is the maturity analysis for financial assets and financial liabilities held by the Group which is based on undiscounted remaining contractual obligations:

	<b>Weighted average interest rate</b>	<b>On demand or less than 1 year</b>	<b>Total undiscounted balances</b>	<b>Carrying amounts</b>
	%	RMB'000	RMB'000	RMB'000
At December 31, 2015				
Trade and other payables . . . . .	–	158,291	158,291	158,291
Amounts due to Controlling Equity Holders . . . . .	–	209,000	209,000	209,000
		<u>367,291</u>	<u>367,291</u>	<u>367,291</u>
At December 31, 2016				
Trade and other payables . . . . .	–	208,914	208,914	208,914
Amounts due to Controlling Equity Holders . . . . .	–	209,000	209,000	209,000
		<u>417,914</u>	<u>417,914</u>	<u>417,914</u>
At December 31, 2017				
Trade and other payables . . . . .	–	312,892	312,892	312,892
Amounts due to Controlling Equity Holders . . . . .	–	209,000	209,000	209,000
		<u>521,892</u>	<u>521,892</u>	<u>521,892</u>
At August 31, 2018				
Trade and other payables . . . . .	–	347,178	347,178	347,178
Amounts due to Controlling Equity Holders . . . . .	–	209,000	209,000	209,000
		<u>556,178</u>	<u>556,178</u>	<u>556,178</u>

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### C. Fair value measurements

*Fair values of the Group's financial assets that are measured at fair value on a recurring basis*

The following table gives information about how the fair values of financial assets at FVTPL of the Group are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial assets	Fair value at				Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	December 31,		August 31,					
	2015	2016	2017	2018				
	RMB'000	RMB'000	RMB'000	RMB'000				
Other financial assets at FVTPL	-	-	-	500,000	Level 2	Discounted cash flow - future cash flow are estimated based on commodity price or interest rates (from observable commodity price or interest rates at the end of reporting date or observe date).	N/A	N/A
	50,000	-	-	720,000	Level 3	Discounted cash flow - future cash flows are estimated based on estimated return, and discounted at a rate that reflects the credit risk of various counterparties.	Estimated return	The higher the estimated return, the higher the fair value, vice versa

The fair values of other financial assets are determined in accordance with generally accepted pricing model based on discounted cash flow analysis.

The management of the Group considers that the carrying amounts of financial assets recorded at amortised cost in the Historical Financial Information approximate to their fair values.

### 27. OPERATING LEASES

#### The Group as lessee

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at December 31,			As at August 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year . . . . .	131,605	163,142	244,172	258,288
In the second to fifth year inclusive . . . . .	372,785	487,381	756,602	791,508
Over five years . . . . .	499,639	626,216	811,087	806,342
	<u>1,004,029</u>	<u>1,276,739</u>	<u>1,811,861</u>	<u>1,856,138</u>

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Operating lease payments commitments represent rental payables for the premises leased for schools and offices. The rental is fixed in the lease terms. These leases are negotiated for lease terms of one to ten years.

### 28. CAPITAL COMMITMENTS

	As at December 31,			As at
	2015	2016	2017	August 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2018
Capital expenditure contracted for but not provided in the Historical Financial Information in respect of acquisition of property and equipment . . . . .	[6,768]	[65,903]	[107,468]	[67,003]

### 29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flow were, or future cash flow will be, classified in the Group's combined statements of cash flows as cash flows from financing activities.

	Dividend payable	Accrued issue costs	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2015 . . . . .	–	–	–
Financing cash flow . . . . .	(50,000)	–	(50,000)
Dividend declared . . . . .	50,000	–	50,000
At December 31, 2015 and 2016 . . . . .	–	–	–
Financing cash flow . . . . .	(100,000)	–	(100,000)
Dividend declared . . . . .	100,000	–	100,000
At December 31, 2017 . . . . .	–	–	–
Financing cash flow . . . . .	(451,000)	(2,091)	(453,091)
Dividend declared . . . . .	683,100	–	683,100
Accrued/prepaid issue costs . . . . .	–	2,870	2,870
At August 31, 2018 . . . . .	232,100	779	232,879
At January 1, 2017 . . . . .	–	–	–
Financing cash flow (unaudited) . . . . .	–	–	–
Dividend declared (unaudited) . . . . .	–	–	–
At August 31, 2017 (unaudited) . . . . .	–	–	–

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### 30. RELATED PARTY TRANSACTIONS

- (i) The relationships between the Company and related parties are as follows:

<u>Name of the related parties</u>	<u>Relationship with the Company</u>
Anhui Xinhua University 安徽新華學院 . . . . .	Under common control of Mr. Wu Junbao
Anhui Xinhua Group Investment Co., Ltd. 安徽新華集團投資有限公司 . . . . .	Under common control of Mr. Wu Junbao
Anhui Huadi Hengrun Real Estate Co., Ltd. 安徽華地恒潤房地產有限公司 . . . . .	Under common control of Mr. Xiao Guoqing
Anhui Huadi Assets Management Co., Ltd. 安徽華地資產經營有限公司 . . . . .	Under common control of Mr. Xiao Guoqing
Anhui Xinhua Real Estate Co., Ltd. 安徽新華房地產有限公司 . . . . .	Under common control of Mr. Wu Wei

- (ii) Save for those disclosed in other notes to the Historical Financial Information, during the Track Record Period, the Group entered into the following transactions with the related parties:

- (1) Service income

<u>Name of related parties</u>	<u>Year ended December 31,</u>			<u>Eight months period ended August 31,</u>	
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2017</u>	<u>2018</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Anhui Xinhua University.	988	2,741	2,778	1,018	620

- (2) Interest income from related parties

<u>Name of related parties</u>	<u>Year ended December 31,</u>			<u>Eight months period ended August 31,</u>	
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2017</u>	<u>2018</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Anhui Xinhua Real Estate Co., Ltd. . . . .	5,289	-	-	-	-
Anhui Huadi Hengrun Real Estate Co., Ltd. . . . .	2,041	-	-	-	-
Anhui Huadi Assets Management Co., Ltd. . . . .	720	-	-	-	-
Anhui Xinhua Group Investment Co., Ltd. . . . .	197	-	-	-	-
	8,247	-	-	-	-

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(iii) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management of the Group during the Track Record Period is as follows:

	Year ended December 31,			Eight months period ended August 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Short-term benefits . . . . .	1,809	1,852	1,904	571	757
Post-employment benefits . . . . .	24	26	30	12	16
	<u>1,833</u>	<u>1,878</u>	<u>1,934</u>	<u>583</u>	<u>773</u>

### 31. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries at December 31, 2015, 2016 and 2017 and August 31, 2018 and up to date of the report are as follows:

Name of subsidiary	Place/country and date of establishment/ incorporation	Issued and fully paid share/ registered capital	Equity interest attributable to the Group					Principal activities
			As at December 31,			As at August 31,	Up to date of the report	
			2015	2016	2017	2018	%	
			%	%	%	%	%	
Anhui Xinhua Education Group Co., Ltd. 安徽新華教育集團有限公司 (formerly known as Anhui Xinhua Education Development Co., Ltd. 安徽新華教育發展有限公司)	March 30, 2004 PRC	RMB100,000,000	100	100	100	100	100	Education Investment
China East Education Investment Limited 中國東方教育投資有限公司	October 19, 2018 BVI	US\$1	N/A	N/A	N/A	N/A	100	Investment holding
China Xinhua Vocational Education Holdings Limited 中國新華職業教育控股有限公司	August 10, 2018 Hong Kong	HK\$1	N/A	N/A	N/A	100	100	Investment holding
Wide Bridge Education Limited 慧橋教育有限公司	October 26, 2018 Hong Kong	HK\$1	N/A	N/A	N/A	N/A	100	Investment holding
[Xinhua Education Group]	[October 2, 2018 United States]	[•]	[N/A]	[N/A]	[N/A]	[N/A]	[100]	[Education investment]
Hefei Xinhua Chuangzhi Education Management Co., Ltd. 合肥新華創智教育管理有限公司	August 28, 2018 PRC	RMB5,000,000	N/A	N/A	N/A	100	100	Education Investment
Hefei Xinhua East Education Investment Co., Ltd. 合肥新華東方教育投資有限公司	November 6, 2016 PRC	RMB1,000,000	N/A	100	100	100	100	Education Investment

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Name of subsidiary	Place/country and date of establishment/ incorporation	Issued and fully paid share/ registered capital	Equity interest attributable to the Group					Principal activities
			As at December 31,			As at August 31,	Up to date of the report	
			2015	2016	2017	2018	%	
			%	%	%	%	%	
Hefei Xinhua Xuelei Education Investment Co., Ltd. 合肥新華學力教育投資有限公司	November 6, 2016 PRC	RMB1,000,000	N/A	100	100	100	100	Education Investment
Hefei Xinhua Zhiyuan Education Investment Co., Ltd. 合肥新華智原教育投資有限公司	November 6, 2016 PRC	RMB1,000,000	N/A	100	100	100	100	Education Investment
Sichuan Xinhua Jinjin Education Investment Co., Ltd. 四川新華金津教育投資有限公司	May 29, 2018 PRC	RMB50,000,000	N/A	N/A	N/A	100	100	Education Investment
Chengdu Tianji Education Management Co., Ltd. 成都天極教育管理有限公司	April 16, 2001 PRC	RMB600,000	100	100	100	100	100	Education Investment
Anhui Wontone Automobile Technical School 安徽萬通汽車技工學校	October 16, 2015 PRC	RMB1,500,000	100	100	100	100	100	Provision of automobile related educational services
Anhui Wontone Automobile Maintenance Institute 安徽萬通汽車專修學院	March 19, 2007 PRC	RMB30,000,000	100	100	100	100	100	Provision of automobile related educational services
Anhui New East Culinary Technical School 安徽新東方烹飪技工學校	October 30, 2016 PRC	RMB1,500,000	N/A	100	100	100	100	Provision of culinary related educational services
Anhui New East Culinary Institute 安徽新東方烹飪專修學院	March 2, 2006 PRC	RMB40,000,000	100	100	100	100	100	Provision of culinary related educational services
Anhui Xinhua Computer Institute 安徽新華電腦專修學院	December 28, 2004 PRC	RMB5,000,000	100	100	100	100	100	Provision of internet technology related educational services
Anhui Xinhua Technical School Co., Ltd. 安徽新華技工學校有限公司	April 10, 2017 PRC	RMB1,500,000	N/A	N/A	100	100	100	Provision of internet technology related educational services
Beijing Wisezone Educational Technology Co., Ltd. 北京華信智原教育技術有限公司	November 1, 2005 PRC	RMB2,550,000	100	100	100	100	100	Provision of data technology related educational services
Beijing Cuisine East Educational Technology Co., Ltd. 北京美味東方教育科技有限公司	August 14, 2017 PRC	RMB500,000	N/A	N/A	100	100	100	Provision of customized catering experience services



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			%	%	%	%	%	
Beijing Omick Educational Technology Co., Ltd. 北京歐米奇教育科技有限公司	August 9, 2017 PRC	RMB500,000	N/A	N/A	100	100	100	Provision of western cuisine and pastry related educational services
Beijing City Chaoyang District New East Culinary Vocational Training School 北京市朝陽區新東方烹飪職業技能培訓學校	December 25, 2017 PRC	RMB500,000	N/A	N/A	100	100	100	Provision of culinary related educational services
Beijing City Daxing District Wontone Automobile Repair Vocational Skills Training School 北京市大興區萬通汽車修理職業技能培訓學校	February 4, 2010 PRC	RMB500,000	100	100	100	100	100	Provision of automobile related educational services
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	July 8, 2008 PRC	RMB500,000	100	100	100	100	100	Provision of internet technology related educational services
Beijing City New East Culinary Vocational Training School 北京市新東方烹飪職業技能培訓學校	September 8, 2003 PRC	RMB500,000	100	100	100	100	100	Provision of culinary related educational services
Chengdu Wisezone Technology Co., Ltd. 成都華信智原科技有限公司	September 2, 2015 PRC	RMB500,000	100	100	100	100	100	Provision of data technology related educational services
Chengdu Omick Western Pastry Vocational Training School 成都歐米奇西點職業技能培訓學校	May 6, 2014 PRC	RMB500,000	100	100	100	100	100	Provision of western cuisine and pastry related educational services
Chengdu City Longquanyi District New East Culinary Technical School Co., Ltd. 成都市龍泉驛區新東方烹飪技工學校有限公司	April 17, 2018 PRC	RMB1,000,000	N/A	N/A	N/A	100	100	Provision of culinary related educational services
Chengdu City Shuangliu District Xinhua Technical School Co., Ltd. 成都市雙流區新華技工學校有限公司	April 13, 2018 PRC	RMB2,000,000	N/A	N/A	N/A	100	100	Provision of internet technology related educational services

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			%	%	%	%	%	
Chengdu Wontone Weilai Automobile Technical School Co., Ltd. 成都萬通未來汽車技工學校有限公司	June 1, 2018 PRC	RMB500,000	N/A	N/A	N/A	100	100	Provision of automobile related educational services
Chengdu New East Culinary School 成都新東方烹飪學校	January 14, 2003 PRC	RMB3,500,000	100	100	100	100	100	Provision of culinary related educational services
Dalian Wisezone Educational Technology Co., Ltd. 大連華信智原教育科技有限公司	March 6, 2017 PRC	RMB500,000	N/A	N/A	100	100	100	Provision of data technology related educational services
Dalian Jinzhou New District New East Culinary Vocational Training School 大連金州新區新東方烹飪職業培訓學校	July 25, 2015 PRC	RMB1,000,000	100	100	100	100	100	Provision of culinary related educational services
Fujian Province New East Training School 福建省新東方技工學校	March 9, 2012 PRC	RMB1,000,000	100	100	100	100	100	Provision of culinary related educational services
Fujian Province New East Culinary Vocational Training School 福建省新東方烹飪職業培訓學校	December 3, 2010 PRC	RMB500,000	100	100	100	100	100	Provision of culinary related educational services
Gansu Wontone Automobile Vocational Training School 甘肅萬通汽車職業培訓學校	September 7, 2017 PRC	RMB500,000	N/A	N/A	100	100	100	Provision of automobile related educational services
Gansu New East Culinary Vocational Training School 甘肅新東方烹飪職業培訓學校	February 14, 2014 PRC	RMB500,000	100	100	100	100	100	Provision of culinary related educational services
Guangzhou Cuisine Classroom Training Co., Ltd. 廣州美味課堂培訓有限公司	July 31, 2017 PRC	RMB500,000	N/A	N/A	100	100	100	Provision of customized catering experience services
Guangzhou City Panyu District Wontone Automobile Vocational Training School 廣州市番禺區萬通汽車職業培訓學校	July 4, 2011 PRC	RMB500,000	100	100	100	100	100	Provision of automobile related educational services

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			%	%	%	%	%	
Guangzhou City Panyu District New East Culinary Vocational Training School 廣州市番禺區新東方烹飪職業培訓學校	February 17, 2009 PRC	RMB500,000	100	100	100	100	100	Provision of culinary related educational services
Guangzhou City Omick Western Pastry Vocational Training School 廣州市歐米奇西點職業培訓學校	September 15, 2015 PRC	RMB500,000	100	100	100	100	100	Provision of western cuisine and pastry related educational services
Guiyang Omick International Western Pastry Vocational Training School 貴陽歐米奇國際西點職業培訓學校	March 10, 2015 PRC	RMB500,000	100	100	100	100	100	Provision of western cuisine and pastry related educational services
Guiyang City New East Culinary Secondary Vocational School 貴陽市新東方烹飪中等職業學校	December 28, 2007 PRC	RMB500,000	100	100	100	100	100	Provision of culinary related educational services
Guiyang City Xinhua Computer Secondary Vocational School 貴陽市新華電腦中等職業學校	July 10, 2007 PRC	RMB500,000	100	100	100	100	100	Provision of internet technology related educational services
Guiyang New East Culinary Training School 貴陽新東方烹飪技工學校	December 8, 2016 PRC	RMB500,000	N/A	100	100	100	100	Provision of culinary related educational services
Guiyang New East Culinary Institute 貴陽新東方烹飪學院	December 28, 2007 PRC	RMB500,000	100	100	100	100	100	Provision of culinary related educational services
Guiyang Xinhua Internet Technical School 貴陽新華互聯網技工學校	March 27, 2017 PRC	RMB500,000	N/A	N/A	100	100	100	Provision of internet technology related educational services
Guizhou Wisezone Technology Co., Ltd. 貴州華信智原科技有限公司	August 27, 2015 PRC	RMB500,000	100	100	100	100	100	Provision of data technology related educational services
Guizhou Cuisine Academy Education & Training Co., Ltd. 貴州美味學院教育培訓有限公司	August 25, 2017 PRC	RMB500,000	N/A	N/A	100	100	100	Provision of customized catering experience services
Guizhou Wontone Automobile Education & Training Co., Ltd. 貴州萬通汽車教育培訓有限公司	August 23, 2017 PRC	RMB500,000	N/A	N/A	100	100	100	Provision of automobile related educational services

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			%	%	%	%	%	
Guizhou Xinhua Computer Institute 貴州新華電腦學院	July 11, 2005 PRC	RMB1,000,000	100	100	100	100	100	Provision of internet technology related educational services
Harbin Omick Vocational Training School 哈爾濱歐米奇職業培訓學校	January 8, 2015 PRC	RMB500,000	100	100	100	100	100	Provision of western cuisine and pastry related educational services
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 (formerly known as Harbin New East Culinary Vocational Training School 哈爾濱新東方烹飪職業培訓學校)	December 28, 2011 PRC	RMB400,000	100	100	100	100	100	Provision of culinary related educational services
Hainan New East Culinary Technical School 海南新東方烹飪技工學校	December 20, 2016 PRC	RMB500,000	N/A	100	100	100	100	Provision of culinary related educational services
Hainan New East Culinary Vocational Training School 海南新東方烹飪職業培訓學校	July 23, 2014 PRC	RMB500,000	100	100	100	100	100	Provision of culinary related educational services
Hangzhou Wisezone Educational Technology Co., Ltd. 杭州華信智原教育科技有限公司	November 21, 2016 PRC	RMB500,000	N/A	100	100	100	100	Provision of data technology related educational services
Hangzhou Economic & Technology Development Area Omick Western Pastry School 杭州經濟技術開發區歐米奇西點學校	May 23, 2011 PRC	RMB600,000	100	100	100	100	100	Provision of western cuisine and pastry related educational services
Hangzhou Cuisine Consultancy Service Co., Ltd. 杭州美味諮詢服務有限公司	November 9, 2017 PRC	RMB500,000	N/A	N/A	100	100	100	Provision of customized catering experience services
Hangzhou City Yuhang District New East Culinary School 杭州市余杭區新東方烹飪學校	July 5, 2015 PRC	RMB600,000	100	100	100	100	100	Provision of culinary related educational services

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			%	%	%	%	%	
Hangzhou Wontone Automobile Vocational Skills Training Co., Ltd. 杭州萬通汽車職業技能培訓有限公司	April 12, 2017 PRC	RMB500,000	N/A	N/A	100	100	100	Provision of automobile related educational services
Hefei Cuisine Classroom Education Consultancy Co., Ltd. 合肥美味課堂教育諮詢有限公司 (formerly known as Hefei Cuisine Classroom Catering Training Co., Ltd. 合肥美味課堂餐飲培訓有限公司)	August 1, 2017 PRC	RMB500,000	N/A	N/A	100	100	100	Provision of customized catering experience services
Hefei City Omick Western Pastry Vocational Training School 合肥市歐米奇西點職業培訓學校	January 12, 2015 PRC	RMB500,000	100	100	100	100	100	Provision of western cuisine and pastry related educational services
Henan Cuisine Academy Educational Consultancy Co., Ltd. 河南美味學院教育諮詢有限公司	September 18, 2017 PRC	RMB1,000,000	N/A	N/A	100	100	100	Provision of customized catering experience services
Henan Xinhua Computer Institute 河南新華電腦學院	April 7, 2003 PRC	RMB1,000,000	100	100	100	100	100	Provision of internet technology related educational services
Hohhot City Wontone Automobile Vocational Training School 呼和浩特市萬通汽車職業培訓學校	July 10, 2017 PRC	RMB500,000	N/A	N/A	100	100	100	Provision of automobile related educational services
Hohhot City New East Training School 呼和浩特市新東方技工學校	March 23, 2015 PRC	RMB500,000	100	100	100	100	100	Provision of culinary related educational services
Hohhot City New East Culinary Vocational Training School 呼和浩特市新東方烹飪職業培訓學校	July 29, 2013 PRC	RMB500,000	100	100	100	100	100	Provision of culinary related educational services
Hubei Cuisine Academy Training Co., Ltd. 湖北美味學院培訓有限公司	February 5, 2018 PRC	RMB2,000,000	N/A	N/A	N/A	100	100	Provision of customized catering experience services
Hubei New East Culinary Vocational Training School 湖北新東方烹飪職業培訓學校	March 12, 2013 PRC	RMB900,000	100	100	100	100	100	Provision of culinary related educational services

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			%	%	%	%	%	
Hunan Wisezone Information Technology Co., Ltd. 湖南華信智原資訊科技有限公司	October 21, 2015 PRC	RMB2,200,000	100	100	100	100	100	Provision of data technology related educational services
Hunan Wontone Automobile Vocational Training School 湖南萬通汽車職業培訓學校 (formerly known as Hunan Wontone Automobile Repair Vocational Training School 湖南萬通汽修職業培訓學校)	May 10, 2010 PRC	RMB500,000	100	100	100	100	100	Provision of automobile related educational services
Jilin Province Cuisine Classroom Vocational Skills Consultancy Co., Ltd. 吉林省美味課堂職業技能諮詢有限公司	November 9, 2017 PRC	RMB2,000,000	N/A	N/A	100	100	100	Provision of customized catering experience services
Jilin Province Wontone Technical School Co., Ltd. 吉林省萬通技工學校有限公司 (formerly known as Changchun Wontone Education Consultancy Co., Ltd. 長春萬通教育諮詢有限公司)	January 15, 2018 PRC	RMB500,000	N/A	N/A	N/A	100	100	Provision of automobile related educational services
Jinan Wisezone Educational Technology Co., Ltd. 濟南華信智原教育科技有限公司	October 23, 2015 PRC	RMB500,000	100	100	100	100	100	Provision of data technology related educational services
Jinan Cuisine Classroom Catering Management Consultancy Co., Ltd. 濟南美味課堂餐飲管理諮詢有限公司	July 9, 2018 PRC	RMB500,000	N/A	N/A	N/A	100	100	Provision of customized catering experience services
Jiangsu New East Culinary Training School 江蘇新東方烹飪技術學校	April 12, 2002 PRC	RMB500,000	100	100	100	100	100	Provision of culinary related educational services
Jiangxi Nanchang New East Culinary Secondary Vocational School 江西南昌新東方烹飪中專學校	March 14, 2005 PRC	RMB1,800,000	100	100	100	100	100	Provision of culinary related educational services

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			%	%	%	%	%	
Jiangxi Nanchang Xinhua Computer Secondary Vocational School 江西南昌新華電腦中專學校	March 22, 2005 PRC	RMB2,600,000	100	100	100	100	100	Provision of internet technology related educational services
Jiangxi Wontone Automobile Technical School 江西萬通汽車技工學校	July 13, 2015 PRC	RMB500,000	100	100	100	100	100	Provision of automobile related educational services
Jiangxi Wontone Automobile Vocational Training Institute 江西萬通汽車職業培訓學院	December 26, 2014 PRC	RMB500,000	100	100	100	100	100	Provision of automobile related educational services
Kunming Cuisine Education Information Consultancy Co., Ltd. 昆明美味教育資訊諮詢有限公司 (formerly known as Kunming Cuisine Academy Education & Training Co., Ltd. 昆明美味學院教育培訓有限公司)	August 1, 2017 PRC	RMB1,000,000	N/A	N/A	100	100	100	Provision of customized catering experience services
Kunming Omick Western Pastry & Cuisine Training Co., Ltd. 昆明歐米奇西點西餐培訓有限公司	July 13, 2017 PRC	RMB500,000	N/A	N/A	100	100	100	Provision of western cuisine and pastry related educational services
Lanzhou Wisezone Information Technology Co., Ltd. 蘭州華信智原資訊科技有限公司	March 13, 2018 PRC	RMB500,000	N/A	N/A	N/A	100	100	Provision of data technology related educational services
Lanzhou Cuisine Academy Educational Consultancy Co., Ltd. 蘭州美味學院教育諮詢有限公司	August 21, 2017 PRC	RMB500,000	N/A	N/A	100	100	100	Provision of customized catering experience services
Nanchang Wisezone Technology Co., Ltd. 南昌華信智原科技有限公司	September 1, 2015 PRC	RMB500,000	100	100	100	100	100	Provision of data technology related educational services
Nanchang Omick Western Pastry Vocational Training School 南昌歐米奇西點職業培訓學校	December 22, 2016 PRC	RMB500,000	N/A	100	100	100	100	Provision of western cuisine and pastry related educational services

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			%	%	%	%	%	
Nanchong New East Culinary Vocational Skills Training Co., Ltd. 南充新東方烹飪職業技能培訓有限公司	September 8, 2017 PRC	RMB500,000	N/A	N/A	100	100	100	Provision of culinary related educational services
Nanjing Wisezone Educational Technology Co., Ltd. 南京華信智原教育科技有限公司	September 8, 2015 PRC	RMB500,000	100	100	100	100	100	Provision of data technology related educational services
Nanjing Omick Western Pastry School 南京歐米奇西點學校	November 10, 2014 PRC	RMB500,000	100	100	100	100	100	Provision of western cuisine and pastry related educational services
Nanjing Culinary Technical School 南京烹飪技工學校	July 16, 2007 PRC	RMB300,000	100	100	100	100	100	Provision of culinary related educational services
Nanjing Wontone Automobile Technical School 南京萬通汽車技工學校 (formerly known as Nanjing Wontone Automobile Repair Technical School 南京萬通汽修技工學校)	July 1, 2015 PRC	RMB3,000,000	100	100	100	100	100	Provision of automobile related educational services
Nanjing Wontone Automobile Vocational Training School 南京萬通汽車職業培訓學校	December 29, 2009 PRC	RMB1,500,000	100	100	100	100	100	Provision of automobile related educational services
Nanjing Xinhua Computer Institute 南京新華電腦專修學院	December 15, 2004 PRC	RMB3,390,000	100	100	100	100	100	Provision of internet technology related educational services
Ningxia New East Vocational Training School 寧夏新東方職業技能培訓學校	April 9, 2015 PRC	RMB500,000	100	100	100	100	100	Provision of culinary related educational services
Omick Western Pastry Training (Shanghai) Co., Ltd. 歐米奇西點培訓(上海)有限公司	September 21, 2015 PRC	RMB1,000,000	100	100	100	100	100	Provision of western cuisine and pastry related educational services



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			%	%	%	%	%	
Qingdao Chengyang New East Culinary Vocational Training School Co., Ltd. 青島城陽新東方烹飪職業培訓學校有限公司 (formerly known as Qingdao Chengyang New East Culinary Vocational Training School 青島城陽新東方烹飪職業培訓學校)	July 16, 2014 PRC	RMB500,000	100	100	100	100	100	Provision of culinary related educational services
Qingdao Cuisine Classroom Education & Training Co., Ltd. 青島美味課堂教育培訓有限公司	September 12, 2017 PRC	RMB500,000	N/A	N/A	100	100	100	Provision of customized catering experience services
Qinghai New East Culinary Vocational Training School Co., Ltd. 青海新東方烹飪職業培訓學校有限公司	June 6, 2017 PRC	RMB1,000,000	N/A	N/A	100	100	100	Provision of culinary related educational services
Xiamen Cuisine East Education Co., Ltd. 廈門美味東方教育有限公司	September 26, 2017 PRC	RMB500,000	N/A	N/A	100	100	100	Provision of customized catering experience services
Xiamen Omick Western Pastry & Cuisine Educational Co., Ltd. 廈門歐米奇西點西餐教育有限公司	July 19, 2017 PRC	RMB500,000	N/A	N/A	100	100	100	Provision of western cuisine and pastry related educational services
Xiamen City Tong'an District New East Culinary Vocational Training School 廈門市同安區新東方烹飪職業培訓學校	March 11, 2015 PRC	RMB500,000	100	100	100	100	100	Provision of culinary related educational services
Shandong Wontone Automobile Vocational Training Institute Co., Ltd. 山東萬通汽車職業培訓學院有限公司 (formerly known as Shandong Wontone Automobile Vocational Training Institute 山東萬通汽車職業培訓學院)	September 27, 2010 PRC	RMB3,000,000	100	100	100	100	100	Provision of automobile related educational services

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			As at December 31,			As at August 31,	Up to date	
			2015	2016	2017	2018	of the report	
			%	%	%	%	%	
Shandong New East Culinary Vocational Training School Co., Ltd. 山東新東方烹飪職業培訓學院有限公司 (formerly known as Shandong New East Culinary Vocational Training School 山東新東方烹飪職業培訓學校)	July 14, 2009 PRC	RMB3,000,000	100	100	100	100	100	Provision of culinary related educational services
Shandong Xinhua Computer Institute Co., Ltd. 山東新華電腦學院有限公司 (formerly known as Shandong Xinhua Computer Institute 山東新華電腦學院)	May 27, 2003 PRC	RMB3,000,000	100	100	100	100	100	Provision of internet technology related educational services
Shanxi New East Culinary Vocational Training School 山西新東方烹飪職業培訓學校	December 7, 2010 PRC	RMB500,000	100	100	100	100	100	Provision of culinary related educational services
Shanxi Xinhua Computer Vocational Training School 山西新華電腦職業培訓學校	August 19, 2005 PRC	RMB1,000,000	100	100	100	100	100	Provision of internet technology related educational services
Shaanxi New East Culinary Training School Co., Ltd. 陝西新東方烹飪培訓學校有限公司 (formerly known as Shaanxi New East Culinary Training School 陝西新東方烹飪培訓學校)	August 30, 2011 PRC	RMB500,000	100	100	100	100	100	Provision of culinary related educational services
Shaanxi Xinhua Computer Software Training School Co., Ltd. 陝西新華電腦軟體培訓學校有限公司 (formerly known as Shaanxi Xinhua Computer Software School 陝西新華電腦軟體學校)	May 22, 2006 PRC	RMB500,000	100	100	100	100	100	Provision of internet technology related educational services
Shanghai Fengxian District East Delicacy Vocational Training School 上海奉賢區東方美食職業培訓學校	March 27, 2014 PRC	RMB2,600,000	100	100	100	100	100	Provision of culinary related educational services

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			2015	2016	2017	August 31, 2018	of the report	
			%	%	%	%	%	
Shanghai Xinman Culinary Training Co., Ltd. 上海新曼烹飪培訓有限公司	September 11, 2013 PRC	RMB3,000,000	100	100	100	100	100	Provision of culinary related educational services
Shenzhen Cuisine East Institute Training Co., Ltd. 深圳美味東方學院培訓有限公司	August 21, 2017 PRC	RMB500,000	N/A	N/A	100	100	100	Provision of customized catering experience services
Shenzhen City Pingshan District New East Culinary Vocational Training School 深圳市坪山區新東方烹飪職業培訓學校 (formerly known as Shenzhen City Pingshan New District New East Culinary Vocational Training School 深圳市坪山新區新東方烹飪職業培訓學校)	June 15, 2015 PRC	RMB500,000	100	100	100	100	100	Provision of culinary related educational services
Shenyang Cuisine Classroom Education Enterprise Management Co., Ltd. 瀋陽美味課堂教育企業管理有限公司 (formerly known as Shenyang Cuisine Academy Vocational Skills Training Co., Ltd. 瀋陽美味學院職業技能培訓有限公司)	August 3, 2017 PRC	RMB500,000	N/A	N/A	100	100	100	Provision of customized catering experience services
Shenyang City Omick Western Pastry Training School Co., Ltd. 瀋陽市歐米奇西點培訓學校有限公司 (formerly known as Shenyang City Omick Western Pastry Training School 瀋陽市歐米奇西點培訓學校)	December 5, 2014 PRC	RMB500,000	100	100	100	100	100	Provision of western cuisine and pastry related educational services
Shenyang City Wontone Automobile Vocational Training School 瀋陽市萬通汽車職業培訓學校	January 22, 2017 PRC	RMB500,000	N/A	N/A	100	100	100	Provision of automobile related educational services

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			As at December 31,			As at August 31,	Up to date	
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			%	%	%	%	%	
Shenyang New East Culinary School Co., Ltd. 瀋陽新東方烹飪學校有限公司 (formerly known as Shenyang New East Culinary School 瀋陽新東方烹飪學校)	December 14, 2010 PRC	RMB500,000	100	100	100	100	100	Provision of culinary related educational services
Shijiazhuang City Luancheng District New East Culinary Vocational Skills Training School Co., Ltd. 石家莊市欒城區新東方烹飪職業技能培訓學校有限公司 (formerly known as Shijiazhuang City Luancheng District New East Culinary Vocational Training School 石家莊市欒城區新東方烹飪職業培訓學校)	July 9, 2010 PRC	RMB500,000	100	100	100	100	100	Provision of culinary related educational services
Shijiazhuang New East Secondary Vocational School 石家莊新東方中等專業學校	May 20, 2005 PRC	RMB2,000,000	100	100	100	100	100	Provision of culinary related educational services
Shijiazhuang Xinhua Computer School 石家莊新華電腦學校	July 17, 2005 PRC	RMB2,000,000	100	100	100	100	100	Provision of internet technology related educational services
Sichuan Wontone Automobile Vocational Training Institute 四川萬通汽車職業培訓學院	March 19, 2010 PRC	RMB1,000,000	100	100	100	100	100	Provision of automobile related educational services
Sichuan Xinhua Computer Institute 四川新華電腦學院	May 25, 2004 PRC	RMB3,500,000	100	100	100	100	100	Provision of internet technology related educational services
Suzhou Omick Western Pastry & Cuisine Training Co., Ltd. 蘇州市歐米奇西點西餐培訓有限公司	March 13, 2017 PRC	RMB500,000	N/A	N/A	100	100	100	Provision of western cuisine and pastry related educational services
Suzhou City New East Vocational Training School 蘇州市新東方烹飪職業培訓學校	December 16, 2015 PRC	RMB500,000	100	100	100	100	100	Provision of culinary related educational services

