Chen Lin Education Group Holdings Limited
辰林教育集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1593

GLOBAL OFFERING

Sole Sponsor and Sole Global Coordinator

第一上海 FIRST SHANGHAI GROUP

Joint Bookrunners and Joint Lead Managers

第一上海 FIRST SHANGHAI GROUP
光銀國際 CEB International
中國銀河國際 CHINA GALAXY INTERNATIONAL
農銀國際 ABC INTERNATIONAL
海通國際 HAITONG

Joint Lead Managers

首控集團 CHINA FIRST CAPITAL GROUP
中泰國際 ZHONGTAI INTERNATIONAL
滙能證券 HUINENG SECURITIES
潮商證券有限公司 ChaoShang Securities Limited
利弗莫尔证券 Livermore Holdings Limited
國元融資(香港)有限公司 GUOYUAN CAPITAL (HONG KONG) LIMITED

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

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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	250,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	25,000,000 Shares (subject to reallocation)
Number of International Offer Shares	:	225,000,000 Shares (subject to reallocation and the Over-allotment Option)
Maximum Offer Price	:	HK$3.52 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027%, and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	:	HK$0.0001 per Share
Stock code	:	1593

Sole Sponsor and Sole Global Coordinator

Joint Bookrunners and Joint Lead Managers

Joint Lead Managers

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "A. Documents Delivered to the Registrar of Companies in Hong Kong" in "Appendix VI — Documents Delivered to the Registrar of Companies and Available for Inspection" to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be determined by agreement between the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) and our Company on or about Wednesday, December 4, 2019 and, in any event, not later than Friday, December 6, 2019. The Offer Price will be not more than HK$3.52 per Offer Share and is currently expected to be not less than HK$2.20 per Offer Share, unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$3.52 per Offer Share, together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is less than HK$3.52 per Offer Share.

The Sole Global Coordinator (on behalf of the Underwriters), with our consent, may reduce the number of Offer Shares being offered under the Global Offering and/or the Offer Price stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.chenlin-edu.com not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Details of the arrangement will then be announced by us as soon as practicable. For further information, please see refer to the sections headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Public Offer Shares" in this prospectus.

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

The Offer Shares have not been and will not be registered under 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 Offer Shares may be offered, sold or delivered outside of the United States in offshore transactions in accordance with Regulation S.

November 27, 2019

EXPECTED TIMETABLE[1]

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.chenlin-edu.com.

Latest time to complete electronic applications under White Form eIPO service through the designated website **www.eipo.com.hk**[2]	11:30 a.m. on Monday, December 2, 2019
Application lists of the Hong Kong Public Offering open[3]	11:45 a.m. on Monday, December 2, 2019
Latest time to lodge **WHITE** and **YELLOW** Application Forms	12:00 noon on Monday, December 2, 2019
Latest time to give **electronic application instructions** to HKSCC[4]	12:00 noon on Monday, December 2, 2019
Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Monday, December 2, 2019
Application lists of the Hong Kong Public Offering close	12:00 noon on Monday, December 2, 2019
Expected Price Determination Date	Wednesday, December 4, 2019
(1) Announcement of: • the Offer Price; • the level of applications in the Hong Kong Public Offering; • the indication of level of interest in the International Offering; and • the basis of allocation of the Hong Kong Offer Shares expected to be published on the websites of the Stock Exchange at **www.hkexnews.hk** and the Company at **www.chenlin-edu.com** on or before	Thursday, December 12, 2019
(2) Announcement of results of allocations in the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including the website of the Stock Exchange at **www.hkexnews.hk** and the Company's website at **www.chenlin-edu.com** (refer to the paragraph headed "How to Apply for the Hong Kong Public Offer Shares — 11. Publication of Results" in this prospectus) from	Thursday, December 12, 2019

(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Stock Exchange at **www.hkexnews.hk**[5] and the Company's website at **www.chenlin-edu.com**[6] from .... Thursday, December 12, 2019

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers where appropriate) will be available at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment** with a "search by ID" function from.................................. Thursday, December 12, 2019

Dispatch of share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[7]... Thursday, December 12, 2019

Dispatch of White Form e-Refund payment instructions/refund cheques on or before[8] .... Thursday, December 12, 2019

Dealings in Shares on the Stock Exchange expected to commence at.................... 9:00 a.m. on Friday, December 13, 2019

Notes:

(1) All times and dates refer to Hong Kong local time and date, except as otherwise stated.

(2) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, December 2, 2019, the application lists will not open on that day. Please see the paragraph headed "How to Apply for the Hong Kong Public Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.

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

(5) The announcement will be available for viewing on the Stock Exchange's website at **www.hkexnews.hk**.

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

(7) **Share certificates are expected to be issued on Thursday, December 12, 2019 but will only become valid provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates and before they become valid do so entirely at their own risk.**

(8) **e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications.**

You should read carefully the sections headed ''Underwriting'', ''Structure of the Global Offering'' and ''How to Apply for the Hong Kong Public Offer Shares'' in this prospectus for details relating to the structure of the Global Offering, procedures on the applications for Hong Kong Offer Shares and the expected timetable, including conditions, effect of bad weather and the dispatch of refund cheques and share certificates.

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

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company has not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers, employees, partners, agents, representatives or advisors or any other party involved in the Global Offering.

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This summary aims to give you an overview of the information contained in this prospectus and is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial information appearing elsewhere in this prospectus. As this is a summary, it does not contain all the information that may be important to you and we urge you to read the entire prospectus carefully before making your investment decision. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are one of the leading providers of private higher education in Jiangxi province, China, with over 17 years of experience in the private higher education industry. We currently operate one private university located in Nanchang, Jiangxi province, namely the Jiangxi University of Applied Science (the "**JUAS**" or the "**School**"), and offer undergraduate and junior college programs, as well as diverse education related services. We ranked 4th among the 31 private higher education institutions in Jiangxi province in terms of student enrollment for the 2018/2019 school year. As of the Latest Practicable Date, our School had a total number of student enrollment of 14,155, consisting of 5,325 undergraduate students and 8,830 junior college students. We also provide a variety of education related services including internship management services as well as tutoring and program management services to enterprises and education institutions.

Our mission is to cultivate innovative talents with practical skills and knowledge, and to provide talent support for the development of urbanization in China (為新型城鎮化建設與管理培養高層次、高技能、創新型和應用型人才). Our fundamental educational philosophy is to foster talents with "upright personality, comprehensive theoretical knowledge and practical skills (培養具有健全人格、複合專業與實踐能力的人才)" by implementing our "Three-element Talent Cultivation (三元育人)" mode. We aim to provide quality higher education services in a manner consistent with our mission and educational philosophy.

Our School offered 30 undergraduate programs and 36 junior college programs as of the Latest Practicable Date. With a view of nurturing talents with practical skills, we are devoted to offering quality private higher education to our students and providing diversified programs and curriculums encompassing a broad range of market-oriented fields of study and career trainings, including, among others, international business, e-commerce, logistics management, internet-of-things, civil engineering, software engineering, mechanical manufacturing and automation, and robotics engineering. Based on our market research, we carefully design and regularly review and adjust our program and course offerings at our School. We believe our practical programs and curriculums equip our students with practical skills that meet the rapidly evolving market demand. We also cooperate with a number of sizable enterprises, including Tarena International (達內科技), an information technology training provider, and technology companies such as Radiant Opto-Electronics (Suzhou) (瑞儀光電) and Japan Display (Suzhou) (晶端顯示), to provide our students with internship and potential employment opportunities.

We have achieved favorable graduate employment outcome for our students. The final employment rates of our graduates were 97.2%, 97.7% and 98.3% for the 2015/2016 school year, the 2016/2017 school year and the 2017/2018 school year, respectively, which were higher than the average final employment rates of 91.1%, 91.4% and 91.0%, for graduates among all higher education institutions in the PRC over the corresponding periods.

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

	Year ended December 31,						Five months ended May 31,			
	2016		2017		2018		2018		2019	
	RMB'000	*% of Total*	*RMB'000*	*% of Total*	*RMB'000*	*% of Total*	*RMB'000* (unaudited)	*% of Total*	*RMB'000*	*% of Total*
Higher education services										
Tuition fees										
Undergraduate programs	29,003	17.5	41,808	22.9	64,141	29.9	24,189	30.0	31,364	33.7
Junior college programs	99,802	60.1	99,313	54.3	92,478	43.0	41,100	51.1	42,954	46.2
Boarding fees	16,710	10.0	16,766	9.2	16,374	7.6	6,728	8.4	7,009	7.5
Sub-total	145,515	87.6	157,887	86.4	172,993	80.5	72,017	89.5	81,327	87.4
Education related services										
Internship management fees	6,849	4.1	8,083	4.4	10,682	5.0	3,362	4.2	2,929	3.2
Tutoring and program management fees	3,431	2.1	6,911	3.8	22,178	10.3	2,574	3.2	6,031	6.5
Sub-total	10,280	6.2	14,994	8.2	32,860	15.3	5,936	7.4	8,960	9.7
Others	10,244	6.2	10,014	5.4	9,109	4.2	2,562	3.1	2,682	2.9
Total	166,039	100.0	182,895	100.0	214,962	100.0	80,515	100.0	92,969	100.0

Leveraging our extensive experience in operating our School and offering diverse education related services, we have experienced rapid growth during the Track Record Period. Particularly, our revenue increased from RMB166.0 million for the year ended December 31, 2016 to RMB215.0 million for the year ended December 31, 2018, representing a CAGR of 13.8% and from RMB80.5 million for the five months ended May 31, 2018 to RMB93.0 million for the five months ended May 31, 2019, representing an increase of 15.5%. Our profit for the year/period increased from RMB41.1 million for the year ended December 31, 2016 to RMB83.2 million for the year ended December 31, 2018, representing a CAGR of 42.2% and from RMB33.6 million for the five months ended May 31, 2018 to RMB39.4 million for the five months ended May 31, 2019, representing an increase of 17.3%.

Our Higher Education Services

The following table sets forth detailed information regarding the number of student enrollment of our School during the school years indicated:

	Student Enrollment(1) for the School Year			
	2015/2016	**2016/2017**	**2017/2018**	**2018/2019**
Undergraduate programs	2,115	2,843	3,972	4,578
Junior college programs	11,663	12,651	11,302	9,845
Total	13,778	15,494	15,274(2)	14,423(2)

Notes:

(1) The operating data for student enrollment presented in this table is based on records of our School submitted to competent PRC education authorities at the beginning of the corresponding school year.

(2) The decreases in the total number of student enrollment from 15,494 in the 2016/2017 school year to 15,274 in the 2017/2018 school year and further to 14,423 in the 2018/2019 school year were due to decreases in the number of students enrolled in our junior college programs. To optimize our education program structure by taking into consideration of our teaching resources and capacity as well as the number of students selected our School in the respective school year, we proactively increased the number of students in the undergraduate programs and decreased the number of students in the junior college programs since the 2016/2017 school year. As undergraduate programs generally generate a higher level of tuition fees compared to junior college programs, we believe our strategy to optimize our education program structure and to recruit more undergraduate students served as a driver for the increases in our revenue from tuition fees during the Track Record Period. Our revenue from tuition fees increased from RMB128.8 million in 2016 to RMB141.1 million in 2017 and further to RMB156.6 million in 2018, and increased from RMB65.3 million for the five months ended May 31, 2018 to RMB74.3 million for the five months ended May 31, 2019. Furthermore, our Directors believe that such approach could demonstrate the improvement of our teaching capabilities and enhance our reputation, and thereby help us attract more prospective students, which will benefit our Group and Shareholders as a whole.

The following table sets forth information relating to the admission quota, freshman students enrolled, school capacity, school utilization rate, average tuition fees per student for two types of programs and average boarding fees per student for the school years indicated.

	School Year			
	2015/2016	**2016/2017**	**2017/2018**	**2018/2019**
Admission quota (1)	4,100	4,635	4,470	5,308
Adjusted admission quota (2)	6,185	5,607	5,908	6,180
Freshman students enrolled (2)	5,661	4,714	4,261	4,347
School capacity (3)	18,912	18,912	18,912	18,912
School utilization rate (4)	72.9%	81.9%	80.8%	76.3%
Average tuition fees (5)				
Undergraduate programs (RMB)	12,080	12,360	13,092	15,300
Junior college programs (RMB)	7,217	7,790	8,921	10,486
Average boarding fees (6) (RMB)	1,100	1,100	1,156	1,219

Notes:

(1) Admission quota means the maximum number of new students our School can recruit in general as approved by the competent government authorities in each corresponding school year, subject to adjustment as allowed by such government authorities at a later stage.

(2) Freshman students enrolled means the actual number of newly-enrolled students in each school year. Admission quota granted for each school year is generally determined by competent government authorities before the Gaokao prior to such school year. Freshman students enrolled at our School exceeded admission quota for certain school years because additional quotas were granted by the competent government authorities taking into consideration the number of students that participated in Gaokao in Jiangxi province and the number of students who selected our School in their university entrance applications in the corresponding school year. As advised by our PRC Legal Advisor, the admission of additional students by our School in excess of its admission quota for certain school years during the Track Record Period was in compliance with applicable PRC laws and regulations in all material aspects as the aforementioned adjustments of the admission quotas to our School was permitted by the competent government authorities.

(3) School capacity is calculated based on the approximate number of beds available to our students in student dormitories according to our internal records. Our existing student residence halls offered six-person dormitories on our campus during the Track Record Period. We have already upgraded six-person dormitories to four-person dormitories in twelve student residence halls by August 2019, and plan to upgrade the six-person dormitories in the remaining six student residence halls to four-person dormitories by August 2020. For more details, please refer to the paragraphs headed "Business — Our School — Expansion Plans" of this prospectus.

(4) School utilization rates are calculated by dividing the aggregate number of our student enrollment by the school capacity in each school year.

(5) Average tuition fees is calculated by dividing the total tuition fees received by student enrollment in each school year.

(6) Average boarding fees is calculated by dividing the total boarding fees received by student enrollment in each school year. Students enrolled in the undergraduate programs and junior college programs share the same student residence halls and therefore we charge them the same amount of boarding fees.

Our Education Related Services

In addition to tuition fees and boarding fees, we also generate income by providing a variety of education related services. Our education related services mainly include (i) internship management services, through which we introduce qualified students from our School and other schools to participate in various internship programs, and (ii) a variety of tutoring and program management services, including qualification exam review services, personal development training services and education program management services offered to enterprises and education institutions.

OUR COMPETITIVE STRENGTHS

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

- We are one of the leading providers of private higher education in Jiangxi province, offering quality private higher education and diverse education related services.
- Extensive school-enterprise cooperation and career development services enable us to achieve favorable graduate employment outcomes.
- Our ability to offer comprehensive, market-oriented and diversified practical programs and curriculums, nurturing academic environment and experienced teachers have enabled us to provide quality higher education to our students.

- We have diversified income streams and generated considerable revenue from our fast-growing education related services.
- We have a strong management team with extensive experience and good reputation.

OUR STRATEGIES

We intend to keep growing our higher education services and education related services in China. To achieve our goals, we plan to pursue the following business strategies:

- Improve our school facilities, enhance our brand recognition and reputation, and expand our business and school network.
- Continue to optimize our program and course offerings in order to enhance the competitiveness of our students.
- Further strengthen and diversify our education related services.
- Continue to attract, train and retain talented teachers and other professionals.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables include, for the periods indicated, selected financial data derived from our consolidated statements of comprehensive income, consolidated balance sheets and consolidated statements of cash flows, the details of which are set forth in Appendix I, and these should be read in conjunction with the consolidated financial statements, including the related notes included in the Accountant's Report set forth in Appendix I to this prospectus.

Summary of Consolidated Statements of Comprehensive Income

	Year ended December 31,			Five months ended May 31,	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	166,039	182,895	214,962	80,515	92,969
Cost of sales	(53,811)	(52,778)	(61,659)	(21,234)	(27,569)
Gross profit	112,228	130,117	153,303	59,281	65,400
Other income(1)	7,373	11,159	25,509	8,322	7,845
Other expense	(747)	(702)	(4,079)	(1,148)	(1,009)
Net other gains/(losses)	(286)	(1,961)	960	1,356	(933)
Net impairment losses on financial assets	(2,204)	(2,985)	(3,591)	(1,035)	(2,395)
Selling expenses	(12,024)	(8,539)	(9,435)	(2,665)	(2,367)
Administrative expenses	(21,436)	(23,822)	(46,374)	(14,906)	(16,368)
Operating profit	82,904	103,267	116,293	49,205	50,173
Net finance costs	(39,536)	(29,703)	(24,049)	(12,953)	(8,870)
Profit before income tax	43,368	73,564	92,244	36,252	41,303
Income tax expense	(2,223)	(3,591)	(9,010)	(2,641)	(1,926)
Profit for the year/period	41,145	69,973	83,234	33,611	39,377
Non-IFRSs Measures:					
Adjusted net profit for the year/period(2)	41,145	70,777	99,922	38,337	43,207

Notes:

(1) Other income primarily includes government grants, sub-contracting income, commission income, income related to an interest-free loan (represented the amortization of the premium raised from the difference between the face value and present value of the loan at the initial recognition) and others. We recorded government grants of RMB1.6 million, RMB2.3 million, RMB2.4 million and RMB0.8 million for the years ended December 31, 2016, 2017 and 2018, and the five months ended May 31, 2019, respectively. Government grants have not been significant to our results of operation during the Track Record Period.

(2) Adjusted net profit for the year/period, which is unaudited in nature, represents net profit for the year/period, adjusted by adding back the one-off listing expenses incurred for the corresponding year/period in connection with the proposed Listing. Adjusted net profit is not a measure of performance under the IFRSs. We believe that such non-IFRSs measure facilitates comparison of operating performance from period to period by eliminating potential impacts of items that our management do not consider to be indicative of our operating performance. We believe that such measure provides useful information to investors in understanding and evaluating our consolidated results of operations in the same manner. However, our presentation of the adjusted net profit may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRSs measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRSs. Please refer to the paragraph headed "Financial Information — Key Components of Our Results of Operations — Non-IFRSs Measure" in this prospectus.

The following table reconciles our adjusted net profit for the year/period presented to the most directly comparable financial measure calculated and presented in accordance with IFRSs:

	Year ended December 31,			Five months ended May 31,	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Reconciliation of profit for the year/period to adjusted net profit:					
Profit for the year/period	41,145	69,973	83,234	33,611	39,377
Add:					
One-off listing expenses	—	804	16,688	4,726	3,830
Adjusted net profit for the year/period	41,145	70,777	99,922	38,337	43,207

We were not required to pay PRC income tax in respect of the tuition fees and boarding fees we received for providing higher education during the Track Record Period. Pursuant to the Amendment Decision that came into effect on September 1, 2017, private schools are entitled to preferential tax treatments and, in particular, non-profit private schools are entitled to the same preferential tax treatment as public schools. The specific taxation policies applicable to for-profit private schools under the Amendment Decision are yet to be introduced. Therefore, the preferential tax treatment available to our School will be subject to (i) the decision we make to operate our School as a for-profit or non-profit private school, and (ii) the tax treatment of the for-profit private schools which is expected to be stipulated in the implementation regulations related to the Amendment Decision that are to be introduced. Such change of tax rates may have a significant impact on our profitability. For illustration purposes only, assuming that during the Track Record Period, the profit before income tax of our School was subject to PRC enterprise income tax of 25% and the revenue of our School was subject to value-added tax of 6%, we estimate that the tax exposure of our School would have amounted to approximately RMB19.2 million, RMB28.5 million, RMB40.4 million and RMB16.4 million for the three years ended December 31, 2016, 2017 and 2018, and the five months ended May 31, 2019, respectively. On this basis, our profit for the year/period would have been RMB24.2 million, RMB45.1 million, RMB51.8 million and RMB24.9 million for the three years ended December 31, 2016, 2017 and 2018, and the five months ended May 31, 2019, respectively. For more details, please refer to the paragraph headed "Risk Factors — The discontinuation of any preferential tax treatments currently available to us, in particular the tax exempt status of our School, could materially and adversely affect our results of operations" in this prospectus.