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			As at December 31,			As at August 31,	Up to date	
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			%	%	%	%	%	
Taiyuan Omick Western Pastry & Catering Vocational Training School 太原市歐米奇西點西餐職業培訓學校	September 28, 2016 PRC	RMB500,000	N/A	100	100	100	100	Provision of western cuisine and pastry related educational services
Tianjin Wisezone Technology Co., Ltd. 天津華信智原科技有限公司	December 1, 2016 PRC	RMB500,000	N/A	100	100	100	100	Provision of data technology related educational services
Tianjin Cuisine Educational Technology Co., Ltd. 天津美味教育科技有限公司	September 7, 2017 PRC	RMB500,000	N/A	N/A	100	100	100	Provision of customized catering experience services
Tianjin City Jinghai District New East Culinary Vocational Skills Training School Co., Ltd. 天津市靜海區新東方烹飪職業技能培訓學校有限公司 (formerly known as Tianjin City Jinghai New East Culinary Vocational Training School 天津市靜海新東方烹飪職業培訓學校)	July 29, 2015 PRC	RMB500,000	100	100	100	100	100	Provision of culinary related educational services
Urumqi Xinhua Wontone Automobile Vocational Skills Training School Co., Ltd. 烏魯木齊新華萬通汽車職業技能培訓學校有限公司 (formerly known as Sinkiang Production and Construction Corps 12th Division Wontone Automobile Maintenance School 新疆生產建設兵團第十二師萬通汽車專修學校)	January 23, 2017 PRC	RMB500,000	N/A	N/A	100	100	100	Provision of automobile related educational services
Urumqi Xinhua Zhiyuan Internet Technology Co., Ltd. 烏魯木齊新華智原互聯網科技有限責任公司	January 31, 2018 PRC	RMB500,000	N/A	N/A	N/A	100	100	Provision of internet technology related educational services

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			As at December 31,			As at August 31,	Up to date	
			2015	2016	2017	2018	of the report	
			%	%	%	%	%	
Wuhan Donghu New Technology Development Zone Wontone Automobile Repair Vocational Training School Co., Ltd. 武漢東湖新技術開發區萬通汽車職業培訓學校有限公司 (formerly known as Wuhan Wontone Yuxing Automobile Training Co., Ltd. 武漢萬通宇星汽車培訓有限公司)	January 12, 2017 PRC	RMB500,000	N/A	N/A	100	100	100	Provision of automobile related educational services
Wuhan City Wisezone Technology Co., Ltd. 武漢市華信智原科技有限公司	December 24, 2015 PRC	RMB500,000	100	100	100	100	100	Provision of data technology related educational services
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	January 19, 2017 PRC	RMB500,000	N/A	N/A	100	100	100	Provision of western cuisine and pastry related educational services
Wuhan Xinhua Computer Vocational Training School 武漢新華電腦職業培訓學校	July 28, 2007 PRC	RMB3,600,000	100	100	100	100	100	Provision of internet technology related educational services
Xi'an Cuisine East Catering Management Co., Ltd. 西安美味東方餐飲管理有限公司 (formerly known as Xi'an Cuisine East Catering Skills Training Co., Ltd. 西安美味東方餐飲技能培訓有限公司)	July 25, 2017 PRC	RMB500,000	N/A	N/A	100	100	100	Provision of customized catering experience services
Xi'an Omick Western Pastry & Cuisine Training Co., Ltd. 西安歐米奇西點西餐培訓有限責任公司	June 26, 2017 PRC	RMB500,000	N/A	N/A	100	100	100	Provision of western cuisine and pastry related educational services

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			%	%	%	%	%	
Xi'an Wontone Automobile Vocational Skills Training School Co., Ltd. 西安萬通汽車職業技能培訓學校有限公司 (formerly known as Xi'an Wontone Automobile Repair Vocational Skills Training School 西安萬通汽車職業技能培訓學校)	January 9, 2014 PRC	RMB500,000	100	100	100	100	100	Provision of automobile related educational services
HK New Oriental Culinary Art Limited 香港新東方烹飪培訓有限公司	February 3, 2015 Hong Kong	HK\$500,000	100	100	100	100	100	Provision of culinary related educational services
Sinkiang New East Culinary School 新疆新東方烹飪學校	November 4, 2013 PRC	RMB500,000	100	100	100	100	100	Provision of culinary related educational services
Xuzhou New East Culinary Vocational Training School Co., Ltd. 徐州新東方烹飪職業培訓學校有限公司	September 13, 2017 PRC	RMB500,000	N/A	N/A	100	100	100	Provision of culinary related educational services
Yunnan Wontone Automobile Repair Vocational Training School 雲南萬通汽修職業培訓學校	December 30, 2011 PRC	RMB500,000	100	100	100	100	100	Provision of automobile related educational services
Yunnan New East Culinary School 雲南新東方烹飪學校	July 30, 2012 PRC	RMB500,000	100	100	100	100	100	Provision of culinary related educational services
Yunnan New East Culinary Vocational Training School 雲南新東方烹飪職業培訓學校	February 14, 2012 PRC	RMB500,000	100	100	100	100	100	Provision of culinary related educational services
Yunnan Xinhua Computer Vocational Training School 雲南新華電腦職業培訓學校	June 6, 2003 PRC	RMB1,800,000	100	100	100	100	100	Provision of internet technology related educational services
Yunnan Xinhua Computer Secondary Vocational School 雲南新華電腦中等專業學校	August 30, 2006 PRC	RMB100,000	100	100	100	100	100	Provision of internet technology related educational services
Changchun New East Culinary Training School 長春新東方烹飪技工學校	May 3, 2016 PRC	RMB500,000	N/A	100	100	100	100	Provision of culinary related educational services

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			2015	2016	2017	2018	of the report	
			%	%	%	%	%	
Changchun New East Culinary Vocational Training School 長春新東方烹飪職業培訓學校	December 19, 2013 PRC	RMB500,000	100	100	100	100	100	Provision of culinary related educational services
Changsha New East Culinary Institute 長沙新東方烹飪學院	September 12, 2002 PRC	RMB1,600,000	100	100	100	100	100	Provision of culinary related educational services
Changsha Xinhua Computer Institute 長沙新華電腦學院	March 13, 2001 PRC	RMB2,200,000	100	100	100	100	100	Provision of internet technology related educational services
Zhengzhou City Omick Western Pastry Vocational Training School Co., Ltd. 鄭州市歐米奇西點職業培訓學校有限公司 (formerly known as Zhengzhou City Omick Western Pastry Vocational Training School 鄭州市歐米奇西點職業培訓學校)	March 4, 2016 PRC	RMB500,000	N/A	100	100	100	100	Provision of western cuisine and pastry related educational services
Zhengzhou City New East Culinary Vocational Training School 鄭州市新東方烹飪職業培訓學校	December 26, 2008 PRC	RMB500,000	100	100	100	100	100	Provision of culinary related educational services
Zhengzhou Wontone Automobile Vocational Training School Co., Ltd. 鄭州萬通汽車職業培訓學校有限公司 (formerly known as Zhengzhou City Wontone Automobile Vocational Training School 鄭州市萬通汽車職業培訓學校)	March 12, 2009 PRC	RMB2,000,000	100	100	100	100	100	Provision of automobile related educational services
Zhengzhou Xinhua Secondary Vocational School 鄭州新華中等專業學校	July 25, 2005 PRC	RMB500,000	100	100	100	100	100	Provision of internet technology related educational services
Chongqing Wisezone Technology Co., Ltd. 重慶華信智原科技有限公司	September 24, 2015 PRC	RMB500,000	100	100	100	100	100	Provision of data technology related educational services



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			2015	2016	2017	2018	of the report	
			%	%	%	%	%	
Chongqing City Omick Western Pastry & Cuisine Vocational Training School 重慶市歐米奇西點西餐職業培訓學校	September 28, 2015 PRC	RMB500,000	100	100	100	100	100	Provision of western cuisine and pastry related educational services
Chongqing City New East Culinary Vocational Training Institute 重慶市新東方烹飪職業培訓學院	March 12, 2008 PRC	RMB500,000	100	100	100	100	100	Provision of culinary related educational services
Chongqing City Xinhua Technical School 重慶市新華技工學校	June 29, 2011 PRC	RMB750,000	100	100	100	100	100	Provision of internet technology related educational services
Chongqing City Zhangzheng Culinary Vocational Training School 重慶市長徵烹飪職業培訓學校	November 3, 2009 PRC	RMB500,000	N/A	N/A	100	100	100	Provision of culinary related educational services
Chongqing Xinhua Computer Vocational Training School 重慶新華電腦職業培訓學校	August 16, 2004 PRC	RMB750,000	100	100	100	100	100	Provision of internet technology related educational services
Chongqing Xinhua Wontone Automobile Vocational Skills Training Co., Ltd 重慶新華萬通汽車職業技能培訓有限公司	March 27, 2017 PRC	RMB500,000	N/A	N/A	100	100	100	Provision of automobile related educational services
Anhui Simai'er Catering Co., Ltd. 安徽思麥爾餐飲有限公司	September 5, 2011 PRC	RMB10,000,000	100	100	100	100	100	Provision of catering services and sale of foodstuffs
Beijing Langjie Technology Co., Ltd. 北京朗傑科技有限公司	September 28, 2006 PRC	RMB20,000,000	100	100	100	100	100	Technology development, consulting, promotion and services
Beijing Tongzhou New District Wontone Automobile Repairing Vocational Skills Training School 北京通州新區萬通汽車修理職業技能培訓學校	April 8, 2018 PRC	RMB500,000	N/A	N/A	N/A	100	100	Provision of automobile related educational services
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	July 31, 2018 PRC	RMB5,000,000	N/A	N/A	N/A	100	100	Provision of internet technology related educational services

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			%	%	%	%	%	
Nanjing Tasty Culinary Training Co., Ltd. 南京味美廚藝培訓有限公司	August 29, 2018 PRC	RMB500,000	N/A	N/A	N/A	100	100	Provision of customized catering experience services
Taiyuan Yuxing Wontone Automobile Education Consultancy Co., Ltd. 太原宇星萬通汽車教育諮詢有限公司	June 6, 2018 PRC	RMB500,000	N/A	N/A	N/A	100	100	Provision of automobile related educational services
Changsha City Omick Western Pastry Vocational Training School 長沙市歐米奇西點職業培訓學校	December 22, 2016 PRC	RMB500,000	N/A	100	100	100	100	Provision of western cuisine and pastry related educational services
Chengdu Cuisine Classroom Culinary Vocational Skills Training School Co., Ltd. 成都美味講堂烹飪職業技能培訓學校有限公司	August 6, 2018 PRC	RMB500,000	N/A	N/A	N/A	100	100	Provision of culinary related educational services
Dalian Cuisine East Educational Technology Co., Ltd. 大連美味東方教育科技有限公司	August 21, 2017 PRC	RMB500,000	N/A	N/A	100	100	100	Provision of customized catering experience services
Gansu Omick Western Pastry Vocational Training School 甘肅歐米奇西點職業培訓學校	May 16, 2016 PRC	RMB500,000	N/A	100	100	100	100	Provision of western cuisine and pastry related educational services
Hainan Omick Western Pastry & Cuisine Training Co., Ltd. 海南歐米奇西點西餐培訓有限公司	January 23, 2017 PRC	RMB1,000,000	N/A	N/A	100	100	100	Provision of western cuisine and pastry related educational services
Hohhot Omick Western Pastry Vocational Training School 呼和浩特市歐米奇西點職業培訓學校	July 20, 2015 PRC	RMB500,000	100	100	100	100	100	Provision of western cuisine and pastry related educational services
Hunan Wontone Automobile Technical School Co., Ltd. 湖南萬通汽車技工學校有限責任公司	August 10, 2018 PRC	RMB3,000,000	N/A	N/A	N/A	100	100	Provision of automobile related educational services
Ningbo New East Culinary Training School Co., Ltd. 寧波新東方烹飪培訓學校有限公司	September 4, 2018 PRC	RMB1,000,000	N/A	N/A	N/A	N/A	100	Provision of culinary related educational services

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			2015	2016	2017	2018	%	
			%	%	%	%	%	
Shandong Omick Western Pastry Vocational Training Institute 山東歐米奇西點職業培訓學院	March 10, 2014 PRC	RMB1,000,000	100	100	100	100	100	Provision of western cuisine and pastry related educational services
Shijiazhuang City Luancheng District Omick Western Pastry Vocational Training School 石家莊市欒城區歐米奇西點職業培訓學校	March 9, 2016 PRC	RMB500,000	N/A	100	100	100	100	Provision of western cuisine and pastry related educational services
Shijiazhuang Wontone Automobile Vocational Training School Co., Ltd. 石家莊萬通汽車職業培訓學校有限公司	April 13, 2018 PRC	RMB500,000	N/A	N/A	N/A	100	100	Provision of automobile related educational services
Taiyuan Tasty Culinary Education Consultancy Co., Ltd. 太原味美廚藝教育諮詢有限公司	September 25, 2018 PRC	RMB500,000	N/A	N/A	N/A	N/A	100	Provision of customized catering experience services
Tianjin City Xiqing District Omick Culinary Vocational Skills Training School Co., Ltd. 天津市西青區歐米奇烹飪職業技能培訓學校有限公司	October 30, 2018 PRC	RMB200,000	N/A	N/A	N/A	N/A	100	Provision of western cuisine and pastry related educational services
Zhuhai City New East Culinary Training School Co., Ltd. 珠海市新東方烹飪培訓學校有限公司	September 21, 2018 PRC	RMB500,000	N/A	N/A	N/A	N/A	100	Provision of culinary related educational services
Anhui Wontone Automobile Maintenance Institute Co., Ltd. 安徽萬通汽車專修學院有限公司	February 9, 2017 PRC	RMB30,000,000	N/A	N/A	100	100	100	Provision of automobile related educational services
Anhui New East Culinary Training School Co., Ltd. 安徽新東方烹飪專修學院有限公司	February 8, 2017 PRC	RMB40,000,000	N/A	N/A	100	100	100	Provision of culinary related educational services
Anhui Xinhua Computer Institute Co., Ltd. 安徽新華電腦專修學院有限公司	February 9, 2017 PRC	RMB5,000,000	N/A	N/A	100	100	100	Provision of internet technology related educational services

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Name of subsidiary	Place/country and date of establishment/incorporation	Issued and fully paid share/registered capital	Equity interest attributable to the Group					Principal activities
			As at December 31,			As at August 31,	Up to date	
			2015	2016	2017	2018	of the report	
			%	%	%	%	%	
Guiyang Omick International Western Pastry Vocational Training School Co., Ltd. 貴陽歐米奇國際西點職業培訓學校有限公司	March 23, 2017 PRC	RMB500,000	N/A	N/A	100	100	100	Provision of western cuisine and pastry related educational services
Guiyang New East Culinary Institute Co., Ltd. 貴陽新東方烹飪學院有限公司	March 28, 2017 PRC	RMB500,000	N/A	N/A	100	100	100	Provision of culinary related educational services
Guiyang Xinhua Internet Technical School Co., Ltd. 貴陽新華互聯網技工學校有限公司	March 27, 2017 PRC	RMB500,000	N/A	N/A	100	100	100	Provision of internet technology related educational services
Guizhou Xinhua Computer Institute Co., Ltd. 貴州新華電腦學院有限公司	March 22, 2017 PRC	RMB1,000,000	N/A	N/A	100	100	100	Provision of internet technology related educational services
Hefei City Omick Western Pastry Vocational Training School Co., Ltd. 合肥市歐米奇西點職業培訓學校有限公司	September 30, 2017 PRC	RMB500,000	N/A	N/A	100	100	100	Provision of western cuisine and pastry related educational services
Hohhot City Omick Western Pastry Vocational Training School Co., Ltd. 呼和浩特市歐米奇西點職業培訓學校有限公司	March 15, 2017 PRC	RMB500,000	N/A	N/A	100	100	100	Provision of western cuisine and pastry related educational services
Hefei Yuxing Automobile Driver Training Co., Ltd. 合肥宇星機動車駕駛員培訓有限公司	August 21, 2015 PRC	RMB3,000,000	100	100	100	100	N/A	Provision of driving training educational services
Nanjing Yuxing Driver Training Co., Ltd. 南京宇星駕駛員培訓有限公司	June 24, 2011 PRC	RMB5,000,000	100	100	100	100	N/A	Provision of driving training educational services
Xi'an City Yuxing Driver Training Co., Ltd. 西安市宇星駕駛員培訓有限公司	December 6, 2010 PRC	RMB500,000	100	100	100	100	N/A	Provision of driving training educational services
Changsha City Yuxing Automobile Driver Training Co., Ltd. 長沙市宇星機動車駕駛員培訓有限公司	December 23, 2008 PRC	RMB260,000	100	100	100	100	N/A	Provision of driving training educational services

## APPENDIX I ACCOUNTANTS' REPORT OF THE GROUP

Name of subsidiary	Place/country and date of establishment/ incorporation	Issued and fully paid share/ registered capital	Equity interest attributable to the Group					Principal activities
			As at December 31,			As at August 31,	Up to date of the report	
			2015	2016	2017	2018	%	
			%	%	%	%	%	
Chongqing Yuxing Xincheng Automobile Driving Training Co., Ltd. 重慶宇星新城汽車駕駛培訓有限公司	November 15, 2001 PRC	RMB300,000	100	100	100	100	N/A	Provision of driving training educational services
Beijing City Daxing District Omick Vocational Skills Training 北京市大興區歐米奇烹飪職業技能培訓學校 (formerly known as Beijing City Daxing District New East Culinary Vocational Skills Training School 北京市大興區新東方烹飪職業技能培訓學校)	December 13, 2011 PRC	RMB500,000	100	100	100	N/A	N/A	Provision of western cuisine and pastry related educational services
Jiangxi New East Gourmet Culinary Training Co., Ltd. 江西省新東方美食烹飪培訓有限公司	September 23, 2016 PRC	RMB2,000,000	N/A	100	100	100	N/A	Provision of culinary related educational services
Jinan City Tianqiao District Xinhua Jinbang Training School Co., Ltd. 濟南市天橋區新華金榜培訓學校有限公司	July 18, 2017 PRC	RMB100,000	N/A	N/A	100	100	100	Provision of internet technology related educational services
Sichuan New East Culinary Vocational Skills Training Institute 四川新東方烹飪職業技能培訓學院	May 3, 1995 PRC	RMB3,460,000	100	100	100	100	100	Provision of culinary related educational services
Beijing Miwei Technology Co., Ltd. 北京秘味科技有限公司	August 14, 2017 PRC	RMB1,000,000	N/A	N/A	100	100	N/A	Technology consulting and services; production of arts & culture; products design
Hefei Xin'an Automobile Driver Training School 合肥新安機動車駕駛員培訓學校	May 31, 2014 PRC	RMB3,500,000	100	100	100	100	100	Provision of driving training educational services

The above table lists the subsidiaries of the Group which providing vocational education services, in the opinion of the Company's directors, principally affected the results or assets of the Group.

Each of the subsidiaries has adopted 31 December as their financial year end date.

The statutory financial statements of HK New Oriental Culinary Art Limited (香港新東方烹飪培訓有限公司) for the years ended December 31, 2015, 2016 and 2017 were audited by William Hon & Co. Certified Public Accountants (Practising). No statutory financial statements have been prepared for other subsidiaries, as there is no statutory audit requirement.

## APPENDIX I

## ACCOUNTANTS' REPORT OF THE GROUP

### 32. RETIREMENT BENEFITS SCHEMES

During the Track Record Period, the employees of the PRC subsidiaries are members of the state-management retirement benefits scheme operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contribution under the scheme.

The amounts of contributions made by the Group in respect of the retirement benefit scheme during the Track Record Period are disclosed in notes 9 and 11.

### 33. CONTINGENT LIABILITIES

During the Track Record Period, certain subsidiaries of the Group failed to make full contributions to the social insurance plans and the housing provident fund for their employees in accordance with the relevant regulations and provisions. Based on the actual salaries of the employees of these group entities and the amount of wages agreed with the relevant social insurance authorities, the under-provision of the social insurance payments are approximately RMB658,000, RMB876,000, RMB2,210,000 and RMB721,000, and the under-provision of the housing provident fund contributions are approximately RMB1,898,000, RMB1,798,000, RMB1,748,000 and RMB1,240,000 for each of the years ended December 31, 2015, 2016 and 2017 and eight months ended August 31, 2018 respectively. The management of the Group have, taking into account the relevant facts and circumstances, and advice sought from the Group's PRC legal advisers, considered that it is not probable for the Company to be requested by the relevant authorities to pay such outstanding amounts, therefore, no provision has been made as at each reporting date and during the Track Record Period.

### 34. EVENTS AFTER THE REPORTING PERIOD

Save for disclosed in other notes to the Historical Financial Information, the following events took place subsequent to August 31, 2018:

- (i) On [●], the [[REDACTED] Share Option Scheme] was conditionally approved and adopted. Details of the [REDACTED] Share Option Scheme are set out in the section headed "F. [REDACTED] Share Option Scheme and Share Option Scheme – 1. [REDACTED] Share Option Scheme" in [Appendix V] to the Document.
- (ii) On October 4, 2018, the Company issued and allotted 426,667 shares, 292,221 shares and 281,111 shares to Wu Junbao Education, Wu Wei Education and Xiao Guoqing Education for cash at par of HK\$0.0001 each. On October 26, 2018, the Company issued and allotted 30 shares to Lu Lu Education Company Limited at a consideration of HK\$600,000.
- (iii) Pursuant to written resolutions of the Company's shareholders passed on [●], conditional upon the crediting of the share premium account of the Company as a result of the issue of shares pursuant to the allotment set out in the section headed "Share Capital" in the Document, the directors of the Company had authorised to allot and issue a total of [●] shares, by way of capitalisation of the sum of approximately [●] standing to the credit of the share premium account of the Company, credited as fully paid at par to the shareholders as appearing on the register of members of the Company ("Capitalisation Issue"), details are set out in [Appendix IV] to the Document.
- (iv) On [●], the Group completed disposals of a group of subsidiaries, which were mainly engaged in provision of training courses for driving examinations.

### 35. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of the subsidiaries of the Company have been prepared in respect of any period subsequent to August 31, 2018.

**APPENDIX II**

**UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP**

The information set forth in this Appendix does not form part of the accountants' report on the historical financial information of the Group for the Track Record Period (the "Accountants' Report") prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this Document, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this Document and the Accountants' Report set forth in Appendix I to this Document.

**A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS OF THE GROUP**

The following unaudited pro forma statement of adjusted combined net tangible assets of the Group attributable to owners of the Company prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purpose only, and is set out below to illustrate the effect of the [REDACTED] on the combined net tangible assets of the Group attributable to owners of the Company as at August 31, 2018 as if the [REDACTED] had taken place on such date.

This unaudited pro forma statement of adjusted combined net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group attributable to owners of the Company as at August 31, 2018 following the [REDACTED] or as at any subsequent dates. It is prepared based on the audited combined net tangible assets of the Group attributable to owners of the Company as at August 31, 2018 as derived from the Accountants' Report set out in Appendix I to this document and adjusted as described below.

	Audited combined net tangible assets of the Group attributable to owners of the Company as at August 31, 2018	Estimated [REDACTED] from the [REDACTED]	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at August 31, 2018	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share as at August 31, 2018	
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000	RMB (Note 3)	HK\$ (Note 4)
Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED] . .	1,213,216	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED] . .	1,213,216	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

## APPENDIX II

## UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Notes:

- (1) The audited combined net tangible assets of the Group attributable to owners of the Company as at August 31, 2018 is extracted from the Accountants' Report as set out in Appendix I to this Document.
- (2) The estimated [REDACTED] from the [REDACTED] are based on [REDACTED] at the indicative [REDACTED] of HK\$[REDACTED] (equivalent to RMB[REDACTED]) and HK\$[REDACTED] (equivalent to RMB[REDACTED]) per [REDACTED], respectively, after deduction of [REDACTED] and [REDACTED] and other [REDACTED] related expenses paid/payable by the Company (excluding the [REDACTED] which has been charged to profit or loss up to August 31, 2018), and without taking into account of any shares (i) which may be allotted and issued upon the exercise of the [REDACTED] or (ii) which may be issued under the [[REDACTED] Share Option Scheme] or (iii) which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Company. For the purpose of the estimated [REDACTED] from the [REDACTED], the amount denominated in Hong Kong dollars has been converted into Renminbi at the rate of HK\$1 to RMB[0.8880], which was the exchange rate prevailing on Latest Practicable Date with reference to the rate published by the [People's Bank of China]. No representation is made that the HK\$ amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or any other rates or at all.
- (3) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share is arrived at on the basis that [REDACTED] Shares were in issue assuming that the [REDACTED] had been completed on August 31, 2018 and without taking into account of any shares (i) which has been issued to Lu Lu Education Company Limited ("Lu Lu Education") on October 26, 2018 and related Capitalisation Issue or (ii) which may be allotted and issued upon the exercise of the [REDACTED] or (iii) which may be issued under the [[REDACTED] Share Option Scheme] or (iv) which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Company.
- (4) For the purpose of unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share, the amount stated in RMB is converted into Hong Kong dollar at the rate of RMB[0.8880] to HK\$1, which was the exchange rate prevailing on Latest Practicable Date with reference to the rate published by the [People's Bank of China]. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.
- (5) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as of August 31, 2018 to reflect any trading result or other transaction of the Group entered into subsequent to August 31, 2018.

On October 26, 2018, Lu Lu Education subscribed for and our Company issued and allotted 30 Shares (and equivalent to 52,294 Shares taking into account related Capitalisation Issue), to Lu Lu Education for a consideration at HK\$600,000 (equivalent to RMB533,000) (the "Share Subscription"). Specifically, the unaudited proforma adjusted combined net tangible assets of the Group attributable to owners of the Company have not been adjusted to show the effect pursuant to the Share Subscription. Had the Share Subscription been adjusted on August 31, 2018, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company would be increased to RMB3,354,155,000 (equivalent to HK\$3,777,201,000) and RMB4,089,843,000 (equivalent to HK\$4,605,679,000), and the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share would be HK\$[REDACTED] (equivalent to RMB[REDACTED]) and HK\$[REDACTED] (equivalent to RMB[REDACTED]), based on the [REDACTED] of HK\$[REDACTED] per Share and HK\$[REDACTED] per Share respectively.



**APPENDIX II**

**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE GROUP**

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[REDACTED]

**APPENDIX II**

**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE GROUP**

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[REDACTED]

**APPENDIX II**

**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE GROUP**

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[REDACTED]

## APPENDIX III

## PROPERTY VALUATION REPORT

*The following is the text of a letter, summary of valuations and valuation reports prepared for the purpose of incorporation in this Document received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of value of the property interests of China East Education Holdings Limited as at 31 October 2018.*



16/F  
Jardine House  
1 Connaught Place  
Central  
Hong Kong

[●] 2018

The Directors  
China East Education Holdings Limited  
No. 1009 Xuelin Road  
Yaohai District  
Hefei  
Anhui Province  
the PRC

Dear Sirs,

### INSTRUCTIONS, PURPOSE & VALUATION DATE

In accordance with your instructions for us to value the property interests of China East Education Holdings Limited (referred to as the "Company") and its subsidiaries (together referred to as the "Group") in the People's Republic of China (the "PRC") (as more particularly described in the attached valuation reports), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of such property interests as at 31 October 2018.

### DEFINITION OF MARKET VALUE

Our valuation of each of the properties represents its market value which in accordance with the HKIS Valuation Standards 2017 published by the Hong Kong Institute of Surveyor is defined as "the estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

### VALUATION BASIS AND ASSUMPTIONS

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules governing the Listing of Securities published by The Stock Exchange of the Hong Kong Limited, and The HKIS Valuation Standards 2017 published by the Hong Kong Institute of Surveyors.

## **APPENDIX III**

## **PROPERTY VALUATION REPORT**

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In the course of our valuation of the properties in the PRC, we have assumed that, unless otherwise stated, the transferable land use rights of the properties for their respective terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Company and its legal adviser, Haiwen & Partners (海問律師事務所) regarding the title to each of the properties and the interests of the Group in the properties. In valuing the properties, we have assumed that the Group has an enforceable title to each of the properties and has free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired land use term as granted.

In respect of the properties situated in the PRC, the status of titles and grant of major certificates, approvals and licenses, in accordance with the information provided by the Group are set out in the notes of the respective valuation reports.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

### **METHOD OF VALUATION**

In valuing properties in Group I, which are owned by the Group in the PRC, we have used Depreciated Replacement Costs ("DRC") Approach, which requires a valuation of the market value of the land in its existing use and an estimate of the new replacement cost of the buildings and structures, from which deductions are made to allow for the age, condition and functional obsolescence. The reported market value by Depreciated Replacement Cost Approach only applies to the whole of the property as a unique interest, and no piecemeal transaction of the property is assumed. The market value is subject to adequate potential profitability of the business from the use of the property as a whole.

In valuing the properties in Groups II and III, which are leased and occupied by the Group in Hong Kong and the PRC, we consider that the properties have no commercial value due mainly to the prohibition against assignment and subletting or otherwise to the lack of substantial profit rents.

### **SOURCES OF INFORMATION**

We have been provided by the Group with extracts of documents in relation to the titles to the properties. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuation, we have relied to a very considerable extent on the information given to us by the Group regarding the title to each of the properties and the interests of the Group in the properties. We have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, completion date of buildings, particulars of occupancy, site and floor areas, interest attributable to the Group and all other relevant matters.

## APPENDIX III

## PROPERTY VALUATION REPORT

Dimensions, measurements and areas included in the valuation reports are based on information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

### TITLE INVESTIGATION

We have been provided with extracts of documents relating to the titles of the properties in the PRC, but no searches have been made in respect of the properties. We have not searched the original documents to verify ownership or to ascertain any amendment which may not appear on the copies handed to us. We are also unable to ascertain the title of the properties in the PRC and we have therefore relied on the advice given by the Group regarding the Group's interests in the PRC properties.

### SITE INSPECTION

Our valuers, Mr. Zhengli Wang, Mr. Hui Huang and our valuation team in 15 Cities in PRC inspected the exterior and, whenever possible, the interior of the properties in September and October 2018. Mr. Zhengli Wang and Mr. Hui Huang have over 7 years experience in property valuation in PRC. However, we have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period. No structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the properties and we have assumed that the area shown on the documents handed to us are correct.

### CURRENCY

Unless otherwise stated, all sums stated in our valuations are in Renminbi, the official currency of the PRC.

We enclose herewith a summary of our valuations and our valuation reports.

Yours faithfully,  
for and on behalf of  
**Cushman & Wakefield Limited**  
**Andrew K.F. Chan**

Registered Professional Surveyor (General Practice)  
Registered China Real Estate Appraiser  
*MSc., M.R.I.C.S., M.H.K.I.S.*  
**Regional Director**  
**Greater China**  
**Valuation & Advisory Services**

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*Note:* Mr. Andrew K. F. Chan is a Registered Professional Surveyor who has over 30 years of experience in the valuation of properties in the PRC.

**APPENDIX III**

**PROPERTY VALUATION REPORT**

**SUMMARY OF VALUATIONS**

**Group I – Properties owned by the Group in the PRC**

<b>Property</b>	<b>Market value in existing state as at 31 October 2018</b>	<b>Interest attributable to the Group</b>	<b>Market value in existing state attributable to the Group as at 31 October 2018</b>
	<i>(RMB)</i>	<i>(%)</i>	<i>(RMB)</i>
1. The campus of Sichuan New East Cuisine School, No. 172 Jinxiu Road, Longquanyi District, Chengdu, Sichuan Province, the PRC	17,330,000	100	17,330,000
2. The campus of Sichuan Wontone Automotive school, No. 6 Tongan Road, Longquanyi District, Chengdu, Sichuan Province, the PRC	No commercial value	100	No commercial value
3. The campus of Anhui Xinhua Computer Professional Institute, Corner of Xuelin road and Wenzhong Road, Xinzhan District, Hefei, Anhui Province, the PRC	No commercial value	100	No commercial value
4. The campus of Anhui New East Culinary Professional Institute & Anhui New East Training School, Corner of Xuelin Road and Luban Road, Xinzhan District, Hefei, Anhui Province, the PRC	No commercial value	100	No commercial value
5. The campus of Anhui Wontone Automobile Vocational College, Corner of Xuelin road and Cailun Road, Yaohai District, Hefei, Anhui Province, the PRC	No commercial value	100	No commercial value
<b>Sub-total of Group I :</b>	<u><u>17,330,000</u></u>		<u><u>17,330,000</u></u>

**APPENDIX III**

**PROPERTY VALUATION REPORT**

**SUMMARY OF VALUATIONS**

**Group II – Properties leased and occupied by the Group in the Hong Kong**

<b>Property</b>	<b>Market value in existing state as at 31 October 2018</b>	<b>Interest attributable to the Group</b>	<b>Market value in existing state attributable to the Group as at 31 October 2018</b>
	<i>(RMB)</i>	<i>(%)</i>	<i>(RMB)</i>
6. Properties leased for HK New Oriental Culinary Art Limited 2nd Floor, KP Tower, No.93 King's Road, North Point, Hong Kong	No commercial value	100	No commercial value
7. Properties leased for HK New Oriental Culinary Art Limited Room 2601, 26th Floor, Kwai Hung Holdings Centre, No.89 King's Road, North Point, Hong Kong	No commercial value	100	No commercial value
<b>Sub-total of Group II :</b>	<u>No commercial value</u>		<u>No commercial value</u>



**APPENDIX III**

**PROPERTY VALUATION REPORT**

**SUMMARY OF VALUATIONS**

**Group III – Properties leased and occupied by the Group in the PRC**

<b>Property</b>	<b>Market value in existing state as at 31 October 2018</b> <i>(RMB)</i>	<b>Interest attributable to the Group</b> <i>(%)</i>	<b>Market value in existing state attributable to the Group as at 31 October 2018</b> <i>(RMB)</i>
165 leased properties in the PRC . . . . .	No commercial value	100	No commercial value
<b>Sub-total of Group III : . . . . .</b>	<b>No commercial value</b>		<b>No commercial value</b>
<b>Grand total of Groups I to III : . . . . .</b>	<b>17,330,000</b>		<b>17,330,000</b>

APPENDIX III

PROPERTY VALUATION REPORT

VALUATION REPORT

Group I – Properties owned by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2018								
<p>1. The campus of Sichuan New East Cuisine School, No. 172 Jinxiu Road, Longquanyi District, Chengdu, Sichuan Province, the PRC</p> <p>中國四川省成都市龍泉驛區錦繡路172號四川新東方烹飪學校</p>	<p>The property is a campus developed on a parcel of land with a total gross site area of approximately 11,044.25 sq m.</p> <p>Completed in 2004, the property comprises various teaching buildings, dormitories and related ancillary facilities. The property has a total gross floor area of approximately 18,221.18 sq m.</p> <p>The details of the gross floor area are as follows:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Use</th> <th style="text-align: right;">Approximate gross floor area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Teaching Buildings</td> <td style="text-align: right;">3,180.66</td> </tr> <tr> <td>Dormitories</td> <td style="text-align: right;">2,916.84</td> </tr> <tr> <td><b>Total:</b></td> <td style="text-align: right;"><b>6,097.50</b></td> </tr> </tbody> </table>	Use	Approximate gross floor area (sq m)	Teaching Buildings	3,180.66	Dormitories	2,916.84	<b>Total:</b>	<b>6,097.50</b>	<p>As at the valuation date, the property was occupied by the Group as a campus.</p>	<p>RMB17,330,000</p>
Use	Approximate gross floor area (sq m)										
Teaching Buildings	3,180.66										
Dormitories	2,916.84										
<b>Total:</b>	<b>6,097.50</b>										
	<p>Such certificates and approval have not been obtained for the remaining buildings with a total gross floor area of approximately 12,123.68 sq m.</p> <p>The property is held with land use rights for a term due to expire on 29 September 2053 for science and education use.</p>										

Notes:

(1) We have ascribed no commercial value to the portion of the property with a total gross floor area of approximately 12,123.68 sq m that relevant certificates and approval from the government in respect of the construction have not been obtained.

For illustrative purpose, had the Group obtained valid Real Estate Title Certificates (Land Transfer) of the property for education use, the market value of the property as at the valuation date would be RMB31,330,000.

(2) According to two Real Estate Title Certificates issued by 成都市龍泉驛區國土資源局 (Bureau of Land Resources Longquanyi) on 12 July 2018, the land use rights with a total site area of 11,044.25 sq m and building ownership of the property have been vested in 成都天極教育管理有限公司 (Chengdu Tianji Education Management Co., Ltd) for education use with salient details as follows:

**APPENDIX III**

**PROPERTY VALUATION REPORT**

No.	Certificate No.	Expiry date of land use term	Gross floor area (sq m)
1 . . .	(2018) 0045530	29 September 2053	3,180.66
2 . . .	(2018) 0045531	29 September 2053	2,916.84
<b>Total:</b>			<b>6,097.50</b>

Real Estate Title Certificates have not been obtained for portion of the property with a total gross floor area of 12,123.68 sq m.

- (3) According to Business License No. 510112000037701 dated 27 July 2010, 成都天極教育管理有限公司 (Chengdu Tianji Education Management Co., Ltd) was established with a registered capital of RMB600,000 with an operating period from 16 April 2001 to 16 April 2031.
- (4) [We have been provided with a Legal Opinion on the property prepared by the Group’s PRC legal adviser, which contains, inter alia, the following information:
  - (i) The Stated-owned Land Use Rights Certificate and Real Estate Title Certificates of the property are legal and valid under the PRC laws;
  - (ii) The land use rights and building ownership of the property with title documents have been vested in 成都天極教育管理有限公司 (Chengdu Tianji Education Management Co., Ltd);
  - (iii) 成都天極教育管理有限公司 (Chengdu Tianji Education Management Co., Ltd) is the legal land user of the property with title documents;
  - (iv) 成都天極教育管理有限公司 (Chengdu Tianji Education Management Co., Ltd) has the right to occupy, use, transfer, mortgage and dispose of the land use rights and building ownership of the property in accordance with the PRC laws; and
  - (v) The application of the relevant title certificates for the buildings without title certificates are in progress.
- (5) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:

Real Estate Title Certificates . . . . .	Yes (portion)
Business License . . . . .	Yes

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VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2018												
2. The campus of Sichuan Wontone Automotive school, No. 6 Tongan Road, Longquanyi District, Chengdu, Sichuan Province, the PRC 中國四川省成都市龍泉驛區同安路6號四川萬通汽車學校	<p>The property is a campus developed on a parcel of land with a total gross site area of approximately 26,282.28 sq m.</p> <p>Completed in 2010, the property comprises various teaching buildings, dormitories and related ancillary facilities. The property has a total gross floor area of approximately 32,128.61 sq m.</p> <p>The details of the gross floor area are as follows:</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Use</th> <th style="text-align: right;">Approximate gross floor area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Teaching Buildings</td> <td style="text-align: right;">18,757.44</td> </tr> <tr> <td>Dormitories</td> <td style="text-align: right;">9,924.60</td> </tr> <tr> <td>Office Buildings</td> <td style="text-align: right;">1,105.67</td> </tr> <tr> <td>Canteen</td> <td style="text-align: right;">2,340.90</td> </tr> <tr> <td><b>Total:</b></td> <td style="text-align: right;"><b>32,128.61</b></td> </tr> </tbody> </table>	Use	Approximate gross floor area (sq m)	Teaching Buildings	18,757.44	Dormitories	9,924.60	Office Buildings	1,105.67	Canteen	2,340.90	<b>Total:</b>	<b>32,128.61</b>	As at the valuation date, the property was occupied by the Group as a campus.	No commercial value
Use	Approximate gross floor area (sq m)														
Teaching Buildings	18,757.44														
Dormitories	9,924.60														
Office Buildings	1,105.67														
Canteen	2,340.90														
<b>Total:</b>	<b>32,128.61</b>														
	<p>Such certificates and approval have not been obtained for the buildings with a total gross floor area of approximately 32,128.61 sq m.</p> <p>The property is held with allocated land use rights for education use.</p>														

Notes:

- (1) The land use rights of the property are allocated in nature and cannot be freely transferred. We have therefore ascribed no commercial value to the property.  
  
For illustrative purpose, had the Group obtained valid Real Estate Title Certificates (Land Transfer) of the property for education use, the market value of the property as at the valuation date would be RMB43,400,000.
- (2) According to Allocated Land Use Rights Certificate No. (2009)106904 issued by 成都市龍泉驛區國土資源局 (Bureau of Land Resources Longquanyi) on 7 September 2009, the land use rights of the property with a total site area of 26,282.28 sq m have been allocated to 成都天極教育管理有限公司 (Chengdu Tianji Education Management Co., Ltd) for education use.
- (3) Real Estate Title Certificates have not been obtained for portion of the property with a total gross floor area of [32,128.61] sq m.

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- (4) According to Business License No. 510112000037701 dated 27 July 2010, 成都天極教育管理有限公司 (Chengdu Tianji Education Management Co., Ltd) was established with a registered capital of RMB600,000 with an operating period from 16 April 2001 to 16 April 2031.
- (5) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:
  - (i) The Allocated-owned Land Use Rights Certificate and Real Estate Title Certificates of the property are legal and valid under the PRC laws;
  - (ii) The land use rights of the property with title documents have been vested in 成都天極教育管理有限公司 (Chengdu Tianji Education Management Co., Ltd);
  - (iii) 成都天極教育管理有限公司 (Chengdu Tianji Education Management Co., Ltd) is the legal land user of the property with title documents;
  - (iv) 成都天極教育管理有限公司 (Chengdu Tianji Education Management Co., Ltd) has the right to occupy and use of the land use rights and building ownership of the property in accordance with the PRC laws; and
  - (v) The application of the relevant title certificates for the buildings without title certificates are in progress.
- (6) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:

Allocated Land Use Rights Certificate . . . . .	Yes
Business License . . . . .	Yes

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<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Market Value in existing state as at 31 October 2018</u>								
3. The campus of Anhui Xinhua Computer Professional Institute, Corner of Xuelin Road and Wenzhong Road, Xinzhan District, Hefei, Anhui Province, the PRC  中國安徽省合肥市新站區學林路與文忠路交口安徽新華電腦專修學院	The property is a campus developed on a parcel of land with a total gross site area of approximately 119,101.61 sq m.  Completed in the period between 2009 and 2017, the property comprises various teaching buildings, dormitories and related ancillary facilities. The property has a total gross floor area of approximately 85,490.82 sq m.  The details of the gross floor area are as follows:	As at the valuation date, the property was occupied by the Group as a campus.	No commercial value								
	<table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;"><u>Use</u></th> <th style="text-align: center;"><u>Approximate gross floor area</u></th> </tr> </thead> <tbody> <tr> <td></td> <td style="text-align: center;">(sq m)</td> </tr> <tr> <td style="text-align: center;">Office Building</td> <td style="text-align: center;">9,174.90</td> </tr> <tr> <td style="text-align: center;"><b>Total:</b></td> <td style="text-align: center;"><b>9,174.90</b></td> </tr> </tbody> </table>	<u>Use</u>	<u>Approximate gross floor area</u>		(sq m)	Office Building	9,174.90	<b>Total:</b>	<b>9,174.90</b>		
<u>Use</u>	<u>Approximate gross floor area</u>										
	(sq m)										
Office Building	9,174.90										
<b>Total:</b>	<b>9,174.90</b>										
	Such certificates and approval have not been obtained for the remaining buildings with a total gross floor area of approximately 76,315.92 sq m.  The property is held with allocated land use rights for education use. (For details, please see Notes (2)).										

Notes :

- (1) The land use rights of the property are allocated in nature and cannot be freely transferred. We have therefore ascribed no commercial value to the property.

For illustrative purpose, had the Group obtained valid Real Estate Title Certificates (Land Transfer) of the property for education use, the market value of the property as at the valuation date would be RMB279,810,000.

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- (2) According to 2 Allocated Land Use Rights Certificates issued by the Hefei Land Resources Bureau (合肥國土資源局), the land use rights of the property with a total site area of 119,101.61 sq m have been vested in Anhui Xinhua Computer Professional Institute with details as follows:

<u>Certificate No.</u>	<u>Date of issue</u>	<u>Use</u>	<u>Site area</u> (sq m)
(2010) 298 . . . . .	6 July 2010	Education	98,220.06
(2013) 013 . . . . .	25 June 2013	Public Service (Education)	20,881.55
<b>Total:</b>			<b>119,101.61</b>

- (3) According to Real Estate Title Certificate No.(2018)10059380 dated 30 August 2018 issued by the Hefei Land Resources Bureau (合肥國土資源局), the allocated land use rights with a total site area of 20,881.55 sq m and the building ownership of the property comprising a total gross floor area of 9,174.90 sq m has been vested in Anhui Xinhua Computer Professional Institute.

Real Estate Title Certificates have not been obtained for portion of the property with a total gross floor area of 76,315.92 sq m.

- (4) According to 2 Planning Permit for Construction Works issued by Hefei Municipal Planning Bureau, the construction works of the property, with a gross floor area of 27,541.92 sq.m., are in compliance with the construction works requirements and have been approved, with details as follows:

<u>Certificate No.</u>	<u>Date of issue</u>	<u>Project Name</u>	<u>Gross floor area</u> (sq m)
2011144 . . . . .	15 March 2011	Teaching Building Block 2,3	13,097.83
2011145 . . . . .	15 March 2011	Teaching Building Block 5,6	14,444.09
<b>Total:</b>			<b>27,541.92</b>

- (5) According to two Permits for Commencement of Construction Work issued by Hefei Xinzhan district Construction Development Bureau, the project with a gross floor area of 27,542.00 sq m have been permitted for commencement of construction, with details as follows:

<u>Certificate No.</u>	<u>Date of issue</u>	<u>Project Name</u>	<u>Gross floor area</u> (sq m)
010212030003 . . . . .	9 March 2012	Teaching Building Block 2, 3	13,098.00
010212030004 . . . . .	9 March 2012	Teaching Building Block 5,6	14,444.00
<b>Total:</b>			<b>27,542.00</b>

- (6) According to Business License No. 52340000769048783Y dated 10 July 2018, Anhui Xinhua Computer Professional Institute was established with a registered capital of RMB40,000,000 with an operating period from 24 April 2018 to 30 April 2021.

- (7) [We have been provided with a Legal Opinion on the property prepared by the Group’s PRC legal adviser, which contains, inter alia, the following information:

- (i) The Allocated-owned Land Use Rights Certificate and Real Estate Title Certificates of the property are legal and valid under the PRC laws;
- (ii) The land use rights and building ownership of the property with title documents have been vested in 安徽新華電腦專修學院 (Anhui Xinhua Computer Professional Institute);

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- (iii) 安徽新華電腦專修學院 (Anhui Xinhua Computer Professional Institute) is the legal land user of the property with title documents;
  - (iv) 安徽新華電腦專修學院 (Anhui Xinhua Computer Professional Institute) has the right to freely occupy and use of the land use rights and building ownership of the property in accordance with PRC laws;
  - (v) The application of the relevant title certificates for the buildings without title certificates are in progress; and
  - (vi) According to the PRC legal opinion, the legal advisor conducted interview between the relevant government department and it is orally confirmed that the Company can continue to use these buildings without being subject to any fines or penalties and without being ordered to stop using or demolish these buildings.
- (8) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:

Allocated Land Use Rights Certificates . . . . .	Yes
Real Estate Title Certificate . . . . .	Yes (portion)
Planning Permit for Construction Work . . . . .	Yes (portion)
Permit for Commencement of Construction Work . . . . .	Yes (portion)
Business License . . . . .	Yes



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VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2018								
4.	<p>The campus of Anhui New East Culinary Professional Institute &amp; Anhui New East Training School, Corner of Xuelin Road and Luban Road, Xinzhan District, Hefei, Anhui Province, the PRC</p> <p>中國安徽省合肥市新站區學林路與魯班路交口安徽新東方烹飪專修學院及安徽新東方技工學校</p>	<p>The property is a campus developed on a parcel of land with a total gross site area of approximately 94,382.9 sq m.</p> <p>Completed in 2011, the property comprises various teaching buildings, dormitories and related ancillary facilities. The property has a total gross floor area of approximately 39,835.99 sq m.</p> <p>The details of the gross floor area are as follows:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Use</th> <th style="text-align: right;">Approximate gross floor area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Teaching Buildings</td> <td style="text-align: right;">11,088.51</td> </tr> <tr> <td>Dormitories</td> <td style="text-align: right;">17,030.90</td> </tr> <tr> <td><b>Total:</b></td> <td style="text-align: right;"><b>28,162.41</b></td> </tr> </tbody> </table>	Use	Approximate gross floor area (sq m)	Teaching Buildings	11,088.51	Dormitories	17,030.90	<b>Total:</b>	<b>28,162.41</b>	<p>As at the valuation date, the property was occupied by the Group as a campus.</p> <p>No commercial value</p>
Use	Approximate gross floor area (sq m)										
Teaching Buildings	11,088.51										
Dormitories	17,030.90										
<b>Total:</b>	<b>28,162.41</b>										
	<p>Such certificates and approval have not been obtained for the remaining buildings with a total gross floor area of approximately 11,673.58 sq m.</p> <p>The property is held with allocated land use rights for education use. (For details, please see Notes (2)).</p>										

Notes :

- (1) The land use rights of the property are allocated in nature and cannot be freely transferred. We have therefore ascribed no commercial value to the property.

For illustrative purpose, had the Group obtained valid Real Estate Title Certificates (Land Transfer) of the property for education use, the market value of the property as at the valuation date would be RMB180,400,000.

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- (2) According to Certificates of Real Estate Ownership all issued by Hefei Housing Bureau, the allocated land use rights with a total site area of 94,382.9 sq m and the building ownership rights of the Property with a total gross floor area of 28,162.41 have been vested in Anhui New East Culinary Professional Institute for education use with salient details as follows:

<u>Certificate No.</u>	<u>Date of issue</u>	<u>Use</u>	<u>Gross floor area</u> (sq m)
(2018) 10034536 . . .	13 June 2018	Teaching Building	5,987.88
(2018) 10034541 . . .	13 June 2018	Teaching Building	5,100.63
(2018) 0025396 . . . .	5 February 2018	Student Dormitory	17,073.90
<b>Total:</b>			<b>28,162.41</b>

Real Estate Title Certificates have not been obtained for portion of the property with a total gross floor area of 11,673.58 sq m.

- (3) According to six Planning Permits for Construction Works issued by 合肥市規劃局(Construction Planning Bureau of Hefei), the construction works are in compliance with the urban planning requirements and have been approved with details as follows:

<u>Certificate No.</u>	<u>Date of Issue</u>	<u>Project Name</u>	<u>Gross floor area</u> (sq m)
2011-048 . . . . .	5 May 2011	Ancillary Facilities	822.46
2011-049 . . . . .	5 May 2011	Practical Training and Teaching Building 1	3,429.00
2011-050 . . . . .	5 May 2011	Student Dormitory 1, 2	17,133.40
2011-005 . . . . .	26 November 2011	Teaching Building 3	5,004.82
2011-006 . . . . .	26 November 2011	Teaching Building 6	5,828.29
2011-007 . . . . .	26 November 2011	Teaching Building 7	6,259.22
2013-102 . . . . .	28 November 2013	Practical Training and Teaching Building 2	1,162.9
<b>Total:</b>			<b>39,680.09</b>

- (4) According to four Permits for Commencement of Construction Works issued by 合肥市規劃局 (Construction Planning Bureau of Hefei), the property is in compliance with the requirements for works commencement and have been permitted with details as follows:

<u>Certificate No.</u>	<u>Date of Issue</u>	<u>Project Name</u>	<u>Gross floor area</u> (sq m)
010211040003 . . . .	19 April 2011	Teaching Building 3, 6, 7	17,092.00
010211050006 . . . .	10 May 2011	Practical Training and Teaching Building 1, Associated Teaching Building	4,337.00
010211060001 . . . .	18 June 2011	Student Dormitory 1, 2	17,133.40
34013514031101S01.	17 April 2014	Practical Training and Teaching Building 2	1,162.9
<b>Total:</b>			<b>39,725.30</b>

- (5) According to Business License No. 52340100784946506P dated 24 April 2018, Anhui New East Culinary Professional Institute was established with a registered capital of RMB40,000,000 with an operating period from 24 April 2018 to 30 April 2021.

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- (6) [We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:
  - (i) The Allocated-owned Land Use Rights Certificate and Real Estate Title Certificates of the property are legal and valid under the PRC laws;
  - (ii) The land use rights and building ownership of the property with title documents have been vested in 安徽新東方烹飪專修學院 (Anhui New East Culinary Professional Institute);
  - (iii) 安徽新東方烹飪專修學院 (Anhui New East Culinary Professional Institute) is the legal land user of the property with title documents;
  - (iv) 安徽新東方烹飪專修學院 (Anhui New East Culinary Professional Institute) has the right to freely occupy and use of the land use rights and building ownership of the property in accordance with PRC laws;
  - (v) The application of the relevant title certificates for the buildings without title certificates are in progress; and
  - (vi) According to the PRC legal opinion, the legal advisor conducted interview between the relevant government department and it is orally confirmed that the Company can continue to use these buildings without being subject to any fines or penalties and without being ordered to stop using or demolish these buildings.

- (7) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:

Real Estate Title Certificates . . . . .	Yes (portion)
Planning Permits for Construction Works . . . . .	Yes
Permits for Commencement of Construction Works . . . . .	Yes
Business License . . . . .	Yes

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VALUATION REPORT

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Market Value in existing state as at 31 October 2018</u>										
5. The campus of Anhui Wontone Automobile Maintenance Institute, Corner of Xuelin road and Cailun Road, Yaohai District, Hefei, Anhui Province, the PRC  中國安徽省合肥市 瑤海區學林路與蔡倫 路交口安徽萬通汽車 專修學院	The property is a campus developed on a parcel of land with a total gross site area of approximately 90,600.36 sq m. Completed in the period between 2011 and 2018, the property comprises various teaching buildings, dormitories and related ancillary facilities. The property has a total gross floor area of approximately 49,308.31 sq m. The details of the gross floor area are as follows:  <table style="margin-left: 40px; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Use</u></th> <th style="text-align: right;"><u>Approximate gross floor area</u></th> </tr> <tr> <td></td> <td style="text-align: right;"><i>(sq m)</i></td> </tr> </thead> <tbody> <tr> <td>Teaching Buildings</td> <td style="text-align: right;">17,498.55</td> </tr> <tr> <td>Dormitories</td> <td style="text-align: right;">17,073.90</td> </tr> <tr> <td><b>Total:</b></td> <td style="text-align: right;"><b>34,572.45</b></td> </tr> </tbody> </table>	<u>Use</u>	<u>Approximate gross floor area</u>		<i>(sq m)</i>	Teaching Buildings	17,498.55	Dormitories	17,073.90	<b>Total:</b>	<b>34,572.45</b>	As at the valuation date, the property was occupied by the Group as a campus.	No commercial value
<u>Use</u>	<u>Approximate gross floor area</u>												
	<i>(sq m)</i>												
Teaching Buildings	17,498.55												
Dormitories	17,073.90												
<b>Total:</b>	<b>34,572.45</b>												
	Such certificates and approval have not been obtained for the remaining buildings with a total gross floor area of approximately 14,735.86 sq m.  The property is held with allocated land use rights for education use. (For details, please see Notes (2)).												

Notes:

- (1) The land use rights of the property are allocated in nature and cannot be freely transferred. We have therefore ascribed no commercial value to the property.

For illustrative purpose, had the Group obtained valid Real Estate Title Certificates (Land Transfer) of the property for education use, the market value of the property as at the valuation date would be RMB197,660,000.

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- (2) According to 2 State-owned Land Use Rights Certificates issued by the Hefei Land Resources Bureau(合肥國土資源局), the land use rights of the property with a total site area of 89,976.55 sq m have been vested in Anhui Wontone Automobile Maintenance Institute with details as follows:

<u>Certificate No.</u>	<u>Date of Issue</u>	<u>Use</u>	<u>Site area</u> (sq m)
(2011) 6 . . . . .	14 March 2011	Education	52,643.03
(2016) 007 . . . . .	2 February 2016	Education	37,957.33
<b>Total:</b>			<b>90,600.36</b>

- (3) According to Certificates of Real Estate Ownership all issued by Hefei Housing Bureau, the allocated land use rights with a total site area of 52,643.03 sq m and the building ownership rights of the Property with a total gross floor area of 34,572.45 sq m have been vested in Anhui Wontone Automobile Maintenance Institute for education use with salient details as follows:

<u>Certificate No.</u>	<u>Use</u>	<u>Gross floor area</u> (sq m)
(2016) 0208854. . . .	Education	9,966.54
(2016) 0208845. . . .	Education	7,532.01
(2018) 0025376. . . .	Student Dormitory	17,073.90
<b>Total:</b>		<b>34,572.45</b>

Real Estate Title Certificates have not been obtained for portion of the property with a total gross floor area of 14,735.86 sq m.

- (4) According to five Planning Permits for Construction Works issued by 合肥市規劃局 (Construction Planning Bureau of Hefei), the construction works are in compliance with the urban planning requirements and have been approved with details as follows:

<u>Certificate No.</u>	<u>Date of Issue</u>	<u>Project Name</u>	<u>Gross floor area</u> (sq m)
2011-035 . . . . .	18 March 2011	Student Dormitory 6, 7	17,133.40
2011-051 . . . . .	5 May 2011	Practical Training and Teaching Building 1	3,590.00
2011-052 . . . . .	5 May 2011	Ancillary Facilities	822.46
340101201240122. . .	20 November 2012	Teaching Building 4	10,361.30
340101201240123. . .	20 November 2012	Teaching Building 5	7,377.00
2016-281 . . . . .	24 November 2016	Student Dormitory 2	6231.50
<b>Total:</b>			<b>45,515.66</b>

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- (5) According to three Permits for Commencement of Construction Works issued by 合肥市規劃局 (Construction Planning Bureau of Hefei), the property is in compliance with the requirements for works commencement and have been permitted with details as follows:

<u>Certificate No.</u>	<u>Date of Issue</u>	<u>Project Name</u>	<u>Gross floor area</u> (sq m)
010211030001 . . . . .	3 March 2011	Teaching Building 4, 5	17,917.00
010211050007 . . . . .	10 May 2011	Practical Training and Teaching Building 1, Associated Teaching Building	4,507.00
010211060002 . . . . .	18 June 2011	Student Dormitory 6, 7	17,133.40
3401001609120104-SX-001 . . . . .	28 March 2017	Student Dormitory 2	6,231.50
<b>Total:</b>			<b>45,788.90</b>

- (6) According to Business License No. 52340100799836967E dated 24 April 2018, Anhui Wontone Automobile Maintenance Institute was established with a registered capital of RMB30,000,000 with an operating period from 24 April 2018 to 30 April 2021.

- (7) [We have been provided with a Legal Opinion on the property prepared by the Group’s PRC legal adviser, which contains, inter alia, the following information:

- (i) The Allocated-owned Land Use Rights Certificate and Real Estate Title Certificates of the property are legal and valid under the PRC laws;
- (ii) The land use rights and building ownership of the property with title documents have been vested in 安徽萬通汽車專修學院 (Anhui Wontone Automobile Maintenance Institute);
- (iii) 安徽萬通汽車專修學院 (Anhui Wontone Automobile Maintenance Institute) is the legal land user of the property with title documents;
- (iv) 安徽萬通汽車專修學院 (Anhui Wontone Automobile Maintenance Institute) has the right to freely occupy and use of the land use rights and building ownership of the property in accordance with PRC laws;
- (v) The application of the relevant title certificates for the buildings without title certificates are in progress; and
- (vi) According to the PRC legal opinion, the legal advisor conducted interview between the relevant government department and it is orally confirmed that the Company can continue to use these buildings without being subject to any fines or penalties and without being ordered to stop using or demolish these buildings.

- (8) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:

Allocated Land Use Rights Certificates . . . . .	Yes
Real Estate Title Certificates . . . . .	Yes (portion)
Planning Permits for Construction Works . . . . .	Yes (portion)
Permits for Commencement of Construction Works . . . . .	Yes (portion)
Business License . . . . .	Yes

## APPENDIX III

## PROPERTY VALUATION REPORT

### VALUATION REPORT

#### Group II – Properties leased and occupied by the Group in the Hong Kong

	<u>Property</u>	<u>Description and particulars of tenancy</u>	<u>Market value in existing state as at 31 October 2018</u>
6.	Properties leased for HK New Oriental Culinary Art Limited 2nd Floor, KP Tower, No.93 King's Road, North Point, Hong Kong	<p>The property comprises a commercial unit erected on a parcel of land with a total gross floor area of approximately 3,237.00 sq m leased for Shijiazhuang Xinhua Computer School.</p> <p>The property is leased from an independent third party to 香港新東方烹飪培訓有限公司 (HK New Oriental Culinary Art Limited) from 1 December 2015 to 30 November 2020 at a prevailing monthly rent of RMB120,000.00.</p>	No commercial value
7.	Properties leased for HK New Oriental Culinary Art Limited Room 2601, 26th Floor, Kwai Hung Holdings Centre, No.89 King's Road, North Point, Hong Kong	<p>The property comprises an office unit erected on a parcel of land with a total gross floor area of approximately 651.00 sq m leased for Shijiazhuang Xinhua Computer School.</p> <p>The property is leased from an independent third party to 香港新東方烹飪培訓有限公司 (HK New Oriental Culinary Art Limited) from 1 February 2018 to 31 January 2020 at a prevailing monthly rent of RMB18,603.00.</p>	No commercial value

APPENDIX III

PROPERTY VALUATION REPORT

Group III – Property leased by the Group for operation in the PRC (貴集團在中國租賃用於運營的物業)

Property No.	The school occupying the leased property	Address of the property leased from the sub-lessor, an independent third party	Lessee	Leased Land Area (sq m)	Leased Floor Area (sq m)	Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent (RMB)	Notes of property legal opinion	Market value as at 31 October 2018 (RMB)
8	Beijing Langjie Technology Co. Ltd	Unit 10, Level 17, Culture Mansion, No. 59 Zhongguancun Street, Haidian, Beijing, the PRC	Beijing Langjie Technology Co. Ltd	n/a	115.62	2018-04-15	2019-04-14	23,980.00	1,6	No commercial value
9	Beijing New East Cuisine Vocational Training School	South of Yujiawei Village, Dougezhuang town, Chaoyang, Beijing, the PRC	Beijing New East Cuisine Vocational Training School	8,043.00	12,467.00	2015-05-01	2030-04-30	416,666.67	2,3,6	No commercial value
10	Beijing New East Cuisine Vocational Training School	South of Yujiawei Village, Dougezhuang town, Chaoyang, Beijing, the PRC	Beijing New East Cuisine Vocational Training School	n/a	1,673.00	2015-10-01	2030-11-30	55,833.33	2,3,6	No commercial value
11	Beijing New East Cuisine Vocational Training School	Shuangqiao Middle Road, Chaoyang, Beijing, the PRC	Beijing New East Cuisine Vocational Training School	n/a	4,262.00	2017-08-10	2027-08-09	233,333.33	2,3,6	No commercial value
12	Chongqing New East Culinary Vocational Training Institute	No.1 Jinpo, Shijingpo Subdistrict Office, Shapingba, Chongqing, the PRC	Chongqing New East Culinary Vocational Training Institute	n/a	4,600.00	2017-03-01	2021-08-31	66,666.67	1,4,6	No commercial value
13	Chongqing New East Culinary Vocational Training Institute	NO.16 Jincui Lane, Huixing Road, Yubei, Chongqing, the PRC	Chongqing New East Culinary Vocational Training Institute	26,380.00	19,046.75	2017-09-01	2028-02-29	375,000.00	1,4,6	No commercial value
14	Fujian New East Training School	Hangcheng Town, Changle, Fujian Province, the PRC	Fujian New East Training School	9,635.00	12,608.00	2017-01-01	2032-12-31	126,080.00	1,4,6	No commercial value
15	Fujian New East Culinary Vocational Training School	Hangcheng Town, Changle, Fujian Province, the PRC	Fujian New East Culinary Vocational Training School	5,724.00	5,542.00	2017-01-01	2032-12-31	55,420.00	1,4,6	No commercial value
16	Xiamen City Tong'an District New East Cuisine Vocational Training School	No.101 Ma'an Road, Tong'an Industrial Concentration Area, Tong'an, Xiamen, Fujian Province, the PRC	Xiamen City Tong'an District New East Cuisine Vocational Training School	n/a	14,689.50	2014-06-01	2024-05-31	226,756.00	1,4,6	No commercial value



APPENDIX III

PROPERTY VALUATION REPORT

Property No.	The school occupying the leased property	Address of the property leased from the sub-lessor, an independent third party	Lessee	Leased Land Area (sq m)	Leased Floor Area (sq m)	Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent (RMB)	Notes of property legal opinion	Market value as at 31 October 2018 (RMB)
17	Guangzhou City Panyu District New East Cuisine Vocational Training School	Luoshan Avenue, Luobian Village, Nancun Town, Panyu District, Guangzhou, Guangdong Province, the PRC	Guangzhou City Panyu District New East Cuisine Vocational Training School	14,000.00	24,223.00	2010-08-18	2019-08-17	274,758.00	1,4	No commercial value
18	Guangzhou City Panyu District New East Cuisine Vocational Training School	No.47 Taian Road, Xinqiao Village, Shiqi Town, Panyu District, Guangzhou, Guangdong Province, the PRC	Guangzhou City Panyu District New East Cuisine Vocational Training School	7,200.00	9,234.00	2018-08-01	2023-07-31	177,815.00	2,3	No commercial value
19	Shenzhen New East Cuisine Vocational Training School	No. 52 Baozizhong Road, Pingshan New District, Shenzhen, Guangdong Province, the PRC	Shenzhen New East Cuisine Vocational Training School	7,749.00	11,978.00	2015-01-01	2020-12-30	95,824.00	1,4	No commercial value
20	Gansu New East Cuisine Vocational Training School	Heping Economic Development Zone, Lanzhou, Gansu Province, the PRC	Gansu New East Cuisine Vocational Training School	62,751.91	20,195.91	2016-08-01	2030-07-31	275,000.00	1	No commercial value
21	Guiyang New East Culinary Institute	Guiyang Construction Engineering School, Ganyintang Archway, Nanming District, Guiyang, Guizhou Province, the PRC	Guiyang New East Culinary Institute	34,171.86	5,054.68	2018-01-01	2019-12-31	78,333.33	1,4,6	No commercial value
22	Guiyang New East Culinary Institute	Maogai Village, Mengguan township, Huaxi District, Guiyang, Guizhou Province, the PRC	Guiyang New East Culinary Institute	27,972.00	34,542.68	2018-04-01	2030-09-30	525,000.00	1,4,6	No commercial value
23	Zhengzhou New East Culinary Vocational Training School	Xueyuan Road, Ma Zhai town, Er Qi district, Zhengzhou, Henan Province, the PRC	Zhengzhou New East Culinary Vocational Training School	n/a	16,525.10	2014-01-01	2021-12-31	374,040.00	2,3,6	No commercial value
24	Hubei New East Culinary Vocational Training School	Botian Road, Shenbaolong Street, Sunshine Avenue, Jiangxia Economic Development Zone, Wuhan, Hubei Province, the PRC	Hubei New East Culinary Vocational Training School	11,129.50	9,341.26	2014-05-21	2023-05-20	111,583.33	1,4,6	No commercial value