Selected Financial Data from Consolidated Balance Sheets

	As at December 31,			As at May 31,
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total non-current assets	695,939	713,325	802,664	790,144
Total current assets	77,096	106,815	61,408	49,775
Total non-current liabilities	263,801	334,924	377,917	401,435
Total current liabilities	442,307	348,316	266,019	178,971
Net current liabilities	(365,211)	(241,501)	(204,611)	(129,196)
Total equity	66,927	136,900	220,136	259,513

Summary of Consolidated Statements of Cash Flows

	Year ended December 31,			Five months ended May 31,	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Cash flows before movements in working capital	106,399	127,084	141,764	59,146	64,307
Net cash inflow/(outflow) from operating activities	112,686	106,382	158,898	(1,074)	(20,437)
Net cash inflow/(outflow) from investing activities	(3,930)	(68,276)	(28,879)	4,848	(10,422)
Net cash inflow/(outflow) from financing activities	(155,980)	(13,326)	(117,825)	(21,679)	16,225
Cash and cash equivalents at the beginning of the year/period	48,758	1,534	26,314	26,314	38,508
Cash and cash equivalents at the end of the year/period	1,534	26,314	38,508	8,409	23,874

Net Current Liabilities and Working Capital Sufficiency

We had net current liabilities of RMB365.2 million, RMB241.5 million, RMB204.6 million and RMB129.2 million, as at December 31, 2016, 2017, 2018 and May 31, 2019, respectively, primarily due to the substantial borrowings and other payables we borrowed or incurred to build and enhance our campus facilities, as well as the substantial contract liabilities which reflected tuition fees and boarding fees received at the commencement of the school year but not yet recognized as revenue. Our net current liabilities gradually decreased over the Track Record Period as we continuously generated cash from our operations and improved our debt portfolio by repaying a substantial portion of our borrowings, and by replacing some short-term borrowings with long-term borrowings. We expect to improve our net current liabilities position with (i) funds generated from our business operations, (ii) the net proceeds from the Global Offering, and (iii) debt restructuring to continue to reduce the percentage of the short-term loans in our total borrowings. Please refer to the paragraphs headed "Financial Information — Net Current Assets and Liabilities" in this prospectus for more details.

We also had net cash outflow from operating activities of RMB1.1 million and RMB20.4 million for the five months ended May 31, 2018 and 2019, respectively, primarily as we receive majority of cash payment from tuition fees and boarding fees in the second half of the financial year subsequent to the commencement of the school year. We expect to improve our cash flow position, particularly for the first half of each financial year, by continuous efforts to develop our business, especially our education related services which are generally not subject to a seasonality effect on cashflows. Please refer to the paragraphs headed "Financial Information — Liquidity and Capital Resources — Cash Flow" in this prospectus for more details.

We intend to continue to finance our working capital with cash generated from our operations, bank borrowings, and the proceeds from the Global Offering. We will closely monitor the level of our working capital, particularly in view of our strategy to continue expanding our School and further expanding the scope of our education related services. In addition, we will closely monitor our available cash reserve and maturity profile of our existing debt obligations, and if required, we may borrow additional loans or utilize our existing banking facilities to satisfy unexpected capital needs. Taking into account our available cash and bank balances, the anticipated cash flows from operations, borrowings and the proceeds from the Global Offering, our Directors are of the view that we have sufficient working capital for our present requirements, that is for at least the next 12 months from the date of this prospectus. Please refer to the paragraphs headed "Financial Information — Indebtedness — Working Capital" in this prospectus for more details.

Accumulated Losses

We recorded accumulated losses of RMB7.0 million as at January 1, 2016. We commenced the construction of our new school campus at the end of 2005 and completed the construction for most of the school facilities in 2009, and made substantial investment and incurred significant costs and expenses in relation thereto. It took us some time to regain profitability after the completion of construction and the commencement of operation of our new school campus, mainly due to (i) depreciation and finance costs incurred as a result of capital expenditure incurred for constructing our new campus, and (ii) costs and time required to increase the student enrollment and hence generating more revenue from our school operation. As a result, we recorded accumulated losses of RMB7.0 million as at January 1, 2016. For more details, please refer to the paragraphs headed "Financial Information — Accumulated Losses" and "Risk Factors — Risks Relating to Our Business and Our Industry — We recorded accumulated losses as at January 1, 2016 mainly due to the construction of our new school campus" in this prospectus.

KEY FINANCIAL RATIOS

The following table sets out our return on assets, adjusted return on assets, return on equity, adjusted return on equity, current ratio and gearing ratio for the periods or as of the dates indicated below, as the case may be.

	As of/for the year ended December 31,			As of/for the five months ended May 31,
	2016	2017	2018	2019
Return on assets(1)	5.3%	8.5%	9.6%	11.3%
Adjusted return on assets(2)	5.3%	8.6%	11.6%	12.3%
Return on equity(3)	61.5%	51.1%	37.8%	36.4%
Adjusted return on equity(4)	61.5%	51.7%	45.3%	40.0%
Current ratio(5)	0.2	0.3	0.2	0.3
Gearing ratio(6)	7.2	3.7	1.9	1.7

Notes:

(1) Return on assets equals net profit for the year/profit divided by total assets as of the end of the year/period. Return on assets for the five months ended May 31, 2019 has been annualized. Our return on assets gradually increased during the Track Record Period mainly due to the growth of our net profit.

(2) Adjusted return on assets equals our adjusted net profit for the year/period divided by total assets as of the end of the year/period. Adjusted return on assets for the five months ended May 31, 2019 has been annualized.

(3) Return on equity equals net profit for the year/period divided by total equity as of the end of the year/period. Return on equity for the five months ended May 31, 2019 has been annualized. Our return on equity gradually decreased over the Track Record Period mainly due to the continuous increase of our total equity.

(4) Adjusted return on equity equals our adjusted net profit for the year/period divided by total equity as of the end of the year/period. Adjusted return on equity for the five months ended May 31, 2019 has been annualized.

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

(6) Gearing ratio equals total interest-bearing bank loans and other borrowings at the end of the year/period divided by total equity at the end of the year/period. Our gearing ratio continuously decreased from 7.2 as of December 31, 2016 to 1.7 as of May 31, 2019 mainly due to our efforts to repay substantial portion of our borrowings.

Please refer to the paragraph headed "Financial Information — Key Financial Ratios" in this prospectus for descriptions of the calculations of, and attributing factors for material fluctuations in, the above ratios.

RISK FACTORS

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. Major risks we face include, among others, the following: (i) we are subject to uncertainties brought by the Amendment Decision and the MOJ Draft for Comments; (ii) our business is largely dependent on the market recognition of our brand and the reputation of our School and our Group; (iii) we generate a substantial portion of our revenue from operating one university in Jiangxi province; (iv) we had net current liabilities as of December 31, 2016, 2017 and 2018 and May 31, 2019. We had negative net operating cash flows for the five months ended May 31, 2018 and 2019. We may be exposed to liquidation risks, and our business, financial condition and results of operation may be materially and adversely affected as a result; (v) we recorded accumulated losses as at January 1, 2016 mainly due to the construction of our new school campus; (vi) the level of tuition and boarding fees we are able to charge and our ability to maintain and raise the level of tuition and boarding fees are crucial to our business; (vii) our business operations depend on our ability to recruit and retain our senior management, qualified teachers and other professional employees; (viii) we may not be able to maintain good relationship with our existing cooperative enterprises, successfully compete with our competitors or find new cooperative enterprises, any of which may materially and adversely affect the business and prospects of our internship management service; and (ix) we may not be able to successfully deliver and expand our tutoring and program management services, which could adversely affect our business and prospects.

You should read the entire section headed "Risk Factors" in this prospectus before you decide to invest in the Offer Shares.

OUR CUSTOMERS AND SUPPLIERS

During the Track Record Period, our customers primarily consisted of students, enterprises, and certain education institutions. We did not have any single customer who accounted for more than 5% of our revenue for each of the years ended December 31, 2016, 2017 and 2018 and the five months ended May 31, 2019. During the Track Record Period, our suppliers mainly consisted of engineering and construction companies responsible for the construction, renovation and furnishing of our facilities on campus, book suppliers, teaching equipment suppliers, furniture suppliers and seedling nursery suppliers located in China. For the years ended December 31, 2016, 2017 and 2018 and the five months ended May 31, 2019, purchases from our five largest suppliers amounted to RMB7.8 million, RMB26.7 million, RMB50.2 million and RMB25.0 million, respectively. During the same periods, purchases from our largest supplier amounted to RMB3.4 million, RMB15.6 million, RMB19.3 million and RMB13.1 million, respectively.

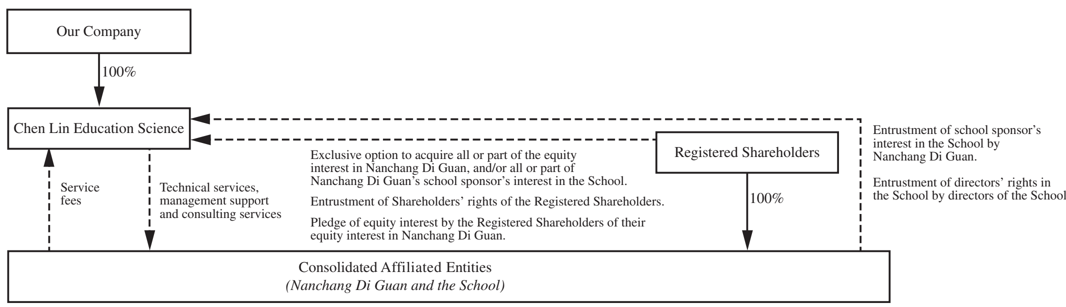
OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Global Offering, and assuming that the Over-allotment Option is not exercised, Mr. Huang, our chairman and executive Director, will have interests in and control indirectly, through Huangyulin Holdings and Chen Lin Elite Holdings, 55.50% of our issued share capital and will remain as our Controlling Shareholder under the Listing Rules.

In October 2015, Mr. Huang was charged with one count of using a false instrument, pursuant to section 73 of the Crimes Ordinance (Cap. 200) (the "**Charge**") and was acquitted of the Charge in November 2015. For more details, please refer to the section headed "Directors and Senior Management — Directors — Executive Directors — Historical criminal charge and acquittal of Mr. Huang in 2015" in this prospectus.

CONTRACTUAL ARRANGEMENT

The operation of our School is subject to various foreign ownership prohibitions or restrictions under PRC laws and regulations. Our Company is therefore unable to own or hold any direct sponsor interest or equity interest (as the case may be) in our Consolidated Affiliated Entities. In order to enable us to maintain and exercise control over our Consolidated Affiliated Entities, we have entered into the Contractual Arrangements. The Contractual Arrangements allow us to obtain substantially all of the economic benefits of our Consolidated Affiliated Entities and consolidate their results of operations into those of our Group. Accordingly, the term ''ownership'' or other related concepts, as applied to our Company in this prospectus, as the case may be, refers to an economic interest in the assets or businesses through the Contractual Arrangements without holding any sponsorship/equity interest in our Consolidated Affiliated Entities. The following simplified diagram illustrates the key elements of the Contractual Arrangements:



''———'' denotes direct or indirect legal and beneficial ownership in the equity interest

''- - - - - - - '' denotes Contractual Arrangements

Please refer to the section headed ''Contractual Arrangements'' in this prospectus for details.

DIVIDEND POLICY

As we are a holding company, our ability to declare and pay dividends will depend on receipt of dividends and other payments from Chen Lin Education Science, which in turn substantially depends on the service fees paid to Chen Lin Education Science from our Consolidated Affiliated Entities. There remain certain uncertainties with respect to our ability to pay dividends to our Shareholders under the influence of the Amendment Decision which came into effect on September 1, 2017. Pursuant to the Amendment Decision, sponsors of existing private schools engaged in higher education may elect to register the schools as non-profit or for-profit private schools. As of the Latest Practicable Date, we had not made a definitive decision on whether to register our School as a non-profit or a for-profit private school. If we were to have elected to register our School as a for-profit private school, as confirmed by our PRC Legal Advisor and with reference to our dividend policy, our ability to distribute dividends to our Shareholders will not be materially affected. If we were to have elected to register our School as a non-profit private school, our ability to distribute dividends to our Shareholders may be limited. Please refer to the paragraphs headed ''Risk Factors — Risks Relating to Our Contractual Arrangements — We rely on dividends and other payments from Chen Lin Education Science to pay dividends and other cash distributions to our Shareholders, and any limitation on the ability of Chen Lin Education Science to pay dividends to us would materially and adversely limit our ability to pay dividends to our Shareholders'' in this prospectus for more details. To mitigate such risks, we have adopted and/or will adopt the following measures: (i) we have established a special committee to mitigate any relevant compliance risks and to advise on the decision to register our School as a for-profit or a non-profit private school. When making such decision, our Directors will take into consideration a variety of factors including the development of our business and the interests of our Shareholders; (ii) we plan to further strengthen and diversify our offering of education related services to widen our revenue base and to enhance our profitability; and (iii) our ability to pay dividends and other cash distributions to our Shareholders depends solely on our ability to receive dividends and other distributions from Chen Lin Education Science, which in turn depends on the service fees paid to Chen Lin Education Science from our Consolidated Affiliated

Entities. Our PRC Legal Advisor advised that Chen Lin Education Science's right to receive the service fees from our Consolidated Affiliated Entities does not contravene any PRC laws and regulations, and payment of service fees under the Contractual Arrangements should not be regarded as part of the distribution of returns or profits to the sponsor of our School. No dividend had been paid or proposed by our Company during the Track Record Period and up to the Latest Practicable Date. Any amount of dividends we pay will be determined at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the relevant laws. Subject to the foregoing, our Board intends to recommend at the relevant shareholder meetings an annual dividend of no less than 25% of our profits available for distribution generated in each financial year beginning from the year ended December 31, 2020. For more details, please refer to the paragraph headed "Financial Information — Dividends" in this prospectus.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue, the Offer Shares to be issued by us pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

GLOBAL OFFERING STATISTICS[1]

	Based on the Offer Price of HK$2.20	Based on the Offer Price of HK$2.86	Based on the Offer Price of HK$3.52
Market capitalization of our Shares[2]	HK$2.20 billion	HK$2.86 billion	HK$3.52 billion
Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share[3]	HK$0.79	HK$0.95	HK$1.11

Notes:

(1) All statistics in this table are on the assumption that the Over-allotment Option is not exercised.

(2) The calculation of market capitalization is based on 1,000,000,000 Shares expected to be in issue immediately after the completion of the Global Offering.

(3) The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share is calculated after making the adjustments referred to in the paragraph headed "Financial Information — Unaudited Pro Forma Adjusted Net Tangible Assets" in this prospectus and on the 1,000,000,000 Shares expected to be in issue immediately after the completion of the Global Offering.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to our Company from the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering payable by us and assuming that the Over-allotment Option is not exercised and an Offer Price of HK$2.86 per Share, being the mid-point of the indicative Offer Price range stated in this prospectus) will be approximately HK$639.2 million (equivalent to RMB571.8 million). We currently intend to apply such net proceeds for the following purposes:

- approximately 35%, or HK$223.7 million (equivalent to RMB200.1 million), is expected to be used to construct, renovate and upgrade facilities and infrastructure of our School from 2019 to 2021, including teaching and research buildings, residence halls, swimming pool and other education facilities on our campus.

- approximately 30%, or HK$191.8 million (equivalent to RMB171.5 million), is expected to be used to repay certain portion of our bank loans.

- approximately 25%, or HK$159.8 million (equivalent to RMB143.0 million), is expected to be used to acquire private education institutions and/or private vocational schools. The MOJ Draft for Comments may have certain implications on our expansion strategy through acquisition. Particularly, we presently do not plan to target non-profit schools and schools that are not permitted to be registered as for-profit schools under applicable PRC laws and regulations (for example compulsory education schools) for our potential acquisitions. Our expansion strategy will initially focus on private higher education institutions and private vocational schools with an aggregate student enrollment of around or above 5,000. As of the Latest Practicable Date, we had yet to identify any specific acquisition target.

- approximately 10%, or HK$63.9 million (equivalent to RMB57.2 million), is expected to be used for working capital and general corporate purposes.

For more details, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

LISTING EXPENSES

Assuming an Offer Price of HK$2.86 per Share (being the mid-point of our indicative price range for the Global Offering), the aggregate commissions and underwriting fees, together with legal and other professional fees which are payable by us, are estimated to amount to approximately HK$75.8 million (equivalent to RMB67.8 million). For the years ended December 31, 2017 and 2018 and the five months ended May 31, 2019, we have incurred listing expenses of RMB27.1 million, of which RMB0.8 million, RMB16.7 million and RMB3.8 million was charged to profit or loss, respectively, and RMB5.8 million was included in other receivables and prepayments which will be subsequently charged to equity upon completion of the Listing. We expect to charge the estimated remaining listing expenses of approximately RMB19.0 million to profit or loss during the year ending December 31, 2019 and to capitalize approximately RMB21.7 million following the Listing.

RECENT DEVELOPMENT

We completed our student enrollment for the 2019/2020 school year in October 2019. The following table sets forth the detailed information on our student enrollment as well as our listed tuition fees and listed boarding fees for the 2019/2020 school year:

	2019/2020 School Year
Total student enrollment[(1)]	14,155
Undergraduate programs	5,325
Junior college programs	8,830
Listed Tuition Fees[(2)]	
Undergraduate programs (RMB)	20,800–30,800
Junior college programs (RMB)	11,800–23,800
Listed Boarding Fees *(RMB)*[(3)]	2,500

Notes:

(1) The student enrollment information for the 2019/2020 school year is based on our internal records as of the Latest Practicable Date.

(2) Changes in listed tuition fees are applicable to new students admitted in the 2019/2020 school year only. Our listed tuition fees for the 2019/2020 school year were higher than that of the 2018/2019 school year, mainly as we charged a higher level of tuition fees for certain school-enterprise cooperation programs for the 2019/2020 school year. We also believe that such increases in listed tuition fees reflect the growing popularity of our School among prospective students.

(3) Changes in listed boarding fees are applicable to new students admitted in the 2019/2020 school year only. Our listed boarding fees increased from RMB1,300 for the 2018/2019 school year to RMB2,500 for the 2019/2020 school year, mainly as we offer four-person dormitories to newly-enrolled students with upgraded living conditions for the 2019/2020 school year.