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PROPERTY VALUATION REPORT

Property No.	The school occupying the leased property	Address of the property leased from the sub-lessor, an independent third party	Lessee	Leased Area		Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent	Notes of property legal opinion	Market value as at 31 October 2018
				(sq m)	Floor Area (sq m)					
25	Shijiazhuang Luancheng New East Culinary Vocational Training School	Fuqiang Road, Luancheng District, Shijiazhuang, Hebei Province, the PRC	Shijiazhuang Luancheng New East Culinary Vocational Training School	36,473.00	24,055.00	2014-10-11	2026-12-31	153,333.33	2,6	No commercial value
26	Shijiazhuang Luancheng New East Culinary Vocational Training School	No. 238 Fuqiang Road, Luancheng District, Shijiazhuang, Hebei Province, the PRC	Shijiazhuang Luancheng New East Culinary Vocational Training School	800.00	2,320.00	2016-05-04	2026-05-03	12,500.00	2,3,6	No commercial value
27	Hainan New East Culinary Vocational Training School and Hainan New East Culinary Training School	Xingye Road, Hong Kong and Macao Development Zone, Haikou, Hainan Province, the PRC	Hainan New East Culinary Vocational Training School and Hainan New East Culinary Training School	8,500.00	9,000.00	2014-05-01	2022-04-30	124,458.33	2,4	No commercial value
28	Haerbin New East Cuisine School	No.253 Pioneer Road, Daowai District, Harbin, Heilongjiang Province, the PRC	Haerbin New East Cuisine School	2,031.00	4,300.00	2018-10-01	2023-09-30	25,000.00	2,6	No commercial value
29	Haerbin New East Cuisine School	No.77 Qianhong Road, Qianjin Village, Chaoyang Town, Xiangfang District, Harbin, Heilongjiang Province, the PRC	Haerbin New East Cuisine School	10,446.67	7,877.23	2015-01-01	2024-12-31	690,000.00	1,4	No commercial value
30	Changsha New East Culinary Institute	Mao Tong Industrial Park Changsha economic and Technological Development Zone, Changsha, Hunan Province, the PRC	Changsha New East Culinary Institute	33,333.34	40,000.00	2011-04-01	2021-06-30	77,777.00	2,6	No commercial value
31	Changchun New East Culinary Vocational Training School and Changchun New East Cuisine Technical School	No. 12888 Qingnian Road (east of 302 National Road), Kuancheng District, Changchun, Jilin Province, the PRC	Anhui New East Cuisine School	8,534.75	11,598.30	2013-07-16	2023-07-15	171,808.33	1,4,6	No commercial value
32	Jiangsu New East Cuisine School & Nanjing Culinary Technical School	No.52 Dianjiangtai Road, Pukou District, Nanjing, Jiangsu Province, the PRC	Jiangsu New East Cuisine School & Nanjing Culinary Technical School	n/a	14,963.00	2015-07-01	2020-06-30	169,166.67	5	No commercial value

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PROPERTY VALUATION REPORT

Property No.	The school occupying the leased property	Address of the property leased from the sub-lessor, an independent third party	Lessee	Leased Land Area (sq m)	Leased Floor Area (sq m)	Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent (RMB)	Notes of property legal opinion	Market value as at 31 October 2018 (RMB)
33	Suzhou New East Cuisine School	No. 28 Fengyang Rd, Yangchenghu Town, Xiangcheng District, Jiangsu Province the PRC	Suzhou New East Cuisine School	27,514.90	13,139.60	2014-08-08	2029-09-07	183,333.33	1,4	No commercial value
34	Xuzhou New East Cuisine School	West of Liang ku North Rd, Yicheng Village, Tongshan District, Jiangsu Province the PRC	Xuzhou New East Cuisine School	13,334.00	16,807.22	2017-12-05	2027-12-04	175,000.00	1,4	No commercial value
35	Jiangxi Nanchang New East Culinary Institute	No.279 Jingtangshan Road, Qingyunpu District, Nanchang, Jiangxi Province, the PRC	Jiangxi Nanchang New East Culinary Secondary Vocational School	10,402.00	10,438.05	2011-03-01	2023-02-28	91,666.67	3,6	No commercial value
36	Jiangxi Nanchang New East Culinary Institute	No. 377 Jingtangshan Road, Qingyunpu District, Nanchang, Jiangxi Province, the PRC	Jiangxi Nanchang New East Culinary Secondary Vocational School	1,332.00	130.00	2015-08-20	2022-08-31	3,900.00	2	No commercial value
37	Jiangxi Nanchang New East Culinary Institute	Yingbin Mid-Road & No.98 Xiaolan Road, Xiaolan Industrial Area, Nanchang, Jiangxi province, the PRC	Jiangxi Nanchang New East Culinary Secondary Vocational School	10,000.00	8,100.00	2013-03-01	2019-02-28	83,333.33	1,4,6	No commercial value
38	Dalian Jinzhou New East Cuisine Vocational Training School	No.28, No.3 Digital Road, Dalian Development Area, Dalian, Liaoning Province, the PRC	Anhui New East Cuisine School	13,000.00	9,319.03	2015-01-01	2024-12-31	116,666.67	1,4,6	No commercial value
39	Shenyang New East Cuisine School	Lanshengtai Village, Shaling Town, Yuhong District, Shenyang, Liaoning Province, the PRC	Shenyang New East Cuisine School	10,543.00	17,600.00	2016-05-01	2021-04-30	83,333.33	3,6	No commercial value
40	Dongshi Campus of Shenyang New East Cuisine School	No.173 Shaling Road, Yuhong District, Shenyang, Liaoning Province, the PRC	Shenyang New East Cuisine School	11,405.60	13,814.11	2018-07-01	2028-06-30	183,333.33	1,4	No commercial value

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PROPERTY VALUATION REPORT

Property No.	The school occupying the leased property	Address of the property leased from the sub-lessor, an independent third party	Lessee	Leased Area		Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent	Notes of property legal opinion	Market value as at 31 October 2018
				(sq m)	Floor Area (sq m)					
41	Hohhot New East Training School	East of Dawayao Village, Taigemu Town, Tumotezuo Qi, Hohhot, Inner Mongolia, the PRC	Hohhot New East Training School	6,768.70	2,800.00	2016-07-21	2023-07-20	37,500.00	1,4,6	No commercial value
42	Hohhot New East Culinary Vocational Training School	East of Dawayao Village, Taigemu Town, Tumotezuo Qi, Hohhot, Inner Mongolia, the PRC	Hohhot New East Culinary Vocational Training School	8,925.10	8,898.56	2013-04-16	2023-04-15	120,000.00	1,4,6	No commercial value
43	Ningxia New East Vocational Training School	National Highway 109 North, Wangyuan Town, Ningyuan County, Yinchuan, Ningxia Province, the PRC	Ningxia New East Vocational Training School	n/a	14,374.76	2018-01-01	2024-12-31	31,583.16	1,6	No commercial value
44	Qinghai New East Culinary Vocational Training School Limited	No. 92 Chuangye Road, Nanxin District, Xining, Qinghai Province, the PRC	Qinghai New East Culinary Vocational Training School Limited	19,000	23,215.00	2016-08-01	2024-07-31	32,600.00	2,6	No commercial value
45	Chengdu New East Cuisine School	Block 10, High Tech Avenue, Jiaolong Industrial Port, Shuangliu District, Chengdu, Sichuan, the PRC	Chengdu New East Cuisine School	n/a	18,000.00	2008-12-30	2058-12-30	207,900.00	2,3,4,6	No commercial value
46	Chengdu New East Cuisine School	No.133 Luohan Road, Peng Town, Shuangliu District, Chengdu, Sichuan, the PRC	Chengdu New East Cuisine School	21,978.00	21,432.00	2013-08-23	2028-11-22	210,000.00	2,4,6	No commercial value
47	Chengdu New East Cuisine School	No. 626 Jinzhou Road, Jimi District, Chengdu, Sichuan, the PRC	Chengdu New East Cuisine School	n/a	11,000.00	2017-06-26	2022-06-25	166,666.67	2,3,4,6	No commercial value
48	Nanchong New East Culinary Vocational Training School	No.2 Yunlu Community, No. 98 Wansong East Road, Shunqing District, Nanchong, Sichuan, the PRC	Nanchong New East Culinary Vocational Training School	1,284.25	4,090.99	2017-11-11	2023-11-10	108,333.33	2,4,6	No commercial value

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Property No.	The school occupying the leased property	Address of the property leased from the sub-lessor, an independent third party	Lessee	Leased Area		Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent	Notes of property legal opinion	Market value as at 31 October 2018
				(sq m)	Floor Area (sq m)					
49	Qingdao Chengyang New East Culinary Vocational Training School	The rear of the Wangjia nvgu village, Liuting street, Chengyang District Qingdao, the PRC	Qingdao Chengyang New East Culinary Vocational Training School	15,776.95	13,650.00	2014-01-01	2024-01-01	137,592.00	2,3,6	No commercial value
50	Zhonggong Campus of Shandong New East Culinary Vocational Training Institute	The middle section of Zhonggong Culture and Art road, Licheng District Jinan, Shandong Province, the PRC	Shandong New East Culinary Vocational Training Institute	18,418.00	18,112.00	2016-01-10	2024-01-09	433,333.33	2,4,6	No commercial value
51	Ping'an Campus of Shandong New East Culinary Vocational Training Institute	Ping'an Villa inside, Changqing District, Jinan, Shandong Province, the PRC	Shandong New East Culinary Vocational Training Institute	n/a	19,865.69	2017-01-01	2026-12-31	329,166.67	2,6	No commercial value
52	Shanghai Xinman Culinary Training Co., Ltd	No. 1915 Tingfeng Road, Jinshan District, Shanghai, the PRC	Shanghai Xinman Culinary Training Co., Ltd	21,009.00	14,982.15	2013-05-15	2023-05-14	265,000.00	1,6	No commercial value
53	Shanghai Xinman Culinary Training Co., Ltd	Workshop 7&8, No. 369 Zhongda Road, Zhujing Town, Jinshan District, Shanghai, the PRC	Shanghai Xinman Culinary Training Co., Ltd	10,000.00	16,607.58	2017-01-16	2025-04-15	265,000.00	1,4,6	No commercial value
54	Shaanxi New East Culinary School	No.256 Yudou Road, YuHuaZhai, Xi'an, Shaanxi Province, the PRC	Shaanxi New East Culinary School	31,600.00	30,302.00	2016-07-01	2031-11-14	291,666.67	2,6	No commercial value
55	Jinci campus of Shanxi New East Culinary Vocational Training School	No.5 of Dongmenwai, Jinci Town, Jinyuan District, Taiyuan, Shanxi Province, the PRC	Shanxi New East Culinary Vocational Training School	n/a	11,000.00	2010-09-10	2020-09-10	83,333.33	1,6	No commercial value
56	Xiaodian campus of Shanxi New East Culinary Vocational Training School	No.8 Dayun Road, Xiaodian District, Taiyuan, Shanxi Province, the PRC	Shanxi New East Culinary Vocational Training School	10,540.00	14,000.00	2015-07-01	2025-06-30	231,875.00	3,6	No commercial value
57	Tianjin Jinghai New East Culinary Vocational Training School	No. 6, No.1 road, Jinghai Economic Development Zone, Jinghai Town, Jinghai District, Tianjin, the PRC	Tianjin Jinghai New East Culinary Vocational Training School	n/a	11,777.40	2014-07-15	2024-07-14	175,000.00	1,6	No commercial value

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PROPERTY VALUATION REPORT

Property No.	The school occupying the leased property	Address of the property leased from the sub-lessor, an independent third party	Lessee	Leased Area		Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent	Notes of property legal opinion	Market value as at 31 October 2018
				(sq m)	Floor Area (sq m)					
58	Xinjiang New East Cuisine College	No. 19 Jintun Road, Toutunhe District, Urumqi, Xinjiang Province, the PRC	Xinjiang New East Cuisine College	15,417.60	21,518.25	2018-04-01	2033-09-31	61,767.67	2,4,6	No commercial value
59	Yunnan New East Culinary School and Yunnan New East Culinary Vocational Training School	Chejiabi, Xishan District, Kunming, Yunnan Province, the PRC	Yunnan New East Culinary School	31,836.58	17,248.92	2017-04-01	2027-06-30	275,000.00	1,4,6	No commercial value
60	Hangzhou Yuhang New East Culinary School (Liangzhu Campus)	No 6. Fuhao Road, Pingyao Town, Yuhang District, Hangzhou, Zhejiang Province, the PRC	Hangzhou Yuhang New East Culinary School	10,000.00	10,459.95	2014-03-01	2024-05-31	148,750.00	1	No commercial value
61	Hangzhou Yuhang New East Culinary School (Yuhang Campus)	No 46. Shangxui, Shanghu Village, Yuhang District, Hangzhou, Zhejiang Province, the PRC	Hangzhou Yuhang New East Culinary School	28,897.33	25,698.78	2017-03-01	2027-02-28	383,333.30	1	No commercial value
62	Ningbo New East Culinary Training School	Dasong Salt Pond, Zhanqi Village, Yinzhou District, Ningbo, Zhejiang Province, the PRC	Ningbo New East Culinary Training School	160,000.00	15,041.76	2017-02-01	2027-01-31	162,451.00	1,4,6	No commercial value
63	Shaanxi New East Culinary School	No.256, Yudou road, Yuhuazhai, Xi'an, Shaanxi Province, the PRC	Shaanxi New East Culinary School	n/a	2,628.00	2014-02-01	2022-08-10	21,667.00		No commercial value
64	Beijing Daxing District Xinhua Computer Vocational Skills Training School	100 meters south of Sanshui Qingqing Manor, Shahe town, Changping District, Beijing, the PRC	Beijing Daxing District Xinhua Computer Vocational Skills Training School	n/a	11,500.00	2014-11-01	2024-10-31	333,333.33	2	No commercial value
65	Chongqing Xinhua Computer Vocational Training School & Chongqing Xinhua Technical School	No. 26 Longfeng Three Village, Longfeng Bridge, Beibei District, Chongqing, the PRC	Chongqing Xinhua Computer Vocational Training School	46,000.00	23,000.00	2017-02-01	2027-01-31	206,666.67	2	No commercial value

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Property No.	The school occupying the leased property	Address of the property leased from the sub-lessor, an independent third party	Lessee	Leased Area		Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent	Notes of property legal opinion	Market value as at 31 October 2018
				(sq m)	Floor Area (sq m)					
66	Guizhou Xinhua Computer Institute	No. 67 Taoyuan Road, Wuyangqiao, Guiyang, Guizhou Province, the PRC	Guizhou Xinhua Computer Institute	n/a	20,373.25	2018-07-01	2019-6-31	154,812.00	1,6	No commercial value
67	Henan Xinhua Computer School	Zhengshang Road, Xushui Industry and Trade Garden, Zhongyuan district, Zhengzhou, Henan Province, the PRC	Henan Xinhua Computer School	n/a	23,333.33	2012-01-01	2021-12-31	333,333.33	2,6	No commercial value
68	Wuhan Xinhua Computer Vocational Training School	No.180 Yejin Avenue, Qingshan District, Wuhan, Hubei Province, the PRC	Wuhan Xinhua Computer Vocational Training School	11,844.41	9,836.22	2017-03-01	2025-02-28	175,000.00	1,4	No commercial value
69	Shijiazhuang Xinhua Computer School	No. 199 Nanerhuan West Road, Shijiazhuang, Hebei Province, the PRC	Shijiazhuang Xinhua Computer School	n/a	28,001.00	2015-12-15	2027-12-14	416,667.00	3,6	No commercial value
70	Changsha Xinhua Computer Institute	Niujiatong Village, Daduo Town, Tianxin District, Changsha, the PRC	Changsha Xinhua Computer Institute	11,219.00	15,404.21	2015-04-16	2025-04-15	225,736.83	1,4	No commercial value
71	Nanjing Xinhua Computer Institute	No.88 Jiuzhu Road, Moling street, Jiangning District, Nanjing, Jiangsu Province the PRC	Nanjing Xinhua Computer Institute	n/a	23,540.00	2016-10-01	2026-09-30	388,410.00	1	No commercial value
72	Nanchang Xinhua Computer Technical School	No.1228 Shunwai Road Qingshanhu District, Jiangxi Province, the PRC	Nanchang Xinhua Computer Technical School	73,333.33	28,806.00	2016-08-01	2019-07-31	280,000.00	2,6	No commercial value
73	Sichuan Xinhua Computer School	Block 1, Xinhua Avenue, Jiaolong Industrial Port, Shuangliu District, Chengdu, Sichuan Province, the PRC	Sichuan Xinhua Computer School	n/a	35,000.00	2006-03-08	2057-03-08	385,000.00	2,4,6	No commercial value

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Property No.	The school occupying the leased property	Address of the property leased from the sub-lessor, an independent third party	Lessee	Leased Area		Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent	Notes of property legal opinion	Market value as at 31 October 2018
				(sq m)	Floor Area (sq m)					
74	West Campus of Shandong Xinhua Computer Institute	No.123 Wuying Mountain Middle Street, Tianqiao District Jinan, Shandong Province, the PRC	Shandong Xinhua Computer Institute	40,000.20	18,979.40	2006-03-01	2021-02-28	221,987.08	3, 6	No commercial value
75	East Campus of Shandong Xinhua Computer Institute	No. 55 East Culture Road Lixia District Jinan, Shandong Province, the PRC	Shandong Xinhua Computer Institute	n/a	8,138.86	2014-02-01	2019-01-31	113,328.00	1, 6	No commercial value
76	Shaanxi Xinhua Computer Software School	No.1 Dongcheng Street, HongQing Industrial Park, Shaopingdian Baqiao District, Xi'an, Shaanxi Province, the PRC	Shaanxi Xinhua Computer Software School	20,300.00	16,342.88	2018-09-30	2028-09-30	98,057.28	1, 4, 6	No commercial value
77	Shanxi Xinhua Computer Vocational Training School	No.8-2 of Dayun Road, Xiaodian District, Taiyuan, Shanxi Province, the PRC	Shanxi Xinhua Computer Vocational Training School	11,700.00	13,550.00	2018-01-01	2032-12-31	214,090.00	3, 6	No commercial value
78	Urumsqi Xinhua Computer Internet Technology Co.,Ltd.	Half of the 3rd Floor Area of Building B1, Including Room T313, T314, T315, T316, C309, C310, C311, C312 and all the public area and spare area within the specific half area, Xinjiang Software Park Practice Base, Urumsqi, Xinjiang Province, the PRC	Urumsqi Xinhua Computer Internet Technology Co.,Ltd.	n/a	1,173.40	2018-01-01	2020-12-31	70,795.12	2, 6	No commercial value
79	Yunnan Xinhua Computer Vocational Training School and Yunnan Xinhua Computer Secondary Vocational School	Xishan District, Kunming, Yunnan Province, the PRC	Yunnan Xinhua Computer Vocational Training School and Yunnan Xinhua Computer Secondary Vocational School	n/a	22,346.22	2017-09-01	2020-08-31	112,500.00	2, 6	No commercial value



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Property No.	The school occupying the leased property	Address of the property leased from the sub-lessor, an independent third party	Lessee	Leased Land Area (sq m)	Leased Floor Area (sq m)	Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent (RMB)	Notes of property legal opinion	Market value as at 31 October 2018 (RMB)
80	Lanzhou Xinhua Internet Secondary Vocational School	No.008, No.010, Level 5, Wanshang International Mall, Donggang East Road, Lanzhou, Gansu Province, the PRC	Lanzhou Xinhua Internet Secondary Vocational School	24,570	14,013.49	2017-09-28	2025-12-31	199,166.67	2, 4, 6	No commercial value
81	Beijing Daxing District Wontone Automobile Repair School	Yard No. 6 and Level 1 and 2 of the Buildings on both sides of Xiaozhouyi Village, Majujiao town, Tongzhou District, Beijing, the PRC	Beijing Daxing District Wontone Automobile Repair School	9,333.33	18,000.00	2016-07-08	2024-07-07	606,666.67	3, 6	No commercial value
82	Chongqing Xinhua Wontone Automobile Vocational Skills Training Co., Ltd.	No.1 Jade Road, Cai Jia Town, Beibei District, Chongqing, the PRC	Anhui Xinhua Education Group Co., Ltd.	4,000.00	21,000.00	2016-12-06	2026-12-05	266,280.00	1, 4, 6	No commercial value
83	Guangzhou Panyu District Wontone Automobile Vocational Training School	Tianjingang, Panyu District, Guangzhou, Guangdong Province, the PRC	Guangzhou Panyu District Wontone Automobile Vocational Training School	6,847.00	12,158.00	2015/2/8	2020/2/7	172,207.62	3, 6	No commercial value
84	Guangzhou Panyu District Wontone Automobile Vocational Training School	Xiaoluo Village, Lianhua Avenue, Panyu District, Guangzhou, Guangdong Province, the PRC	Guangzhou Panyu District Wontone Automobile Vocational Training School	n/a	2,130.00	2015/2/9	2019/12/31	53,250.00	2, 6	No commercial value
85	Guangzhou Panyu District Wontone Automobile Vocational Training School	Daluotang Yunteng Ludian, Qiao Village, Panyu District, Guangzhou, Guangdong Province, the PRC	Guangzhou Panyu District Wontone Automobile Vocational Training School	n/a	3,298.00	2018-08-20	2019-06-20	103,000.00	1, 6	No commercial value
86	Guangzhou Panyu District Wontone Automobile Vocational Training School	Nos. 5 and 6 of Block 3 Industrial Complex Jincun South Street, Shatou Street Xiaoluo Village Industrial Zone, Panyu District, Guangzhou, Guangdong Province, the PRC	Guangzhou Panyu District Wontone Automobile Vocational Training School	n/a	800.00	2017-05-09	2025-05-31	22,000.00	3, 6	No commercial value

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Property No.	The school occupying the leased property	Address of the property leased from the sub-lessor, an independent third party	Lessee	Leased Land Area (sq m)	Leased Floor Area (sq m)	Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent (RMB)	Notes of property legal opinion	Market value as at 31 October 2018 (RMB)
87	Gansu Wontone Automobile Vocational Training School	Sany Heavy Industrial Park, Lanzhou New District, Lanzhou, Gansu Province, the PRC	Hefei Xinhua East Education Investment Co. Ltd.	23,150.70	11,772.22	2016-12-01	2027-02-28	164,666.67	2, 4, 6	No commercial value
88	Guizhou Wontone Automobile Education Training Co., Ltd.	No. 315 Huandong Road, Baiyun Distract, Guiyang, Guizhou Province, the PRC	Guizhou Wontone Automobile Education Training Co., Ltd.	n/a	19,648.00	2017-04-06	2027-04-05	252,692.00	1, 6	No commercial value
89	Zhengzhou Wontone Automotive College	No.16 Middle Section of Li Han Road, Xinyang, Zhengzhou, Henan Province, the PRC	Zhengzhou Wontone Automotive College	28,000	30,000.00	2011-07-16	2021-07-15	320,833.33	3, 6	No commercial value
90	Wuhan Wontone Yuxing Automobile Training Co., Ltd.	The inside part of Wuhan Hexin Packaging & Printing Co., Ltd, No. 5 Qingfeng Road, East Lake High-tech Development Zone, Wuhan, Hubei Province, the PRC	Wuhan Wontone Yuxing Automobile Training Co., Ltd.	10,000.00	16,027.00	2017-01-01	2024-12-31	200,000.00	1, 4	No commercial value
91	Shijiazhuang Wontone Automobile Vocational Training School	Datong Village, Gangshang Town, Gaocheng District, Shijiazhuang, Hebei Province, the PRC	Shijiazhuang Wontone Automobile Vocational Training School	19,900.00	19,132.50			225,000.00	2, 4, 6	No commercial value
92	Hunan Wontone Automotive College	Changsha economic and Technological Development Zone, Changsha, Hunan Province, the PRC	Hunan Wontone Automotive College	30,000.00	25,104.00	2016-06-06	2026-06-05	326,357.00	1, 4	No commercial value
93	Changchun Wontone Education Consulting Co., Ltd.	No. 127 and 128, comprehensive commercial building, maple leaf royal court, No. 7 Yanshou Street, Luyuan District, Changchun, Jilin Province, the PRC	Changchun Wontone Education Consulting Co., Ltd.	n/a	415.74	2017-10-01	2025-09-30	29,166.67	1, 6	No commercial value

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Property No.	The school occupying the leased property	Address of the property leased from the sub-lessor, an independent third party	Lessee	Leased Area		Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent	Notes of property legal opinion	Market value as at 31 October 2018
				(sq m)	Floor Area (sq m)					
94	Changchun Wontone Education Consulting Co., Ltd.	8 kilometres of Changbai Road, Hexin Town, Lvyan District, Changchun, Jilin Province, the PRC	Changchun Wontone Education Consulting Co., Ltd.	4,452.6	14,354.40	2017-07-01	2025-06-30	191,666.67	1, 4, 6	No commercial value
95	Nanjing Wontone Automobile Vocational Training School & Nanjing Wontone Automobile Technical School	No.100 Jiuzhu Road Moling Street, Jiangning District Nanjing, Jiangsu Province the PRC	Nanjing Wontone Automobile Mechtanic School	n/a	19,197.77	2018-07-01	2018-09-30	287,966.55	2	No commercial value
96	Nanjing Wontone Automobile Vocational Training School & Nanjing Wontone Automobile Technical School	No.168 Suyuan Avenue, Moling Street, Jiangning District Nanjing, Jiangsu Province the PRC	Nanjing Wontone Automobile Mechtanic School	n/a	29,286.11	2018-05-11	2028-05-10	556,433.33	1, 6	No commercial value
97	Nanchang Wontone Automobile Education Training Co., Ltd.	Yingbin Mid-Road & No.98 Xiaolan Road, Xiaolan Industrial area, Nanchang, Jiangxi Province, the PRC	Nanchang Wontone Automobile Education Training Co., Ltd.	22,331.00	21,201.89	2015-04-01	2019-05-31	220,833.33	1, 6	No commercial value
98	Shenyang City Wontone Automobile Vocational Training School	Shenyang Economic and Technological Development District, Shenyang, Liaoning Province, the PRC	Shenyang City Wontone Automobile Vocational Training School	19,352.00	12,600.00	2017-01-01	2026-12-31	179,167.00	1, 4, 6	No commercial value
99	Hohhot Wontone Automobile Vocational Training School	No.3 of Jinzhu East Road, Huimin District, Hohhot, Inner Mongolia, the PRC	Hefei Xinhua East Education Investment Co. Ltd.	5,134.87	14,000.00	2017-05-01	2027-04-30	141,666.67	1, 4	No commercial value
100	Shandong Wontone Automobile Repair Vocational Training School	No. 267 Xinhuang road, Tianqiao District, Jinan, Shandong Province, the PRC	Shandong Wontone Automobile Repair Vocational Training School	40,000.00	26,230.00	2012-01-01	2018-12-31	179,166.67	3, 6	No commercial value

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Property No.	The school occupying the leased property	Address of the property leased from the sub-lessor, an independent third party	Lessee	Leased Land Area (sq m)	Leased Floor Area (sq m)	Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent (RMB)	Notes of property legal opinion	Market value as at 31 October 2018 (RMB)
101	Xi'an Wontone Automobile Repair Vocational Skills Training School	No.200 Yudou Road, Yanfa District, Xi'an, Shaanxi Province, the PRC	Xi'an Wontone Automobile Repair Vocational Skills Training School	7,260.00	11,300.00	2012-12-30	2022-12-29	170,833.00	2	No commercial value
102	Xinjiang Production and Construction Corps Twelfth Division Xinjiang Production and Construction Corps Twelfth Division Wontone Automobile Specialized School	No. 1009 Pingnan Road, Toutunhe District Urumqi Xinjiang Province, the PRC	Xinjiang Production and Construction Corps Twelfth Division Xinjiang Production and Construction Corps Twelfth Division Wontone Automobile Specialized School	31,830.00	9,090.00	2016-10-01	2026-10-01	54,547.50	2, 6	No commercial value
103	Kunming Wontone Automobile Education Training Co., Ltd.	No.1580 Wenbo Road, Dabanqiao Airport Economic Zone Distract, Kunming, Yunnan Province, the PRC	Kunming Wontone Automobile Education Training Co., Ltd.	21,819.52	27,162.46	2017-09-01	2025-08-31	441,666.00	1, 4, 6	No commercial value
104	Hangzhou Wontone Automobile Vocational Skills Training School	No.127 Zhanjiadun Road, Tangxi Town, Yuhang District, Hangzhou, Zhejiang Province, the PRC	Hangzhou Wontone Automobile Vocational Skills Training School	11,694.50	15,928.30	2017-06-01	2027-05-31	233,333.30	1, 4, 6	No commercial value
105	Beijing Wisezone Education Technology Co., Ltd. Anhui Branch	Room 1401-1422, Block 25, Huameida Square, Shushan district, Hefei, Anhui Province, the PRC	Beijing Wisezone Education Technology Co., Ltd. Anhui Branch	n/a	1,025.54	2016-07-25	2021-07-24	48,563.30	1, 4, 6	No commercial value
106	Beijing Wisezone Education Technology Co., Ltd.	Level 1 to 3 of No. 3-7, and Level 3 of Nos. 3-8 to 3-12, Building 3, No. 44, North Third Ring Road, Haidian District, Beijing, the PRC	Beijing Wisezone Education Technology Co., Ltd.	n/a	1,217.00	2017-12-20	2022-12-19	173,980.00	1, 6	No commercial value

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Property No.	The school occupying the leased property	Address of the property leased from the sub-lessor, an independent third party	Leased Area		Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent	Notes of property legal opinion	Market value as at 31 October 2018
			(sq m)	Floor Area (sq m)					
107	Chongqing Wisezone Technology Co., Ltd.	Level 3, Building 4B, No.16 Huashan South Road, Liangjiang New Area District, Chongqing, the PRC	n/a	774.15	2017-09-01	2020-09-31	23,225.00	2, 6	No commercial value
108	Chongqing Wisezone Technology Co., Ltd.	Level 6, Building 18, No. 174 Zhongshan Two Road, Yuzhong District, Chongqing, the PRC	n/a	2,039.60	2015-06-01	2020-09-07	61,509.20	1, 6	No commercial value
109	Beijing Huaxin Zhiyuan Educational Technology Co. Ltd. Fujian Branch	Units A, B, C3, D2 and C4, Level 7, Word Jinlong Edifice, No. 159 Wusi Road, Gulou District, Fuzhou, Fujian Province, the PRC	n/a	1,488.00	2018-01-01	2024-12-31	40,176.00	1, 6	No commercial value
110	Beijing Wisezone Education Technology Co., Ltd. Guangzhou Branch	Units 2F010 to 2F013, 2F015 and 2F016, Building No.1, No.5 Space Creative Park, No.5 Taozhuang, Tianpingjia, Tianhe District, Guangzhou, Guangdong Province, the PRC	n/a	1,052.00	2016-02-20	2021-02-19	76,832.00	1	No commercial value
111	Lanzhou Wisezone Information Technology Co., Ltd.	No.301-304, No.312 of Floor 3, F-region No.704 Park, Duanjiantan Road, Chengguan District, Lanzhou, Gansu Province, the PRC	n/a	708.33	2017-12-20	2019-12-19	48,527.20	2, 6	No commercial value
112	Guizhou Wisezone Technology Co., Ltd	532 Huaxi Avenue, National Economic and Technological Development Zone, Guiyang, Guizhou Province, the PRC	n/a	1,000.00	2018-06-01	2019-05-31	-	-	No commercial value

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Property No.	The school occupying the leased property	Address of the property leased from the sub-lessor, an independent third party	Lessee	Leased Area		Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent	Notes of property legal opinion	Market value as at 31 October 2018
				(sq m)	Floor Area (sq m)					
113	Wiszone Education Technology Co., Ltd. Henan Branch	Level 13, East 8, National University Science Park, High and New Technology Development Zone, Zhengzhou, Henan Province, the PRC	Wiszone Education Technology Co., Ltd. Henan Branch	n/a	1,358.70	2018-04-01	2019-03-31	73,372.30	2, 6	No commercial value
114	Wuhan Wiszone Technology Co., Ltd	Level 2, Building A8, Central China Shuguang Software Park, No.1 Guanshan 1st Road, Wuhan, Hubei Province, the PRC	Wuhan Wiszone Technology Co., Ltd	n/a	976.73	2015-11-16	2019-11-15	64,610.69	1, 6	No commercial value
115	Beijing Wiszone Education and Technology Co.,Ltd.	Room 01, 02, 03, 04, 05, 06, 07, 08, 09, 10, Level 17, Ximei Huajie Building, No. 8 Hui Feng Road, Qiaoxi District, Shijiazhuang, Hebei Province, the PRC	Beijing Wiszone Education and Technology Co.,Ltd.	n/a	1,501.28	2018-04-10	2024-04-09	59,363.11	2, 6	No commercial value
116	Hunan Wiszone Science and Technology Ltd.	Level 7, Ping'an Building No.458 2nd Block Mid-Furong Road, Kaifu District, Hunan Changsha, the PRC	Hunan Wiszone Science and Technology Ltd.	n/a	728.90	2016-04-01	2023-03-31	28,000.00	1, 6	No commercial value
117	Nanjing Wiszone Education Technology Co., Ltd.	Portion of Block 2, 5 and 7 No.6 Xiaohang Road, Yuhuatai District, Nanjing, Jiangsu Province, the PRC	Nanjing Wiszone Education Technology Co., Ltd.	n/a	1,437.60	2015-10-11	2025-03-20	93,127.30	1, 6	No commercial value
118	Nanchang Wiszone Technology Co., Ltd.	Ziyang Road, Hi-tech zone, Nanchang, Jiangxi Province, the PRC	Nanchang Wiszone Technology Co., Ltd.	n/a	1,102.80	2015-11-18	2023-02-17	38,598.00	1, 6	No commercial value
119	Dalian Wiszone Education Technology Co.,Ltd.	No.12, Liaohe East Road, Dalian Development Area, Dalian, Liaoning Province, the PRC	Dalian Wiszone Education Technology Co.,Ltd.	n/a	2,525.36	2017-05-01	2020-04-30	30,725.21	1	No commercial value

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				(sq m)	Floor Area					
120	Chengdu Wisezone Technology Co., Ltd.	Room 701, 702, 705, 707 to 712, 717, Golden Block Building, 63 Xi'an South Road, Jinniu District, Chengdu, Sichuan Province, the PRC	Chengdu Wisezone Technology Co., Ltd.	n/a	1,131.69	2016-01-01	2021-01-31	58,991.75	1	No commercial value
121	Jinan Huaxin Zhiyuan education technology Co., Ltd.	No. 55-1 East Culture road, Lixia District, Jinan, Shandong Province, the PRC	Jinan Huaxin Zhiyuan education technology Co., Ltd.	n/a	1,010.00	2017-09-01	2024-01-31	30,000.00	2, 6	No commercial value
122	Beijing Wisezone Education and Technology Co., Ltd. Shaanxi Branch	No.33 BeiGuan street LianHu District Xi'an, Shaanxi Province, the PRC	Shaanxi Xinhua Computer Software School	n/a	694.32	2015-06-15	2020-06-15	25,000.00	1, 6	No commercial value
123	Taiyuan Branch of Beijing Wisezone Education Technology Co., Ltd.	No.01-09、No.12-14 of Level 17, and No.06-07 of Level 18, Second Phase of E-Commerce Industrial Park No.9 Changzhi West Lane, Taiyuan, Shanxi Province, the PRC	Taiyuan Branch of Beijing Wisezone Education Technology Co., Ltd.	n/a	1,491.00	2016-09-20	2019-09-29	58,692.00	2, 6	No commercial value
124	Tianjin Wisezone Technology Co., Ltd.	Room 2502 to 2511, Level 25, Smart Valley Building, Northwest of the intersection of Hongqi Road and Tiantuo North Road, Nankai District, Tianjin, The PRC	Tianjin Wisezone Technology Co., Ltd.	n/a	1,035.04	2016-12-01	2019-11-30	49,588.77	1	No commercial value
125	Beijing Wisezone Technology Co., Ltd	Xuefu Road, Kunming, Yunnan Province, the PRC	Beijing Wisezone Technology Co., Ltd	n/a	423.59	2016-05-27	2021-05-27	30,000.00	2, 6	No commercial value
126	Hangzhou Wisezone Education Technology Co., Ltd.	Rooms 14-26, Level 6, Block 4, No.2 Science & Technology Park Road, Baiyang District, Hangzhou Economic & Technology Development Zone, Hangzhou, Zhejiang Province, the PRC	Hangzhou Wisezone Education Technology Co., Ltd.	n/a	1,541.76	2016-12-01	2021-11-30	81,096.58	1	No commercial value

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127	Yiwu Wisezone Education Technology Co., Ltd	No.407 Yongjun Road, Yiwu, Jinhua, Zhejiang Province, the PRC	Anhui Wisezone Education Technology Co., Ltd., Yiwu Wisezone Education Technology Co., Ltd	n/a	1,765.70	2016-10-10	2019-10-25	12,500.00	1, 6	No commercial value
128	Beijing Wisezone Education Technology Co., Ltd. Kunming Branch	Level 2, 3 and portion of Level 1, Guangfa Garden, No. 193 Wujing Road, Guandu District, Kunming, Yunnan Province, the PRC	Beijing Wisezone Education Technology Co., Ltd. Kunming Branch	n/a	2,158.53	2018-03-03	2024-04-17	118,719.17		No commercial value
129	Beijing Omick Education Technology Co. Ltd	B217 and B222, Level 2, Block B of Building No. 9, Caoqiaoxinyuan, Fengtai District, Beijing, the PRC	Beijing Omick Education Technology Co. Ltd	n/a	1,268.60	2016-06-30	2026-06-29	150,000.00	3	No commercial value
130	Chongqing Omick Western Pastry and Western Food Vocational Training School	No.10 Huang Ge new village Jiangbei District, Chongqing, the PRC	Hefei Xinhua Oriental Education Investment Co., Ltd.	6,686.67	6,000.00	2017-08-31	2020-01-18	148,333.00	2, 6	No commercial value
131	Xiamen Omick Western Pastry and Western Food Co., Ltd.	Level 6, 134 Hua Chang Road, Huli District, Xiamen, Fujian Province, the PRC	Xiamen Omick Western Pastry and Western Food Co., Ltd.	n/a	3,080.00	2017-03-25	2027-03-24	141,666.67	1, 6	No commercial value
132	Guangzhou Omick Western Pastry Vocational Training School	Portion of Level 1 and 2, Block A, Junfu Creative Park, Huihua Street, Xicha Road, Baiyun District, Guangzhou, Guangdong Province, the PRC	Guangzhou Omick Western Pastry Vocational Training School	n/a	3,811.00	2017-03-30	2027-03-29	164,064.00	3	No commercial value
133	Gansu Omick Western Pastry Vocational Training School	No.19 Hongshang West Road, Chengguan District, Lanzhou, Gansu Province, the PRC	Gansu Omick Western Pastry Vocational Training School	n/a	1,600.00	2018-07-12	2024-07-12	66,666.67	2, 6	No commercial value



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135	Zhengzhou Omick Western Pastry Vocational Training School	Level 3, Longhui Yaju mall, No.16 Yulan Street, New and high-tech Zones, Zhengzhou, Henan Province, the PRC	Zhengzhou Omick Western Pastry Vocational Training School	n/a	2,949.71	2017-09-29	2027-06-28	138,000.00	1, 6	No commercial value
136	Wuhan Omick Western Pastry and Western Food Vocational Training School	Fengmao Road, Gutian 2nd Road, Qiaokou District, Wuhan, Hubei Province, the PRC	Wuhan Omick Western Pastry and Western Food Vocational Training School	n/a	9,000.00	2016-11-30	2034-11-29	200,000.00	1, 4	No commercial value
137	Shijiazhuang Omick Western Pastry Vocational Training School	Room 401 and Room 501, Building 2, Northeast Corner of Zhitongyaogu, Taihang Street and Xiangjiang Road Junction, Luancheng District Shijiazhuang, Hebei Province, the PRC	Shijiazhuang Omick Western Pastry Vocational Training School	n/a	2,021.10	2018-06-08	2028-12-07	80,641.92	1, 6	No commercial value
138	Haerbin Omick Omick Western Pastry School	Crossing of Qinghai Road and Laoshan Road, Daoli District, Harbin, Heilongjiang Province, the PRC	Haerbin Omick Omick Western Pastry School	n/a	4,665.77	2018/7/15	2028-07-15	145,833.00	2	No commercial value
139	Changsha Omick Western Pastry Vocational Training School	Level 3 and 4, 2nd Building of Desheng Happy Square, No.177 of Zhongyier Road, Tianxin District, Changsha, Hunan Province, the PRC	Changsha Omick Western Pastry Vocational Training School	n/a	2,762.07	2018-05-29	2026-05-28	85,624.00	2	No commercial value

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Property No.	The school occupying the leased property	Address of the property leased from the sub-lessor, an independent third party	Lessee	Leased Area		Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent	Notes of property legal opinion	Market value as at 31 October 2018
				(sq m)	Floor Area (sq m)					
140	Nanjing Omick Western Pastry School	West portion of Level 1 and whole floor of Level 2, Block 1, No.1788 Chengxin Avenue, Jiangning District, Nanjing, Jiangsu Province the PRC	Nanjing Omick Western Pastry School	n/a	3,400.00	2017-04-01	2027-03-31	138,474.92	1	No commercial value
141	Suzhou Omick Western Pastry and Western Food School	Mudu Town, Suzhou, Jiangsu Province the PRC	Suzhou Omick Western Pastry and Western Food School	10,435.80	9,034.37	2016-12-08	2026-12-07	144,166.67	1, 6	No commercial value
142	Nanchang Omick International Western Pastry Vocational Training School	No.1088 Yingbin North Road Qingyunpu District, Nanchang, Jiangxi Province, the PRC	Nanchang Omick International Western Pastry Vocational Training School	n/a	4,633.00	2017-04-01	2027-03-31	129,724.00	1, 6	No commercial value
143	Shenyang Omick Western Pastry Training School	No. 6-1 Wulihie Xie Road, Hunnan District (Dongling District), Shenyang, Liaoning Province, the PRC	Shenyang Omick Western Pastry Training School	n/a	2,505.79	2016-09-01	2026-08-31	29,668.00	1	No commercial value
144	Shenyang Omick Western Pastry Training School	No. 6-2 Wulihie Xie Road, Hunnan District (Dongling District) Shenyang, Liaoning Province, the PRC	Shenyang Omick Western Pastry Training School	n/a	432.00	2016-09-15	2026-09-14	5,000.00	1	No commercial value
145	Shenyang Omick Western Pastry Training School	No. 6-5 Wulihie Xie Road, Hunnan District (Dongling District) Shenyang, Liaoning Province, the PRC	Shenyang Omick Western Pastry Training School	6,800.00	8,411.05	2016-09-01	2026-08-31	120,332.00	1	No commercial value
146	Hohhot Omick Western Pastry Vocational Training School	Room 110 and 301, No.27 of Wangdijiahua, Jinqiao Development District, Hohhot, Inner Mongolia, the PRC	Hohhot Omick Western Pastry Vocational Training School	n/a	1,483.01	2018-08-25	2028-12-24	56,833.33	2, 6	No commercial value

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PROPERTY VALUATION REPORT

Property No.	The school occupying the leased property	Address of the property leased from the sub-lessor, an independent third party	Lessee	Leased Land Area (sq m)	Leased Floor Area (sq m)	Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent (RMB)	Notes of property legal opinion	Market value as at 31 October 2018 (RMB)
147	Chengdu Omick Western Pastry Vocational Training School	Room 101, 201 and 301 on Unit 1 of Block 2, and Room 102, 202 and 302 on Unit 2 of Block, Level 1 to 3, No.3 and 5 Yingbin Avenue, Jimniu District, Chengdu, Sichuan, the PRC	Chengdu Omick Western Pastry Vocational Training School	n/a	4,370.40	2017-10-30	2025-10-29	91,669.14	1	No commercial value
148	Omick Western Pastry Training (Shanghai) Co., Ltd	No.598-604 West Xinjian Road, Fengxian District, Shanghai, the PRC	Omick Western Pastry Training (Shanghai) Co., Ltd	n/a	2,275.09	2014-11-12	2023-11-11	141,750.00	1	No commercial value
149	Omick Western Pastry Training (Shanghai) Co., Ltd	Block 7, No.377 Chengpu Road, Fengxian District, Shanghai, the PRC	Omick Western Pastry Training (Shanghai) Co., Ltd	n/a	145.85	2017-08-01	2025-07-31	138,333.00	1	No commercial value
150	Omick Western Pastry and Western Food School	No.12 of Hanyuan Road, Xincheng District, Xi'an, Shaanxi Province, the PRC	Omick Western Pastry and Western Food School	n/a	2,912.48	2017-02-13	2027-06-12	116,499.20	2, 6	No commercial value
151	Shanxi Omick Western Pastry and Western Food Vocational Training School	No.190 Longxing Street, High-tech District, Taiyuan, Shanxi Province, the PRC	Shanxi Omick Western Pastry and Western Food Vocational Training School	n/a	2,809.29	2017-08-01	2027-07-31	117,990.18	2, 6	No commercial value
152	Kunming Omick International Western Pastry Vocational Training School	Level 1 to 3, Podium Block 1, City Construction Building, 2nd Ring Road West, Xishan District, Kunming, Yunnan Province, the PRC	Kunming Omick International Western Pastry Vocational Training School	n/a	2,638.01	2017-07-01	2023-09-30	92,330.35	1	No commercial value
153	Hangzhou Omick Western Pastry School	Room B 102 and Level 2, Block 1, Songthe Times Mall, No.1712 Xuelin Street, Hangzhou Economic & Technology Development Zone, Hangzhou, Zhejiang Province, the PRC	Hangzhou Omick Western Pastry School	n/a	2,570.00	2017-06-01	2025-05-31	106,666.67	1, 6	No commercial value

APPENDIX III

PROPERTY VALUATION REPORT

Property No.	The school occupying the leased property	Address of the property leased from the sub-lessor, an independent third party	Lessee	Leased Area		Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent	Notes of property legal opinion	Market value as at 31 October 2018
				(sq m)	Floor Area (sq m)					
154	Hefei Cuisine Course Catering Training Co., Ltd.	Room 702, Hefei Huigang Square Northeast corner of Wangjiang road and Qianshan Road, Shushan district, Hefei, Anhui Province, the PRC	Hefei Cuisine Course Catering Training Co., Ltd.	n/a	873.23	2017-08-01	2025-11-30	39,295.35	1, 6	No commercial value
155	Beijing Cuisine East Education Technology Co., Ltd.	2-7, Level 2, Building No.1, Yard No.4, Leyuan Road, Daxing District, Beijing the PRC	Beijing Cuisine East Education Technology Co., Ltd.	n/a	760.00	2017-09-23	2025-09-22	92,466.67	1, 6	No commercial value
156	Beijing New East Culinary Vocational Training School	Level 2, Building No.1, Yard No.4, Leyuan Road, Daxing District, Beijing the PRC	Beijing New East Culinary Vocational Training School	n/a	1,203.00	2017-09-23	2025-09-22	146,365.00	2	No commercial value
157	Xiamen Cuisine East Education Co., Ltd.	Unit 221 and 222 (Wenchuang Port 1#), Huli Avenue, China (Xiamen) Pilot Free Trade Zone, Huli District, Xiamen, Fujian Province, the PRC	Xiamen Cuisine East Education Co., Ltd.	n/a	780.34	2017-08-01	2022-10-15	46,820.40	1, 6	No commercial value
158	Guangzhou Cuisine Classroom Training Co., Ltd.	Unit 401-415, Zhongxin Tower, No.268 Baogang Avenue, Haizhu District, Guangzhou, Guangdong Province, the PRC	Guangzhou Cuisine Classroom Training Co., Ltd.	n/a	904.54	2017-06-28	2026-06-27	67,840.50	1	No commercial value
159	Shenzhen Cuisine East Academy Training Co., Ltd.	No. 4060C, Level 4, Songbai Rainbow Market, Longgang District, Shenzhen, Guangdong Province, the PRC	Shenzhen Cuisine East Academy Training Co., Ltd.	n/a	896.00	2017-12-01	2022-04-30	36,750.00	1, 6	No commercial value
160	Lanzhou Cuisine Academy Education Consultancy Co., Ltd.	No.008 · No.010 of Floor 5, Wanshang International Mall, Donggang East Road, Lanzhou, Gansu Province, the PRC	Lanzhou Cuisine Academy Education Consultancy Co., Ltd.	n/a	630.00	2017-10-15	2025-10-14	58,333.33	2, 6	No commercial value

APPENDIX III

PROPERTY VALUATION REPORT

Property No.	The school occupying the leased property	Address of the property leased from the sub-lessor, an independent third party	Lessee	Leased Area		Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent	Notes of property legal opinion	Market value as at 31 October 2018
				(sq m)	Floor Area					
161	Guizhou Cuisine Academy Education Training Co., Ltd.	T1, Jinbiwan, Nanhuan Road, Economic Development Zone, Guiyang, Guizhou Province, the PRC	Guizhou Cuisine Academy Education Training Co., Ltd.	n/a	1,340.00	2017-07-28	2023-09-27	67,000.00	1, 6	No commercial value
162	Henan Cuisine Academy Education Consultancy Co., Ltd.	Level 3, Building 7, No. 129 Changjiang Road, Er Qi Area, Zhengzhou, Henan Province, the PRC	Henan Cuisine Academy Education Consultancy Co., Ltd.	n/a	1,406.28	2018-01-05	2026-01-04	59,063.76	1	No commercial value
163	Hubei Cuisine Academy Education Training Co., Ltd.	Level 2, Office Building B, No.2 Wudayuan Road, East Lake High-tech Development Zone Wuhan, Hubei Province, The PRC	Hubei Cuisine Academy Education Training Co., Ltd.	n/a	1,090.05	2017-09-19	2023-09-18	22,891.05	2, 6	No commercial value
164	Jilin Province Cuisine Academy Vocational Technical Consultancy Co., Ltd.	Room 101, Jinyu Garden, No. 7 Triumphant Road, Kuancheng District, Changchun, Jilin Province, the PRC	Jilin Province Cuisine Academy Vocational Technical Consultancy Co., Ltd.	n/a	568.26	2017-10-19	2027-10-18	35,000.00	1, 6	No commercial value
165	Nanjing Cuisine Culinary Training Co., Ltd.	Level 2, Phase 4, No.63 Heyan Road, Gulou District, Nanjing, Jiangsu Province, the PRC	Nanjing Cuisine Culinary Training Co., Ltd.	n/a	830.00	2017-11-01	2023-10-31	42,330.00	1, 6	No commercial value
166	Shenyang Cuisine Academy Vocational Technical Training Co., Ltd.	Shifu road 211-1, Shenhe District, Shenyang, Liaoning Province, the PRC	Shenyang Cuisine Academy Vocational Technical Training Co., Ltd.	n/a	1,300.00	2017-10-18	2027-10-17	79,166.70	1, 6	No commercial value
167	Jinan Cuisine Course Catering Management Consultancy Co., Ltd.	Level 3 (c) – I3-3003-1, K88 Mingquan Square project, No. 68 Dikou road Tranqiao District Jinan, Shandong Province, the PRC	Jinan Cuisine Course Catering Management Consultancy Co., Ltd.	n/a	640.00	2018-06-01	2023-05-31	24,000.00	1, 6	No commercial value

APPENDIX III

PROPERTY VALUATION REPORT

Property No.	The school occupying the leased property	Address of the property leased from the sub-lessor, an independent third party	Lessee	Leased Land Area (sq m)	Leased Floor Area (sq m)	Commencement date of the lease	Expiry date of the lease	Prevailing monthly rent (RMB)	Notes of property legal opinion	Market value as at 31 October 2018 (RMB)
168	Qingdao Cuisine Course Education Training Co., Ltd.	Antai square, No. 76 Lianyungang Road, Shibei District, Qingdao, the PRC	Qingdao Cuisine Course Education Training Co., Ltd.	n/a	773.81	2018-02-01	2029-01-31	45,028.00	1, 6	No commercial value
169	Xi'an Cuisine East Catering Technical Training Co., Ltd.	Level 5, A bite of Southgate Xi'an, Nan Shao Men, Xi'an, Shaanxi Province, the PRC	Xi'an Cuisine East Catering Technical Training Co., Ltd.	n/a	730.60	2017-05-01	2022-04-30	25,571.00	2, 6	No commercial value
170	Tianjin Cuisine Education Technology Co., Ltd.	No. 586 and 588, Hongqi South Road, Nankai District, Tianjin, the PRC	Tianjin Cuisine Education Technology Co., Ltd.	n/a	665.24	2017-11-01	2023-10-31	49,166.67	1	No commercial value
171	Kunming Cuisine Academy Education Training Co., Ltd.	No. 301, Block E1, Harmony Homeland, Jiangdong Road, Wuhua District, Kunming, Yunnan Province, the PRC	Kunming Cuisine Academy Education Training Co., Ltd.	n/a	1,131.06	2017-09-10	2025-09-09	79,174.20	1, 6	No commercial value
172	Hangzhou Cuisine Consultancy Service Co., Ltd.	Southern Portion of Level 2, Block 3, Fengyuan International Mansion, No.430 Fengtan Road, Gongshu District, Hangzhou, Zhejiang Province, the PRC	Hangzhou Cuisine Consultancy Service Co., Ltd.	n/a	630.00	2017-07-23	2025-07-22	51,666.67	1	No commercial value
<b>Sub-total of Group III</b>				<b>1,528,499.64</b>	<b>1,586,057.10</b>			<b>24,586,896.00</b>		<b>No commercial value</b>

\* Notes of property legal opinion for the 165 leased properties in the PRC, i.e., Property Nos. 8 to 172:

1. According to the PRC legal opinion, the lessor or sub-lessor has provided the title documents or the power of attorney and is entitled to lease the property and the lease agreement is valid.
2. According to the PRC legal opinion, the lessor or sub-lessor has not provided the title documents or the power of attorney and is not certain that is entitled to lease the property.
3. According to the PRC legal opinion, the Property is located on collective land, the right to use collectively owned land is not allowed to be transferred or leased for non-agricultural construction.
4. According to the PRC legal opinion, the legal land use of the Property is not for education purpose and the lessee may not be able to continue to use the property.
5. According to the PRC legal opinion, the Property is owned by the PRC military, the lessee may not continue to use the property if the PRC military terminates the lease agreement pursuant to the relevant military regulations.
6. According to the PRC legal opinion, the lease agreement was not registered with the relevant PRC government authorities and the non-registration of such lease agreement would not affect the lease's validity.

## APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 4 October, 2018 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "Memorandum") and its Amended and Restated Articles of Association (the "Articles").

### 1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

### 2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [●], 2019 with effect from the [REDACTED]. The following is a summary of certain provisions of the Articles:

#### (a) Shares

##### (i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

##### (ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

## APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

### **(iii) Alteration of capital**

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

### **(iv) Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.



## APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

### ***(v) Power of the Company to purchase its own shares***

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

### ***(vi) Power of any subsidiary of the Company to own shares in the Company***

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

### ***(vii) Calls on shares and forfeiture of shares***

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board

## APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

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may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

### **(b) Directors**

#### ***(i) Appointment, retirement and removal***

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

## APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

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A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

### ***(ii) Power to allot and issue shares and warrants***

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

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Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

### ***(iii) Power to dispose of the assets of the Company or any of its subsidiaries***

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

### ***(iv) Borrowing powers***

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

### ***(v) Remuneration***

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

## APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

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Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

### ***(vi) Compensation or payments for loss of office***

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

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### ***(vii) Loans and provision of security for loans to Directors***

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

### ***(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries***

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

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- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

### **(c) Proceedings of the Board**

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

### **(d) Alterations to constitutional documents and the Company's name**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

### **(e) Meetings of members**

#### ***(i) Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

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An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

### ***(ii) Voting rights and right to demand a poll***

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

### ***(iii) Annual general meetings and extraordinary general meetings***

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.



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Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitioner(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitioner(s) as a result of the failure of the board shall be reimbursed to the requisitioner(s) by the Company.

### ***(iv) Notices of meetings and business to be conducted***

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers; and
- (ee) the fixing of the remuneration of the directors and of the auditors.

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### **(v) *Quorum for meetings and separate class meetings***

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

### **(vi) *Proxies***

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

### **(f) *Accounts and audit***

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons

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summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

### **(g) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

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The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

### **(h) Inspection of corporate records**

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

### **(i) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

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### (j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

### (k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

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### **3.    CAYMAN ISLANDS COMPANY LAW**

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

#### **(a)    Company operations**

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

#### **(b)    Share capital**

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

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**(c) Financial assistance to purchase shares of a company or its holding company**

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

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### **(e) Dividends and distributions**

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

### **(f) Protection of minorities and shareholders' suits**

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

### **(g) Disposal of assets**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.



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### **(h) Accounting and auditing requirements**

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

### **(i) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

### **(j) Taxation**

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 11 October, 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

### **(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

### **(l) Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

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### **(m) Inspection of corporate records**

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

### **(n) Register of members**

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

### **(o) Register of Directors and Officers**

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

### **(p) Beneficial Ownership Register**

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

## **APPENDIX IV                      SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW**

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### **(q) Winding up**

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

### **(r) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

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**APPENDIX IV                      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW**

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**(s) Take-overs**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

**(t) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**4. GENERAL**

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI to this document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

## APPENDIX V

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### A. FURTHER INFORMATION ABOUT OUR COMPANY

#### 1. Incorporation

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on October 4, 2018. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on [●], 2018 and our Company's principal place of business in Hong Kong is at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. Ms. Leung Suet Wing of 31/F Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong, a Hong Kong resident, has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, we operate subject to the relevant law of the Cayman Islands and its constitution which comprises a memorandum of association and the articles of association. A summary of the relevant aspects of the Companies Law and certain provisions of Articles of Association is set out in Appendix IV to this document.

#### 2. Changes in share capital of our Company

As at the date of the incorporation of our Company, the authorized share capital of our Company was HK\$380,000 divided into 3,800,000,000 Shares with a par value of HK\$0.0001 each. On the date of incorporation, the initial subscriber subscribed for, and our Company issued and allotted, the one subscriber Share. On the same date, the one initial Share was transferred from the initial subscriber to Wu Wei Education for a consideration at par value, and our Company then issued and allotted 426,667 Shares, 292,221 Shares and 281,111 Shares to Wu Junbao Education, Wu Wei Education and Xiao Guoqing Education, respectively, for cash at par. Our Company is the [REDACTED] vehicle.

On October 26, 2018, our Company issued and allotted 30 Shares to Lu Lu Education for a consideration at HK\$600,000.

Immediately following completion of the Capitalization Issue and the [REDACTED] and assuming no exercise of the [REDACTED] or any options that may be granted under the [REDACTED] Share Option Scheme or the Share Option Scheme, the authorized share capital of our Company will be HK\$380,000 divided into 3,800,000,000 Shares, of which [REDACTED] Shares will be issued fully paid or credited as fully paid, and [REDACTED] Shares will remain unissued. Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "— A. Further Information about Our Company — 4. Written resolutions of the then Shareholders passed on [●], 2019" in this Appendix, the Directors do not have any present intention to issue any of the authorized but unissued share capital of our Company and, without prior approval of our Shareholders in general meetings, no issue of Shares will be made which would effectively alter the control of our Company.

#### 3. Changes in share capital of our subsidiaries and PRC Consolidated Affiliated Entities

A summary of the corporate information and the particulars of our principal subsidiaries and PRC Consolidated Affiliated Entities are set out in Note 31 to the Accountant's Report as set out in Appendix I.

Save as disclosed in the section headed "History and Corporate Structure", there has been no alteration in the share capital or registered capital of our material subsidiaries and material PRC Consolidated Affiliated Entities within the two years preceding the date of this document.

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### 4. Written resolutions of the then Shareholders passed on [●], 2019

Pursuant to the written resolutions of the then Shareholders entitled to vote at general meetings of our Company, which were passed on [●], 2019:

- (a) our Company approved and adopted the Memorandum of Association with immediate effect;
- (b) conditional upon (i) the Listing Committee of the Stock Exchange granting the [REDACTED] of, and permission to deal in, on the Main Board, our Shares in issue and to be issued (pursuant to the Capitalization Issue, the [REDACTED], the [REDACTED] and the Share Option Scheme) as mentioned in this document; and (ii) the obligations of the [REDACTED] under the [REDACTED] becoming unconditional (including, if relevant, as a result of the waiver of any condition(s)) by the [REDACTED] (on behalf of the [REDACTED]) and not being terminated in accordance with the terms of the [REDACTED] or otherwise:
  - (i) our Company approved and adopted the Articles of Association;
  - (ii) conditional on the share premium account of our Company being credited as a result of the [REDACTED], the sum of HK\$[REDACTED] be capitalized and applied in paying up in full at par value [REDACTED] Shares for allotment and issue to our Shareholders whose names were on the register of members of our Company immediately prior to the [REDACTED] and such Shares (or as they may direct) to be allotted and issued pursuant to this resolution shall rank pari passu in all respect with the existing issued Shares;
  - (iii) the [REDACTED] and the [REDACTED] were approved and our Directors were authorized to allot and issue the [REDACTED] and the Shares as may be required to be allotted and issued upon the exercise of the [REDACTED] on and subject to the terms and conditions stated in this document and in the relevant [REDACTED];
  - (iv) the rules of the Share Option Scheme were approved and adopted, and our Directors or any committee thereof established by the Board were authorized, at their sole discretion, to: (i) administer the Share Option Scheme; (ii) modify/amend the Share Option Scheme from time to time as requested by the Stock Exchange; (iii) grant options to subscribe for Shares under the Share Option Scheme up to the limits referred to in the Share Option Scheme; (iv) allot, issue and deal with Shares pursuant to the exercise of any option which may be granted under the Share Option Scheme; (v) make application at the appropriate time or times to the Stock Exchange for the [REDACTED] of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of the options granted under the Share Option Scheme; and (vi) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Share Option Scheme;

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- (v) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than by way of Rights Issue, or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of options granted under the Share Option Scheme or any other option scheme(s) or similar arrangement for the time being adopted for the grant or issue to Directors and/or officers and/or employees of our Group or rights to acquire Shares or pursuant to a specific authority granted by our Shareholders in general meeting, the Shares with an aggregate nominal amount not exceeding 20% of the total number of Shares in issue immediately following completion of the Capitalization Issue and the [REDACTED] but before any exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme, until the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions or the expiration of the period within the next annual general meeting of our Company is required by the Articles of Association or any applicable law of the Cayman Islands to be held or the passing of an ordinary resolution by our Shareholders in general meetings of our Company varying or revoking the authority given to the Directors, whichever occurs first;

For the purpose of this paragraph, "Rights Issue" means an offer of shares in our Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by our Directors to holders of shares in our Company on the register on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as our Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to our Company, or any recognized regulatory body or any stock exchange applicable to our Company)

- (vi) a general unconditional mandate be and is hereby given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares with an aggregate nominal value not exceeding 10% of the total number of Shares in issue immediately following completion of the Capitalization Issue and the [REDACTED] but before the exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme, until the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions or the

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expiration of the period within which the next annual general meeting of our Company is required by the Article of Association of our Company or any applicable law of the Cayman Islands to be held or the passing of an ordinary resolution by our Shareholders in a general meeting of our Company varying or revoking the authority given to the Directors, whichever occurs first;

- (vii) the extension of the general mandate to allot, issue and deal with Shares as mentioned in paragraph (b)(iv) above by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to paragraph (b)(vi) above, provided that such extended amount shall not exceed 10% of the total number of Shares in issue immediately following completion of the Capitalization Issue and the [REDACTED] but before the exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme be and is approved; and

Each of the general mandates referred to in paragraphs (b)(v), (b)(vi) and (b)(vii) above will remain in effect until whichever is the earliest of:

- (1) the conclusion of our next annual general meeting, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- (2) the expiration of the period within which our Company is required by any applicable or the Articles of Association to hold our next annual general meeting; or
- (3) the time when such mandate is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

### 5. Repurchase of our Shares

This section includes information relating to the repurchases of securities, including information required by the Stock Exchange to be included in this document concerning such repurchase.

#### **(a) Provisions of the Listing Rules**

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important restrictions are summarized below:

##### *(i) Shareholders' approval*

All proposed repurchases of Shares must be approved in advance by an ordinary resolution of our Shareholders in a general meeting, either by way of general mandate or by specific approval in relation to a particular transaction.



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Pursuant to the written resolutions of the then Shareholders passed on [●], 2019, a general unconditional mandate (the "Repurchase Mandate") was given to our Directors to exercise all powers of our Company to repurchase Shares (Shares which may be listed on the Stock Exchange) with a total nominal value of not more than 10% of the total number of Shares in issue or to be issued immediately following completion of the [REDACTED] (excluding Shares which may be issued pursuant to the exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme), further details of which have been described above in the paragraph headed "— A. Further Information about Our Company — 4. Written resolutions of the then Shareholders passed on [●], 2019" in this Appendix.

### *(ii) Source of funds*

Any repurchases of Shares by us must be paid out of funds legally available for the purpose in accordance with our Articles of Association, the Listing Rules and the Companies Law. We are not permitted to repurchase our Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

### *(iii) Shares to be repurchased*

The Listing Rules provide that the Shares which are proposed to be repurchased by us must be fully-paid up.

### **(b) Reasons for repurchases**

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from our Shareholders to enable them to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and our Shareholders.

### **(c) Funding of repurchases**

In repurchasing Shares, we may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of our Company's current financial position as disclosed in this document and taking into account its current working capital position, our Directors consider that, if the Repurchase Mandate is exercised in full, it might have a material adverse effect on our working capital and/or gearing position as compared with the position disclosed in this document. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as it would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

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### **(d) General**

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to us.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands.

If, as a result of any repurchase of Shares, a shareholder's proportionate interest in the voting rights is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

We have not made any repurchases of our own securities in the past six months.

No core connected person has notified us that he/she has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

## **B. CORPORATE REORGANIZATION**

In order to streamline the corporate structure and rationalize our corporate structure for the [REDACTED], our Group underwent the Corporate Reorganization. Please see the sub-section headed "History and Corporate Structure — Corporate Reorganization" in this document for details.