Under the Decision of the Standing Committee of the National People's Congress on Amending the Law for Promoting Private Education of the PRC (《全國人民代表大會常務委員關於修改＜中華人民共和國民辦教育促進法＞的決定》) (the "**Amendment Decision**"), sponsors of existing private schools engaged in higher education may elect to register the schools as non-profit or for-profit private schools at their own discretion. As advised by our PRC Legal Advisor, there remains substantial uncertainties in the interpretation and implementation of the Amendment Decision with respect to various aspects of the operations of a private school. Therefore, as of the Latest Practicable Date, we had not elected nor decided as to whether our School will be registered as a for-profit private school or a non-profit private school under the Amendment Decision. We will closely monitor the progress of the promulgation of the implementation regulations under the Amendment Decision and seek legal advice from our legal advisors from time to time to ensure that any decisions in relation to Amendment Decision will be made on a fully informed basis. We will update our Shareholders and investors in this regard by way of disclosure in announcements and/or annual/interim reports, as and when appropriate. On August 10, 2018, the MOJ issued 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)》) (the "**MOJ Draft for Comments**"). However, the MOJ has not provided the timeframe for the promulgation of the implementation rules on the Law for Promoting Private Education of the PRC. As a result, we are subject to certain risks relating to the Amendment Decision and the MOJ Draft for Comments. For more details, please refer to the paragraphs headed "Regulatory Overview — Regulations on Private Education in the PRC — The Law for Promoting Private Education and the Implementation Rules for the Law for Promoting Private Education", "Business — Potential Implications of the Amendment Decision and the MOJ Draft for Comments" and "Risk Factors — Risks Relating to Our Business and Our Industry — We are subject to uncertainties brought by the Amendment Decision and the MOJ Draft for Comments" in this prospectus.

If the MOJ Draft for Comments is implemented in its current form, and if our Contractual Arrangements are considered as "controlling through contractual arrangements" under Clause 12 of the MOJ Draft for Comments, we may need to register the School as a for-profit private school.

Our Directors confirm that, except as stated in this prospectus, since May 31, 2019 (being the date on which the latest audited consolidated financial information of our Group was prepared) and up to the date of this prospectus, there had been no material adverse change in the industry in which we operate or in the financial or trading position of our Group that would materially affect the information shown in our consolidated financial statements included in the Accountant's Report of the Group set forth in Appendix I to this prospectus.

In this prospectus, the following expressions shall have the meanings set out below unless the context otherwise requires.

"adjusted net profit"	a non-IFRSs measure that eliminates the effect of one-off listing expenses from our profit for the year/period. Please refer to the paragraph headed "Financial Information — Key Components of Our Results of Operations — Non-IFRSs Measures" in this prospectus
"affiliate(s)"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Amendment Decision"	the Decision of the Standing Committee of the National People's Congress on Amending the Law for Promoting Private Education of the PRC (《全國人民代表大會常務委員關於修改＜中華人民共和國民辦教育促進法＞的決定》) promulgated by Order No. 55 of the President of the PRC on November 7, 2016, and became effective on September 1, 2017
"Application Form(s)"	**WHITE**, **YELLOW** and **GREEN** application form(s) relating to the Hong Kong Public Offering or, where the context so requires, any of them
"application lists"	the application lists for the Hong Kong Public Offering
"Articles" or "Articles of Association"	the amended and restated articles of association of the Company conditionally adopted on November 18, 2019 and will come into effect upon Listing (as amended, supplemented or otherwise modified from time to time), a summary of which is set out in Appendix IV to this prospectus
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day that is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC

"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant, which may be an individual, joint individuals or a corporation
"CCASS Operational Procedures"	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time in force
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Chen Lin BVI"	Chen Lin Education Development Limited, a company incorporated under the laws of the BVI on June 4, 2018 and a wholly-owned subsidiary of our Company
"Chen Lin Education Science"	Chen Lin Education Science (Jiangxi) Co., Ltd.* (辰林教育科技(江西)有限責任公司), a wholly-foreign owned enterprise incorporated under the laws of the PRC with limited liability on September 5, 2018 and wholly-owned by Chen Lin Hong Kong
"Chen Lin Elite Holdings"	Chen Lin Elite Holdings Limited, a company incorporated under the laws of the BVI on July 5, 2018 and wholly-owned by Huangyulin Holdings
"Chen Lin Hong Kong"	Hong Kong Chen Lin Education Development Limited (香港辰林教育發展有限公司), a company incorporated under the laws of Hong Kong on June 14, 2018 and wholly-owned by Chen Lin BVI
"Chen Lin Management"	Jiangxi Chen Lin Corporate Management Co., Ltd.* (江西辰林企業管理有限公司), a company established under the laws of the PRC with limited liability on September 11, 2017 and one of our Prior Onshore Subsidiaries
"Chen Lin Science"	Jiangxi Chen Lin Culture and Science Co., Ltd.* (江西辰林文化科技有限公司), a company established under the laws of the PRC with limited liability on September 11, 2017 and one of our Prior Onshore Subsidiaries

"Chen Qi Education"	Jiangxi Chen Qi Education Consultancy Co., Ltd.* (江西辰啟教育諮詢有限公司), a company established under the laws of the PRC with limited liability on September 11, 2017 and one of our Prior Onshore Subsidiaries
"China" or "the PRC"	the People's Republic of China and for the purposes of this prospectus only, except where the context requires otherwise, references to China or the PRC exclude Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan
"Circular 13"	Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》), which was promulgated on February 13, 2015, implemented and became effective on June 1, 2015
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Companies Law"	the Companies Law (2018 Revision) of the Cayman Islands (as amended, supplemented or otherwise modified from time to time)
"Companies Ordinance"	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Chen Lin Education Group Holdings Limited (辰林教育集團控股有限公司), an exempted company incorporated under the laws of the Cayman Islands on May 25, 2018 with limited liability
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules
"Consolidated Affiliated Entities"	the entities we control through the Contractual Arrangements, namely Nanchang Di Guan and the School
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, refers to Mr. Huang, Huangyulin Holdings and Chen Lin Elite Holdings and "Controlling Shareholder" means any one of them, for more details, please refer to the section headed "Relationship with Controlling Shareholders" in this prospectus

"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the national securities market in China
"Cushman & Wakefield"	Cushman & Wakefield Limited, an independent property valuer
"Director(s)"	the director(s) of the Company
"Draft Foreign Investment Law"	the draft version of the Foreign Investment Law (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
"EIT Law"	the PRC Enterprise Income Tax Law
"Foreign Investment Catalogue"	the Catalogue for the Guidance of Foreign Investment Industries (2017 version) (《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 and is amended from time to time
"Foreign Investment Law"	the PRC Foreign Investment Law (中華人民共和國外商投資法), which was promulgated by the National People's Congress on March 15, 2019 and will become effective on January 1, 2020
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market, research and consulting company which prepared the F&S Report
"F&S Report"	the report written by Frost & Sullivan as commissioned by the Company containing an analysis of the PRC education industry and other relevant economic and statistical data, as referred in the "Industry Overview" section of this prospectus
"GDP"	Gross Domestic Product
"General Rules of CCASS"	General Rules of CCASS published by the Stock Exchange and as amended from time to time
"GFA"	gross floor area
"Global Offering"	the Hong Kong Public Offering and the International Offering
"**GREEN** application form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited

"Group", "our Group", "our", "we" or "us"	the Company and all of its subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
"HKSCC"	the Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of the HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Offer Shares"	the 25,000,000 Offer Shares initially being offered by us for subscription pursuant to the Hong Kong Public Offering, subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus
"Hong Kong Public Offering"	the offer for subscription of the Hong Kong Offer Shares to the public in Hong Kong (subject to reallocation as described in the section headed "Structure of the Global Offering" of this prospectus) at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described in this prospectus and the Application Forms, as further described in the paragraph headed "Structure of the Global Offering — The Hong Kong Public Offering" of this prospectus
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering as listed in the paragraph headed "Underwriting — Hong Kong Underwriters" of this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement relating to the Hong Kong Public Offering dated November 26, 2019 and entered into by, among others, our Company, the Controlling Shareholders, the Sole Global Coordinator and the Hong Kong Underwriters
"Huangguandi Holdings"	Huangguandi Holdings Limited, a company incorporated under the laws of the BVI on June 13, 2018 and wholly-owned by Mr. Huang Guandi

"Huangyuan Holdings"	Huangyuan Holdings Limited, a company incorporated under the laws of the BVI on June 13, 2018 and wholly-owned by Ms. Huang Yuan
"Huangyulin Holdings"	Huangyulin Holdings Limited, a company incorporated under the laws of the BVI on May 22, 2018 and wholly-owned by Mr. Huang
"iFly Tek"	iFly Tek Co., Ltd.* (科大訊飛股份有限公司), a listed company on the Shenzhen Stock Exchange and an Independent Third Party
"IFRSs"	International Financial Reporting Standards
"Implement Opinions"	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》), issued by the MOE on June 18, 2012
"Independent Third Party" or "Independent Third Parties"	a person or entity who is not a connected person of the Company under the Listing Rules
"International Offer Shares"	the 225,000,000 Offer Shares initially being offered by us for subscription under the International Offering together, where relevant, with any additional Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option, and subject to reallocation as described in the section headed "Structure of the Global Offering" of this prospectus
"International Offering"	the conditional placing by the International Underwriters of the International Offer Shares at the Offer Price outside the United States (including to professional, institutional and other investors within Hong Kong) in offshore transactions in reliance on Regulation S, or another available exemption from registration requirement of the U.S. Securities Act
"International Underwriters"	the underwriters of the International Offering listed in the International Underwriting Agreement
"International Underwriting Agreement"	the underwriting agreement relating to the International Offering and to be entered into on or around December 4, 2019 by, among others, our Company, the Controlling Shareholders, the Sole Global Coordinator and the International Underwriters
"Japan Display (Suzhou)"	Japan Display Electronics (Suzhou) Co., Ltd.* (晶端顯示精密電子(蘇州)有限公司), an Independent Third Party

"Jiangxi Huacheng"	Jiangxi Huacheng Technology Co., Ltd.* (江西華城科技有限公司), an Independent Third Party
"Jiangxi Implementation Opinions"	Implementation Opinions of the People's Government of Jiangxi Province on Encouraging the Operation of Education by Social Forces and Promoting the Healthy Development of Private Education (《江西省人民政府關於鼓勵社會力量興辦教育促進民辦教育健康發展的實施意見》), issued by the People's Government of Jiangxi Province on June 29, 2018
"Joint Bookrunners"	First Shanghai Securities Limited, CEB International Capital Corporation Limited, China Galaxy International Securities (Hong Kong) Co., Ltd., ABCI Capital Limited and Haitong International Securities Company Limited
"Joint Lead Managers"	First Shanghai Securities Limited, CEB International Capital Corporation Limited, China Galaxy International Securities (Hong Kong) Co., Ltd., ABCI Securities Company Limited, Haitong International Securities Company Limited, First Capital Securities Limited, Zhongtai Financial International Limited, Huineng Securities Limited, ChaoShang Securities Limited, Livermore Holdings Limited and Guoyuan Capital (Hong Kong) Limited
"Latest Practicable Date"	November 18, 2019, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Liang Dong Education"	Jiangxi Liang Dong Education Science Co., Ltd.* (江西良棟教育科技有限公司), a company established under the laws of the PRC with limited liability on September 11, 2017 and one of our Prior Onshore Subsidiaries
"Listing"	listing of the Shares on the Stock Exchange
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about December 13, 2019, on which the Shares will be listed and dealings in the Shares first commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"Memorandum of Association" or "Memorandum"	the memorandum of association of our Company, conditionally adopted on November 18, 2019 and will come into effect upon Listing (as amended from time to time)

"Ming Da Education"	Jiangxi Ming Da Education Consultancy Co., Ltd.* (江西銘達教育諮詢有限公司), a company established under the laws of the PRC with limited liability on September 11, 2017 and one of our Prior Onshore Subsidiaries
"MCA"	the Ministry of Civil Affairs of the PRC (中華人民共和國民政部)
"MOE"	the Ministry of Education of the PRC (中華人民共和國教育部)
"MOE Draft for Comments"	the Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (the Draft for Comments) (《中華人民共和國民辦教育促進法實施條例 (修訂草案) (徵求意見稿)》) issued by the MOE on 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)
"MOHRSS"	the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)
"MOJ"	the Ministry of Justice of the PRC (中華人民共和國司法部)
"MOJ Draft for Comments"	the Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (the Draft for Examination and Approval) (《中華人民共和國民辦教育促進法實施條例(修訂草案)(送審稿)》) issued by the MOJ on August 10, 2018 to seek public comments
"Mr. Huang"	Mr. HUANG Yulin (黃玉林), one of the Controlling Shareholders, the chairman of the Board and an executive Director of our Company
"Nanchang Di Guan"	Nanchang Di Guan Education Consultancy Co., Ltd.* (南昌迪冠教育諮詢有限公司), a company established under the laws of the PRC with limited liability on September 17, 2009, being the sponsor of the School, and by virtue of the Contractual Arrangements, accounted for as our subsidiary
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國發展和改革委員會)
"Negative List"	the Foreign Investment Access Special Management Measures (Negative List) (2019 Version) (《外商投資准入特別管理措施(負面清單) (2019年版)》) issued by the NDRC and MOFCOM on June 30, 2019 and effective on July 30, 2019
"NPC" or "National People's Congress"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)

"Offer Price"	the final HK dollar price per Offer Share (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), which will be not more than HK$3.1 and not less than HK$2.1, to be determined as described in the paragraph headed "Structure of the Global Offering — Pricing and Allocation" of this prospectus
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares
"Over-allotment Option"	the option to be granted by us to the International Underwriters exercisable by the Sole Global Coordinator on behalf of the International Underwriters under the International Underwriting Agreement, to require us to allot and issue up to 37,500,000 additional Shares at the Offer Price, representing up to 15% of the total number of Offer Shares initially available under the Global Offering to, among others, cover over-allocations in the International Offering, if any
"PBOC"	People's Bank of China (中國人民銀行)
"PRC Company Law"	Company law of the PRC (《中華人民共和國公司法》), issued by the Standing Committee of the National People's Congress on December 29, 1993, newly amended on October 26, 2018 and effective on October 26, 2018
"PRC government"	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
"Prior Onshore Subsidiaries"	namely Chen Lin Management, Liang Dong Education, Chen Qi Education, Chen Lin Science and Ming Da Education
"Radiant Opto-Electronics (Suzhou)"	Radiant Opto-Electronics (Suzhou) Co., Ltd.* (瑞儀光電(蘇州)有限公司), an Independent Third Party
"Registered Shareholders"	the registered shareholders of Nanchang Di Guan, namely Mr. Huang, Ms. Huang Yuan and Mr. Huang Guandi
"Regulation S"	Regulation S under the U.S. Securities Act
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"RSU(s)"	restricted share units granted pursuant to the RSU Scheme

"RSU Scheme"	the restricted share unit scheme adopted by our Company on August 20, 2019 a summary of the principal terms is set forth in the section headed "Appendix V — Statutory and General Information — D. RSU Scheme" to this prospectus
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)
"SAMR"	the State Administration for Market Regulation (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)
"Securities and Futures Commission" or "SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
"School", "our School" or "JUAS"	Jiangxi University of Applied Science* (江西應用科技學院) (formerly known as Jiangxi Xin Ya Vocational College* (江西新亞職業技術學院) and Jiangxi City Vocational College* (江西城市職業學院)), a private institution which offers both undergraduate and junior college programs, established on April 11, 2002, and the sponsor of which is Nanchang Di Guan, one of the Consolidated Affiliated Entities
"Share(s)"	ordinary share(s) with nominal value of HK$0.0001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Sino-Foreign Regulation"	the Regulation on Sino-Foreign Cooperation Operating Schools (《中華人民共和國中外合作辦學條例》), promulgated by the State Council on March 1, 2003 and newly amended on March 2, 2019
"Sole Sponsor"	First Shanghai Capital Limited (第一上海融資有限公司), a licensed corporation under the SFO to conduct type 6 (advising on corporate finance) regulated activities, being the sole sponsor to our Company for the Listing
"Sole Global Coordinator" or "Stabilizing Manager"	First Shanghai Securities Limited (第一上海證券有限公司), a corporation licensed under the SFO to carry out types 1, 4 and 6 regulated activities (dealing in securities, advising on securities and advising on corporate finance), being the bookrunner and the lead manager of the Global Offering

"Stock Borrowing Agreement"	the agreement expected to be entered into on or around December 4, 2019 between Huangyulin Holdings and the Stabilizing Manager and/or its affiliates, pursuant to which the Stabilizing Manager may, on its own or through its affiliates, request Huangyulin Holdings to make available to the Stabilizing Manager up to 37,500,000 Shares to cover, inter alia, over-allocations in the International Offering
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules. For the avoidance of doubt, the subsidiaries of our Company include Consolidated Affiliated Entities in this prospectus
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Takeovers Code"	the Code on Takeovers and Mergers and Share Buy-backs, as published by the SFC (as amended, supplemented or otherwise modified from time to time)
"Tarena International"	Tarena International, Inc. (達內時代科技集團有限公司), a listed company on the NASDAQ Global Select Market and an Independent Third Party
"Track Record Period"	the three years ended December 31, 2016, 2017 and 2018 and the five months ended May 31, 2019
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollars", "US$" or "USD"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"White Form eIPO"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website at **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited

"Yunnan Chen Lin"	Yunnan Chen Lin Human Resources Management Co., Ltd.* (雲南辰林人力資源管理有限公司), a company established under the laws of the PRC on July 16, 2018 and became a subsidiary of our Company on June 17, 2019

* *The English names of PRC laws, regulations, governmental authorities, institutions, and of companies or entities established in the PRC included in this prospectus are translations of their Chinese names or vice versa and are included for identification purposes only. In the event of inconsistency, the Chinese versions shall prevail.*

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

"college"	a higher educational institution offering bachelor's degree programs and/or junior college diploma programs, which may be a branch college (下屬學院) and may not be a separate legal entity
"compulsory education"	grade one to grade nine education, which all the citizens of appropriate ages in China must receive according to the Compulsory Education Law of the PRC (《中華人民共和國義務教育法》)
"double qualification teachers"	full-time teachers with title of lecturer and above in addition to professional qualification or industry experience
"final employment rate"	the percentage of graduates who entered into full-time employment contracts, were self-employed, accepted an offer for higher degree or equivalent programs, or accepted an offer to pursue overseas study or employment, as of December 31 of the graduating year. There may be variation to the meaning of this term depending on the relevant school and type of graduates considered
"formal education"	education system that provides students with the opportunity to earn official graduation certificates recognized by the PRC government
"high school"	a school that provide education for students usually in grade 10 through grade 12
"higher education"	an optional final stage of formal learning that occurs after secondary education, which is often delivered at universities, academies, colleges and institutes of technologies
"independent college"	a college run by non-governmental institutions or individuals with the requisite of cooperating with public universities and colleges, which offer undergraduate course
"initial employment rate"	the percentage of graduates who entered into full-time employment contracts, were self-employed, accepted an offer for higher degree or equivalent programs, or accepted an offer to pursue overseas study or employment, as of August 31 of the graduating year. There may be variation to the meaning of this term depending on the relevant school and type of graduates considered

"junior college program"	a three-year, two-year or post-secondary formal education program that generally enrolls high school graduates who usually have taken the National Higher Education Entrance Exam, and upon completion of which a junior college (專科) degree could be granted
"National Higher Education Entrance Exam"	also known as "Gaokao" (高考), an academic examination held annually in the PRC, and a prerequisite for entrance into most higher education institutions at the undergraduate level in the PRC
"one-child policy"	China's population control policy implemented by the Population and Family Planning Law of the PRC, according to which a family could have only one child, with certain exceptions, which has been amended
"private higher education institution"	a higher education institution which is operated by non-governmental institutions or individuals or operated by non-governmental institutions or individuals through cooperation with public universities and is qualified to award junior college diplomas, bachelor's degrees or higher
"private school"	a school that is not run by local, provincial or national governments
"private university"	a higher education institution which is operated by non-governmental institutions or individuals and is qualified to award bachelor's degrees or higher
"public school"	a school that is run by local, provincial or national governments or governmental institutions
"school sponsor"	an individual or entity that funds or holds interests in an educational institution
"sq.m."	square metre
"undergraduate program"	a four-year or longer post-secondary formal program that generally enrolls high school graduates who usually have taken the National Higher Education Entrance Exam, and upon the completion of which a bachelor's degree could be granted
"secondary vocational education"	a three-year vocational education program that generally enrolls middle school graduates or a one-year vocational education program that generally enrolls high school graduates, and upon the completion of which a vocational high school diploma could be granted

This prospectus contains forward-looking statements that state our intentions, beliefs, expectations or predictions for the future that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include all statements in this prospectus that are not historical fact, including, without limitation, statements relating to:

- our operations and business prospects;
- our business and operating strategies and our ability to implement such strategies;
- our ability to develop and manage our operations and business;
- our ability to maintain or increase student enrollment;
- our ability to maintain or increase tuition fees;
- our ability to maintain or increase utilization of our facilities;
- our capital expenditure programmes and future capital requirements;
- our future general and administrative expenses;
- our ability to control costs;
- future developments, trends and conditions in the industry and markets in which we operate;
- general economic conditions;
- changes to regulatory and operating conditions in the industry and geographical markets in which we operate;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors;
- our dividend policy; and
- all other risks and uncertainties described in the section headed "Risk Factors" in this prospectus.

When used in this prospectus, the words "aim", "anticipate", "believe", "could", "endeavour", "envisage", "estimate", "expect", "going forward", "in the future", "intend", "may", "plan", "seek", "will", "would" and similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. Such statements reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove to be incorrect, our results of operations and financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. Moreover, the inclusion of forward-looking statements should not be regarded as representations by us that our plans and objectives will be achieved or realised.

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should evaluate the following risks associated with the investment in our Shares. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition, future prospects or on the trading price of our Shares, and could cause you to lose all or part of your investment.

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and our industry; (ii) risks relating to our Contractual Arrangements; (iii) risks relating to doing business in China; and (iv) risks relating to the Global Offering.

RISKS RELATING TO OUR BUSINESS AND OUR INDUSTRY

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

The Amendment Decision

Our business is regulated by, among others, the Law for Promoting Private Education of the PRC. The Amendment Decision that became effective on September 1, 2017 introduced a number of amendments. Under the Amendment Decision, sponsors of an existing private school engaged in higher education may elect to register the school as a non-profit or for-profit private school at their own discretion. We are not required at this stage to make, and have not made, any decision as to whether our School will be registered as a non-profit or for-profit private school under the Amendment Decision. According to the Jiangxi Implementation Opinions, private higher institutions in Jiangxi province, including our School, are required to complete their registration as either for-profit private schools or non-profit private schools before September 2022. The election to register our School as a non-profit or for-profit private school may have a material impact on our business, financial condition and results of operations, which we are currently not in a position to accurately assess due to the absence of any detailed implementation rules that have yet to be promulgated by the relevant local governments under the Amendment Decision. For a general description of the key differences between a non-profit private school and a for-profit private school under the framework of the Amendment Decision, Please refer to the paragraphs headed "Business — Potential Implications of The Amendment Decision and The MOJ Draft For Comments" in this prospectus. 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 more support from the government than those available to a for-profit private school.

The PRC government authorities may further formulate regulations to implement the Amendment Decision. It remains uncertain as to whether such implementation regulations would have any material adverse impact on our business. In particular, there is significant uncertainty as to tax or other preferential treatments that our School may enjoy if we elect to register it as a non-profit private school or a for-profit school under the Amendment Decision. In addition, there are uncertainties regarding the interpretation and enforcement of the Amendment 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 further promotes the development of private education by providing that a private school shall enjoy the rights or preferential policies stipulated by laws equivalent to those applicable to a public school, which primarily include: (i) a non-profit private school shall enjoy the same tax policies as those 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, the specific provisions for which shall be formulated jointly by the administrative department for finance, taxation and other relevant administrative departments of the State Council; and (ii) the local people's governments shall grant preferential treatments in terms of land use by means of allocation in accordance with the principle of treating non-profit private schools equally as public schools, and for schools that provide education for academic credentials, may provide lands by means of bid invitation, auction or listing, assigning contracts, long-term lease or combination of sale as well as rental, and may give appropriate preferential treatment on charges for the assignment or rental of land, and may permit payment in instalments.

The MOJ Draft for Comments stipulates further provisions of the operation and management of private schools which elect to be for-profit 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; (ii) a private school shall conduct any connected transactions in a manner that is open, justified and fair and shall establish disclosure mechanisms for such transactions. Any agreement involving material interests or any long-term and recurring agreement entered into between a non-profit private school and its connected party shall be reviewed and audited by the relevant government authorities in terms of necessity, legitimacy and compliance; and (iii) the registered capital of a for-profit private school providing higher diploma education shall be no less than RMB0.2 billion. With respect to requirement (ii) above, our Contractual Arrangements may be regarded as connected transactions of our School and we may incur substantial compliance costs for establishing disclosure mechanisms and undergoing reviewing and audit by the relevant government authorities. Such process may not be in our control and may be highly complicated and burdensome and may divert management attention. Government authorities may, during their review and audit process, compel us to make modifications to our Contractual Arrangements for whatever reason, which may in turn adversely affect the operation of our Contractual Arrangements. Government authorities may find that one or more agreements underlying our Contractual Arrangements do not comply with applicable PRC laws and regulations and may subject us to severe penalties, resulting in material adverse impact on our operation and financial condition. Furthermore, if the MOJ Draft for Comments is implemented in its current form, and if our Contractual Arrangements are considered as "controlling through contractual arrangements" under Clause 12 of the MOJ Draft for Comments, we may need to register our School as a for-profit private school.

The MOJ sought for comments from the public on the MOJ Draft for Comments, but has not provided the timeframe for the promulgation of the implementation rules on the Law for Promoting Private Education of the PRC. As of the date of this prospectus, 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.

Implementing Rules under the Amendment Decision

Other than the Jiangxi Implementation Opinions, the People's Government of Jiangxi Province has not yet promulgated detailed implementation rules under the Amendment Decision. There is no assurance that we will be able to adapt our business operations in full compliance with the Amendment Decision or any relevant regulations in a timely manner, or at all. Should we fail to fully comply with the Amendment Decision or any relevant regulations as interpreted by the relevant government authorities, we may be subject to administrative fines or penalties or face other negative consequences that could materially and adversely affect our brand name and reputation, and, in turn, our business, financial condition and results of operations.

According to the Implementation Regulations for Classification Registration of Private Schools (《民辦學校分類登記實施細則》) promulgated by five PRC government authorities, including the MOE, on December 30, 2016, existing 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 School as a for-profit school, we will be required to (i) undertake financial clearing, (ii) have the competent governmental authorities ascertain and authenticate our property rights in relation to the relevant assets (including land, school buildings, and the assets accumulated from our school operations), (iii) pay relevant taxes and fees, and (iv) re-register with the relevant authorities, to continue the school operations. In the absence of any detailed implementation rules, we are not able to predict or estimate the potential costs and expenses involved and the process necessary to adjust our structure to complete such re-registration. If we fail to complete the re-registration in time, or at all, or if we incur excessive costs and expenses in doing so, our business, financial condition and results of operations may be materially and adversely affected; or

- if we elect to register our School as a non-profit private school, (i) our School will not be permitted to distribute the operating proceeds to its sponsors and the surplus from school operations can only be applied to its operations, (ii) the provincial government authorities may impose restrictions on our school fees, including the range and type of fees we are allowed to charge our students, and the relevant approval or filing requirements, and (iii) the sponsors of our School should amend the constitution documents and re-register with the relevant authorities to continue the school operations. If we fail to complete the re-registration in time, or at all, or if we incur excessive costs and expenses in doing so, our business, financial condition and results of operations may be materially and adversely affected.

Our business is largely dependent on the market recognition of our brand and the reputation of our School and our Group.

We believe that the market awareness and reputation of our brand is crucial to the success and growth of our business. Our ability to maintain our reputation depends on various factors, some of which are beyond our control. Any failure to maintain the quality and consistency of the services we offer may lead to diminishing confidence in our brand and reputation.

Numerous factors can potentially impact the reputation of our brand and reputation, including without limitation, the levels of student and parent satisfaction with our programs, our teachers and teaching quality, the percentage of students receiving satisfactory employment, campus accidents or scandals, disruptions to our education services, failure to pass inspections by government authorities, loss of accreditation, negative publicity, ability to carry out and the public perception of our education related services. If our reputation is damaged, our business, financial condition and results of operations could be materially and adversely affected.

We are endeavored to promote and protect our brand by conducting various marketing activities. However, we cannot assure you that our marketing efforts will be successful or sufficient in further promoting our brands or in helping us to remain competitive. If we are unable to maintain or sustain our brand reputation and recognition, we may be unable to maintain or increase student enrollment, or to maintain other effective cooperation relationships with our business partners, any of which may have a material adverse effect on our business, financial condition and results of operations. Furthermore, if our Group is unable to further enhance its reputation and increase market awareness of its service offerings, or if it is required to incur additional promotional expenses in order to remain competitive, our business, financial condition and results of operations may be materially and adversely affected.

We generate a substantial portion of our revenue from operating one university in Jiangxi province.

During the Track Record Period, we generated a substantial portion of our revenue from operating our School. For the years ended December 31, 2016, 2017 and 2018 and the five months ended May 31, 2019, revenue generated from tuition fees and boarding fees through our operation of our School accounted for 87.6%, 86.4%, 80.5% and 87.4% of our total revenue, respectively. If we experience any event at our School that materially and negatively affects our student enrollment, tuition fee rates, school operations or reputation in general, our business, financial condition and results of operations may be materially and adversely affected. Geographically, while we admit students from various provinces, municipalities and autonomous regions in China, a majority of our students were from Jiangxi province during the Track Record Period. If an event takes place in Jiangxi province that materially and negatively affects its education industry or our School, such as an economic downturn, a natural disaster or an outbreak of a contagious disease, or if any governmental authorities of Jiangxi province adopt regulations that place additional restrictions or burdens on our School or on the education industry in general, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We had net current liabilities as of December 31, 2016, 2017 and 2018 and May 31, 2019. We had negative net operating cash flows for the five months ended May 31, 2018 and 2019. We may be exposed to liquidity risks, and our business, financial condition and results of operation may be materially and adversely affected as a result.

As of December 31, 2016, 2017 and 2018 and May 31, 2019, we had net current liabilities of RMB365.2 million, RMB241.5 million, RMB204.6 million and RMB129.2 million, respectively, primarily because of the substantial bank borrowings and other payables we borrowed or incurred to build and enhance our campus facilities. For the five months ended May 31, 2018 and 2019, we recorded negative net cash flows from operating activities of RMB1.1 million and RMB20.4 million, respectively, primarily as we typically receive majority of cash payment from tuition fees and boarding fees in the second half of the financial year subsequent to the commencement of the school year. Please refer to the paragraph headed "— Risks relating to our business and our industry — Our business may be subject to seasonal fluctuations" in this section for more details.

We may be exposed to liquidity risks, and our business, financial condition and results of operation may be materially and adversely affected as a result of our net current liability positions. We cannot assure you that we will always have financial resources to meet our immediate working capital requirements and we may have net current liabilities in the future. The inability for us to obtain additional short-term bank loans, loans or other additional financing on a timely basis, on acceptable terms or at all would materially and adversely affect our ability to satisfy our working capital requirements. In addition, we cannot assure you that we will not experience negative net operating cash flows in the future, and if such situation is not managed properly, it may in turn negatively affect our operations. If we are unable to maintain adequate cash inflows, we may not be able to meet our payment obligations to support our operations. Furthermore, we cannot assure you that we will be able to obtain additional working capital to execute our growth strategies, or that future expansion of our school network will not materially and adversely impact the current or future level of working capital.

We recorded accumulated losses as at January 1, 2016 mainly due to the construction of our new school campus.

We recorded accumulated losses of RMB7.0 million as at January 1, 2016 mainly due to the construction of our new school campus. We commenced the construction of our new school campus at the end of 2005 and completed the construction for most of the school facilities in 2009, and made substantial investment and incurred significant costs and expenses in relation thereto. It took us some time to regain profitability after the completion of construction and the commencement of operation of our new school campus, mainly due to (i) depreciation and finance costs incurred as a result of capital expenditure incurred for establishing our new campus, and (ii) costs and time required to increase the student enrollment and hence generating more revenue from our school operation. For more details, please refer to the paragraph headed "Financial Information — Accumulated Losses" in this prospectus. We cannot guarantee that we will not incur losses again in the future. Our future revenue growth and profitability will depend on a variety of factors, including the other risks described in this prospectus, many of which are beyond our control. We may also further encounter unforeseen expenses, difficulties, complications, delays and other unknown events. If we fail to increase revenue at the rate we anticipate or if our expenses increase at a faster rate than the increase in our revenue, we may not be able to improve our profitability or even maintain profitable.

The level of tuition and boarding fees we are able to charge and our ability to maintain and raise the level of tuition and boarding fees are crucial to our business.

The level of tuition fees and boarding fees we charge at our School is one of the most significant factors affecting our profitability. For the years ended December 31, 2016, 2017 and 2018, and the five months ended May 31, 2019, tuition fees represented 77.6%, 77.2%, 72.9% and 79.9% of our total revenue, respectively, while boarding fees accounted for 10.0%, 9.2%, 7.6% and 7.5% of our total revenue, respectively. Our tuition fees and boarding fees rates are primarily determined based on, among others, demands for our education programs, cost of our operations, the fees charged by our competitors, our pricing strategy to gain market share and general economic conditions in China.

Our tuition fees and boarding fees were historically subject to a fee charge permit system which was cancelled nationwide on January 1, 2015. Although we are no longer required to obtain regulatory approval with respect to adjustments of our tuition and boarding fee rates, we cannot assure you that other types of regulatory pricing control will not be promulgated in the future. If any other types of regulatory controls on the level or types of fees private schools may charge are promulgated in the future, our growth potential will be adversely affected. Furthermore, even if we can determine the level of tuition fees and boarding fees at our own discretion at the current stage, there can be no assurance that we will be able to maintain or raise the level of tuition fee and boarding fee at our School in the future due to various reasons, and even if we are able to maintain or raise the level of tuition fees and boarding fees, we cannot assure you that we will be able to attract sufficient prospective students to apply to our School at such increased fee rates.

In addition, some of our students are unable to pay their tuition fees and boarding fees in full for various reasons including financial difficulties. We will make bad debt provisions according to the expected loss noted and write off any tuition fees and boarding fees that have not been fully paid by these students after one year upon their graduation from our School. Our business, financial position and results of operations may be materially and adversely affected if we fail to maintain or raise the level of our tuition fees and boarding fees or to attract sufficient prospective students, or if there is an increasing number of students who graduate from our School without having paid off their tuition fees and/or boarding fees.

The number of students we may admit in our School is subject to the admission quota approved by competent government authorities and limited by our school capacity, which may hinder our ability to expand our business.

The number of new students for both undergraduate programs and junior college programs we may admit for each school year is generally limited by the admission quota specified by the MOE and other relevant governmental authorities, which quota may be adjusted retrospectively. According to the Opinions of the Ministry of Education on Further Regulating Higher Education Enrollment Program (教育部關於進一步規範高等教育招生計劃管理工作的意見), student enrollment for graduate and undergraduate programs is subject to the approval of the MOE, while student enrollment for junior college programs is subject to the approval of the relevant provincial education authorities. With an aim of further promoting equal access to education in different areas in China, the Notice of the Ministry of Education on Enrollment of Ordinary Colleges and Universities in 2018 (教育部關於做好2018年普通高校招生工作的通知) and its specific implementing regulations instruct universities and colleges to continue to improve their respective enrollment plan by taking into account a number of factors, including, among others, the source of school enrollment, school operational conditions and employment status of such school's graduate students. The maximum number of new students we may admit for each school year is therefore beyond our control. The admission quota utilization rate of our School exceeded 100% for certain school years during the Track Record Period. For the 2015/2016, 2016/2017, 2017/2018 and 2018/2019 school years, the total admission quota received by our School were 4,100, 4,635, 4,470 and 5,308, respectively, while the number of newly-enrolled students at our School were 5,661, 4,714, 4,261 and 4,347, respectively. For more details, please refer to the paragraph headed "Business — Our School — Overview — Admission Quota and Utilization Rate" in this prospectus.

During the Track Record Period, the admission quota utilization rates of our School were below 100% for certain school years because our admission quota increased at a faster pace than our student enrollment. If our admission quota do not increase or even decrease in the future due to reasons including our failure to fully utilize such quota, we may experience a decrease in the total number of our enrolled students, our total revenue may not grow as expected or may decline, which in turn may have a material and adverse impact on our business, financial condition and results of operations.

Other than the admission quota constraints, our student enrollment may also be restrained by the capacity of our School. Our School's educational facilities are limited in space and size while we are subject to compliance requirement to provide certain standards set forth by the governmental authorities. For more details, please refer to the paragraphs headed "Regulatory Overview — Regulations on Private Education in the PRC — Regulations on Higher Education — Regulatory Requirement in Relation to Basic Conditions for Operating Higher Education Institutions" and "— Our School is subject to compliance requirements under the Basic Conditions for Operating Higher Education Institutions (Trial)" in this section. We may not be able to admit all qualified students who would like to enroll in our School due to the capacity constraints of our current school facilities to meet the standards to operate a higher education institution. In addition, we cannot assure you that we will be able to expand our capacity as quickly as the demand for our services grows. If we fail to expand our capacity, we may not be able to admit more potential students, and our results of operations and business prospects could be adversely affected.

The limited operating history of our undergraduate programs may not serve as an adequate basis to judge our future prospects.

We believe the quality of our undergraduate programs is important for our business. In particular, we believe our undergraduate programs have promoted brand awareness of our School and increased its popularity among prospective students. As our School was qualified to offer undergraduate programs in 2014, we only have limited operating history of undergraduate programs. Our ability to offer qualified and attractive undergraduate programs depends on a variety of factors, including our ability to design suitable undergraduate programs and curriculums, recruit and retain qualified teachers, and select quality learning materials. If we fail to design programs and curriculums that adequately prepare our students for the evolving demands of the job market, attract sufficient number of qualified teachers or provide quality learning materials for our students, we may not be able to attract and recruit sufficient number of students to enroll in our undergraduate programs. Furthermore, we cannot assure you that our graduating undergraduate students will be able to successfully compete with graduates of other schools and secure satisfactory employment. If the percentage of our undergraduate students securing satisfactory employment is lower than the market's expectation or the industry average level, prospective students and their parents may lose interest in our undergraduate programs, the number of student enrollment for our undergraduate programs may decrease, and our brand image and reputation may be negatively affected. Any such event could materially and adversely affect our business, financial condition, results of operations and prospects.

We may not be able to execute our growth strategies or manage our growth effectively.

We have achieved steady growth that has placed, and continues to place, pressure on our management and resources. We intend to improve our school facilities, enhance our brand recognition and reputation, and expand our business and school network; continue to optimize our program and course offerings in order to enhance the competitiveness of our students; further strengthen and diversify our education related services; and continue to attract, train and retain talented teachers and other professionals. For more details, please refer to the paragraphs headed "Business — Our Business Strategies" in this prospectus. However, we may not be able to successfully execute our growth strategies due to a number of factors, including failure to do the following:

- increase student enrollment;
- admit all qualified students due to constraints of our school capacity and admission quota;
- retain qualified teaching staff;
- comply with applicable regulatory requirements;
- improve our existing operational, administrative and technological systems and our financial and management controls;
- effectively market our School, our education related services and our brand in new markets or promote ourselves in existing markets;
- maintain effective relationship with our current cooperative enterprises and cooperate with other higher education institutions for our internship management service;
- deliver effective tutoring and program management services; and
- achieve the benefits we expect from our expansion.