## **C. FURTHER INFORMATION ABOUT OUR BUSINESS**

### **1. Summary of the material contract**

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Group within the two years preceding the date of this document and are or may be material:

1. the equity transfer agreement dated September 5, 2018 entered into between Anhui Xinhua Education and Xinhua Chuangzhi in relation to the acquisition of the entire equity interests of Langjie Technology from Anhui Xinhua Education by Xinhua Chuangzhi at a consideration of RMB20,000,000;
2. the equity transfer agreement dated September 11, 2018 entered into between Xinhua East Investment and Xinhua Chuangzhi in relation to the acquisition of the entire equity interests of Beijing Cuisine East Education Technology Co., Ltd.\* (北京美味東方教育科技有限公司) from Anhui Xinhua Education by Xinhua Chuangzhi at a consideration of RMB500,000;

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3. the equity transfer agreement dated October 12, 2018 entered into between Xinhua East Investment and Xinhua Chuangzhi in relation to the acquisition of the entire equity interests of Guangzhou Cuisine Course Training Co., Ltd.\* (廣州美味課堂培訓有限公司) from Anhui Xinhua Education by Xinhua Chuangzhi at a consideration of RMB500,000;
4. the equity transfer agreement dated October 8, 2018 entered into between Xinhua East Investment and Xinhua Chuangzhi in relation to the acquisition of the entire equity interests of Guizhou Cuisine Academy Education Training Co., Ltd.\* (貴州美味學院教育培訓有限公司) from Anhui Xinhua Education by Xinhua Chuangzhi at a consideration of RMB500,000;
5. the equity transfer agreement dated September 5, 2018 entered into between Xinhua East Investment and Xinhua Chuangzhi in relation to the acquisition of the entire equity interests of Hangzhou Cuisine Consultancy Service Co., Ltd.\* (杭州美味諮詢服務有限公司) from Anhui Xinhua Education by Xinhua Chuangzhi at a consideration of RMB500,000;
6. the equity transfer agreement dated October 11, 2018 entered into between Xinhua East Investment and Xinhua Chuangzhi in relation to the acquisition of the entire equity interests of Hefei Cuisine Course Catering Training Co., Ltd.\* (合肥美味課堂餐飲培訓有限公司) from Anhui Xinhua Education by Xinhua Chuangzhi at a consideration of RMB500,000;
7. the equity transfer agreement dated September 27, 2018 entered into between Xinhua East Investment and Xinhua Chuangzhi in relation to the acquisition of the entire equity interests of Henan Cuisine Academy Education Consultancy Co., Ltd.\* (河南美味學院教育諮詢有限公司) from Anhui Xinhua Education by Xinhua Chuangzhi at a consideration of RMB1,000,000;
8. the equity transfer agreement dated September 5, 2018 entered into between Xinhua East Investment and Xinhua Chuangzhi in relation to the acquisition of the entire equity interests of Hubei Cuisine Academy Training Co., Ltd.\* (湖北美味學院培訓有限公司) from Anhui Xinhua Education by Xinhua Chuangzhi at a consideration of RMB2,000,000;
9. the equity transfer agreement dated September 25, 2018 entered into between Xinhua East Investment and Xinhua Chuangzhi in relation to the acquisition of the entire equity interests of Jilin Cuisine Course Vocational Technical Consultancy Co., Ltd.\* (吉林省美味課堂職業技能諮詢有限公司) from Anhui Xinhua Education by Xinhua Chuangzhi at a consideration of RMB2,000,000;
10. the equity transfer agreement dated September 30, 2018 entered into between Xinhua East Investment and Xinhua Chuangzhi in relation to the acquisition of the entire equity interests of Jinan Cuisine Course Catering Management Consultancy Co., Ltd.\* (濟南美味課堂餐飲管理諮詢有限公司) from Anhui Xinhua Education by Xinhua Chuangzhi at a consideration of RMB500,000;
11. the equity transfer agreement dated October 23, 2018 entered into between Xinhua East Investment and Xinhua Chuangzhi in relation to the acquisition of the entire equity interests of Kunming Cuisine Academy Education Training Co., Ltd.\* (昆明美味學院教育培訓有限公司) from Anhui Xinhua Education by Xinhua Chuangzhi at a consideration of RMB1,000,000;

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12. the equity transfer agreement dated September 26, 2018 entered into between Xinhua East Investment and Xinhua Chuangzhi in relation to the acquisition of the entire equity interests of Lanzhou Cuisine Academy Education Consultancy Co., Ltd.\* (蘭州美味學院教育諮詢有限公司) from Anhui Xinhua Education by Xinhua Chuangzhi at a consideration of RMB500,000;
13. the equity transfer agreement dated September 27, 2018 entered into between Xinhua East Investment and Xinhua Chuangzhi in relation to the acquisition of the entire equity interests of Nanjing Cuisine Culinary Training Co., Ltd.\* (南京味美廚藝培訓有限公司) from Anhui Xinhua Education by Xinhua Chuangzhi at a consideration of RMB500,000;
14. the equity transfer agreement dated September 29, 2018 entered into between Xinhua East Investment and Xinhua Chuangzhi in relation to the acquisition of the entire equity interests of Qingdao Cuisine Course Education and Training Co., Ltd.\* (青島美味課堂教育培訓有限公司) from Anhui Xinhua Education by Xinhua Chuangzhi at a consideration of RMB500,000;
15. the equity transfer agreement dated September 28, 2018 entered into between Xinhua East Investment and Xinhua Chuangzhi in relation to the acquisition of the entire equity interests of Xiamen Cuisine East Education Co., Ltd.\* (廈門美味東方教育有限公司) from Anhui Xinhua Education by Xinhua Chuangzhi at a consideration of RMB500,000;
16. the equity transfer agreement dated September 27, 2018 entered into between Xinhua East Investment and Xinhua Chuangzhi in relation to the acquisition of the entire equity interests of Shenzhen Cuisine East Academy Training Co., Ltd.\* (深圳美味東方學院培訓有限公司) from Anhui Xinhua Education by Xinhua Chuangzhi at a consideration of RMB500,000;
17. the equity transfer agreement dated September 14, 2018 entered into between Xinhua East Investment and Xinhua Chuangzhi in relation to the acquisition of the entire equity interests of Tianjin Cuisine Education Technology Co., Ltd.\* (天津美味教育科技有限公司) from Anhui Xinhua Education by Xinhua Chuangzhi at a consideration of RMB500,000;
18. the equity transfer agreement dated September 28, 2018 entered into between Xinhua East Investment and Xinhua Chuangzhi in relation to the acquisition of the entire equity interests of Xi'an Cuisine East Catering Technical Training Co., Ltd.\* (西安美味東方餐飲技能培訓有限公司) from Anhui Xinhua Education by Xinhua Chuangzhi at a consideration of RMB500,000;
19. the equity transfer agreement dated September 5, 2018 entered into between Xinhua East Investment and Xinhua Chuangzhi in relation to the acquisition of the entire equity interests of Shenyang Cuisine Academy Vocational Technical Training Co., Ltd.\* (瀋陽美味學院職業技能培訓有限公司) from Anhui Xinhua Education by Xinhua Chuangzhi at a consideration of RMB500,000;
20. the equity transfer agreement dated September 5, 2018 entered into between Xinhua East Investment and Xinhua Chuangzhi in relation to the acquisition of the entire equity interests of Dalian Cuisine East Education Technology Co., Ltd.\* (大連美味東方教育科技有限公司) from Anhui Xinhua Education by Xinhua Chuangzhi at a consideration of RMB500,000;

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21. the equity transfer agreement dated October 30, 2018 entered into between Anhui Wontone, Xinhua Investment, Xinhua Real Estate, and Huadi Rongxin in relation to the acquisition of the entire equity interests of Hefei Yuxing Automobile Driver Training Co., Ltd.\* (合肥宇星機動車駕駛員培訓有限公司) from Anhui Xinhua Education by Xinhua Investment, Xinhua Real Estate, and Huadi Rongxin collectively at a consideration of RMB10,000;
22. the school sponsor's interest transfer agreement dated October 15, 2018 entered into Anhui Wontone, Xinhua Investment, Xinhua Real Estate, and Huadi Rongxin in relation to the acquisition of the school sponsor's interests of Hefei Xin'an Automobile Driver Training School\* (合肥新安機動車駕駛員培訓學校) from Anhui Xinhua Education by Xinhua Investment, Xinhua Real Estate, and Huadi Rongxin collectively at a consideration of RMB10,000;
23. the equity transfer agreement dated September 27, 2018 entered into between Anhui Wontone, Mr. Hou Xiaoming (侯曉明) and Mr. Zhang Zijun (張子軍) in relation to the acquisition of the entire equity interests of Nanjing Yuxing Driver Training Co., Ltd.\* (南京宇星駕駛員培訓有限公司) from Anhui Xinhua Education by Mr. Hou Xiaoming and Mr. Zhang Zijun at a consideration of RMB1,000,000;
24. the equity transfer agreement dated October 8, 2018 entered into between Anhui Wontone and Xinhua Investment in relation to the acquisition of 41.8% of the entire equity interests of Xi'an Yuxing Driver Training Co., Ltd.\* (西安市宇星駕駛員培訓有限公司) from Anhui Xinhua Education by Xinhua Investment at a consideration of RMB4,180;
25. the equity transfer agreement dated October 8, 2018 entered into between Anhui Wontone and Anhui Xinhua Real Estate in relation to the acquisition of 29.6% of the entire equity interests of Xi'an Yuxing Driver Training Co., Ltd.\* (西安市宇星駕駛員培訓有限公司) from Anhui Wontone by Anhui Xinhua Real Estate at a consideration of RMB2,960;
26. the equity transfer agreement dated October 8, 2018 entered into between Anhui Wontone and Huadi Rongxin in relation to the acquisition of 28.6% of the entire equity interests of Xi'an Yuxing Driver Training Co., Ltd.\* (西安市宇星駕駛員培訓有限公司) from Anhui Wontone by Huadi Rongxin at a consideration of RMB2,860;
27. the equity transfer agreement dated October 10, 2018 entered into between Anhui Wontone and Xinhua Investment in relation to the acquisition of 41.8% of the entire equity interests of Chongqing Yuxing Xincheng Automobile Driving Training Co., Ltd.\* (重慶宇星新城汽車駕駛培訓有限公司) from Anhui Wontone by Xinhua Investment at a consideration of RMB4,180;
28. the equity transfer agreement dated October 10, 2018 entered into between Anhui Wontone and Anhui Xinhua Real Estate in relation to the acquisition of 29.6% of the entire equity interests of Chongqing Yuxing Xincheng Automobile Driving Training Co., Ltd.\* (重慶宇星新城汽車駕駛培訓有限公司) from Anhui Wontone by Anhui Xinhua Real Estate at a consideration of RMB2,960;
29. the equity transfer agreement dated October 10, 2018 entered into between Anhui Wontone and Huadi Rongxin in relation to the acquisition of 28.6% of the entire equity interests of Chongqing Yuxing Xincheng Automobile Driving Training Co., Ltd.\* (重慶宇星新城汽車駕駛培訓有限公司) from Anhui Wontone by Huadi Rongxin at a consideration of RMB2,860;

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30. the equity transfer agreement dated November 21, 2018 entered into between Anhui Wontone and Xinhua Investment in relation to the acquisition of 41.8% of the entire equity interests of Changsha Yuxing Automobile Driver Training Co., Ltd.\* (長沙市宇星機動車駕駛員培訓有限公司) from Anhui Wontone by Xinhua Investment at a consideration of RMB4,180;
31. the equity transfer agreement dated November 21, 2018 entered into between Anhui Wontone and Anhui Xinhua Real Estate in relation to the acquisition of 29.6% of the entire equity interests of Changsha Yuxing Automobile Driver Training Co., Ltd.\* (長沙市宇星機動車駕駛員培訓有限公司) from Anhui Wontone by Anhui Xinhua Real Estate at a consideration of RMB2,960;
32. the equity transfer agreement dated November 21, 2018 entered into between Anhui Wontone and Huadi Rongxin in relation to the acquisition of 28.6% of the entire equity interests of Changsha Yuxing Automobile Driver Training Co., Ltd.\* (長沙市宇星機動車駕駛員培訓有限公司) from Anhui Wontone by Huadi Rongxin at a consideration of RMB2,860;
33. the equity transfer agreement dated November 13, 2018 entered into between Xinhua East Investment and Mr. Wu Junbao in relation to the acquisition of 41.8% of the entire equity interests of Miwei Technology from Xinhua East Investment by Mr. Wu Junbao at a consideration of RMB418,000;
34. the equity transfer agreement dated November 13, 2018 entered into between Xinhua East Investment and Mr. Wu Wei in relation to the acquisition of 29.6% of the entire equity interests of Miwei Technology from Xinhua East Investment by Mr. Wu Wei at a consideration of RMB296,000;
35. the equity transfer agreement dated November 13, 2018 entered into between Xinhua East Investment and Mr. Xiao Guoqing in relation to the acquisition of 28.6% of the entire equity interests of Miwei Technology from Xinhua East Investment by Mr. Xiao Guoqing at a consideration of RMB286,000;
36. an exclusive management consultancy and business cooperation agreement dated November 30, 2018 entered into by and among Xinhua Chuangzhi, Anhui Xinhua Education and its subsidiary entities and the Registered Shareholders, pursuant to which Xinhua Chuangzhi has the exclusive right to provide, or designate any third party to provide comprehensive corporate management consultancy and education management consultancy, intellectual property licensing services and technical and business support services;
37. an exclusive management consultancy and business cooperation agreement dated November 30, 2018 entered into by and among Xinhua Chuangzhi, Nanjing School and School Sponsors of Nanjing School, pursuant to which Xinhua Chuangzhi has the exclusive right to provide, or designate any third party to provide comprehensive corporate management consultancy and education management consultancy, intellectual property licensing services and technical and business support;
38. an exclusive call option agreement dated November 30, 2018 entered into by and among Xinhua Chuangzhi, the Registered Shareholders, Anhui Xinhua Education and its subsidiary entities, pursuant to which the Registered Shareholders unconditionally and irrevocably agreed to grant Xinhua

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Chuangzhi an exclusive, unconditional and irrevocable option for Xinhua Chuangzhi or its designated third party to purchase all or part of (i) the equity interests of the Registered Shareholders in Anhui Xinhua Education, (ii) the equity interests of the school sponsors or shareholders of such subsidiary entities of Anhui Xinhua Education, and/or (iii) assets owned by Anhui Xinhua Education, at nil consideration or at lowest price permitted under the PRC laws and regulations;

39. an exclusive call option agreement dated November 30, 2018 entered into by and among Xinhua Chuangzhi, Nanjing School, and School Sponsors of Nanjing School, pursuant to which the School Sponsors of Nanjing School unconditionally and irrevocably agreed to grant Xinhua Chuangzhi an exclusive, unconditional and irrevocable option for Xinhua Chuangzhi or its designated third party to purchase all or part of (i) the school sponsor's interest in Nanjing School, and/or (ii) assets owned by Nanjing School, at nil consideration or at lowest price permitted under the PRC laws and regulations;
40. an irrevocable power of attorney dated November 30, 2018 executed by Mr. Wu Junbao, pursuant to which Mr. Wu Junbao irrevocably and exclusively appointed Xinhua Chuangzhi, or any person designated by Xinhua Chuangzhi, as his attorney-in-fact to appoint directors and vote on his behalf on all matters of Anhui Xinhua Education requiring shareholders' approval under its articles of associations and under the relevant PRC laws and regulations;
41. an irrevocable power of attorney dated November 30, 2018 executed by Mr. Wu Wei, pursuant to which Mr. Wu Wei irrevocably and exclusively appointed Xinhua Chuangzhi, or any person designated by Xinhua Chuangzhi, as his attorney-in-fact to appoint directors and vote on his behalf on all matters of Anhui Xinhua Education requiring shareholders' approval under its articles of associations and under the relevant PRC laws and regulations;
42. an irrevocable power of attorney dated November 30, 2018 executed by Mr. Xiao Guoqing, pursuant to which Mr. Xiao Guoqing irrevocably and exclusively appointed Xinhua Chuangzhi, or any person designated by Xinhua Chuangzhi, as his attorney-in-fact to appoint directors and vote on his behalf on all matters of Anhui Xinhua Education requiring shareholders' approval under its articles of associations and under the relevant PRC laws and regulations;
43. an equity pledge agreement dated November 30, 2018 entered into by and among Xinhua Chuangzhi, the Registered Shareholders and Anhui Xinhua Education, pursuant to which the Registered Shareholders unconditionally and irrevocably pledged all of their equity interests in Anhui Xinhua Education to Xinhua Chuangzhi to guarantee performance of the obligations of the Registered Shareholders and/or Anhui Xinhua Education and its subsidiary entities under the above-mentioned exclusive management consultancy and business corporation agreement;
44. an accounts receivable pledge agreement dated November 30, 2018 entered into by and among Xinhua Chuangzhi, Nanjing School, and School Sponsors of Nanjing School, pursuant to which Nanjing School unconditionally and irrevocably pledged and granted first priority security interests over all of its interest in (i) receivables from the tuition, boarding, examination tutoring fees of Nanjing School, (ii) rent from the school's properties, (iii) receivables for services provided by Nanjing School, to Xinhua Chuangzhi as security for

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performance of the Structured Contracts and all direct, indirect or consequential damages and foreseeable loss of interest incurred by Xinhua Chuangzhi as a result of any event of default on the part of Nanjing School or its school sponsors and all expenses incurred by Xinhua Chuangzhi as a result of enforcement of the obligations of Nanjing School or its school sponsors under the Structured Contracts;

45. a school sponsors' or capital contributors' rights entrustment agreement dated November 30, 2018 entered into by and among School Sponsors of Nanjing School and Xinhua Chuangzhi, pursuant to which School Sponsors of Nanjing School unconditionally and irrevocably authorised and entrusted Xinhua Chuangzhi to exercise all their rights as school sponsors or capital contributors of Nanjing School to the extent permitted by the PRC laws;
46. an irrevocable school sponsors' or capital contributors' powers of attorney dated November 30, 2018 executed by Mr. Xiao Guoqing, pursuant to which Mr. Xiao Guoqing has appointed Xinhua Chuangzhi or any person designated by Xinhua Chuangzhi, as his agents to act on his behalf to exercise or delegate the exercise of all his rights as school sponsors or capital contributors of Nanjing School;
47. an irrevocable school sponsors' or capital contributors' powers of attorney dated November 30, 2018 executed by Mr. Ge Xiaoliang, pursuant to which Mr. Ge Xiaoliang has appointed Xinhua Chuangzhi or any person designated by Xinhua Chuangzhi, as his agents to act on his behalf to exercise or delegate the exercise of all his rights as school sponsors or capital contributors of Nanjing School;
48. the Deed of Non-competition;
49. the Deed of Indemnity; and
50. the [REDACTED].

**2. Intellectual property rights of our Group**

***Trademarks***

As at the Latest Practicable Date, we have registered 113 trademarks which, in the opinion of our Directors, are material to our business:

No.	Trademark	Registered Owner	Place of registration	Class	Registration number	Expiry date
1.	 (in colour)	Anhui Xinhua Education	PRC	41	8670746	July 27, 2024
2.		Anhui Xinhua Education	PRC	41	8670749	July 27, 2024
3.	万通教育	Anhui Xinhua Education	PRC	41	5166451	June 27, 2019








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No.	Trademark	Registered Owner	Place of registration	Class	Registration number	Expiry date
4.	新华万通教育	Anhui Xinhua Education	PRC	41	13705257	February 20, 2025
5.	万通汽车	Anhui Xinhua Education	PRC	37	18618284	April 13, 2027
6.	万通汽车	Anhui Xinhua Education	PRC	41	18618385	February 6, 2028
7.		Anhui Xinhua Education	PRC	35	20853024	September 27, 2027
8.		Anhui Xinhua Education	PRC	37	20853033	September 27, 2027
9.		Anhui Xinhua Education	PRC	41	20853118	September 27, 2027
10.	 欧米奇西点学院	Anhui Xinhua Education	PRC	41	13441462	January 20, 2025
11.	 欧米奇	Anhui Xinhua Education	PRC	35	13945522	August 20, 2025
12.	 欧米奇	Anhui Xinhua Education	PRC	41	13441486	January 20, 2025
13.		Anhui Xinhua Education	PRC	30	13945541	April 13, 2025
14.		Anhui Xinhua Education	PRC	35	13945559	August 27, 2025
15.		Anhui Xinhua Education	PRC	41	13945581	April 13, 2025
16.		Anhui Xinhua Education	PRC	43	13945596	April 13, 2025

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No.	Trademark	Registered Owner	Place of registration	Class	Registration number	Expiry date
17.		Anhui Xinhua Education	PRC	9	11286383	December 27, 2023
18.		Anhui Xinhua Education	PRC	16	11286339	December 27, 2023
19.		Anhui Xinhua Education	PRC	41	11286194	December 27, 2023
20.	思味特	Anhui Xinhua Education	PRC	41	13448758	February 13, 2025
21.	新华东方	Anhui Xinhua Education	PRC	30	14083370	July 13, 2025
22.	新华东方	Anhui Xinhua Education	PRC	35	14083348	May 6, 2025
23.	新华东方	Anhui Xinhua Education	PRC	43	14083314	April 20, 2025
24.	东方创新	Anhui Xinhua Education	PRC	41	10501923	October 13, 2023
25.	新安	Anhui Xinhua Education	PRC	35	10116466	July 6, 2023
26.	新安地产	Anhui Xinhua Education	PRC	36	10118263	January 27, 2023
27.	新安投资	Anhui Xinhua Education	PRC	36	10116515	September 6, 2023
28.	新安商贸	Anhui Xinhua Education	PRC	35	10116418	September 13, 2024
29.	职话大数据	Anhui Xinhua Education	PRC	41	21664656	December 6, 2027
30.		Anhui Xinhua Education	PRC	41	21664523	February 6, 2028
31.		Anhui New East Culinary Professional Institute	PRC	16	3659005	January 6, 2026

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No.	Trademark	Registered Owner	Place of registration	Class	Registration number	Expiry date
32.		Anhui New East Culinary Professional Institute	PRC	30	3659004	February 6, 2025
33.		Anhui New East Culinary Professional Institute	PRC	32	3659003	February 6, 2025
34.		Anhui New East Culinary Professional Institute	PRC	33	3659002	April 6, 2025
35.		Anhui New East Culinary Professional Institute	PRC	41	3659001	March 13, 2026
36.		Anhui New East Culinary Professional Institute	PRC	42	3659000	December 13, 2025
37.		Anhui New East Culinary Professional Institute	PRC	43	3658999	November 20, 2025
38.		Anhui New East Culinary Professional Institute	PRC	41	18274709	April 20, 2027
39.		Anhui New East Culinary Professional Institute	PRC	41	18274710	April 20, 2027
40.		Anhui New East Culinary Professional Institute	PRC	35	20012175	July 6, 2027

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No.	Trademark	Registered Owner	Place of registration	Class	Registration number	Expiry date
41.		Anhui New East Culinary Professional Institute	PRC	41	20012756	July 6, 2027
42.		Anhui New East Culinary Professional Institute	PRC	43	20013164	July 6, 2027
43.		Anhui New East Culinary Professional Institute	PRC	35	20012325	July 6, 2027
44.		Anhui New East Culinary Professional Institute	PRC	41	20012906	July 6, 2027
45.		Anhui New East Culinary Professional Institute	PRC	43	20013112	July 6, 2027
46.	厨宝宝	Anhui New East Culinary Professional Institute	PRC	41	20013013	July 6, 2027
47.	金牌大厨	Anhui New East Culinary Professional Institute	PRC	35	20012497	October 13, 2027
48.	金牌大厨	Anhui New East Culinary Professional Institute	PRC	43	20013478	October 13, 2027
49.		Anhui New East Culinary Professional Institute	PRC	41	25555641	August 13, 2028

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No.	Trademark	Registered Owner	Place of registration	Class	Registration number	Expiry date
50.	 金鼎总厨 JINDING CHEF	Anhui New East Culinary Professional Institute	PRC	41	25548608	August 13, 2028
51.	南京烹饪技工学校	Nanjing Culinary Vocational School	PRC	41	8139988	March 27, 2021
52.	云南新东方烹饪学校职业培训站	Yunnan New East Culinary Vocational Training Station* (雲南新東方烹飪職業培訓站)	PRC	41	8121156	August 20, 2022
53.	江西新东方烹饪职业技能培训学院	Jiangxi New East Vocational Technical Training Institute	PRC	41	8046713	January 6, 2024
54.	广州市番禺区新东方烹饪职业培训学校	Guangzhou Panyu New East Culinary Vocational Training School	PRC	41	8115797	January 6, 2024
55.	 川厨天下 SZECHUAN COUSINE WORLD	Chengdu New East Culinary School* (成都新东方烹飪學校)	PRC	35	14226680	July 13, 2025
56.	 川厨天下 SZECHUAN COUSINE WORLD	Chengdu New East Culinary School* (成都新东方烹飪學校)	PRC	41	14226666	May 6, 2025
57.	安徽新华电脑专修学院	Anhui Xinhua Computer Institute	PRC	41	8054271	June 6, 2023
58.	山东新华电脑学院	Shandong Xinhua Computer Institute* (山東新華電腦學院)	PRC	41	8136499	December 6, 2022
59.	四川新华电脑学校	Sichuan Xinhua Computer Institute* (四川新華電腦學校)	PRC	41	8136510	February 6, 2023
60.	长沙新华电脑学院	Changsha Xinhua Computer Institute* (長沙新華電腦學院)	PRC	41	8274271	December 6, 2021

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No.	Trademark	Registered Owner	Place of registration	Class	Registration number	Expiry date
61.	安徽万通汽车专修学院	Anhui Wontone Automobile Maintenance Institute	PRC	41	8054228	June 6, 2023
62.		Anhui Xinhua Education	PRC	41	17091040	September 6, 2027
63.	华信智原	Beijing Wisezone Education Technology Co., Ltd	PRC	35	16577235	May 13, 2026
64.	华信智原	Beijing Wisezone Education Technology Co., Ltd	PRC	41	16577420	May 13, 2026
65.	华信智原	Beijing Wisezone Education Technology Co., Ltd	PRC	42	16577494	May 13, 2026
66.		Beijing Wisezone Education Technology Co., Ltd	PRC	35	16737090	June 27, 2026
67.		Beijing Wisezone Education Technology Co., Ltd	PRC	41	16737082	July 13, 2026
68.		Beijing Wisezone Education Technology Co., Ltd	PRC	42	16737104	July 13, 2026
69.		Anhui Simai'er	PRC	28	12130942	March 20, 2025
70.		Anhui Simai'er	PRC	29	12130922	March 20, 2025

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No.	Trademark	Registered Owner	Place of registration	Class	Registration number	Expiry date
71.	 思麦尔	Anhui Simai'er	PRC	36	12130879	August 6, 2024
72.	 思麦尔	Anhui Simai'er	PRC	41	12130859	March 20, 2025
73.	 思麦尔	Anhui Simai'er	PRC	44	12130841	March 20, 2025
74.	 思麦尔	Anhui Simai'er	PRC	18	12130322	July 20, 2024
75.	 思麦尔	Anhui Simai'er	PRC	24	12130288	March 20, 2025
76.	 思麦尔	Anhui Simai'er	PRC	25	12130046	July 20, 2024
77.	 思麦尔	Anhui Simai'er	PRC	28	12130337	July 20, 2024
78.	 思麦尔	Anhui Simai'er	PRC	29	12130390	July 20, 2024
79.	 思麦尔	Anhui Simai'er	PRC	30	12130020	July 20, 2024
80.	 思麦尔	Anhui Simai'er	PRC	32	12129992	July 20, 2024
81.	 思麦尔	Anhui Simai'er	PRC	35	12129963	August 20, 2024
82.	 思麦尔	Anhui Simai'er	PRC	36	12130744	July 20, 2024

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No.	Trademark	Registered Owner	Place of registration	Class	Registration number	Expiry date
83.		Anhui Simai'er	PRC	41	12130781	July 20, 2024
84.		Anhui Simai'er	PRC	43	12129935	July 20, 2024
85.		Anhui Simai'er	PRC	44	12130817	August 6, 2024
86.	御金香	Anhui Simai'er	PRC	43	4032562	April 20, 2027
87.		Anhui Simai'er	PRC	35	10743082	June 13, 2023
88.		Anhui Simai'er	PRC	36	10743089	June 13, 2023
89.		Anhui Simai'er	PRC	41	10743104	June 13, 2023
90.		Anhui Simai'er	PRC	43	10743116	March 20, 2024
91.		Anhui Simai'er	PRC	44	10743127	January 13, 2024
92.		Anhui Simai'er	PRC	35	10734325	June 13, 2023
93.		Anhui Simai'er	PRC	36	10734421	December 6, 2023
94.		Anhui Simai'er	PRC	41	10734436	June 13, 2023
95.		Anhui Simai'er	PRC	43	10734460	April 6, 2025




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No.	Trademark	Registered Owner	Place of registration	Class	Registration number	Expiry date
96.		Anhui Simai'er	PRC	44	10734599	May 13, 2024
97.	福来佳	Anhui Simai'er	PRC	35	5808412	March 27, 2020
98.		Anhui Simai'er	PRC	18	10748640	September 13, 2023
99.		Anhui Simai'er	PRC	24	10748649	June 20, 2023
100.		Anhui Simai'er	PRC	28	10748669	December 6, 2023
101.		Anhui Simai'er	PRC	30	10748690	November 27, 2023
102.		Anhui Simai'er	PRC	18	10729453	August 6, 2023
103.		Anhui Simai'er	PRC	24	10729459	September 6, 2023
104.		Anhui Simai'er	PRC	28	10729471	September 27, 2023
105.		Anhui Simai'er	PRC	29	10729476	June 13, 2023
106.	魅厨	Anhui Xinhua Education	PRC	41	22845581	February 20, 2028
107.	秘味	Anhui Xinhua Education	PRC	41	22845629	February 20, 2028
108.		Anhui Xinhua Education	PRC	43	24726205	June 20, 2028
109.		Anhui Xinhua Education	PRC	41	24722645	June 21, 2028
110.	美味学院	Anhui Xinhua Education	PRC	41	24721147	August 28, 2028




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No.	Trademark	Registered Owner	Place of registration	Class	Registration number	Expiry date
111.		Anhui Xinhua Education	PRC	41	24717322	August 27, 2028
112.	华信智原	Beijing Wisezone Education Technology Co., Ltd* (北京華信智原教育技術有限公司)	PRC	35	26366814	August 27, 2028
113.	华信智原	Beijing Wisezone Education Technology Co., Ltd* (北京華信智原教育技術有限公司)	PRC	41	26365624	August 27, 2028
114.	华信智原	Beijing Wisezone Education Technology Co., Ltd* (北京華信智原教育技術有限公司)	PRC	42	26357616	August 27, 2028
115.	<b>WISEZONE</b> 华信智原	Beijing Wisezone Education Technology Co., Ltd* (北京華信智原教育技術有限公司)	PRC	35	26371838	August 27, 2028
116.	<b>WISEZONE</b> 华信智原	Beijing Wisezone Education Technology Co., Ltd* (北京華信智原教育技術有限公司)	PRC	41	26358984	August 27, 2028
117.	<b>WISEZONE</b> 华信智原	Beijing Wisezone Education Technology Co., Ltd* (北京華信智原教育技術有限公司)	PRC	42	26366648	August 27, 2028
118.	秘味	Anhui Xinhua Education	PRC	9	25525092	July 27, 2028
119.	秘味	Anhui Xinhua Education	PRC	41	25535616	July 27, 2028
120.	秘味	Anhui Xinhua Education	PRC	42	25528619	July 27, 2028

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No.	Trademark	Registered Owner	Place of registration	Class	Registration number	Expiry date
121.	 秘味 SECRET TASTE	Anhui Xinhua Education	PRC	9	25523453	July 27, 2028
122.	 秘味 SECRET TASTE	Anhui Xinhua Education	PRC	41	25539991	July 27, 2028
123.	 秘味 SECRET TASTE	Anhui Xinhua Education	PRC	42	25538212	July 27, 2028

As at the Latest Practicable Date, 79 applications had been made for the registrations of the following trademarks:

No.	Trademark	Applicant	Place of registration	Class	Application number	Application date
1.	 金典大厨 JINDIAN CHEF	Anhui New East Culinary Professional Institute	PRC	41	25551119	July 27, 2017
2.	 金典总厨 JINDIAN CHEF	Anhui New East Culinary Professional Institute	PRC	41	25554354	July 27, 2017
3.	 金领大厨 JINLING CHEF	Anhui New East Culinary Professional Institute	PRC	41	25551179	July 27, 2017
4.	 金领总厨 JINLING CHEF	Anhui New East Culinary Professional Institute	PRC	41	25557061	July 27, 2017
5.	 Omick 欧米奇	Anhui Xinhua Education	PRC	35	25909443	August 17, 2017
6.	 Omick 欧米奇	Anhui Xinhua Education	PRC	41	25929254	August 17, 2017
7.		Anhui Xinhua Education	PRC	35	24730180	June 13, 2017

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No.	Trademark	Applicant	Place of registration	Class	Application number	Application date
8.	美味学院	Anhui Xinhua Education	PRC	35	24692227	June 13, 2017
9.	美味学院	Anhui Xinhua Education	PRC	43	24724470	June 13, 2017
10.	 CUISINE ACADEMY 美味学院	Anhui Xinhua Education	PRC	35	24691977	June 13, 2017
11.	 CUISINE ACADEMY 美味学院	Anhui Xinhua Education	PRC	43	24693101	June 13, 2017
12.	秘味	Anhui Xinhua Education	PRC	35	25529326	July 26, 2017
13.	秘味 SECRET TASTE	Anhui Xinhua Education	PRC	35	25527706	July 26, 2017
14.		Anhui Xinhua Education	PRC	9	25539915	July 26, 2017
15.		Anhui Xinhua Education	PRC	35	25528577	July 26, 2017
16.		Anhui Xinhua Education	PRC	41	25534374	July 26, 2017
17.		Anhui Xinhua Education	PRC	42	25528590	July 26, 2017
18.	 SECRET TASTE	Anhui Xinhua Education	PRC	9	25535659	July 26, 2017