Based on 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 significantly limit the number of target schools in the market that we may acquire in the future. Further amendments or revisions to the MOJ Draft for Comments and introduction of relevant laws and regulations in the future may also present additional limitations and restrictions on our acquisition and operation of target schools. 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 strategies.

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

Our business operations depend on our ability to recruit and retain our senior management, qualified teachers and other professional employees.

We depend on our senior management for the effective operations of our Group and the execution of our business plans. The continuing service of our senior management is crucial to our future success. If one or more of our executive Directors or member of senior management as set out in the "Directors and Senior Management" section in this prospectus are unable or unwilling to offer service for us, we may not be able to identify other qualified and suitable personnel in a timely manner, or at all, which may result in material adverse changes to our established brand recognition, reputation, service quality or standards, and in turn, may disrupt our business, and materially and adversely affect our business, results of operations and financial condition.

We also rely substantially on our teachers to provide educational services to the students in our School. Our teachers are critical to maintaining the quality of our programs and curriculums and to upholding our reputation. We intend to continue attracting and retaining teachers with professional expertise, teaching experience and/or work experience in relevant fields. We also rely on other professional employees including our sales and marketing personnel for the continued growth of our business. However, there is a limited supply of qualified teachers and other professionals with the necessary experience and expertise in the PRC education sector, and we have to provide competitive compensation and benefits packages to attract and retain qualified teachers and other professionals. As a result, we may not be able to hire or retain a sufficient number of qualified teachers and professionals to keep pace with our anticipated growth while maintaining consistent quality of our education programs and education related services. If we fail to provide competitive compensation and benefits packages to attract and retain qualified teachers and other professionals, the quality of our services may deteriorate, and our reputation, business and results of operations may be materially and adversely affected.

We may not be able to compete effectively in the PRC education industry, which could materially and adversely affect our business prospects, financial position and results of operations.

The education sector in China is rapidly evolving, highly fragmental and competitive, and we expect competition in this sector to persist and intensify. We primarily compete with public and private universities and colleges that provide higher educational services and programs, as well as other institutions that offer similar education related services as we do. We compete with our competitors across a range of factors. With respect to our operation of our School, such factors include, among others, the program and curriculum offerings, expertise and reputation of teachers, tuition fee and boarding fee levels, and school location and facilities. As to our offering of education related services, such factors include, among others, quality and effectiveness of our service, service fee levels and effectiveness of sales channels. Our competitors may adopt similar service with lower pricing or provide comprehensive service packages that 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 service offerings and therefore may be able to respond more quickly than we can to changes in market demands. As such, we may be required to further improve the quality of our service or increase spending in response to competition in order to attract students and other customers or pursue new market opportunities. If we are unable to successfully compete for new students, maintain or increase our tuition and boarding fee levels, attract and retain competent teachers or other key personnel, enhance the quality and effectiveness of our education related services or control competition costs, our business prospects, financial position and results of operations may be materially and adversely affected.

We may not be able to promptly and adequately respond to market demand changes, and our students' employment rates and average starting salaries may decline, which may negatively impact our reputation and our business.

Our ability to maintain the quality of our course offerings and to teach students relevant skills that meet the rapidly evolving market demand is crucial to our success. We are dedicated to providing satisfactory learning experience to our students, along with diversified programs and curriculums encompassing a broad range of market-oriented fields of study and career trainings. We also carefully design and regularly review and adjust our program and course offerings at our School in response to changes in market demand. However, we cannot guarantee that we will continue to be able to promptly and adequately respond to market demands, and/or deliver programs and curriculums that meet the expectations of students enrolled in our School and their prospective employers. We may also not be able to devote the same amount of resources to provide academic and practical training to our students, or our efforts may not be as effective as they used to be.

If we fail to provide courses that adequately prepare our students for the evolving demands of the job market, or if we are affected by other factors beyond our control, including the deterioration of the general economic condition, our students may be unable to find satisfactory jobs and the employment rates and/or average starting salaries of our graduates may decrease. Furthermore, our cooperative enterprises may not be satisfied with the performance of students introduced by us, and our cooperation with enterprises with respect to our internship management service will be negatively impacted. Any such negative developments could result in students withdrawing from or becoming unwilling to apply for our School, and enterprises terminating their cooperation with us, any of which may have a negative impact on our reputation. If we experience substantial or continuing decline in our student retention rates, or fail to continue attracting or admitting sufficient students that meet our admission standards, or unable to maintain the relationship with our cooperative enterprises, our business, financial condition and results of operations may be materially and adversely affected.

Our School is subject to compliance requirements under the Basic Conditions for Operating Higher Education Institutions (Trial) (《普通高等學校基本辦學條件指標(試行)》).

Our School is subject to certain regulatory requirements under the *Basic Conditions for Operating Higher Education Institutions (Trial)* (普通高等學校基本辦學條件指標(試行)) (the "**Basic Conditions**"), which requires us, among others, to maintain certain standards concerning the number of students to the number of teachers, the area of administrative facilities per student, the value of teaching and research equipment per student and the number of library books per student. Please refer to the paragraph headed "Regulatory Overview — Regulations on Private Education in the PRC — Regulations on Higher Education — Regulatory Requirement in relation to Basic Conditions for Operating Higher Education Institution" in this prospectus. We cannot assure you that we will be able to comply with the basic standards set forth in the Basic Conditions at all times and we may need to incur additional costs to meet relevant standards. For example, the teacher-to-student ratio of our School had been less than 1:18, a ratio required by the Basic Conditions, during the Track Record Period. For more details, please refer to the paragraph headed "Business — Our School — Our Teachers — Our Teaching Staff" in this prospectus. Moreover, in the event that one of the basic school operating condition indicators of a college does not meet the relevant regulatory requirement under the category of restricted enrollment standard, the college may receive a yellow card issued by competent authority and its student admission will be subject to certain restrictions; and in the event that a college receives a yellow card for three consecutive years, it shall receive a red card issued by competent government authority and its student admission will be subject to suspension. If our School receives a yellow card or even a red card issued by competent government authority, our business, financial condition, and results of operations may be materially and adversely affected.

We outsource meal catering services of our School to Independent Third Parties and, as a result, we cannot guarantee the quality of the food provided to our students and faculty.

We outsource the canteens and our campus store on our School campus to a qualified services provider. 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 ensure the third party service providers adhere to good food quality standards. We also cannot assure you that accidents caused by poor food quality related issues will not occur in the future and, if we are unable to manage these accidents effectively, our teachers' and students' health could suffer and medical emergencies could potentially occur. We could be exposed to reputational and legal risks as a result of such accidents, which could materially and adversely affect our business and reputation.

Accidents or injuries suffered by our students, our employees or other people at our School premises may adversely affect our reputation and subject us to liabilities.

We could be held liable for any accidents or injuries or other harm to our students, our employees or other people at our School, including those caused by or otherwise arising in connection with our school facilities. We could also face claims alleging that we were negligent in providing inadequate maintenance to our school facilities or supervision of our employees and may therefore be held liable for accidents or injuries suffered by our students or other people at our School. If any of our students or teachers is involved in any physical confrontation or act of violence, we could face allegations that we failed to provide adequate security or were otherwise responsible for such person's actions. In addition, we provide routine medical services for our students and faculty on our school campus. In the event of any medical malpractice, we may be subject to legal claims by students, faculty and their families. Any of such accidents may discourage prospective students from applying to or attending our School. Any liability claim against us or any of our employees could materially and 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 may not be able to obtain all necessary approvals, licenses and permits and to make all necessary registrations and filings for our business operations on a timely basis or at all.

We are required to obtain and maintain various approvals, licenses and permits and to fulfill registration and filing requirements pursuant to applicable laws and regulations. For example, to establish and operate a school, we are required to obtain and/or renew, among others, a private school operation license from the PRC Ministry of Education and to register with the local civil affairs bureau to obtain a certificate of registration for a non-enterprise entity. In addition, we need to pass annual inspections conducted by the local civil affairs bureau and local education bureau. Given the discretion the local PRC authorities may have in interpreting, implementing and enforcing applicable rules and regulations, as well as other factors beyond our control, while we intend to obtain, using our best efforts, all requisite permits and complete the necessary filings, renewals and registrations on a timely basis for our School operations and our education related services, we cannot assure you that we will be able to obtain all required permits on a timely basis. If we fail to receive required permits in a timely manner or obtain or renew any permits and certificates, we may be subject to fines, confiscation of the gains derived from our non-compliant operations, suspension of our non-compliant operations or compensation of any economic loss suffered by our students or other relevant parties, which may materially and adversely affect our business, financial condition and results of operations.

Risk relating to properties owned and leased by us.

As of the Latest Practicable Date, we (i) owned the land use rights of land parcels with a total site area of 653,024.0 sq.m. and owned 64 buildings with a total GFA of 334,357.6 sq.m. in the PRC; and (ii) leased three land parcels with a total site area of 452,540.0 sq.m. and some offices in the PRC.

As of the Latest Practicable Date, we had not obtained the building ownership certificate for a water treatment plant with a total GFA of 454.0 sq.m. on our school campus. As a result, we may be subject to governmental orders, fines and penalties. For more details, please refer to the paragraph headed "Business — Properties — Owned Properties — Buildings" in this prospectus.

Furthermore, our PRC Legal Advisor advised us that there may be uncertainty with respect to the validity of our lease agreements for reasons mainly include the failure by the landlords to provide relevant ownership certificates. Should disputes arise due to title defects, we may encounter difficulties in continuing to lease such land parcels. Should our use of such leased land parcels and office be adversely affected, our Directors believe that we will be able to lease alternative land parcels and office space without significant disruption of our operations. In addition, the lease agreements entered into by and between us and relevant landlords were not registered with the relevant PRC governmental authorities. Our PRC Legal Advisor advised us that we may be required by the competent governmental authorities to register relevant lease agreements within a prescribed time limit. If we fail to do so, we may be subject to fines in an amount ranging from RMB1,000 to RMB10,000 for each non-registered lease.

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

We experienced a steady growth in revenue during the Track Record Period. Our historical growth was driven by the increases in the number of undergraduate students enrolled at our School, the level of tuition and boarding fees we charged, and the increases in revenue from our education related services. Our financial condition and results of operations may fluctuate due to a number of other factors, many of which are beyond our control, including: (i) our ability to maintain and increase student enrollment at our School and maintain and raise tuition fees and boarding fees, (ii) general economic and social conditions in China and in the regions where we operate our School and provide education related services, (iii) the PRC government regulations or actions pertaining to private higher education, (iv) increased competition, (v) expansion and related costs in a given period, (vi) perception and acceptance of private higher education in China by students and their parents, (vii) our ability to control our cost of revenue and other operating costs, and enhance our operational efficiency, and (viii) our ability to expand our education related services.

In addition, we recorded other income of RMB7.4 million, RMB11.2 million, RMB25.5 million and RMB7.8 million for the year end December 31, 2016, 2017, 2018 and the five months ended May 31, 2019, respectively. Our other income primarily included government grants, sub-contracting income, commission income, income related to an interest-free loan and others during the Track Record Period. We cannot assure you that our other income will not decrease significantly in the future, mainly as (i) certain of our other income are non-recurring in nature such as income related to an interest-free loan; (ii) our government grants mainly consisted of general subsidies which we would recognize as other income after receiving such subsidies, and specific subsidies granted for particular assets which we would record as deferred revenue and recognize as other income over the useful life of the particular assets. It is in the relevant government authorities' sole and absolute discretion, subject to relevant PRC laws, regulations and policies, to determine whether and when to provide government grants to us. Therefore, there is no assurance that the PRC government will continue to provide such grants to us in the future; and (iii) we intend to focus on the provision of our higher education services and education related services which we believe provide greater potential for our business growth, and may decide to reduce, or discontinue eventually, the offering of certain services such as the underlying promotion services for our commission income in the future. Please refer to the paragraphs headed "Financial Information — Key Components of Our Results of Operations — Other Income" in this prospectus for more details.

As a result, our historical results, growth rates and profitability may not be predictive of our future results and performance. The market price and trading volume of our Shares could be subject to significant volatility should our earnings fail to meet the expectations of the investment community. Any of these events could cause the price of our Shares to materially decrease.

We may not be able to maintain good relationship with our existing cooperative enterprises, successfully compete with our competitors or find new cooperative enterprises, any of which may materially and adversely affect the business and prospects of our internship management service.

We provide internship management services to enterprises located in the developed regions in China, including the Pearl River Delta and Yangtze River Delta. In particular, we introduce qualified students at our School and other schools to our cooperative enterprises as interns. We generally enter into one-time agreement instead of long-term framework agreement with our cooperative enterprises. Our ability to maintain good relationship with our existing cooperative enterprises is therefore important to the continued growth of our internship management service. However, we cannot assure you that we will be able to maintain good relationship with our existing cooperative enterprises by introducing sufficient qualified students to them, and we cannot guarantee the satisfactory performance of students during their internship. In addition, the demand for students by our cooperative enterprises may be affected by a number of factors that beyond our control, including general economic conditions and changes in enterprises' business and strategies. If our cooperative enterprises decide to terminate their cooperation with us, our reputation, business, financial condition and results of operations may be materially and adversely affected.

The growth in our internship management service also depends on our ability to effectively compete with our competitors. We believe that we are facing intensified competition in this field given that many private higher education institutions also have the resources to offer similar internship management service as we do. There is no assurance that we will be able to introduce a larger amount of qualified students or students with better professional skills and work performance than students of our competitors. Our competitors may also charge a lower level of fees to enterprises for similar internship management service. Therefore, we may not be able to successfully compete with competitors and to find new cooperative enterprises for our service due to intensified competition. Any failure for us to successfully compete with our competitors or to find new cooperative enterprises may materially and adversely affect our business, financial position and results of operations.

We may not be able to successfully deliver and expand our tutoring and program management services, which could adversely affect our business and prospects.

Leveraging our extensive educational resources, we plan to further strengthen our tutoring and program management services. Particularly, we plan to provide services to more enterprises and education institutions. However, identifying and establishing business relationships with suitable customers requires large amount of time, personnel and other resources, therefore we cannot assure you that we will be able to identify and establish business relationships with suitable business partners for our tutoring and program management services in a timely manner, or at all, and failure to do so may adversely affect our growth prospects.

In addition, we only have experience in operating private higher education institution in Jiangxi province, and we have no prior experience in the operation of the tutoring and program management services. As a result, we may be unable to successfully convince suitable customers to accept our service, and we may not be able to execute our service strategy effectively, especially for customers located in other provinces in China where demographics and regulatory requirements may differ. Any such failure may result in adverse effect not only on our financial condition and business prospects, but also on our brand and reputation.

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

Our School currently enjoys income tax exemption treatment for tuition fees and boarding fees received from providing higher education. However, there is a possibility that the PRC government may promulgate relevant tax regulations that will eliminate such preferential tax treatment, or the local tax bureaus may change their policy, in each such case, we will be subject to PRC enterprise income tax going forward. Moreover, pursuant to Notice of the Ministry of Finance and the State Administration of Taxation on Full Launch of the Pilot Programme of Replacing Business Tax with Value-Added Tax (《財政部、國家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 educational services are exempt from the value-added tax. As a result, formal educational services provided by our School are exempt from the value-added tax. Pursuant to the Amendment Decision that came into effect on September 1, 2017, private schools are entitled to preferential tax treatments and, in particular, non-profit private schools are entitled to the same preferential tax treatment as public schools. The specific taxation policies applicable to for-profit private schools under the Amendment Decision are yet to be introduced. Therefore, the preferential tax treatment available to our School will be subject to (i) the decision we make to operate our School as a for-profit or non-profit private school, and (ii) the tax treatment of the for-profit private schools which is expected to be stipulated in the implementation regulations related to the Amendment Decision that are to be introduced. There is no guarantee that the preferential tax treatment that currently applies to our School will not change in the future. For illustration purposes only, assuming that during the Track Record Period, the profit before income tax of our School was subject to PRC enterprise income tax of 25% and the revenue of our School was subject to value-added tax of 6%, we estimate that the tax exposure of our School would have amounted to approximately RMB19.2 million, RMB28.5 million, RMB40.4 million, and RMB16.4 million for the three years ended December 31, 2016, 2017 and 2018, and the five months ended May 31, 2019, respectively. On this basis, our profit for the year/period would have been RMB24.2 million, RMB45.1 million, RMB51.8 million and RMB24.9 million for the three years ended December 31, 2016, 2017 and 2018, and the five months ended May 31, 2019, respectively.

The discontinuation of any preferential tax treatment currently available to us or the determination of any of the relevant tax authorities that any of the preferential tax treatment we have enjoyed or currently enjoy is not in compliance with the PRC laws would cause our effective tax rate to increase, which would increase our tax expenses and reduce our net profit. In addition, following the execution of the Contractual Arrangements, the service fees received by Chen Lin Education Science from the Consolidated Affiliated Entities will be subject to enterprise income tax and value-added tax in the PRC.

We are subject to credit risks mainly associated with trade and other receivables.

We face the risks that our customers may delay or default on their payment with us. Our trade receivables primarily reflected amounts due from students who have applied for postponed payment of tuition fees and boarding fees, as well as unpaid amount due from third party customers which received our education related services and other services during the Track Record Period. We made provisions for impairment of trade receivables that potentially could not be recovered where individual students were in financial difficulties. As at December 31, 2016, 2017, 2018 and May 31, 2019, our trade receivables (before provision for impairment) amounted to RMB5.8 million, RMB7.8 million, RMB16.8 million and RMB22.0 million, respectively, while our provision for impairment of trade receivables amounted to RMB4.0 million, RMB5.9 million, RMB5.0 million and RMB7.4 million, respectively. Our exposure to credit risks also includes risks relating to the collection of other receivables. Other receivables primarily related to receivables from enterprise for education courses promotion and advance to employees for travelling purpose, and amounted to RMB4.0 million, RMB7.2 million, RMB5.6 million and RMB5.2 million as at December 31, 2016, 2017, 2018 and May 31, 2019, respectively. We proactively take measures to minimize the credit risks on trade receivables and other receivables. However, we cannot assure you that we will be able to collect the trade receivables and/or other receivables in full amounts or in a timely manner. Delays or failures in payments with respect to our trade receivables or other receivables may affect our cash flow and our ability to meet working capital requirements, and could have a material and adverse impact on our results of operations and financial condition.

Increases in operating costs and expenses, particularly employee benefit expenses, could adversely affect our business and results of operations.

Our operating costs and expenses mainly include employee benefit expenses, depreciation and amortization expenses, and repair and maintenance fees. Particularly, employee benefit expenses, which mainly include salaries and other benefits for our teachers and other teaching staff, accounted for a major portion of our cost of sales during the Track Record Period. For the years ended December 31, 2016, 2017 and 2018 and the five months ended May 31, 2019, employee benefit expenses represented approximately 44.5%, 46.3%, 43.5% and 45.6% of our cost of sales, respectively. Our employee benefit expenses recorded in cost of sales increased from RMB24.0 million in 2016 to RMB24.4 million in 2017 and further to RMB26.8 million in 2018, and increased from RMB9.6 million in the five months ended May 31, 2018 to RMB12.6 million in the five months ended May 31, 2019.

According to the F&S Report, the average annual salary per teacher in private higher education industry in Jiangxi province increased from RMB35,200 in 2014 to RMB51,800 in 2018 and is expected to increase further to RMB81,500 in 2023, representing a CAGR of 9.5% from 2018 to 2023. As we plan to continue attracting and retaining high quality teachers with the professional expertise, teaching experience and work experience in the relevant fields, we intend to continue to offer competitive remuneration and benefit package to our teachers and other teaching staff. However, if the average salary of our teachers and other teaching staff continue to increase significantly, our business and results of operations could be materially and negatively affected.

The assets held by our School may not be pledged as collateral to secure bank loans and other borrowings, which reduces our School's ability to obtain financing to fund its operations.

According to the PRC Security Law (中華人民共和國擔保法) and the PRC Property Law (中華人民共和國物權法), mortgages, pledges or other encumbrances may not be created on properties which are used for public welfare facilities. The buildings that our School owns and occupies may be deemed as "public welfare facilities" under the Law for Promoting Private Education of the PRC (中華人民共和國民辦教育促進法), which provides that private education is considered in the nature of "public welfare." Accordingly, educational facilities of our School may not be mortgaged, which to a certain extent limit our School's ability to obtain financing to fund its operations. If our internally generated capital resources and available credit facilities are insufficient to finance our capital expenditure and growth plans, we may need to seek additional financing from third parties, including banks or other financial institutions. We cannot assure you that we will be able to secure additional funding on terms acceptable to us or in a timely manner, or at all, for various reasons including our inability to provide sufficient and valid collateral for loans and other borrowings. Even if security interests are intended to be created based on such properties under any loan agreement to be entered into between our School and potential lenders, such security interests may not be valid or enforceable under the PRC laws and regulations. In addition, it is possible that a government authority, including any PRC court or administrative authority, may consider the security interests created on such facilities to be in violation of PRC laws if the validity of the pledges are challenged. If we fail to obtain sufficient financing in a timely manner, at a reasonable cost or on acceptable terms, our business, financial condition and future prospects may be materially and adversely affected.

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

Pursuant to PRC laws and regulations, we are required to participate in the employee social welfare plan administered by local governments. Such plan consists of pension insurance, medical insurance, work-related injury insurance, maternity insurance, unemployment insurance and housing provident fund. The amount we are required to contribute for each of our employees under such plan should be calculated based on the employee's actual salary level of previous year, and be subject to a minimum and maximum level as from time to time prescribed by local authorities.

During the Track Record Period, we failed to pay social insurance and housing provident fund in full for our employees based on their actual salary level. As a result, we may be required by competent authorities to pay the outstanding amount, and could be subject to late payment penalties or enforcement application made to the court. As of the latest Practicable Date, no competent government authorities had imposed administrative action, fine or penalty to us with respect to this non-compliance incident, nor had any competent government authorities required us to settle the outstanding amount of social insurance payments and housing provident fund contributions. We have made provisions for the outstanding balance of relevant social insurance payments and housing provident fund contributions for the past two years since June 2017 according to applicable PRC regulations. As of May 31, 2019, our provision amount were RMB0.6 million and RMB1.6 million for social insurance underpayment and housing provident fund underpayment, respectively. For more details, please refer to the paragraph headed "Business — Legal Proceedings and Compliance" in this prospectus.

On July 20, 2018, the General Office of the Communist Party of China and the General Office of the State Council of the PRC issued 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) (the "**Reform Plan**"). Pursuant to the Reform Plan, starting from January 1, 2019, tax authorities shall be responsible for the collection of social insurance contributions in the PRC. However, no specific implementing rules for the Reform Plan have been issued, and the effect of the Reform Plan is uncertain at the current stage. We cannot guarantee that the amount of social insurance contributions we would be required to pay will not increase, nor that we would not be required to pay any shortfalls or be subject to any penalties or fines, any of which may have a material adverse effect on our business and results of operations.

We cannot assure you that the competent local government authorities will not require us to pay the outstanding amount within a specified time limit or impose late fees or fines on us, which may materially and adversely affect our financial condition and results of operations.

Our adoption of RSU Scheme may impact our results of operations in the future.

In recognition of the contributions of our Directors, senior management and employees and to provide incentive for them, we adopted the RSU Scheme on August 20, 2019. Please refer to the paragraphs headed "Statutory and General Information — D. RSU Scheme" to Appendix V in this prospectus. As our Group will receive employment services of the grantees in exchange for the grant of RSUs, share-based compensation expenses in respect of the employment services received will be recognized as an expense over the vesting period, which could adversely affect our results of operations. The total amount to be expensed will be determined by the fair value of the RSUs granted at the grant date and the number of RSUs that are expected to be vested.

Our insurance coverage may not be sufficient.

Our insurance coverage is limited in terms of amount, scope and benefit. We have purchased school liability insurance for our School operations. However, we do not maintain business interruption insurance, product liability insurance or key-man life insurance. For more details, please refer to the paragraph headed "Business — Insurance" in this prospectus. In addition, the insurance industry in China is still at an early stage of development. Insurance companies in China generally offer limited business-related insurance products and such products typically command a high premium that may not be justifiable from a cost-benefit perspective. Therefore, we are exposed to various risks associated with our business and operations. Such risks include but are not limited to, accidents, fires, explosions or injuries in our School, loss of key management and personnel, business interruption, litigation or legal proceedings, natural disasters such as epidemics, pandemics or earthquakes, terrorist attacks and social instability or any other events beyond our control. Our business, financial condition and results of operations may be materially and adversely affected as a result.

Our business may be subject to seasonal fluctuations.

We typically charge our students tuition fees and boarding fees, among others. We generally require our students to pay tuition and boarding fees for the entire school year at the commencement of the school year, and recognize tuition fees as our revenue proportionately over a nine-month period and boarding fees proportionately over a twelve-month period. Accordingly, we may experience fluctuations in our revenue, results of operations and cash flows. These fluctuations could result in volatility and adversely affect the price of our Shares.

If we fail to protect our intellectual property rights or prevent the loss or misappropriation of our intellectual property rights, we may lose our competitive edge and our brand image, reputation and operations may be materially and adversely affected.

Unauthorized use of any of our intellectual property rights may adversely affect our business and reputation. We are endeavored to protect our intellectual property rights by various means including registering our patents and domain names in accordance with applicable PRC laws and regulations. Nevertheless, third parties may obtain and use our intellectual property rights without due authorization. Furthermore, 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 image 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 received notices of any material claims or complaints against us for intellectual property infringement. 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. Although we plan to defend ourselves vigorously in any such litigations or legal proceedings, there is no assurance that we will prevail in these matters. Participation in such litigations and legal proceedings may also cause us to incur substantial expenses and divert the time and attention of our management. An adverse determination in any such litigations or proceedings could subject us to significant liability to third parties, require us to obtain licenses from third parties, pay ongoing royalties, or subject us to injunctions prohibiting the distribution and marketing of our brands or services. In case we lose the ability to use the related materials, contents or technology, the quality of our educational programs and our service offerings 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.

Unauthorized disclosure or manipulation of sensitive information and data of our students, teachers, employees and business partners, whether through breach of our network security or otherwise, could expose us to liabilities 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, identification number, bankcard information and/or other sensitive information and data of our students, teachers, employees and business partners is primarily stored in our computer databases. If our security measures fail to preserve the confidentiality of such information due to actions by third parties, employee error, malfeasance or otherwise, third parties may receive or be able to access such information, which could subject us to liabilities, interrupt our business and adversely impact our reputation. In addition, we run the risk that our employees or third parties could misappropriate or illegally disclose confidential 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.

RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

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

Foreign investment in the education industry in China is extensively regulated and subject to numerous restrictions. As a Cayman Islands company, we are classified as a foreign enterprise under PRC laws. Under the Negative List, higher education is a restricted industry for foreign investors. Foreign investors are allowed to invest in the higher education industry only in the form of cooperative joint venture in which the PRC party must play a dominant role. Furthermore, under the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Funds into the Fields of Education and Promoting the Healthy Development of Private Education issued by the MOE on June 18, 2012 (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 educational institution shall be lower than 50%. According to the Sino-Foreign Regulation, foreign investors invested in higher education must be foreign education institutions with relevant qualifications and experience. For more details, please refer to the paragraph headed "Regulatory Overview — Foreign Investment in Education in the PRC" in this prospectus. In light of these restrictions, we are ineligible to independently operate or control our School through holding equity interests.

We have entered into a series of arrangements pursuant to which our wholly-owned subsidiary, Chen Lin Education Science, receives full economic benefits from our Consolidated Affiliated Entities. For more details, please refer to the section headed "Contractual Arrangements" in this prospectus. We have been and are expected to continue to be dependent on our Contractual Arrangements to operate our School. If the Contractual Arrangements that establish the structure for operating our School are found to be in violation of any PRC laws or regulations in the future or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities, including the MCA and the MOE, which regulate the higher education industry, would have broad discretion in dealing with such violations, including:

- revoking the business and operating licenses of relevant Consolidated Affiliated Entities we control through the Contractual Arrangements;
- discontinuing or restricting the operations of any related-party transactions among our PRC subsidiaries and our Consolidated Affiliated Entities;
- imposing fines or other conditions with which we or our Consolidated Affiliated Entities may not be able to comply;
- requiring us to undergo a costly and disruptive restructuring such as to compel us to establish new entities, re-apply for the necessary licenses or relocate our businesses, staff and assets;
- restricting or prohibiting the use of proceeds from our public offering or other financing activities to finance our business and operations in China; and
- taking other regulatory or enforcement actions, including imposing fines, which could be harmful to our business.

The imposition of any of these penalties may result in a material and adverse effect on our ability to conduct our business in China and a loss of our economic benefits in the assets and operations of Consolidated Affiliated Entities. In addition, if the imposition of any of these penalties causes us to lose the rights to direct the activities of Consolidated Affiliated Entities or our right to receive its economic benefits, we would no longer be able to consolidate such entities, which currently contribute a significant portion of our consolidated revenues.

Uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.

The Foreign Investment Law was promulgated by the National People's Congress on March 15, 2019 and will become effective on January 1, 2020. The Foreign Investment Law will replace the current foreign investment legal regime consisting of three laws: the Sino-Foreign Equity Joint Venture Enterprise Law (中華人民共和國中外合資經營企業法), the Sino-Foreign Cooperative Joint Venture Enterprise Law (中華人民共和國中外合作經營企業法) and the Wholly Foreign-Invested Enterprise Law (中華人民共和國外資企業法).

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

Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes "*foreign investors invest in China through any other methods under laws, administrative regulations, or provisions prescribed by the State Council.*" Therefore, there are possibilities that future laws, administrative regulations or provisions of the State Council may stipulate contractual arrangements as a way of foreign investment, and then whether our Contractual Arrangements will be recognized as foreign investment, whether our Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how our Contractual Arrangements will be handled are uncertain.

In the extreme case-scenario, we may be required to unwind the Contractual Arrangements and/or dispose of our Consolidated Affiliated Entities, which could have a material and adverse effect on our business, financial condition and result of operations. For details of the Foreign Investment Law and its potential impact on the Group, please refer to the paragraph headed "Contractual Arrangements — Foreign Investment Law" in this prospectus.

Therefore, there remains uncertainties with respect to the interpretation and implementation of the Foreign Investment Law and its impact to our Contractual Arrangements and our business, financial condition and results of operations.

The Contractual Arrangements may not be as effective in providing us with control over our Consolidated Affiliated Entities as direct ownership.

We have relied and expect to continue relying on the Contractual Arrangements to operate our Consolidated Affiliated Entities in China. For more details of these Contractual Arrangements, please refer to the section headed "Contractual Arrangements" in this prospectus. These Contractual Arrangements may not be as effective in providing us with control over Consolidated Affiliated Entities as equity ownership. Under the current Contractual Arrangements, as a legal matter, if our Consolidated Affiliated Entities or their shareholders fail to perform their respective obligations under these Contractual Arrangements, we cannot direct corporate actions of our Consolidated Affiliated Entities as the direct ownership otherwise could and therefore we may not be able to maintain an effective control over the operations of our Consolidated Affiliated Entities. If we were to lose effective control over our Consolidated Affiliated Entities, we would no longer be able to consolidate their results of operations, which would materially and adversely affect our financial condition and results of operations.

Any failure by our Consolidated Affiliated Entities or their ultimate shareholders to perform their obligations under our Contractual Arrangements would potentially lead to the incurrence of additional costs and the expending of substantial resources of us to enforce such arrangements, temporary or permanent loss of control over our operation of our School or loss of access to our primary sources of revenue.

Under the current Contractual Arrangements, if any of our Consolidated Affiliated Entities or any of their ultimate shareholders, namely Mr. Huang, Mr. Huang Guandi and Ms. Huang Yuan, fails to perform its or his/her respective obligations under Contractual Arrangements, we may incur substantial costs and resources to enforce such arrangements and rely on legal remedies under PRC laws, including seeking specific performance or injunctive relief and claiming damages.

Our Contractual Arrangements are governed by PRC laws and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC laws and any disputes would be resolved in accordance with PRC legal procedures. Under PRC laws, rulings by arbitrators are final and the parties to a dispute cannot appeal the arbitration results in any court based on the substance of the case. The prevailing party may enforce the arbitration award by instituting arbitration award recognition proceedings with the competent PRC court. The legal environment in the PRC is not as developed as in other jurisdictions. As a result, uncertainties in the PRC legal system could limit our ability to enforce Contractual Arrangements in which case, we may not be able to exert effective control over our Consolidated Affiliated Entities for an extended period of time or we may be permanently unable to exert control over Consolidated Affiliated Entities. If this were to occur, we would be unable to consolidate the financial results of our Consolidated Affiliated Entities. In addition, we may temporarily lose effective control over our Consolidated Affiliated Entities, including our School, during the course of disputes regarding such enforcement action. Any such event would have a material and adverse effect on our business, financial condition and results of operation and would decrease the value of our Shareholders' investments in our Company.

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

Mr. Huang, Mr. Huang Guandi and Ms. Huang Yuan are the ultimate beneficial owners of our Consolidated Affiliated Entities and their interests may differ from the interests of our Company as a whole. We cannot assure you that when conflicts of interest arise, Mr. Huang, Mr. Huang Guandi and Ms. Huang Yuan will act in the best interests of our Company or that such conflicts will be resolved in our favor. In addition, Mr. Huang, Mr. Huang Guandi and Ms. Huang Yuan may breach, or cause our Consolidated Affiliated Entities to breach the existing Contractual Arrangements. If we cannot resolve any conflict of interest or dispute between us and Mr. Huang, Mr. Huang Guandi and Ms. Huang Yuan, we would have to rely on legal proceedings, which could result in disruption to our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings. These uncertainties may impede our ability to enforce the Contractual Arrangements. If we are unable to resolve any such conflicts, or if we experience significant delays or other obstacles as a result of such conflicts, our business operations could be severely disrupted, and our reputation, financial condition and results of operations could be materially and adversely affected.

Our exercise of the option to acquire the equity interests or the school sponsor's interest of our Consolidated Affiliated Entities may be subject to certain limitations and we may incur substantial costs.

We may incur substantial cost in the exercise of the option to acquire the equity interests in our Consolidated Affiliated Entities. Pursuant to the Contractual Arrangements, Chen Lin Education Science has the exclusive right to require the shareholders, the school sponsor of our Consolidated Affiliated Entities to transfer their school sponsor interest in our Consolidated Affiliated Entities, in whole or in part, to Chen Lin Education Science or a third party designated by Chen Lin Education Science at any time and from time to time, at the lowest price allowed under PRC laws and regulations at the time of transfer. If the relevant PRC authorities determine that the purchase prices for acquiring our Consolidated Affiliated Entities are below the market value, they may require WFOE to withhold individual income tax for ownership transfer income with reference to the market value. The amount of the tax may be substantial, which could materially and adversely affect our business, financial condition and results of operations.

The Contractual Arrangements may be subject to scrutiny of PRC tax authorities and additional tax may be imposed, which could 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 Business Cooperation Agreement we have with our 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, there is a risk that PRC tax authorities determine that our subsidiaries or Consolidated Affiliated Entities are evading their tax obligations, and we may not be able to rectify this within any required timeline. 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.

We rely on dividends and other payments from Chen Lin Education Science to pay dividends and other cash distributions to our Shareholders, and any limitation on the ability of Chen Lin Education Science to pay dividends to us would materially and adversely limit our ability to pay dividends to our Shareholders.

We are a holding company and rely principally on dividends paid by our subsidiaries in China for our cash needs, including paying dividends and other cash distributions to our Shareholders to the extent we choose to do so, servicing any debt we may incur and paying our operating expenses. Substantially all of Chen Lin Education Science's income in turn depends on the service fees paid by our Consolidated Affiliated Entities. However, there are restrictions under PRC laws for the payment of dividends to us by Chen Lin Education Science. For example, relevant PRC laws and regulations permit payments of dividends by Chen Lin Education Science only out of its retained earnings, if any, as determined in accordance with PRC accounting standards and regulations and Chen Lin Education Science shall make up its losses of previous years when conducting outward remittance. Under PRC laws and regulations, Chen Lin Education Science is required to set aside at least 10% of its after-tax profits based on PRC accounting standards each year to fund a statutory reserve, until the accumulated amount of such reserve has exceeded 50% of its registered capital. Consequently, Chen Lin Education Science is restricted in its ability to transfer a portion of its net assets to us or any of our other subsidiaries in the form of dividends, loans or advances. Furthermore, PRC laws and regulations require private schools where the school sponsors require reasonable returns to make annual appropriations of 25% of net income to its development fund prior to payments of reasonable returns. Such appropriations are required to be used for the construction or maintenance of the school or for the procurement or upgrading of educational equipment. In the case of a private school where the school sponsor does not require reasonable returns, the school is required to make annual appropriations equivalent to no less than 25% of the annual increase of net profit of the school as determined in accordance with generally accepted accounting principles in the PRC.

Pursuant to the Amendment Decision, sponsors of existing private schools engaged in higher education may elect to register the schools as non-profit or for-profit private schools. Sponsors of for-profit private schools are permitted to receive operating profits, and the surplus from operations shall be handled in accordance with the provisions of the PRC Company Law and other applicable laws and regulations. Sponsors of non-profit private schools are not permitted to receive operating profits, and the surplus from operations shall be used solely for the operation of the schools. However, the Amendment Decision remains silent on the requirement of the development fund of the non-profit schools or for-profit schools. 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 Amendment Decision, please refer to the paragraphs headed "Business — Potential Implications of The Amendment Decision and The MOJ Draft For Comments" in this prospectus.

Our ability to pay dividends and other cash distributions to our Shareholders depends solely on our ability to receive dividends and other distributions from Chen Lin Education Science, which in turn depends on the service fees paid to Chen Lin Education Science from our Consolidated Affiliated Entities. Our PRC Legal Advisor advised that Chen Lin Education Science's right to receive the service fees from our Consolidated Affiliated Entities does not contravene any PRC laws and regulations, and payment of service fees under the Contractual Arrangements should not be regarded as part of the distribution of returns or profits to the sponsor of our School.

As of the Latest Practicable Date, we had not made a definitive decision on whether to register our School as a for-profit or non-profit private school. However, if we elect to register our School as a non-profit private school and if the relevant PRC government authorities take a different view, or the local government authorities change their policy or promulgate any new policies in the future, they may seek to confiscate any or all of the service fees or the relevant payments that have been paid by our Consolidated Affiliated Entities to Chen Lin Education Science, including retrospectively, to the extent that such service fees are tantamount to deemed profit distribution (after the Amendment Decision becoming effective and if our School elects to re-register as a non-profit school) taken by the sponsor of our School in violation of PRC laws and regulations. The foregoing limitation on the ability of Chen Lin Education Science to pay dividends to us and the restrictions on the ability of Consolidated Affiliated Entities to pay service fees to Chen Lin Education Science could materially and adversely limit our ability to service any debt obligations we may incur outside of China or pay dividends to holders of our Shares.