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No.	Trademark	Applicant	Place of registration	Class	Application number	Application date
19.	 SECRET TASTE	Anhui Xinhua Education	PRC	35	25520841	July 26, 2017
20.	 SECRET TASTE	Anhui Xinhua Education	PRC	41	25538168	July 26, 2017
21.	 SECRET TASTE	Anhui Xinhua Education	PRC	42	25530873	July 26, 2017
22.	欧曼蒂	Anhui Xinhua Education	PRC	3	32936633	August 16, 2018
23.	欧曼蒂	Anhui Xinhua Education	PRC	8	32941394	August 16, 2018
24.	欧曼蒂	Anhui Xinhua Education	PRC	9	32941437	August 16, 2018
25.	欧曼蒂	Anhui Xinhua Education	PRC	35	32938113	August 16, 2018
26.	欧曼蒂	Anhui Xinhua Education	PRC	41	32925370	August 16, 2018
27.	欧曼蒂	Anhui Xinhua Education	PRC	44	32934592	August 16, 2018
28.		Anhui Xinhua Education	Hong Kong	30, 35, 41, 43	304736953	November 16, 2018
29.		Anhui Xinhua Education	Hong Kong	16, 30, 32, 33, 41, 42, 43	304736944	November 16, 2018
30.	欧曼蒂	Anhui Xinhua Education	PRC	41	34942484	November 27, 2018
31.	欧曼蒂	Anhui Xinhua Education	PRC	41	34949135	November 27, 2018
32.	欧曼蒂	Anhui Xinhua Education	PRC	41	34936548	November 27, 2018

**APPENDIX V STATUTORY AND GENERAL INFORMATION**

No.	Trademark	Applicant	Place of registration	Class	Application number	Application date
33.		Anhui Xinhua Education	PRC	41	34926424	November 27, 2018
34.	 欧曼蒂 on-mind	Anhui Xinhua Education	PRC	41	34926260	November 27, 2018
35.	 欧曼蒂 on-mind	Anhui Xinhua Education	PRC	41	34926250	November 27, 2018
36.	 欧曼蒂教育 on-mind education	Anhui Xinhua Education	PRC	41	34949272	November 27, 2018
37.	 欧曼蒂美业教育 on-mind beauty education	Anhui Xinhua Education	PRC	41	34940904	November 27, 2018
38.	 欧曼蒂时尚美业教育 on-mind fashion & beauty education	Anhui Xinhua Education	PRC	41	34943322	November 27, 2018
39.	 欧曼蒂美业学校 on-mind beauty educational institution	Anhui Xinhua Education	PRC	41	34940911	November 27, 2018
40.	 欧曼蒂时尚美业学校 on-mind fashion & beauty educational institution	Anhui Xinhua Education	PRC	41	34926358	November 27, 2018
41.	 欧曼蒂美业学院 on-mind beauty institute	Anhui Xinhua Education	PRC	41	34929347	November 27, 2018
42.	 欧曼蒂时尚美业学院 on-mind fashion & beauty institute	Anhui Xinhua Education	PRC	41	34950830	November 27, 2018
43.	 欧曼蒂美业研究院 on-mind beauty academy	Anhui Xinhua Education	PRC	41	34940934	November 27, 2018
44.	 欧曼蒂时尚美业研究院 on-mind fashion & beauty academy	Anhui Xinhua Education	PRC	41	34926390	November 27, 2018
45.	欧曼蒂	Anhui Xinhua Education	PRC	35	34937289	November 27, 2018
46.	欧曼蒂	Anhui Xinhua Education	PRC	35	34936641	November 27, 2018
47.	欧曼蒂	Anhui Xinhua Education	PRC	35	34940971	November 27, 2018
48.		Anhui Xinhua Education	PRC	35	34940980	November 27, 2018

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No.	Trademark	Applicant	Place of registration	Class	Application number	Application date
49.		Anhui Xinhua Education	PRC	35	34948880	November 27, 2018
50.		Anhui Xinhua Education	PRC	35	34927602	November 27, 2018
51.		Anhui Xinhua Education	PRC	35	34931262	November 27, 2018
52.		Anhui Xinhua Education	PRC	35	34936608	November 27, 2018
53.		Anhui Xinhua Education	PRC	35	34928982	November 27, 2018
54.		Anhui Xinhua Education	PRC	35	34936633	November 27, 2018
55.		Anhui Xinhua Education	PRC	35	34945711	November 27, 2018
56.	欧曼蒂	Anhui Xinhua Education	PRC	3	34936037	November 27, 2018
57.	欧曼蒂	Anhui Xinhua Education	PRC	3	34927717	November 27, 2018
58.	欧曼蒂	Anhui Xinhua Education	PRC	3	34943435	November 27, 2018
59.		Anhui Xinhua Education	PRC	3	34938965	November 27, 2018
60.		Anhui Xinhua Education	PRC	3	34932888	November 27, 2018
61.		Anhui Xinhua Education	PRC	3	34949064	November 27, 2018
62.	欧曼蒂	Anhui Xinhua Education	PRC	8	34943802	November 27, 2018
63.	欧曼蒂	Anhui Xinhua Education	PRC	8	34927358	November 27, 2018
64.	欧曼蒂	Anhui Xinhua Education	PRC	8	34943777	November 27, 2018

**APPENDIX V STATUTORY AND GENERAL INFORMATION**

No.	Trademark	Applicant	Place of registration	Class	Application number	Application date
65.		Anhui Xinhua Education	PRC	8	34945341	November 27, 2018
66.	 欧曼蒂 on-mind	Anhui Xinhua Education	PRC	8	34938602	November 27, 2018
67.	 欧曼蒂 on-mind	Anhui Xinhua Education	PRC	8	34929414	November 27, 2018
68.	欧曼帝	Anhui Xinhua Education	PRC	9	34937827	November 27, 2018
69.	欧曼蒂	Anhui Xinhua Education	PRC	9	34936237	November 27, 2018
70.	欧曼蒂	Anhui Xinhua Education	PRC	9	34951733	November 27, 2018
71.		Anhui Xinhua Education	PRC	9	34927753	November 27, 2018
72.	 欧曼蒂 on-mind	Anhui Xinhua Education	PRC	9	34930962	November 27, 2018
73.	 欧曼蒂 on-mind	Anhui Xinhua Education	PRC	9	34941057	November 27, 2018
74.	欧曼帝	Anhui Xinhua Education	PRC	44	34936297	November 27, 2018
75.	欧曼蒂	Anhui Xinhua Education	PRC	44	34948392	November 27, 2018
76.	欧曼蒂	Anhui Xinhua Education	PRC	44	34934923	November 27, 2018
77.		Anhui Xinhua Education	PRC	44	34939393	November 27, 2018
78.	 欧曼蒂 on-mind	Anhui Xinhua Education	PRC	44	34943854	November 27, 2018
79.	 欧曼蒂 on-mind	Anhui Xinhua Education	PRC	44	34931373	November 27, 2018



## APPENDIX V

## STATUTORY AND GENERAL INFORMATION

### *Domain Names*

As at the Latest Practicable Date, we have registered the following domain name which, in the opinion of our Directors, are material to our business:

<u>Registrant</u>	<u>Domain name</u>	<u>Date of registration</u>	<u>Expiration date</u>
Anhui Xinhua Education	xhe.cn	March 3, 2011	December 14, 2026
Anhui Xinhua Computer Institute	ahxh.com	March 19, 2009	October 24, 2025
Anhui New East Culinary Professional Institute	xdfpr.com	July 18, 2002	July 18, 2019
Chengdu New East Culinary School	scxdf.com	September 22, 2004	September 22, 2019
Anhui Wontone Automobile Maintenance Institute	ahwtqx.com	January 10, 2011	August 31, 2020
Sichuan Wontone Automobile Vocational Training Institute	scwtqx.com	June 2, 2009	June 2, 2019
Omick Western Catering Training (Shanghai) Co., Ltd.	shomick.com	August 27, 2014	August 27, 2025
Beijing Wisezone Education Technology Co., Ltd.	hxzy.cn	April 13, 2013	April 13, 2019
Xinhua Chuangzhi	chinaeastedu.com	November 26, 2018	November 27, 2019

**APPENDIX V**

**STATUTORY AND GENERAL INFORMATION**

**Patents**

As at the Latest Practicable Date, we have registered the following registered patents which, in the opinion of our Directors, are material to our business:

No.	Owner of the Patent	Name of the Patent	Patent No.	Application Date	Patent Category
1.	Anhui Wontone Automobile Maintenance Institute	一種多功能螺栓拆裝訓練台 (A kind of multifunctional bolt disassembly training platform)	ZL201520175608.8	March 26, 2015	Utility models (實用新型)
2.	Anhui Wontone Automobile Maintenance Institute	一種遮蓋練槍台架 (A kind of covered platform for practising gunmanship)	ZL201520873753.3	November 2, 2015	Utility models
3.	Anhui Wontone Automobile Maintenance Institute	一種便攜式四輪定位裝置 (A kind of portable four wheel positioning device)	ZL201520973506.0	November 26, 2015	Utility models
4.	Anhui Wontone Automobile Maintenance Institute	一種自動變速器360度教學演示台架 (A kind of 360 degrees teaching demonstration stand regarding automatic transmission)	ZL201520973480.X	November 26, 2015	Utility models
5.	Anhui Wontone Automobile Maintenance Institute	一種多功能汽車教學台架 (A kind of multifunctional automobile teaching platform)	ZL201720220068.X	March 7, 2017	Utility models
6.	Anhui Wontone Automobile Maintenance Institute	一種燃油直噴式發動機教學演示台架 (A kind of direct injection fuel engine teaching demonstration bench)	ZL201621333048.5	December 7, 2016	Utility models
7.	Anhui Wontone Automobile Maintenance Institute	一種無級變速器動態演示操作台 (A kind of dynamic demonstration console regarding continuously variable transmission)	ZL201720217457.7	March 7, 2017	Utility models

**APPENDIX V STATUTORY AND GENERAL INFORMATION**

No.	Owner of the Patent	Name of the Patent	Patent No.	Application Date	Patent Category
8.	Anhui Wontone Automobile Maintenance Institute	一種用於整車鍍金教學的掛架 (A kind of rack for teaching treatment of sheet metals for automobiles)	ZL201720141755.2	February 16, 2017	Utility models
9.	Anhui Wontone Automobile Maintenance Institute	一種車輛底盤展示架 (A kind of vehicle chassis display stand)	ZL201720365316.X	April 7, 2017	Utility models
10.	Anhui New East Culinary Technical School* (安徽新東方烹飪技工學校)	工具箱 (Toolbox)	ZL201730487351.4	October 13, 2017	Designs (外觀設計)
11.	Nanjing Wontone Automobile Vocational Training Institute	用於汽車教學的實驗箱 (Experiment box for use in automobiles teaching)	ZL201621430689.2	December 25, 2016	Utility models
12.	Shandong Wontone Automobile Vocational Training Institute	一種變速器解剖教學實訓台架 (A kind of training platform for teaching anatomy of a transmission)	ZL201621048080.9	September 9, 2016	Utility models
13.	Shandong Wontone Automobile Vocational Training Institute	一種柴油機燃料供給實訓台架 (A kind of training platform on provision of diesel)	ZL201621051021.7	September 9, 2016	Utility models
14.	Shandong Wontone Automobile Vocational Training Institute	一種離合器與變速箱實訓台架 (Clutch and gearbox training gantry)	ZL201621048064.X	September 9, 2016	Utility models
15.	Shandong Wontone Automobile Vocational Training Institute	一種汽車故障設置教學實訓系統 (A kind of teaching and training system for automobile fault reset)	ZL201621050707.4	September 9, 2016	Utility models
16.	Shandong Wontone Automobile Vocational Training Institute	一種用於汽車玻璃大燈的修復台架 (A kind of repair gantry for automotive glass headlights)	ZL201720981682.8	August 7, 2017	Utility models
17.	Yunnan Wontone Automobile Vocational Training Institute	汽車 (Automobile)	ZL201830019742.8	January 16, 2018	Designs

**APPENDIX V STATUTORY AND GENERAL INFORMATION**

No.	Owner of the Patent	Name of the Patent	Patent No.	Application Date	Patent Category
18.	Zhengzhou Wontone Automobile-Maintenance Vocational Training Institute	一種汽車電工實訓台 (A kind of automobile electrician training platform)	ZL201720521466.5	May 11, 2017	Utility models
19.	Zhengzhou Wontone Automobile-Maintenance Vocational Training Institute	一種汽車電路模擬展示架 (A kind of automobile circuit simulation display stand)	ZL201720521458.0	May 11, 2017	Utility models
20.	Zhengzhou Wontone Automobile-Maintenance Vocational Training Institute	一種汽車發動機結構和驅動原理演示台 (A kind of demonstration platform on automobile engine structure and propulsion principle)	ZL201720520999.1	May 11, 2017	Utility models
21.	Shandong Wontone Automobile Vocational Training Institute	一種便拆式渦輪增壓器演示台架 (A kind of detachable turbocharger demonstration stand)	ZL201820582336.7	April 23, 2017	Utility models
22.	Yunnan Wontone Automobile Vocational Training Institute	油電混合動力蓄電池散熱系統 (Hybrid battery cooling system)	ZL201820071277.7	January 16, 2018	Utility models

**Copyrights**

As at the Latest Practicable Date, we have registered the following registered copyrights:

(i) *Works (excluding softwares)*

No.	Owner of the Copyright	Name of the Copyright	Registration No.	Registration Date
1.	Langjie Technology	汽車板件拆裝技術專業教學視頻 (Automotive panel disassembly technology professional teaching video)	國作登字-2017-I-00361522	March 1, 2017
2.	Langjie Technology	汽車切割與焊接技術專業教學視頻 (Automotive separation and welding technology professional teaching video)	國作登字-2017-I-00361523	March 1, 2017

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No.	Owner of the Copyright	Name of the Copyright	Registration No.	Registration Date
3.	Langjie Technology	汽車塗裝技術規範及工藝流程專業教學視頻 (Automotive painting techniques standardisation and workmanship procedures professional teaching video)	國作登字-2017-I-00381438	April 27, 2017
4.	Langjie Technology	汽車微鈹金技術專業教學視頻 (Automotive micro-sheet metal technology professional teaching video)	國作登字-2017-I-00361524	March 1, 2017
5.	Langjie Technology	萬通汽車教育視頻-學生管理 (Wontone Automobile educational video – student management)	國作登字-2017-I-00398764	November 7, 2017
6.	Langjie Technology	萬通汽車教育視頻-教學方法 (Wontone Automobile educational video – teaching methods)	國作登字-2017-I-00428999	October 31, 2017
7.	Langjie Technology	萬通汽車教育視頻-教學管理 (Wontone Automobile educational video – teaching management)	國作登字-2017-I-00428998	October 31, 2017
8.	Beijing Xinhua Langjie Education Technology Co., Ltd.* (北京新華朗傑教育科技有限公司) (former name of Langjie Technology)	《新華電腦教育標準化課程體系數字藝術系列教材》(共45冊) ("Xinhua Computer Education Standardisation Course System Art of Numbers Series Materials" (45 volumes in total))	2008-A-014455	December 5, 2008
9.	Beijing Xinhua Langjie Education Technology Co., Ltd.	《新華電腦教育標準化課程體系電子商務系列教材》(共13冊) ("Xinhua Computer Education Standardisation Course System E-Commerce Series Materials" (13 volumes in total))	2008-A-014456	December 5, 2008

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No.	Owner of the Copyright	Name of the Copyright	Registration No.	Registration Date
10.	Beijing Xinhua Langjie Education Technology Co., Ltd.	《新華電腦教育標準化課程體系網站開發系列教材》(共8冊) ("Xinhua Computer Education Standardisation Course System Website Development Series Materials" (8 volumes in total))	2008-A-014457	December 5, 2008
11.	Beijing Xinhua Langjie Education Technology Co., Ltd.	《新華電腦教育標準化課程體系網絡技術系列教材》(共19冊) ("Xinhua Computer Education Standardisation Course System Network Technology Series Materials" (19 volumes in total))	2008-A-014458	December 5, 2008
12.	Beijing Xinhua Langjie Education Technology Co., Ltd.	《新華電腦教育標準化課程體系電腦全能系列教材》(共13冊) ("Xinhua Computer Education Standardisation Course System Computer All-rounded Series Materials" (13 volumes in total))	2008-A-014459	December 5, 2008
13.	Beijing Xinhua Langjie Education Technology Co., Ltd.	《新東方烹飪教育標準化課程體系系列教材》(共26冊) ("New East Culinary Education Standardisation Course System Series Materials" (26 volumes in total))	2008-A-014460	December 5, 2008
14.	Beijing Xinhua Langjie Education Technology Co., Ltd.	《新華電腦教育標準化課程體系嵌入式技術系列教材》(共27冊) ("Xinhua Computer Education Standardisation Course System Embedded Technology Series Materials" (27 volumes in total))	2008-A-014461	December 5, 2008

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**STATUTORY AND GENERAL INFORMATION**

<u>No.</u>	<u>Owner of the Copyright</u>	<u>Name of the Copyright</u>	<u>Registration No.</u>	<u>Registration Date</u>
15.	Beijing Xinhua Langjie Education Technology Co., Ltd.	《新華電腦教育標準化課程體系嵌入式技術系列教學視頻》(共2部) ("Xinhua Computer Education Standardisation Course System Embedded Technology Series Teaching Video" (2 parts in total))	2009-V-015701	February 18, 2009
16.	Beijing Xinhua Langjie Education Technology Co., Ltd.	《新華電腦教育標準化課程體系系列教學視頻》(共6部) ("Xinhua Computer Education Standardisation Course System Series Teaching Video" (6 parts in total))	2009-V-015702	February 18, 2009
17.	Beijing Xinhua Langjie Education Technology Co., Ltd.	《新東方烹飪教育標準化課程體系系列教學視頻》(共12部) ("New East Culinary Education Standardisation Course System Series Teaching Video" (12 parts in total))	2009-V-015703	February 18, 2009

*(ii) Softwares*

<u>No.</u>	<u>Owner of the Copyright</u>	<u>Name of the Copyright</u>	<u>Registration No.</u>	<u>Registration Date</u>
1.	Beijing Xinhua Langjie Education Technology Co., Ltd.	新華教育3++網站內容管理系統 V1.0 [簡稱:3++WCMS] (Xinhua Education 3++ Website Content Management System V1.0 [abbreviated as: 3++WCMS])	2008SR23592	October 10, 2008
2.	Beijing Xinhua Langjie Education Technology Co., Ltd.	新華教育3++網校信息系統 V1.0 [簡稱:3++ELS] (Xinhua Education 3++ Network School Information System V1.0 [abbreviated as: 3++ELS])	2008SR23593	October 10, 2008

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No.	Owner of the Copyright	Name of the Copyright	Registration No.	Registration Date
3.	Beijing Xinhua Langjie Education Technology Co., Ltd.	新華教育3++招生諮詢信息管理系統 V1.0 [簡稱:3++AIMS] (Xinhua Education 3++ Admissions Advisory Information Management System V1.0 [abbreviated as: 3++AIMS])	2008SR23594	October 10, 2008
4.	Beijing Xinhua Langjie Education Technology Co., Ltd.	新華教育3++學生電子檔案系統 [簡稱:3++SEFS] V1.0 (Xinhua Education 3++ Student Electronic File System [abbreviated as: 3++SEFS] V1.0)	2008SR32514	December 8, 2008
5.	Beijing Xinhua Langjie Education Technology Co., Ltd.	新華教育3++教學資源管理系統 [簡稱:3++LRMS] V1.0 (Xinhua Education 3++ Teaching Resources Management System [referred to as: 3++LRMS] V1.0)	2008SR32515	December 8, 2008
6.	Beijing Xinhua Langjie Education Technology Co., Ltd.	新華教育3++學生能力測評和技能發展規劃預測系統 [簡稱:3++ESP] V1.0 (Xinhua Education 3++ Student Ability Assessment and Skill Development Planning Forecast System [abbreviated as: 3++ESP] V1.0)	2008SR32825	December 8, 2008
7.	Beijing Xinhua Langjie Education Technology Co., Ltd.	新華教育3++院校計劃管理監控系統 V1.0 [簡稱:3++SCC] (Xinhua Education 3++ College Program Management Monitoring System V1.0 [abbreviated as: 3++SCC])	2008SR32827	December 8, 2008
8.	Beijing Xinhua Langjie Education Technology Co., Ltd.	[新華教育3++學生考試系統 [簡稱:3++SES] V1.0] (Xinhua Education 3++ Student Examination System [abbreviated as: 3++SES] V1.0)	2010SR055695	October 22, 2010



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No.	Owner of the Copyright	Name of the Copyright	Registration No.	Registration Date
9.	Beijing Xinhua Langjie Education Technology Co., Ltd.	新華教育3++學生就業管理與發布系統 [簡稱:3++XHJOB] V1.0 (Xinhua Education 3++ Student Employment Management and Announcement System [abbreviated as: 3++XHJOB] V1.0)	2010SR055688	October 22, 2010
10.	Beijing Xinhua Langjie Education Technology Co., Ltd.	新華教育3++學生電子檔案管理系統 [簡稱:3++SEFS] V2.0 (Xinhua Education 3++ Student Electronic File Management System [abbreviated as: 3++SEFS] V2.0)	2010SR055836	October 22, 2010
11.	Beijing Xinhua Langjie Education Technology Co., Ltd.	新華教育3++網站內容管理系統 V2.0 [簡稱:3++WCMS] (Xinhua Education 3++ Website Content Management System V2.0 [abbreviated as: 3++WCMS])	2010SR055690	October 22, 2010
12.	Beijing Xinhua Langjie Education Technology Co., Ltd.	新華教育3++招生諮詢信息管理系統 [簡稱:3++AIMS] V2.0 (Xinhua Education 3++ Admissions Advisory Information Management System [abbreviated as: 3++AIMS] V2.0)	2010SR055835	October 22, 2010
13.	Beijing Xinhua Langjie Education Technology Co., Ltd.	新華教育3++學生能力測評和技能發展規劃預測系統 [簡稱:3++ESP] V2.0 (Xinhua Education 3++ Student Ability Assessment and Skill Development Planning Forecast System [abbreviated as: 3++ESP] V2.0)	2010SR055693	October 22, 2010

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**STATUTORY AND GENERAL INFORMATION**

No.	Owner of the Copyright	Name of the Copyright	Registration No.	Registration Date
14.	Langjie Technology	3++學生就業管理與發布系統 [簡稱:3++XHJOB] V2.0 (3++ Student Employment Management and Announcement System [abbreviated as: 3++XHJOB] V2.0)	2013SR080500	August 5, 2013
15.	Langjie Technology	3++學生考試系統 [簡稱:3++SES] V2.0 (3++ Student Examination System [abbreviated as: 3++SES] V2.0)	2013SR080663	August 5, 2013
16.	Langjie Technology	3++學生電子檔案管理系統 [簡稱:3++SEFS] V3.0 (3++ Student Electronic File Management System [abbreviated as: 3++SEFS] V3.0)	2013SR080673	August 5, 2013
17.	Langjie Technology	3++網校系統 [簡稱:3++ELS] V3.0 (3++ Internet School System [abbreviated as: 3++ELS] V3.0)	2013SR081124	August 6, 2013
18.	Langjie Technology	3++學生收費管理系統 [簡稱:3++SFMS] V2.0 (3++ Student Fees Management System [abbreviated as: 3++SFMS] V2.0)	2013SR080866	August 6, 2013
19.	Langjie Technology	3++招生諮詢信息管理系統 [簡稱:3++AIMS] V4.0 (3++ Admissions Advisory Information Management System [abbreviated as: 3++AIMS] V4.0)	2013SR081446	August 7, 2013
20.	Langjie Technology	3++學生證書管理與發布系統 [簡稱:3++XHZS] V1.0 (3++ Student Certificate Management and Announcement System [abbreviated as: 3++XHZS] V1.0)	2013SR082009	August 7, 2013

## APPENDIX V

## STATUTORY AND GENERAL INFORMATION

### D. FURTHER INFORMATION ABOUT OUR DIRECTORS

#### 1. Directors' service contracts and letters of appointment

Each of our executive Directors and non-executive Directors [has] entered into a service contract with us for an initial fixed term of three years commencing from the [REDACTED] and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

Each of our independent non-executive Directors [has] entered into a letter of appointment with us for an initial fixed term of one year commencing from the [REDACTED] and will continue thereafter until terminated by not less than three months' notice in writing by served by the independent non-executive Director to our Company or with immediate effect following the notice in writing served by our Company to the independent non-executive Director.

The current basic annual salaries of our Directors are as follows:

Mr. Wu Wei . . . . .	HK\$[360,000]
Mr. Xiao Guoqing. . . . .	HK\$[360,000]
Mr. Wu Junbao. . . . .	HK\$[360,000]
Mr. Lu Zhen . . . . .	HK\$[360,000]
Mr. Hung Ka Hai, Clement . . . . .	HK\$[360,000]
Mr. Cheung Tsun Yung, Thomas . . . . .	HK\$[360,000]
Dr. Zhu Guobin . . . . .	HK\$[360,000]

Save as aforesaid, none of our Directors has or is proposed to have a service contract with us or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

#### 2. Directors' remuneration during the Track Record Period

For the three years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2018, the aggregate of the remuneration paid and benefits in kind granted to our Directors by us and our subsidiaries was RMB219,000, RMB229,000, RMB285,000 and RMB105,000, respectively.

Save as disclosed in this document, no other emoluments have been paid or are payable, in respect of the three years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2018 by us to our Directors.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for the year ending December 31, 2019 would be approximately HK\$[2,520,000].

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**E. DISCLOSURE OF INTERESTS**

**1. Disclosure of interests**

**(a) Interests and short positions of our Directors in our share capital and our associated corporations as of the Latest Practicable Date and following the Capitalization Issue and the [REDACTED]**

Immediately following completion of the Capitalization Issue and the [REDACTED] and taking no account of any Shares which may be allotted and issued pursuant to the [REDACTED] Share Option Scheme, Share Option Scheme or the exercise of the [REDACTED], the interests or short positions of our Directors and the chief executive of our Company in our Shares, underlying Shares and debentures of our associated corporations, within the meaning of Part XV of the SFO which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

Interests and short positions in the shares, underlying shares and debentures and associated corporations:

*(i) Long position in our Company*

Name of Director	Capacity/Nature of interest	Immediately after the [REDACTED] and the Capitalization Issue <sup>(4)</sup>	
		Number of Shares	Approximate Number of percentage of Shares shareholding
Mr. Wu Junbao <sup>(1)</sup>	Interest in a controlled corporation	[REDACTED]	[REDACTED]%
Mr. Wu Wei <sup>(2)</sup>	Interest in a controlled corporation	[REDACTED]	[REDACTED]%
Mr. Xiao Guoqing <sup>(3)</sup>	Interest in a controlled corporation	[REDACTED]	[REDACTED]%

Notes:

- (1) Mr. Wu Junbao holds the entire issued share capital of Wu Junbao Education and he is therefore deemed to be interested in the [REDACTED] Shares held by Wu Junbao Education under the SFO.
- (2) Mr. Wu Wei holds the entire issued share capital of Wu Wei Education and he is therefore deemed to be interested in the [REDACTED] Shares held by Wu Wei Education under the SFO.
- (3) Mr. Xiao Guoqing holds the entire issued share capital of Xiao Guoqing Education and he is therefore deemed to be interested in the [REDACTED] Shares held by Xiao Guoqing Education under the SFO.
- (4) Assuming the [REDACTED] is not exercised and no shares are issued under the [REDACTED] Share Option Scheme and the Share Option Scheme.

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(ii) Long position in associated corporations

Anhui Xinhua Education

Name	Capacity/Nature of interest	Immediately after the [REDACTED] and the Capitalization Issue <sup>(1)</sup>	
		Amount of registered capital (RMB)	Approximate percentage of shareholding
Mr. Wu Junbao . .	Beneficial owner	42,666,700	42.6667%
Mr. Wu Wei . . . .	Beneficial owner	29,222,200	29.2222%
Mr. Xiao Guoqing .	Beneficial owner	28,111,100	28.1111%

Note:

(1) Assuming no exercise of the [REDACTED] or any options that may be granted under the [REDACTED] Share Option Scheme or the Share Option Scheme.

**(b) Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO**

Immediately following completion of the Capitalization Issue and the [REDACTED] and taking no account of any Shares which may be allotted and issued pursuant to the [REDACTED] Share Option Scheme, Share Option Scheme or the exercise of the [REDACTED], so far as our Directors are aware, the following persons (not being a Director or chief executive of our Company) are expected to have interests or short positions in our Shares or underlying Shares which are required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group:

(i) Interests and short positions in our Company

Long position in our Shares

Name	Capacity/Nature of interest	Immediately after the [REDACTED] and the Capitalization Issue <sup>(1)</sup>	
		Amount of registered capital (RMB)	Approximate percentage of shareholding
Mr. Wu Junbao <sup>(1)</sup> . .	Interest in a controlled corporation	[REDACTED]	[REDACTED]%
Wu Junbao Education <sup>(1)</sup> . . . .	Beneficial owner	[REDACTED]	[REDACTED]%
Ms. Zhou Jiaju (周家菊) <sup>(1)(2)</sup> . . . .	Spousal interest	[REDACTED]	[REDACTED]%
Mr. Wu Wei <sup>(3)</sup> . . . .	Interest in a controlled corporation	[REDACTED]	[REDACTED]%
Wu Wei Education <sup>(3)</sup> . . . .	Beneficial owner	[REDACTED]	[REDACTED]%

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Name	Capacity/Nature of interest	Immediately after the [REDACTED] and the Capitalization Issue <sup>(1)</sup>	
		Amount of registered capital (RMB)	Approximate percentage of shareholding
Ms. Cheng Jing (程靜) <sup>(3)(4)</sup> . . . . .	Spousal interest	[REDACTED]	[REDACTED]%
Mr. Xiao Guoqing <sup>(5)</sup> . . . . .	Interest in a controlled corporation	[REDACTED]	[REDACTED]%
Xiao Guoqing Education <sup>(5)</sup> . . . . .	Beneficial owner	[REDACTED]	[REDACTED]%
Ms. Wei Zhiling (衛志玲) <sup>(5)(6)</sup> . . . . .	Spousal interest	[REDACTED]	[REDACTED]%

Notes:

- (1) Wu Junbao Education, which is wholly-owned by Mr. Wu Junbao, is the beneficial owner of approximately [REDACTED]% of the shareholding in our Company. By virtue of the SFO, Mr. Wu Junbao and Ms. Zhou Jiaju (spouse of Mr. Wu Junbao) are deemed to be interested in all of the Shares held by Wu Junbao Education.
- (2) Ms. Zhou Jiaju (周家菊), the spouse of Mr. Wu Junbao, is deemed under the SFO to be interested in the interests held by Mr. Wu Junbao.
- (3) Wu Wei Education, which is wholly-owned by Mr. Wu Wei, is the beneficial owner of approximately [REDACTED]% of the shareholdings in our Company. By virtue of the SFO, Mr. Wu Wei and Ms. Cheng Jing (spouse of Mr. Wu Wei) are deemed to be interested in all of the Shares held by Wu Wei Education.
- (4) Ms. Cheng Jing (程靜), the spouse of Mr. Wu Wei, is deemed under the SFO to be interested in the interests held by Mr. Wu Wei.
- (5) Xiao Guoqing Education, which is wholly-owned by Mr. Xiao Guoqing, is the beneficial owner of approximately [REDACTED]% of the shareholdings in our Company. By virtue of the SFO, Mr. Xiao Guoqing and Ms. Wei Zhiling (spouse of Mr. Xiao Guoqing) are deemed to be interested in all of the Shares held by Xiao Guoqing Education.
- (6) Ms. Wei Zhiling (衛志玲), the spouse of Mr. Xiao Guoqing, is deemed under the SFO to be interested in the interests held by Mr. Xiao Guoqing.
- (7) Assuming no exercise of the [REDACTED] or any options that may be granted under the [REDACTED] Share Option Scheme or the Share Option Scheme.

2. Disclaimers

Save as disclosed in this document:

- (a) our Directors are not aware of any person (not being our Director or chief executive) who will, immediately after completion of the Capitalization Issue and the [REDACTED] (without taking into account Shares which may be issued upon the exercise of the [REDACTED] or the Shares which may be issued upon the exercise of options granted under the Share Option Scheme and the Capitalization Issue), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group;

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- (b) none of our Directors has any interest or short position in any of our Shares, underlying Shares or debentures or any shares, underlying shares or debentures of any associated corporation within the meaning of Part XV of the SFO, which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, in each case once our Shares are listed;
- (c) none of our Directors nor any of the parties listed in the section headed "— G. Other Information — 10. Consents of experts" in this Appendix is interested in the promotion of our Company, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries;
- (d) none of our Directors nor any of the parties listed in the section headed "— G. Other Information — 10. Consents of experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to our business;
- (e) save in connection with the [REDACTED], none of the parties listed in the section headed "— G. Other Information — 10. Consents of experts" in this Appendix:
  - (i) is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or
  - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries;
- (f) none of our Directors or their close associates (as defined in the Listing Rules) or the existing Shareholders (who, to the knowledge of our Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest customers or the five largest suppliers of our Group.

### F. [REDACTED] SHARE OPTION SCHEME AND SHARE OPTION SCHEME

#### 1. [REDACTED] Share Option Scheme

The following is a summary of principal terms of the [REDACTED] Share Option Scheme conditionally approved by a resolution of the then Shareholders passed on [●], 2018 and adopted by a resolution of the Board on [●], 2018 (the "[REDACTED] Share Option Scheme Adoption Date"). The terms of the [REDACTED] Share Option Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the [REDACTED] Share Option Scheme will not involve the grant of options by us to subscribe for Shares after the [REDACTED].

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We have applied to the Stock Exchange and the SFC, respectively for, (i) a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix 1A to the Listing Rules; and (ii) an exemption under section 342A of the Companies (WUMP) Ordinance from strict compliance with the disclosure requirements of paragraph 10(d) of Part I of the Third Schedule to the Companies (WUMP) Ordinance. See the section headed "Waivers from Compliance with the Listing Rules and Exemption from the Companies (WUMP) Ordinance — Waiver and Exemption in relation to the [REDACTED] Share Option Scheme" in this document for more information.