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

A significant portion of our business in China is conducted through Contractual Arrangements. As part of these arrangements, substantially all of our education-related assets, permits and licenses that are important to the operation of our School are held by our Consolidated Affiliated Entities. If any of our Consolidated Affiliated Entities is wound up, and all or part of its assets become subject to liens or rights of third-party creditors or are distributed to other persons of higher priority than our Shareholders in accordance with the applicable PRC laws and regulations, we may be unable to continue some or a significant portion of our business activities, which could materially and adversely affect our business, financial condition and results of operations. If any of our Consolidated Affiliated Entities undergoes a voluntary or involuntary liquidation proceeding as provided by the applicable PRC laws and regulations, including the Law for Promoting Private Education of the PRC (中華人民共和國民辦教育促進法), our Consolidated Affiliated Entities may be required to distribute their assets to other persons of higher priority than Chen Lin Education Science or its designated entity, or 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 School and could materially and adversely affect our business, our ability to generate revenue and the market price of our Shares. While the shareholders of Consolidated Affiliated Entities undertake pursuant to the Contractual Arrangements that in the event of dissolution or liquidation of our Consolidated Affiliated Entities, Chen Lin Education Science or its designated entity shall have the right to exercise all shareholders' right on behalf of the shareholders of our Consolidated Affiliated Entities shall instruct all of our Consolidated Affiliated Entities to transfer assets directly to Chen Lin Education Science or its designated entity before such dissolution or liquidation, we may not be able to exercise our rights in a timely manner and our business, financial condition and operations may be materially and adversely affected.

RISKS RELATING TO DOING BUSINESS IN CHINA

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

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

We cannot predict whether the ongoing evolution of economic condition in China would have any adverse effect on our current or future business, financial condition or results of operations. Despite these economic reforms and measures, the PRC government continues to play a significant role in regulating industrial development, allocation of natural and other resources, production, pricing and management of currency, and there can be no assurance that the PRC government will continue to pursue a policy of economic reform or that the direction of reform will continue to be market friendly.

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

Demand for our services and our business, financial condition and results of operations may be materially and adversely affected by the following factors: (i) political instability or changes in social conditions of the PRC; (ii) changes in laws, regulations, and administrative directives or the interpretation thereof; (iii) measures which may be introduced to control inflation or deflation; and (iv) changes in the rate or method of taxation. These factors are affected by a number of factors which are beyond our control.

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

As an offshore holding company of our PRC subsidiaries, we may use the net proceeds from the Global Offering to (i) extend loans to our Consolidated Affiliated Entities; (ii) make additional capital contributions to our PRC subsidiaries; (iii) establish new subsidiaries in China and make additional new capital contributions to them; and (iv) acquire offshore entities with business operations in China in an offshore transaction. However, most of these uses are subject to PRC regulations and approvals.

We expect that PRC laws and regulations may continue to limit our use of net proceeds from the Global Offering or from other financing sources. We cannot assure you that we will be able to obtain these government registrations, approvals or filings on a timely basis, if at all, with respect to future loans or capital contributions by us to our entities in China. If we fail to receive such registrations, approvals or filings, our ability to use the net proceeds from the Global Offering and to 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 Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Substantially all of our income are 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 pressures 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. 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 subsidiaries and PRC Operating Entities. Any significant change in the exchange rates of the Hong Kong dollar against Renminbi may materially 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 adversely affected.

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

The economy of China has been experiencing significant growth, leading to inflation and increased labor costs. The PRC's overall economy and the average wage in the PRC are expected to continue to grow. Future increases in the PRC'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 by increasing tuition fee rates or to our clients by raising service fee rates.

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. However, as these laws and regulations are relatively new and continue to evolve, interpretation and enforcement of these laws and regulations involve significant uncertainties and different degrees of inconsistency. Some of the laws and regulations are still in the developmental stage and are therefore subject to policy changes. Many laws, regulations, policies and legal requirements have only been recently adopted by PRC central or local government agencies, and their implementation, interpretation and enforcement may involve uncertainty due to the lack of established practice available for reference. We cannot predict the effect of future legal developments in the PRC, including the promulgation of new laws, changes in existing laws or their interpretation or enforcement, or the pre-emption of local regulations by national laws. As a result, there is substantial uncertainty as to the legal protection available to us and our Shareholders. Furthermore, due to the limited volume of published cases and the non-binding nature of prior court decisions, the outcome of dispute resolution may not be as consistent or predictable as in other more developed jurisdictions, which may limit the legal protection available to us. In addition, any litigation in the PRC may be protracted and result in substantial costs the diversion of resources and management attention.

As our Shareholder, you hold an indirect interest in our operations in China. Our operations in the PRC are subject to PRC regulations governing PRC companies. These regulations contain provisions that are required to be included in the articles of association of PRC companies and are intended to regulate the internal affairs of these companies. PRC company law and regulations, in general, and the provisions for the protection of shareholders' rights and access to information, in particular, may be considered less developed than those applicable to companies incorporated in Hong Kong, the United States and other developed countries or regions. In addition, PRC laws, regulations and rules 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.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions in China against us or our management named in the documents based on Hong Kong or other foreign laws.

We are a company incorporated under the laws of the Cayman Islands, we conduct all of our operations in China and all of our assets are located in China. In addition, almost all of our senior executive officers reside within China for a significant portion of the time and are all PRC nationals. As a result, it may be difficult for our Shareholders to effect service of process upon us or those persons inside mainland China. In addition, our PRC Legal Advisor has advised us that China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the Cayman Islands and many other countries and regions. Therefore, recognition and enforcement in China of judgments of a court in any of these non-PRC jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible. For more details, please refer to the paragraph headed "Appendix IV — Summary of the Constitution of the Company and Cayman Islands Company" to this prospectus.

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 (最高人民法院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**"), pursuant to which a party with a final court judgment rendered by a Hong Kong 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 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 the 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 is not 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. Although the Arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the Arrangement may still be uncertain.

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, holders of our Shares may be subject to a PRC withholding tax upon the dividends payable by us and upon gain from the sale of our Shares.

Under the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the "EIT Law") and its implementing regulations, an enterprise established outside China with its "de facto management body" within China is considered a "resident enterprise" in China and will be subject to the PRC enterprise income tax at the rate of 25% on its worldwide income. The tax authorities will normally review factors such as the routine operation of the organizational body that effectively manages the enterprise's production and business operations, locations of personnel holding decision-making power, location of finance and accounting functions and properties of the enterprise. The EIT Law's implementation regulations define the term "de facto management bodies" as "establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise". The State Administration of

Taxation, or the SAT, issued the Notice regarding the Determination of Chinese-Controlled Overseas Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知), or the SAT Circular 82, on April 22, 2009. The SAT Circular 82 provides certain specific criteria for determining whether the "de facto management body" of a Chinese-controlled offshore incorporated enterprise is located inside China, stating that only a company meeting all the criteria would be deemed as having its de facto management body within China. One of the criteria is that a company's major assets, accounting books and minutes and files of its board and shareholders' meetings are located or kept in the PRC.

In addition, the SAT issued a bulletin on July 27, 2011, effective from September 1, 2011, providing further guidance on the implementation of the SAT Circular 82. This bulletin clarifies matters including residence status determination, post-determination administration and competent tax authorities. Although both the SAT Circular 82 and the bulletin only apply to offshore enterprises controlled by PRC enterprises and there are currently no further detailed rules or precedents applicable to us governing the procedures and specific criteria for determining "de facto management body" for companies like ours, the determination criteria set forth in SAT Circular 82 and the bulletin may reflect the SAT's general position on how the "de facto management body" test should be applied in determining the tax residency status of offshore enterprises and how the administration measures should be implemented with respect to such enterprises, regardless of whether they are controlled by PRC enterprises or PRC individuals.

As almost all of our executive Directors and senior management members are based in China, it remains unclear as to how the tax residency rule will apply to our case. As the tax resident status of an enterprise is subject to determination by the PRC tax authorities, there are uncertainties and risks associated with this issue.

Under the EIT Law, foreign corporate shareholders of a PRC resident enterprise will be subject to a 10% (Individual: 20%) withholding tax upon dividends received from the PRC resident enterprise and on gain recognized with respect to the sale of shares of the resident enterprise. Accordingly, if we are treated as a PRC resident enterprise, our Shareholders may be subject to a 10% (Individual: 20%) withholding tax upon dividends received from us and on gain recognized with respect to the sale of our Shares, unless such withholding tax is reduced by an applicable income tax treaty between China and the jurisdiction of the Shareholder. Any such tax may reduce the returns on your investment in our Shares.

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

Our business could be materially and adversely affected by natural disasters, such as earthquakes, floods, landslides, outbreaks of health epidemics such as avian influenza and severe acute respiratory syndrome, or SARS, and Influenza A virus, such as H5N1 subtype and H5N2 subtype flu viruses, as well as terrorist attacks, other acts of violence or war or social instability in the region in which we operate or those generally affecting China. In particular, as our School is a boarding school and our campus provides on-campus accommodation to certain of our teachers and staff, the boarding environment makes our students, teachers and staff exceptionally vulnerable to epidemics or pandemics, which may make it more difficult for us to take preventive measures if an epidemic or pandemic were to occur. If any of these disasters or epidemics and so forth occur, our School and facilities may suffer damage or be required to temporarily or permanently close and our operation of our School or other businesses may be suspended or even terminated. Our students, teachers and staff may also be negatively affected by such events. In addition, any of these could adversely affect the PRC economy and demographics of the affected region, which could adversely affect our business. If this takes place, our business, financial condition and results of operations could be materially adversely affected.

RISKS RELATING TO THE GLOBAL OFFERING

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

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

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

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

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

You will incur immediate and significant dilution and may experience further dilution if we issue additional Shares or other equity securities in the future.

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

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

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

We have significant discretion as to how we will use the net proceeds of the Global Offering, and you may not necessarily agree with how we use them.

Our management may utilize the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favorable return to our Shareholders. We plan to use the net proceeds from the Global Offering, including but not limited to construction, renovation and upgrade of the facilities and infrastructure of our School, repayment of bank loans, acquisition of private education institutions and other general corporate purposes. For more details, please refer to the paragraph headed "Future Plans and Use of Proceeds — Use of Proceeds" in this prospectus. However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, whose judgment you must depend on, for the specific uses we will make of the net proceeds from this Global Offering.

Our Ultimate Controlling Shareholder has significant influence over our Company and his interests may not be aligned with the interests of our other Shareholders.

Immediately following the Global Offering, our ultimate Controlling Shareholder, Mr. Huang, will control in aggregate 51.50% of our Shares, assuming the Over-allotment Option is not exercised at all. Our Controlling Shareholder will, through his voting power at the Shareholders' meetings and his position on the Board, have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional shares or other equity securities, timing and amount of dividend payments, amendment to our Memorandum and Articles of Association and our management. Our Controlling Shareholder may not act in the best interests of our minority Shareholders. In addition, without the consent of our Controlling Shareholder, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as part of a sale of our Company and may significantly reduce the price of our Shares.

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

Our corporate affairs are governed by our Memorandum and Articles and by the Companies Law and common law of the Cayman Islands. The rights of Shareholders to take legal action against our Directors and us, actions by minority Shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes and judicial precedent in existence in the jurisdictions where minority Shareholders may be located. For more details, please refer to the paragraph headed "Appendix IV — Summary of the Constitution of the Company and Cayman Islands Company Law" in this prospectus.

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

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

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

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

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

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

In preparation for the Global Offering, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into the Contractual Arrangements which would constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules following the completion of the Global Offering. We have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Chapter 14A of the Listing Rules in relation to the non-exempt continuing connected transactions contemplated under the Contractual Arrangements. Details of such non-exempt continuing connected transactions and the waivers are set out in the sections headed "Contractual Arrangements" and "Connected Transactions" in this prospectus.

POST TRACK RECORD PERIOD ACQUISITION

Pursuant to the Stock Exchange's guidance letter GL32–12 ("**GL32–12**"), Rules 4.04(2) and 4.04(4) of the Listing Rules apply to any subsidiary and/or business acquired, agreed to be acquired or proposed to be acquired after the trading record period, including an intention of the listing applicant to acquire a specific subsidiary and/or business.

Rules 4.02(2) and 4.04(4) of the Listing Rules require a new listing applicant to include in its accountants' report the results and balance sheet of any business or subsidiary acquired, agreed to be acquired or proposed to be acquired since the date to which the latest audited accountants of the issuer have been made up in respect of each of the three financial years immediately preceding the issue of the listing document.

According to GL32–12, the Stock Exchange may consider granting waivers of Rules 4.04(2) and 4.04(4) on a case-by-case basis, taking into account that, among others, (i) the percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) of such acquisition are all less than 5% by reference to the most recent financial year of the listing applicant's trading record period, (ii) the historical financial information of the acquired or to be acquired business or subsidiary is not available or would be unduly burdensome to obtain or prepare, and (iii) the listing document should include at least the information that would be required for a discloseable transaction under Chapter 14 of the Listing Rules on each acquisition.

On June 2, 2019, Chen Lin Education Science, a wholly-owned subsidiary of our Company, entered into an equity transfer agreement (the "**Transfer Agreement**") with Mr. Yu Chuanhua (喻傳華), an Independent Third Party, pursuant to which Chen Lin Education Science agreed to acquire, and Mr. Yu Chuanhua agreed to transfer, the entire equity interest of Yunnan Chen Lin, at a total consideration of RMB2.0 million (the "**Acquisition**"). The consideration of the Acquisition was determined based on arm's length negotiations between the parties and with reference to the net asset value of Yunnan Chen Lin. Both parties agreed that the consideration will be settled in cash. As at the Latest Practicable Date, the consideration has been settled in full. As confirmed by our PRC Legal Advisor, the Acquisition was completed and registered with the relevant government authorities in the PRC on June 17, 2019.

For the internship management services, apart from sizable enterprises including Tarena International (達內科技), Radiant Opto-Electronics (瑞儀光電) and Japan Display (Suzhou) (晶端顯示), we also cooperate with some human resources companies to source internship opportunities for our students participated in internship programs. Our Directors believe that the Acquisition enables our Group to strengthen our internship management services by expanding our network to explore potential cooperation opportunities with other enterprises. Our Directors are also of the view that terms of the Transfer Agreement and the Acquisition are on normal commercial terms and are fair and reasonable; and the Acquisition is beneficial to our Group and our Shareholders.

Waiver Granted from the Stock Exchange

We have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with Rules 4.04(2) and 4.04(4) in relation to the Acquisition on the following grounds:

(a) *Immateriality*. The Acquisition is insignificant to our Company. The size test regarding assets, profit and revenue calculated pursuant to Rule 14.07 of the Listing Rules are all less than 0.5% and therefore, the Acquisition would not trigger the discloseable transaction requirement under Chapter 14 of the Listing Rules, nor a pro-forma accounts would be required pursuant to 4.28 of the Listing Rules;

(b) *Undue burden to prepare historical financial information of Yunnan Chen Lin*. Strict compliance with the requirements under Rules 4.04(2) and 4.04(4) of the Listing Rules would require an accountants' report on the financial information of Yunnan Chen Lin to be prepared in respect of the financial year ended December 31, 2018 and for the five months ended May 31, 2019 in accordance with IFRSs. Prior to the completion of the Acquisition, given that (i) Mr. Yu Chuanhua was an Independent Third Party, our Company and its auditors had not been allowed to access any financial information of Yunnan Chen Lin to prepare the accountants' report on Yunnan Chen Lin for inclusion in this prospectus; and (ii) our Company did not have any representation in the board of Yunnan Chen Lin to compel it to disclose its historical financial information in this prospectus. Further, following the completion of the Acquisition, the Company and its auditor do not have full and immediate access to, and despite their best efforts, encountered genuine practical difficulties in obtaining, in a short period of time, all of the necessary historical financial information of Yunnan Chen Lin. Moreover, it will require considerable time and resources for our Company and its auditor to fully familiarize themselves with the accounting policies of Yunnan Chen Lin and gather and compile the necessary financial information and supporting documents for disclosure in this prospectus. Accordingly, having considered the immateriality of the business as well as the time and resources required to obtain, compile and audit such historical financial information in conformity with the Company's accounting policies, our Directors considered that the benefits of such work may not justify the additional work and expenses involved which may result in a delay in the listing timetable. It would be impracticable and unduly burdensome to our Company to disclose the audited financial information of Yunnan Chen Lin as required under Rules 4.04(2) and 4.04(4) of the Listing Rules.

(c) *Alternative disclosure*. The Company plans to provide in the prospectus alternative information regarding the Acquisition and Yunnan Chen Lin, with a view to making up for non-inclusion of Yunnan Chen Lin's unaudited results and balance sheets and allowing the potential investors to understand Yunnan Chen Lin in greater details and the impact of the Acquisition on the Company and its subsidiaries as a whole. Such alternative information would include: (a) name and registration date of Yunnan Chen Lin as well as its shareholder prior to the Acquisition, (b) the Company's reason for the Acquisition, including a brief summary of the background of the Acquisition and the basis upon which the consideration was determined, (c) a brief description of Yunnan Chen Lin's principal business activities, (d) financial information of Yunnan Chen Lin including its total assets, revenue and net profit extracted from its unaudited financial statements for the year ended December 31, 2018 and five months ended May 31, 2019, respectively; and (e) the benefits which are expected to accrue to the Company as a result of the Acquisition and a statement that the directors believe that the terms of the Acquisition are fair and reasonable and in the interests of the shareholders as a whole. See "History and Reorganization — Post-Track Record Period Acquisition" for details.

As the consideration with respect to the Acquisition has been fully settled in cash utilizing internal resources of our Company, we do not expect to apply any proceeds from the Global Offering to finance the Acquisition.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus misleading.

GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Public Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorized by our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and any of the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

The Listing is sponsored by the Sole Sponsor and the Global Offering is managed by the Sole Global Coordinator. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price to be determined between the Sole Global Coordinator(for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or about the Price Determination Date.

The Offer Price is expected to be fixed among the Sole Global Coordinator(for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Wednesday, December 4, 2019 and, in any event, not later than Friday, December 6, 2019 (unless otherwise determined between the Sole Global Coordinator(for themselves and on behalf of the Underwriters) and our Company). If, for whatever reason, the Offer Price is not agreed between the Sole Global Coordinator and our Company on or before Friday, December 6, 2019, the Global Offering will not become unconditional and will lapse immediately.

Please refer to the section headed "Underwriting" in this prospectus for further information about the Underwriters and the underwriting arrangements.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of the Hong Kong Offer Shares to, confirm that he/she is aware of the restrictions on offers and sales of the Shares described in this prospectus and the relevant Application Forms.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue, the Offer Shares to be issued by us pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

Dealings in the Shares on the Stock Exchange are expected to commence on Friday, December 13, 2019. Save as disclosed in this prospectus, no part of our Shares or loan capital is listed or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought on any other stock exchange as of the date of this prospectus. All the Offer Shares will be registered on the Hong Kong register of members of our Company in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, our Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the Offer Shares or exercising rights attached to them. None of us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, partners, agents, advisers or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchasing, holding, disposition of, or dealing in, the Offer Shares or exercising any rights attached to them.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set out under the sections headed "Underwriting" and "Structure of the Global Offering" in this prospectus. Assuming that the Over-allotment Option is exercised in full, our Company may be required to issue up to an aggregate of 37,500,000 additional new Shares.