### **(a) Purpose**

The purpose of the [REDACTED] Share Option Scheme is to give eligible participants an opportunity to have a personal stake in the Company and help motivate them to optimise their future performance and efficiency to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

### **(b) Eligible persons**

Subject to the terms of the [REDACTED] Share Option Scheme, the Board shall be entitled at any time during the life of the [REDACTED] Share Option Scheme to offer the grant of any option to subscribe for Shares granted pursuant to the [REDACTED] Share Option Scheme for the time being subsisting ("Option") to any persons who satisfy the following eligibility criteria ("Eligible Person(s)") as the Board may in its absolute discretion select:

- (a) Any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group (an "Executive"), any current or past full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group (an "Employee");
- (b) a director or proposed director (including an independent non-executive director) or manager of any member of the Group; and
- (c) an associate (which shall have the same meaning ascribed to it under the Listing Rules) of any of the persons referred to in (a) to (c) above.

The basis of eligibility shall be determined by the Board from time to time.

### **(c) Duration and Administration**

The [REDACTED] Share Option Scheme shall come into effect upon the approval and adoption of the [REDACTED] Share Option Scheme by all the shareholders of the Company.



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Subject to the approval of the shareholders of the Company and the termination provisions in the [REDACTED] Share Option Scheme, the [REDACTED] Share Option Scheme shall be valid and effective for a period of 10 years commencing on the [REDACTED] Share Option Scheme Adoption Date, provided that no option shall be granted on or after the [REDACTED]. The period during which an Option may be exercised will be determined by the Board in its absolute discretion, except no Option may be exercised more than 10 years after the date it was offered, being the date of the Board resolution approving the grant of such Option, which must be a business day (the "Offer Date").

The [REDACTED] Share Option Scheme shall be subject to the administration of the Board whose decision on all matters arising in relation to the [REDACTED] Share Option Scheme or its interpretation or effect shall (save as otherwise provided in the [REDACTED] Share Option Scheme) be final and binding on all parties. The Board may delegate any or all of its powers in relation to the [REDACTED] Share Option Scheme to any of its committees.

### **(d) Offer and grant of Options**

Subject to the terms of the [REDACTED] Share Option Scheme, the Board shall be entitled at any time between (a) the [REDACTED] Share Option Scheme Adoption Date and (b) the [REDACTED] (including the former but excluding the latter) to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the Subscription Price for such number of Shares as the Board may (subject to the maximum number of shares available for subscription) determine.

The Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the [REDACTED] Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by the Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period when the right to exercise the Option in respect of all or some of the Option Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of this [REDACTED] Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an Option must be held before it can be exercised.

An offer of the grant of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the Offer Date provided that no such grant of an Option may be accepted after the expiry of the effective period of the [REDACTED] Share Option Scheme. An Option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect on the relevant Offer Date when the duplicate offer letter comprising acceptance of the offer of the Option duly signed by the grantee together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company on or before the acceptance date. Such remittance shall in no circumstances be refundable.

### **(e) Performance targets**

The Board may impose and set out in the offer letter of grant such performance target(s) as it may deem fit for relevant Eligible Person to achieve before any Option can be exercised.

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### *(f) Subscription price*

The subscription price in respect of any particular Option shall be a price not more than 100% (inclusive) of the [REDACTED] which shall be determined by the Board in its absolute discretion.

### *(g) Exercise of Option*

An Option shall be exercised in whole or in part within the period commencing immediately after the business day on which the Option is deemed to be granted and accepted and expiring on the date of expiry which shall not exceed 10 years from the commencement date for such Option (the "Option Period") in the manner as set out in the terms of the [REDACTED] Share Option Scheme by the grantee (or its legal personal representative(s)) by giving notice in writing to the Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given. Within 30 days after receipt of the notice and, where appropriate, receipt of the auditors' certificate in the event of reorganisation of capital structure, the Company shall accordingly allot and issue the relevant number of Shares to the grantee (or his legal personal representative(s)) credited as fully paid with effect from (but excluding) the relevant exercise date and issue to the grantee (or his legal personal representative(s)) share certificate(s) in respect of the Shares so allotted.

The exercise of any Option may be subject to a vesting schedule to be determined by the Board in its absolute discretion, which shall be specified in the offer letter. Notwithstanding the foregoing, the earliest vesting date shall not be earlier than the [REDACTED].

The exercise of any Option shall be subject to the shareholders of the Company in general meeting approving any necessary increase in the authorised share capital of the Company.

Subject as hereinafter provided and other terms of the [REDACTED] Share Option Scheme, an Option may be exercised by the grantee (or its legal representative) at any time during the Option Period, provided that, among others:

1. if a general offer is made to all holders of Shares and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of shareholders of the Company (in the case of a [REDACTED] Share Option Scheme of arrangement), the grantee shall be entitled to exercise the Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by the Company;
2. if a compromise or arrangement between the Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company, the Company shall give notice thereof to the grantees who have Options unexercised at the same time as it despatches notices to all members or creditors of the Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his legal representatives or receiver) may until the expiry of the earlier of:

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- (i) the Option Period;
- (ii) the period of two months from the date of such notice; or
- (iii) the date on which such compromise or arrangement is sanctioned by the court,

exercise in whole or in part his Option.

3. in the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two business days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

### **(h) Maximum number of shares**

The maximum number of Shares which may be issued upon exercise of all Options to be granted under the [REDACTED] Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at the [REDACTED], excluding Shares which may fall to be issued upon the exercise of any [REDACTED] granted by the Company.

The said maximum numbers shall be adjusted, in such manner as the auditors or independent financial advisor appointed by the Company shall certify in writing to the Board to be fair and reasonable in the event of any alteration to the capital structure of the Company in accordance with the terms of the [REDACTED] Share Option Scheme whether by way of capitalization of profits or reserves, rights issue, consolidation, reclassification, reconstruction, subdivision or reduction of the share capital of the Company but shall not in any event exceed the limits imposed by the Listing Rules. Any such adjustment shall give the Eligible Persons the same proportion of equity capital as they were previously entitled to and no adjustments shall be made to the extent that a share would be issued at less than its nominal value. In respect of any such adjustments, other than any made on a capitalization issue, the auditors or independent financial advisor shall confirm to the Board in writing that the adjustments satisfy the requirement.

### **(i) Transferability of Options**

An Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the [REDACTED] Share Option Scheme may be registered), except with the prior written consent of the Board from time to time. Any breach of the foregoing shall entitle the Company to cancel any outstanding Option or part thereof granted to such grantee.

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### **(j) Lapse of Option**

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (a) the expiry of the Option period;
- (b) the expiry of any of the period referred to in section (g) relating to the exercise of Options above;
- (c) subject to the terms of the [REDACTED] Share Option Scheme referred to in paragraph (5) under section (g) relating to the exercise of Options above, the date of the commencement of the winding-up of the Company;
- (d) there is an unsatisfied judgement, order or award outstanding against the grantee or the Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/its debts;
- (e) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in the terms of the [REDACTED] Share Option Scheme; or
- (f) a bankruptcy order has been made against any director or shareholder of the grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any Option, provided that the Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

### **(k) Cancellation of Options**

The Board shall be entitled for the following causes to cancel any Option in whole or in part by giving notice in writing to the grantee stating that such Option is thereby cancelled with effect from the date specified in such notice (the "Cancellation Date"):

- (a) the grantee commits or permits or attempts to commit or permit a breach of the terms of the [REDACTED] Share Option Scheme referred to in section (i) relating to transferability of Options above or any terms or conditions attached to the grant of the Option;
- (b) the grantee makes a written request to the Board for the Option to be cancelled; or
- (c) if the grantee has, in the opinion of the Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of the Company or a Subsidiary.

The Option shall be deemed to have been cancelled with effect from the Cancellation Date in respect of any part of the Option which has not been exercised as at the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that the Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as he may consider appropriate in any particular case.

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### *(l) Reorganisation of capital structure*

In the event of any alteration to the capital structure of the Company while any Option remains exercisable, whether by way of capitalisation of profits or reserves, open offer, rights issue, consolidation, reclassification, reconstruction, sub-division or reduction of the share capital of the Company, the Board may, if it considers the same to be appropriate, direct that adjustments be made to:

- (a) the maximum number of Shares subject to the [REDACTED] Share Option Scheme; and/or
- (b) the aggregate number of Shares subject to the Option so far as unexercised; and/or
- (c) the Subscription Price of each outstanding Option.

Where the Board determines that such adjustments are appropriate (other than an adjustment arising from a capitalization issue), the Auditors appointed by the Company shall certify in writing to the Board that any such adjustments are in their opinion fair and reasonable, provided that:

- (a) any such adjustments shall be made on the basis that the aggregate Subscription Price payable by the grantee on the full exercise of any Option shall remain as nearly as practicable the same as (but shall not be greater than) as it was before such event;
- (b) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
- (c) no such adjustment shall be made that would increase the aggregate Intrinsic Value of the outstanding Options;
- (d) any such adjustments shall be made in accordance with the provisions as stipulated under Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time; and
- (e) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.

### *(m) Termination of the [REDACTED] Share Option Scheme*

The Company may by resolution in general meeting at any time terminate the operation of the [REDACTED] Share Option Scheme. Upon termination of the [REDACTED] Share Option Scheme as aforesaid, no further Options shall be offered but the provisions of the [REDACTED] Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the [REDACTED] Share Option Scheme.

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### **(n) Alteration of the [REDACTED] Share Option Scheme**

The [REDACTED] Share Option Scheme may be altered in any respect by a resolution of the Board except the following shall not be carried out except with the prior sanction of an ordinary resolution of the shareholders of the Company in general meeting:

- (a) any material alteration to its terms and conditions or any change to the terms of Options granted (except where the alterations take effect under the existing terms of the [REDACTED] Share Option Scheme);
- (b) any alteration to the provisions of the [REDACTED] Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of grantee;
- (c) any change to the authority of the Board or any person or committee delegated by the Board pursuant to the terms of the [REDACTED] Share Option Scheme to administer the day-to-day running of the [REDACTED] Share Option Scheme; and
- (d) any alteration to the above alteration provisions of the [REDACTED] Share Option Scheme,

provided always that the amended terms of the [REDACTED] Share Option Scheme shall comply with the applicable requirements of the Listing Rules.

### **(o) Outstanding Options granted**

The grant of Options under the [REDACTED] Share Option Scheme to the grantees as set out below has been approved by the Board on [●]. The overall limit on the number of underlying Shares pursuant to the [REDACTED] Share Option Scheme is [REDACTED] Shares. The number of underlying Shares pursuant to the outstanding Options granted under the [REDACTED] Share Option Scheme amounts to [REDACTED] Shares, representing [REDACTED]% of the issued Shares immediately following the completion of the [REDACTED] (assuming no exercise of the [REDACTED] or any options that may be granted under the [REDACTED] Share Option Scheme or the Share Option Scheme).

As at the Latest Practicable Date, we plan to grant Options to 175 participants, including to one Director, under the [REDACTED] Share Option Scheme. The exercise price of the Options granted under the [REDACTED] Share Option Scheme is 20% of the [REDACTED].

#### **(i) Director**

One Director will be granted Options under the [REDACTED] Share Option Scheme to subscribe for a total of [REDACTED] Shares, representing approximately [REDACTED]% of the issued share capital of our Company upon completion of the [REDACTED] (assuming no exercise of the [REDACTED] or any options that may be granted under the [REDACTED] Share Option Scheme or the Share Option Scheme).

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The table below sets out the details of Options to be granted to our Director under the [REDACTED] Share Option Scheme:

Name of grantee	Address	Position	Exercise price	Consideration paid for each Option	Number of Shares under the Option granted	Date of grant	Vesting period	Option Period	Approximate percentage of issued Shares immediately after completion of the [REDACTED] <sup>(Note)</sup>
Mr. Lu Zhen	Room 1704, Building 6, Yuanyi Baizhuang, No. 88 Chaohu South Street, Baohe District, Hefei City, Anhui Province, PRC	Non-executive Director	20% of the [REDACTED]	HK\$1.00	[REDACTED]	[●]	30 days after the [REDACTED] to the 10th anniversary of the date of grant	Ten years	[REDACTED]%

Note: The above table assumes the [REDACTED] is not exercised and does not take into account any Shares which may be issued upon the exercise of any options that may be granted under the [REDACTED] Share Option Scheme or the Share Option Scheme.

(ii) Other grantees

Other than the one Director disclosed above, 174 Eligible Persons who are not connected persons of the Company will be granted Options under the [REDACTED] Share Option Scheme to subscribe for a total of [REDACTED] Shares, representing approximately [REDACTED]% of the issued share capital of our Company upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Shares which may be issued upon the exercise of options granted under the [REDACTED] Share Option Scheme or the Share Option Scheme).

The table below sets out the details of Options to be granted to the other grantees being Eligible Persons who are not connected persons of the Company under the [REDACTED] Share Option Scheme:

Range of Shares under the Options granted	Total number of grantees	Total number of Shares under the Options granted	Exercise price	Consideration paid for each Option	Date of grant	Vesting period	Option Period	Approximate percentage of issued Shares immediately after completion of the [REDACTED] <sup>(Note)</sup>
[REDACTED] to [REDACTED]	174	[REDACTED]	20% of the [REDACTED]	HK\$1.00	[●]	30 days after the [REDACTED] to the 10th anniversary of the date of grant	Ten years	[REDACTED]%

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*Note:* The above table assumes the [REDACTED] is not exercised and does not take into account any Shares which may be issued upon the exercise of any options that may be granted under the [REDACTED] Share Option Scheme or the Share Option Scheme.

Assuming full exercise of the outstanding options granted under the [REDACTED] Share Option Scheme, the shareholding of the Shareholders immediately following completion of the Capitalization Issue and the [REDACTED] (assuming no exercise of the [REDACTED] or any options that may be granted under the Share Option Scheme) will be diluted by approximately [REDACTED]. Further, assuming that (i) the Company had been listed on the Stock Exchange since the [REDACTED] with [REDACTED] Shares in issue; (ii) the final [REDACTED] is HK\$[REDACTED], being the mid-point of the indicative [REDACTED] range; and (iii) all the outstanding options granted under the [REDACTED] Share Option Scheme in respect of [REDACTED] Shares were exercised in full on the [REDACTED], the earning per Share on a pro forma diluted basis would be approximately HK\$[REDACTED] (unaudited) for the eight months ended August 31, 2018. Save and except as set out above, no other Options will be granted or agreed to be granted by our Company under the [REDACTED] Share Option Scheme.

### 2. Share Option Scheme

The following is a summary of principal terms of the Share Option Scheme conditionally approved by a resolution of the then Shareholders passed on [●], 2019 and adopted by a resolution of the Board on [●], 2019 (the "Adoption Date"). The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

#### **(a). Purpose**

The purpose of the Share Option Scheme is to give the Eligible Persons (as defined in the following paragraph) an opportunity to have a personal stake in our Company and help motivate them to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of Executives (as defined below), to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

#### **(b). Who may join**

The Board may, at its absolute discretion, offer options ("Options") to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme to:

- (i) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group ("Executive"), any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group ("Employee");
- (ii) a director or proposed director (including an independent non-executive director) of any member of our Group;
- (iii) a direct or indirect shareholder of any member of our Group;



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- (iv) a supplier of goods or services to any member of our Group;
- (v) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group;
- (vi) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group;
- (vii) an associate of any of the persons referred to in paragraphs (a) to (f) above; and

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- (viii) any person involved in the business affairs of the Company whom our Board determines to be appropriate to participate in the Share Option Scheme (the person referred above are the "Eligible Persons").

### **(c). Maximum number of Shares**

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of our Group shall not in aggregate exceed 10% of the Shares in issue as at the [REDACTED] (such 10% limit representing [REDACTED] Shares) excluding Shares which may fall to be issued upon the exercise of the [REDACTED] granted by our Company (the "Scheme Mandate Limit") provided that:

- (i) our Company may at any time as our Board may think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Company shall not exceed 10% of our Shares in issue as at the date of approval by our Shareholders in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the Share Option Scheme and any other schemes of our Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of our Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. Our Company shall send to our Shareholders a circular containing the details and information required under the Listing Rules;
- (ii) our Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Person specified by our Company before such approval is obtained. Our Company shall issue a circular to our Shareholders containing the details and information required under the Listing Rules; and
- (iii) the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Group shall not exceed 30% of our Company's issued share capital from time to time. No Options may be granted under the Share Option Scheme and any other share option scheme of our Company if this will result in such limit being exceeded.

### **(d). Maximum entitlement of each participants**

No Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12-month period exceeds 1% of our Company's issued share capital from time to time. Where any further grant of Options to such an Eligible Person would result in our Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of our Shares in issue,

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such further grant shall be separately approved by our Shareholders in general meeting with such Eligible Person and his close associates (or his associates if such Eligible Person is a connected person) abstaining from voting. Our Company shall send a circular to our Shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted) to such Eligible Person, and containing the details and information required under the Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Eligible Person must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such grant shall be taken as the offer date for the purpose of calculating the subscription price of those Options.

### **(e). Offer and grant of Options**

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof).

### **(f). Granting Options to connected persons**

Subject to the terms in the Share Option Scheme, only insofar as and for so long as the Listing Rules require, where any offer of an Option is proposed to be made to a director, chief executive or a substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates, such offer must first be approved by the independent non-executive Directors of our Company (excluding the independent non-executive Director who or whose associates is the grantee of an Option).

Where any grant of Options to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director of our Company, or any of their respective associates, would result in the securities issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the relevant class of securities in issue; and
- (ii) (where the securities are listed on the Stock Exchange), having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5.0 million,

such further grant of Options must be approved by our Shareholders (voting by way of a poll). Our Company shall send a circular to our Shareholders containing the information required under the Listing Rules. The grantee, his associates and all core connected persons of our Company must abstain from voting in favor at such general meeting.

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Approval from our Shareholders is required for any change in the terms of Options granted to a participant who is a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates. The grantee, his associates and all core connected persons of our Company must abstain from voting in favour at such general meeting.

### ***(g). Restriction on the time of grant of Options***

The Board shall not grant any Option under the Share Option Scheme after inside information has come to its knowledge until such inside information has been announced pursuant to the requirements of the Listing Rules. In particular, no Option shall be granted during the period commencing one month immediately preceding the earlier of the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and the deadline for our Company to publish an announcement of its results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements.

### ***(h). Minimum holding period, vesting and performance target***

Subject to the provisions of the Listing Rules, the Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the Option in respect of any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an Option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the Option can be exercised.

### ***(i). Amount payable for Options and offer period***

An offer of the grant of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the offer date provided that no such grant of an Option may be accepted after the expiry of the effective period of the Share Option Scheme. An Option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Option duly signed by the grantee together with a remittance in favor of our Company of HK\$1.00 by way of consideration for the grant thereof is received by our Company on or before the date upon which an offer of an Option must be accepted by the relevant Eligible Person, being a date no later than 28 days after the offer date (the "Acceptance Date"). Such remittance shall in no circumstances be refundable.

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Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of board lots for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer letter comprising acceptance of the offer of the Option. To the extent that the offer of the grant of an Option is not accepted by the Acceptance Date, it will be deemed to have been irrevocably declined.

### **(j). Subscription price**

The subscription price in respect of any particular Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

- (i) the nominal value of a Share;
- (ii) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and
- (iii) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the 5 Business Days (as defined in the Listing Rules) immediately preceding the offer date.

### **(k). Exercise of Option**

- (i) An Option shall be exercised in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) within the Option period in the manner as set out in this Share Option Scheme by the grantee (or his or her legal personal representative(s)) by giving notice in writing to our Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given. Within 28 days after receipt of the notice and, where appropriate, receipt of a certificate from our auditors pursuant to the Share Option Scheme, our Company shall accordingly allot and issue the relevant number of Shares to the grantee (or his or her legal personal representative(s)) credited as fully paid with effect from (but excluding) the relevant exercise date and issue to the grantee (or his or her legal personal representative(s)) share certificate(s) in respect of the Shares so allotted.
- (ii) The exercise of any Option may be subject to a vesting schedule to be determined by the Board in its absolute discretion, which shall be specified in the offer letter.
- (iii) The exercise of any Option shall be subject to the members of our Company in general meeting approving any necessary increase in the authorized share capital of our Company.
- (iv) Subject as hereinafter provided and subject to the terms and conditions upon which the Option was granted, an Option may be exercised by the Grantee at any time during the Option Period, provided that:

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- (1) in the event that the grantee dies or becomes permanently disabled before exercising an Option (or exercising it in full) and none of the events for termination of employment or engagement pursuant to the terms of the Share Option Scheme exists with respect to such grantee, he or she (or his or her legal representative(s)) may exercise the Option up to the grantee's entitlement immediately prior to the death or permanent disability (to the extent not already exercised) within a period of 12 months following his or her death or permanent disability or such longer period as the Board may determine;
- (2) in the event that the grantee ceases to be an Executive for any reason (including his or her employing company ceasing to be a member of our Group) other than his or her death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time or the transfer of his or her employment to an affiliate company or the termination of his or her employment with the relevant member of our Group by resignation or culpable termination, the Option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;
- (3) if a general offer is made to all holders of Shares and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of our Shareholders (in the case of a scheme of arrangement), the grantee shall be entitled to exercise the Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company;
- (4) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the grantees who have Options unexercised at the same time as it dispatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his or her legal representatives or receiver) may until the expiry of the earlier of:
  - a. the Option period;
  - b. the period of two months from the date of such notice; or
  - c. the date on which such compromise or arrangement is sanctioned by the court, exercise in whole or in part his or her Option.

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- (5) in the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or his or her legal personal representative(s)) shall be entitled to exercise all or any of his or her options at any time not later than two Business Days (as defined in the Listing Rules) prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day (as defined in the Listing Rules) immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

### ***(l). Life of Share Option Scheme***

Subject to the terms of this Share Option Scheme, the Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

### ***(m). Lapse of Share Option Scheme***

An Option shall lapse automatically and not be exercisable, to the extent not already exercised, on the earliest of:

- (i) the expiry of the Option period;
- (ii) the expiry of any of the period referred to paragraphs related to exercise of the Option;
- (iii) subject to the terms of the period mentioned in the paragraph headed "F. Share Option Scheme — 11. Exercise of Option" in this Appendix, the date of the commencement of the winding-up of our Company;
- (iv) there is an unsatisfied judgment, order or award outstanding against the grantee or the Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/her/its debts;
- (v) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in this Share Option Scheme with respect to the exercise of the Option;
- (vi) a bankruptcy order has been made against any director or shareholder of the grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any Option, provided that the Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

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### **(n). Adjustment**

In the event of any alteration to the capital structure of our Company while any Option remains exercisable, whether by way of capitalization of profits or reserves, right issue, consolidations, reclassification, reconstruction, sub-division or reduction of the share capital of our Company, the Board may, if it considers the same to be appropriate, direct that adjustments be made to:

- (i) the maximum number of Shares subject to the Share Option Scheme; and/or
- (ii) the aggregate number of Shares subject to the Option so far as unexercised; and/or
- (iii) the subscription price of each outstanding Option.

Where the Board determines that such adjustments are appropriate (other than an adjustment arising from a capitalization issue), the auditors appointed by our Company shall certify in writing to the Board that any such adjustments are in their opinion fair and reasonable, provided that:

- (i) any such adjustments shall give the Eligible Persons the same proportion of equity capital as they were previously entitled to. In respect of any such adjustments, other than any made on a capitalization issue, the auditors shall confirm to the Board in writing that the adjustments satisfy this requirement;
- (ii) any such adjustments shall be made on the basis that the aggregate subscription price payable by the grantee on the full exercise of any Option shall remain as nearly as practicable same as (but shall not be greater than) it was before such event;
- (iii) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
- (iv) any such adjustments shall be made to in accordance with the provisions as stipulated under Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time; and
- (v) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.

### **(o). Offer and grant of Options**

The Board shall be entitled for the following causes to cancel any Option in whole or in part by giving notice in writing to the grantee stating that such Option is thereby cancelled with effect from the date specified in such notice (the "Cancellation Date"):

- (i) the grantee commits or permits or attempts to commit or permit a breach of restriction on transferability of Option or any terms or conditions attached to the grant of the Option;
- (ii) the grantee makes a written request to the Board for the Option to be cancelled; or



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- (iii) if the grantee has, in the opinion of the Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or its subsidiary.

### ***(p). Ranking of Shares***

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles of Association and the laws of the Cayman Islands from time to time and shall rank pari passu in all respects with the then existing fully paid Shares in issue commencing from (i) the allotment date or, (ii) if that date falls on a day when the register of members of our Company is closed, the first date of the re-opening of the register of members. Accordingly, it will entitle the holders to participate in all dividends or other distributions paid or made on or after (i) the allotment date or, (ii) if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the allotment date.

Share issued upon the exercise of an Option shall not carry rights until the registration of the grantee (or any other person) as the holder thereof.

### ***(q). Termination***

Our Company may by resolution in general meeting at any time terminate the operation of the Share Option Scheme. Upon termination of the Share Option Scheme as aforesaid, no further Options shall be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

### ***(r). Transferability***

The Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any Option or attempt to do so (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding Option or part thereof granted to such grantee.

### ***(s). Alteration of Share Option Scheme***

The Share Option Scheme may be altered in any respect by a resolution of the Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of the our Shareholders in general meeting:

- (i) any material alteration to its terms and conditions or any change to the terms of Options granted (except where the alterations take effect under the existing terms of the Share Option Scheme);
- (ii) any alteration to the provisions of the Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of grantee;

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- (iii) any change to the authority of the Board or any person or committee delegated by the Board pursuant to the Share Option Scheme to administer the day-to-day running of the Scheme; and
- (iv) any alteration to the aforesaid alteration provisions provided always that the amended terms of the Share Option Scheme shall comply with the applicable requirements of the Listing Rules.

### **(t). Conditions of the Share Option Scheme**

The Share Option Scheme shall come into effect on the date on which the following conditions are fulfilled:

- (i) the approval of our Shareholders for the adoption of the Share Option Scheme;
- (ii) the approval of the Stock Exchange for the [REDACTED] of and permission to deal in, a maximum of [REDACTED] Shares to be allotted and issued pursuant to the exercise of the Share Option Scheme in accordance with the terms and conditions of the Share Option Scheme;
- (iii) the commencement of dealing in our Shares on the Stock Exchange; and
- (iv) the obligations of the [REDACTED] under the [REDACTED] becoming unconditional and not being terminated in accordance with the terms thereof or otherwise.

If the permission referred to in paragraph (b) above is not granted within two calendar months after the Adoption Date:

- (i) the Share Option Scheme will forthwith terminate;
- (ii) any Option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect;
- (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any Option; and
- (iv) the Board may further discuss and devise another share option scheme that is applicable to a private company for adoption by our Company.

Application has been made to the Stock Exchange for the [REDACTED] of [REDACTED] Shares which may be issued pursuant to the exercise of Options under the Share Option Scheme.

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### G. OTHER INFORMATION

#### 1. Deed of Indemnity

Mr. Wu Junbao and Wu Junbao Education has entered into the Deed of Indemnity with and in favor of our Company for itself and as trustee for its subsidiaries, to provide indemnities in respect of, among other things:

- (a) certain estate duty which might be payable by any companies in our Group by virtue of or under the provisions of the Estate Duty Ordinance (Chapter 111 of Laws of Hong Kong); and
- (b) any liability of any or all of the members of our Group to any form of taxation and duty whenever created or imposed, whether of Hong Kong, the PRC or of any other part of the world, and without prejudice to the generality of the foregoing includes profits tax, provisional profits tax, business tax on gross income, income tax, value added tax, interest tax, salaries tax, property tax, land appreciation tax, lease registration tax, estate duty, capital gains tax, death duty, capital duty, stamp duty, payroll tax, withholding tax, rates, import, customs and excise duties and generally any tax duty, impost, levy or rate or any amount payable to the revenue, customs or fiscal authorities of local, municipal, provincial, national, state or federal level whether of Hong Kong, the PRC or of any other part of the world falling on any of the members of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the [REDACTED] or any event on transaction on or before [REDACTED] whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company.

The Deed of Indemnity does not cover any claim and our Controlling Shareholders shall be under no liability under this Deed of Indemnity in respect of above:

- (a) to the extent that provision or allowance has been made for such taxation in the consolidated financial statements of our Group as set out in Appendix I to this document or in the audited accounts of the relevant members of our Group for the three years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2018 (the "Accounts"); or
- (b) for which any company of our Group is liable as a result of any event occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after August 31, 2018 up to and including the [REDACTED] or consisting of any company of our Group ceasing, or being deemed to cease, to be a company in our Group for the purposes of any matter of the taxation; or
- (c) to the extent that such claim arises or is incurred as a consequence of any retrospective change in the law or the interpretation or practice by the Hong Kong Inland Revenue Department or the tax authorities or any other authority in any part of the world coming into force after the [REDACTED] or to the extent such claim arises or is increased by an increase in the rates of taxation after the [REDACTED] with retrospective effect; or

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- (d) to the extent that any provision or reserve made for such taxation in the Accounts is finally established to be an over-provision or an excessive reserve as certified by a firm of accountants acceptable to our Company then the liability of our Controlling Shareholders (if any) in respect of such taxation shall be reduced by an amount not exceeding such over-provision or excess reserve.

Under the Deed of Indemnity, our Controlling Shareholders have also undertaken to indemnify, on a joint and several basis, from any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages, penalties, fines or other liabilities which any member of our Group may incur or suffer arising from the non-compliances as disclosed in the section headed "Business — Legal Proceedings and Compliance" in this document.

### 2. Litigation

As at the Latest Practicable Date, save as disclosed in the paragraph headed "Business — Litigation Legal Proceedings and Compliance" in this document, neither we nor any of our subsidiaries were/was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on its results of operations or financial condition.

### 3. Preliminary expenses

Our estimated preliminary expenses are approximately US\$6,783.92 and have been paid by us.

### 4. Promoter

There are no promoters of our Company.

### 5. Sole Sponsor

The Sole Sponsor made an application on our behalf to the Listing Committee of the Stock Exchange for [REDACTED] of, and permission to deal in, the Shares in issue as mentioned herein, the Shares to be issued pursuant to the Capitalization Issue and any Shares falling to be issued pursuant to the exercise of the [REDACTED], and the Shares that may be issued upon the exercise of options that may be granted under the Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into CCASS. The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Our Company has entered into an engagement agreement with the Sole Sponsor, pursuant to which our Company agreed to pay the Sole Sponsor a fee of US\$1 million to act as sponsor to our Company in the [REDACTED].

### 6. No material adverse change

Our Directors confirm that there has been no material adverse change in our Company's financial or trading position or prospects since August 31, 2018 (being the date to which our latest audited consolidated financial statements were made up).

## APPENDIX V

## STATUTORY AND GENERAL INFORMATION

### 7. Billing effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance (Chapter 32 of the Laws of Hong Kong) so far as applicable.

### 8. Miscellaneous

(1) Save as disclosed in this document:

- (a) within the two years immediately preceding the date of this document, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
- (b) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (c) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;
- (d) within the two years immediately preceding the date of this document, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;
- (e) within the two years preceding the date of this document, no commission has been paid or payable (except commissions to the [REDACTED]) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company;
- (f) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and
- (g) we have no outstanding convertible debt securities.

(2) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the twelve (12) months immediately preceding the date of this document.

### 9. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this document:

<u>Name</u>	<u>Qualification</u>
BNP Paribas Securities (Asia) Limited .	A corporation licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO

**APPENDIX V**

**STATUTORY AND GENERAL INFORMATION**

<u>Name</u>	<u>Qualification</u>
Deloitte Touche Tohmatsu . . . . .	Certified Public Accountants
Conyers Dill & Pearman . . . . .	Cayman Islands attorneys-at-law
Haiwen & Partners . . . . .	PRC legal advisors to our Company
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. . . . .	Independent industry consultant
Cushman & Wakefield Limited . . . . .	Independent property valuer
Anhui Huapu Certified Tax Agents . . . . .	Independent tax advisors

**10. Consents of experts**

Each of the experts named in paragraph 9 of this Appendix has given and has not withdrawn their respective consent to the issue of this document with the inclusion of its report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

**11. Bilingual document**

The English language and the Chinese language versions of this document are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

## APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

### DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were copies of the [REDACTED], [REDACTED] and [REDACTED], the written consents referred to in the paragraph headed "G. Other Information — 10. Consents of experts" in Appendix V and copies of the material contracts referred to in the paragraph headed "C. Further Information about Our Business — 1. Summary of the Material Contracts" in Appendix V to this document.

### DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Luk & Partners In Association with Morgan, Lewis & Bockius at Suites 1902-09, 19/F, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date that is 14 days from the date of this document:

- (1) our Memorandum and the Articles of Association;
- (2) the Accountants' Report of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this document;
- (3) the audited consolidated financial statements of our Group for each of the three years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2018;
- (4) the reports received from Deloitte Touche Tohmatsu on unaudited pro forma financial information, the texts of which are set out in Appendix II to this document;
- (5) the letter, summary of values and valuation certificates relating to our property interests prepared by Cushman & Wakefield Limited, the texts of which are set out in Appendix III to this document;
- (6) the material contracts referred to in the paragraph headed "C. Further Information about Our Business — 1. Summary of the Material Contracts" in Appendix V to this document;
- (7) the service contracts and letters of appointment with Directors, referred to in the paragraph headed "D. Further Information about our Directors — 1. Directors' service contracts and letters of appointment" in Appendix V to this document;
- (8) the written consents referred to in the paragraph headed "Consents of experts" in Appendix V to this document;
- (9) the PRC legal opinions prepared by Haiwen & Partners, our legal advisors as to the PRC law, in respect of certain aspects of our Group and our property interests;

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**APPENDIX VI      DOCUMENTS DELIVERED TO THE REGISTRAR OF  
COMPANIES AND AVAILABLE FOR INSPECTION**

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- (10) the letter of advice prepared by Conyers Dill & Pearman summarizing certain aspects of Companies Law referred to in Appendix IV to this document;
- (11) the industry report prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.;
- (12) the Cayman Islands Companies Law;
- (13) the terms of the [REDACTED] Share Option Scheme and a list of grantees under the [REDACTED] Share Option Scheme; and
- (14) the terms of the Share Option Scheme.