SHARE REGISTER AND STAMP DUTY

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

All Offer Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on the Hong Kong register of members of our Company in Hong Kong. Dealings in the Shares registered in our Hong Kong register of members will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

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

Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangements as such arrangements may affect their rights and interests.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to Apply for the Hong Kong Public Offer Shares" in this prospectus and on the Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

EXCHANGE RATE CONVERSION

Solely for convenience purposes, this prospectus contains translations among certain amounts denominated in Renminbi and Hong Kong dollars. No representation is made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all. Unless indicated otherwise, the translations between Renminbi and Hong Kong dollars were made at the rate of RMB0.8946 to HK$1.00, and the translations between Renminbi and U.S. dollars were made at the rate of RMB7.0037 to US$1.00, being the PBOC rate prevailing on the Latest Practicable Date.

LANGUAGE

If there is any inconsistency between this English prospectus and the Chinese translation of this prospectus, this English prospectus shall prevail. However, the English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like are translations of their Chinese names and are included for identification purposes only. If there is any inconsistency, the Chinese name prevails.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

OTHER

Unless otherwise specified, all references to any shareholdings in our Company following the completion of the Global Offering assume that the Over-allotment Option is not exercised.

DIRECTORS

Name	Address	Nationality
Executive Directors		
HUANG Yulin (黃玉林)	Room 701, Unit 1, Block 7 38 Qing Shan South Road Donghu District, Nanchang Jiangxi, PRC	Chinese
HUANG Boqi (黃伯麒)	Flat B, 12/F, Block 5 Ultima, 23 Fat Kwong Street Ho Man Tin Kowloon, Hong Kong	Chinese
ZHENG Junhui (鄭俊輝)	Room 201, Unit 1, Block 20 Inhabitancy Theme Park 2582 Jin Sha Avenue Nanchang County Nanchang Jiangxi, PRC	Chinese
LI Cunyi (李存益)	Room 401, Unit 2, Block 1 No. 267, Tao Yuan Street Xihu District Nanchang Jiangxi, PRC	Chinese
BAU Siu Fung (鮑小豐)	Flat B, 17/F 102 Broadway Mei Foo Sun Chuen, Mei Foo Kowloon Hong Kong	Chinese
WANG Li (王立)	Room 401, Unit 1, Block 9 No. 2, Jun Cai Road Honggutan New District Nanchang Jiangxi, PRC	Chinese
GAN Tian (干甜)	Room 1332, Unit 2, Block 5 Hong Gu Zhong Avenue Honggutan New District Nanchang Jiangxi, PRC	Chinese

Name	Address	Nationality
Independent non-executive Directors		
CHAN Hon Ki (陳漢淇)	Flat F, 6/F Block 6 620 Castle Peak Road, Phase 2 Belvedere Garden Tsuen Wan New Territories Hong Kong	Chinese
CHEN Wanlong (陳萬龍)	No. 1902, Feng Hua Villa Poly Golf Garden No. 1999, Lu Shan South Road Nanchang, Jiangxi PRC	Chinese
HUANG Juyun (黃居鋆)	Room 403, Block 1 No. 1368, Fenyhe Zhong Avenue Honggutan New District Nanchang Jiangxi, PRC	Chinese
WANG Donglin (王東林)	Room 101, Unit 2, Block 6 North District, No. 437 Beijing West Road, Donghu District Nanchung, Jiangxi PRC	Chinese

Further information is disclosed in the section headed "Directors and Senior Management" in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	**First Shanghai Capital Limited** 19/F., Wing On House 71 Des Voeux Road Central Hong Kong
Sole Global Coordinator	**First Shanghai Securities Limited** 19/F., Wing On House 71 Des Voeux Road Central Hong Kong
Joint Bookrunners	**First Shanghai Securities Limited** 19/F., Wing On House 71 Des Voeux Road Central Hong Kong
	CEB International Capital Corporation Limited 22/F, AIA Central 1 Connaught Road Central Hong Kong
	China Galaxy International Securities (Hong Kong) Co., Ltd. 20/F Wing On Centre 111 Connaught Road Central, Hong Kong
	ABCI Capital Limited 11/F, Agricultural Bank of China Tower, 50 Connaught Road Central Hong Kong
	Haitong International Securities Company Limited 22/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Joint Lead Managers	**First Shanghai Securities Limited** 19/F., Wing On House 71 Des Voeux Road Central Hong Kong
	CEB International Capital Corporation Limited 22/F, AIA Central 1 Connaught Road Central Hong Kong

China Galaxy International Securities (Hong Kong) Co., Ltd.
20/F Wing On Centre
111 Connaught Road Central,
Hong Kong

ABCI Securities Company Limited
10/F, Agricultural Bank of China Tower,
50 Connaught Road Central
Hong Kong

Haitong International Securities Company Limited
22/F Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

First Capital Securities Limited
Unit 4512, 45/F., The Center
99 Queen's Road Central
Hong Kong

Zhongtai Financial International Limited
19/F, Li Po Chun Chambers
189 Des Voeux Road Central
Central
Hong Kong

Huineng Securities Limited
Room 6111–6112, 61/F, The Center
99 Queen's Road Central
Hong Kong

ChaoShang Securities Limited
Room 2206–10, China Resources Building
26 Harbour Road
Wan Chai
Hong Kong

Livermore Holdings Limited
Unit 1214A, 12/F, Tower II Cheung Sha Wan Plaza
833 Cheung Sha Wan Road
Kowloon
Hong Kong

Guoyuan Capital (Hong Kong) Limited
22/F, CCB Tower
3 Connaught Road Central
Hong Kong

Legal Advisors to our Company

As to Hong Kong law:
William Ji & Co. LLP
in Association with
Tian Yuan Law Firm Hong Kong Office
Suite 702, 7/F
Two Chinachem Central
26 Des Voeux Road Central
Central
Hong Kong

As to PRC law:
Jingtian & Gongcheng Attorneys At Law
Suite 45, K. Wah Centre
1010 Huaihai Road (M)
Xuhui District
Shanghai
PRC

As to Cayman Islands law:
Walkers (Hong Kong)
15th Floor, Alexandra House
18 Chater Road
Central
Hong Kong

Legal Advisors to the Sole Sponsor and the Underwriters	*As to Hong Kong and U.S. laws:* **O'Melveny & Myers** 31/F, AIA Central 1 Connaught Road Central Hong Kong *As to PRC law:* **Commerce & Finance Law Offices** 6F, NCI Tower A12, Jianguomen Avenue Beijing PRC
Auditor and Reporting Accountant	**PricewaterhouseCoopers** *Certified Public Accountants* 22/F, Prince's Building Central Hong Kong
Property Valuer	**Cushman & Wakefield Limited** 16/F Jardine House 1 Connaught Place Central Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 1018, Tower B No. 500 Yunjin Road, Xuhui District Shanghai PRC
Receiving Bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Central Hong Kong

Registered Office	**Walkers Corporate Limited** Cayman Corporate Centre 27 Hospital Road, George Town Grand Cayman KY1-9008 Cayman Islands
Headquarters and Principal Place of Business in China	No. 001, Xinjian Lianfu Dadao Nanchang Jiangxi, PRC
Principal Place of Business in Hong Kong	40/F, Sunlight Tower No. 248 Queen's Road East Wanchai Hong Kong
Company's Website	www.chenlin-edu.com *(The information on the website does not form part of this prospectus)*
Company Secretary	Mr. BAU Siu Fung *(HKICPA)* Flat B, 17/F 102 Broadway Mei Foo Sun Chuen, Mei Foo Kowloon Hong Kong
Authorized Representatives	Mr. HUANG Yulin Room 701, Unit 1, Block 7 38 Qing Shan South Road, Donghu District Nanchang Jiangxi, PRC Mr. BAU Siu Fung *(HKICPA)* Flat B, 17/F 102 Broadway Mei Foo Sun Chuen, Mei Foo Kowloon Hong Kong
Audit Committee	Mr. CHAN Hon Ki *(Chairman)* Mr. HUANG Juyun Mr. CHEN Wanlong Mr. WANG Donglin

Remuneration Committee	Mr. CHEN Wanlong *(Chairman)* Mr. HUANG Juyun Mr. CHAN Hon Ki Mr. WANG Li Mr. LI Cunyi
Nomination Committee	Mr. HUANG Juyun *(Chairman)* Mr. WANG Donglin Mr. CHEN Wanlong Mr. LI Cunyi Ms. GAN Tian
Compliance Advisor	**First Shanghai Capital Limited** 19/F., Wing On House 71 Des Voeux Road Central Hong Kong
Principal Share Registrar and Transfer Office	**Walkers Corporate Limited** Cayman Corporate Centre 27 Hospital Road, George Town Grand Cayman KY1-9008 Cayman Islands
Hong Kong Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712–1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal Bankers	**China Construction Bank, Jiangxi Branch, Xin Jian sub-branch** No. 280, Jiefang Road Xiu Jian District Nanchang, Jiangxi PRC

*This section contains certain information, statistics and data which are derived from a commissioned report from Frost & Sullivan, an Independent Third Party (the "**F&S Report**"). The information from official government publications, industry sources and the F&S Report may not be consistent with information available from other sources within or outside the PRC and Hong Kong. We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading in any material respect. However, neither we nor any other party involved in the Global Offering have independently verified such information, and neither we nor any other party involved in the Global Offering are giving any representation as to the accuracy or completeness of such information. As such, investors are cautioned not to place any undue reliance on the information, including statistics and estimates, set forth in this section or similar information included elsewhere in this prospectus. For a discussion of risks relating to our industries, please refer to the paragraph headed "Risk Factors — Risks Relating to Our Business and Our Industry" in this prospectus.*

SOURCES OF INFORMATION

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

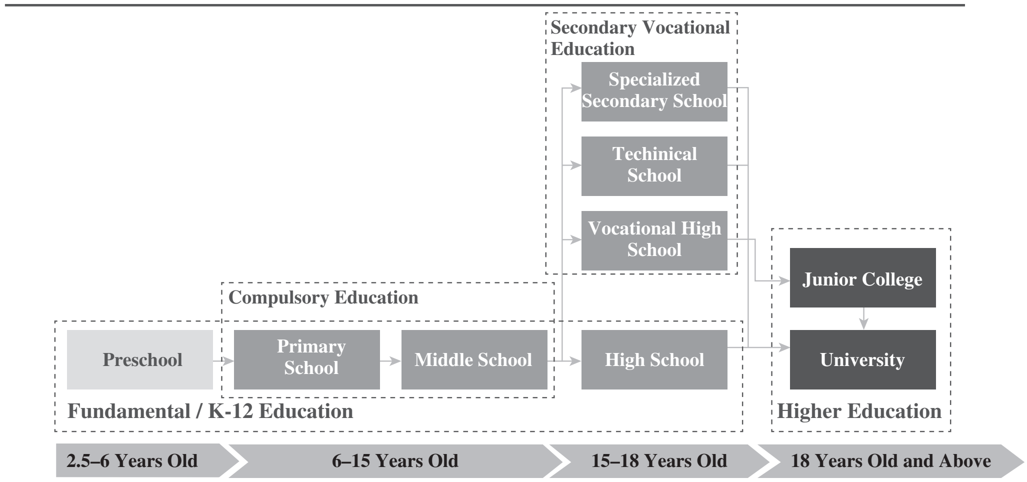
During the preparation of the F&S Report, Frost & Sullivan performed both primary and secondary research, and obtained knowledge, statistics, information and industry insights on the industry trends of the PRC education market and the private higher education market in Jiangxi and China. Primary research involved discussing the status of the industry with leading industry participants and industry experts. Secondary research involved reviewing annual reports of companies, independent research reports and Frost & Sullivan's proprietary database. The F&S Report was compiled based on the following assumptions: (1) China's social, economic and political environment is likely to remain stable in the forecast period; and (2) the related industry key drivers are likely to drive the market in the forecast period.

Frost & Sullivan is an independent global consulting firm, which was founded in New York in 1961. It offers industry research and market strategies, and provides growth consulting and corporate training. We are contracted to pay a fee of RMB1,000,000 to Frost & Sullivan in connection with the preparation of the F&S Report. We have extracted certain information from the F&S Report in this section, as well as in the sections headed "Summary", "Risk Factors", "Business", "Financial Information" and elsewhere in this prospectus to provide our potential investors with a more comprehensive presentation of the industries in which we operate. Our Directors confirm to the best of their knowledge, and after making reasonable enquiries, that there have been no adverse changes in the industry since the date of the F&S Report which may qualify, contradict or have an impact on the information set out in this section.

OVERVIEW OF THE CHINA FORMAL EDUCATION INDUSTRY

China's formal education system can be classified into (i) fundamental education, which includes education from preschool to high school, (ii) secondary vocational education and (iii) higher education. Formal higher education is provided by either junior colleges or universities granting different diplomas or degrees, while secondary vocational education is provided by technical schools, vocational high schools and specialized secondary schools.

Overview of China's Formal Education System

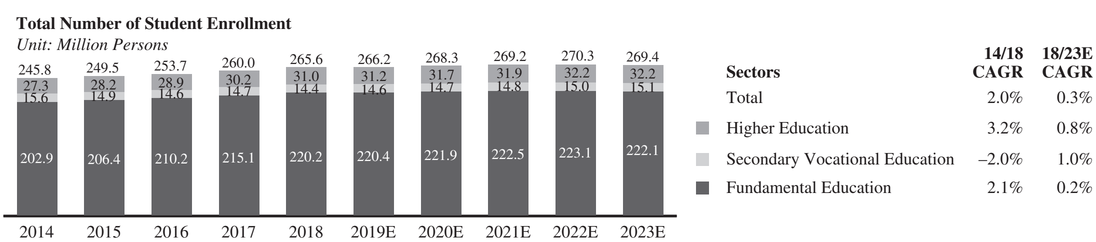


Source: Frost & Sullivan

Market Size of the Formal Education Industry in China

According to the F&S Report, the number of student enrollment in the education industry in China had increased from 245.8 million in 2014 to 265.6 million in 2018. The increasing trend is expected to continue in the future, with the number of student enrollment in formal education in China reaching 269.4 million in 2023. Particularly, the number of students enrolled in higher education was 31.0 million in 2018 and is expected to reach 32.2 million in 2023, according to the F&S Report. The diagram below sets forth the number of student enrollment in formal education in China from 2014 to 2018 and the forecast number of student enrollment from 2019 to 2023.

Total Number of Student Enrollment in Formal Education (China), 2014–2023E



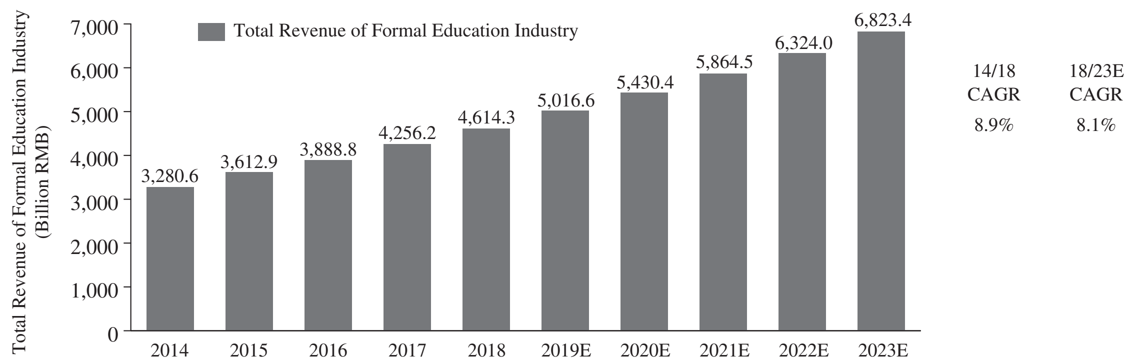
Source: Frost & Sullivan

The PRC education industry has exhibited strong growth over the past five years. According to the National Bureau of Statistics of China and the MOE, China's total public expenditure on education increased from RMB2,642.1 billion in 2014 to RMB3,699.6 billion in 2018, representing a CAGR of 8.8%. While the PRC government has continued to increase its budget on education, in terms of public expenditure on education as a percentage of GDP, China still lagged behind many developed countries. For example, in 2018, China's public expenditure on education accounted for 4.1% of its GDP, lower than that of the United States (i.e., 5.0%), France (i.e., 5.5%) and the United Kingdom (i.e., 5.5%), according to the F&S Report. Going forward, the PRC government is expected to further increase its expenditure on education. In addition to the increasing public expenditure on education, the Chinese per capita annual expenditure of urban households on education also grew from RMB878.5 in 2014 to RMB1,195.5 in 2018, representing a CAGR of 8.0%. Looking forward, with the increasing wealth of

Chinese households and Chinese parents' increasing attention to the importance of their children's education, the per capita annual expenditure of urban households on education is expected to reach RMB1,780.8 by 2023, representing a CAGR of 8.3% from 2018 to 2023, according to the F&S Report.

According to the National Bureau of Statistics of China and Ministry of Education of the PRC, the total revenue of the formal education industry in China increased from RMB3,280.6 billion in 2014 to RMB4,614.3 billion in 2018, representing a CAGR of 8.9%, and is expected to increase to RMB6,823.4 billion in 2023 at a CAGR of 8.1% from 2018 to 2023.

Total Revenue of Formal Education Industry (China), 2014–2023E



Source: National Bureau of Statistics, Frost & Sullivan

Entry Barriers for the Formal Education Industry in China

According to the F&S Report, the formal education industry in China has high entry barriers to deter new market entrants. The key barriers include regulatory approvals which involve lengthy and complex application procedures, high capital requirements, availability of land and relevant facilities to operate schools, and availability of qualified teaching staff.

Future Development Trends of the Formal Education Industry in China

According to the F&S Report, the future development trends of the education industry in China include the following:

- *Income growth driving spending on high quality education:* Along with the steady growth of the Chinese economy, the number of middle class families has been rising steadily, contributing to the increased expenditure on high quality education.

- *Encouragement of private capital investment:* The central Chinese government encourages private capital to enter the education industry in China, which is currently mainly funded and operated by the government. Notwithstanding recent regulatory change, including the MOJ Draft for Comments, large-scale private education service providers are likely to be favored by government policies.

- *Exam-oriented education shifting to comprehensive quality-oriented education:* Parents in China gradually realize the defects of exam-oriented education and have started to put more focus on students' overall development, including social skills, problem-solving capabilities, and psychological and physical health. Therefore, it is expected that the schools that can offer more comprehensive quality-oriented education with diversified courses will be favored by parents in China.

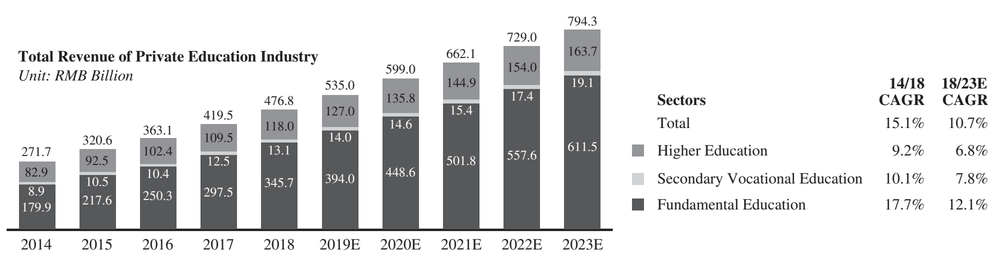
- *More higher education institutions focusing on application-oriented education:* The PRC government has issued policies to support the development of application-oriented undergraduate education in China, as well as the establishment of a classification and evaluation system for China's regular universities by 2020. Hence, it is expected that more higher education institutions will put more focus on the cultivation of application-oriented talents in China in the future.

THE PRIVATE EDUCATION INDUSTRY IN CHINA

Market Size of the Private Education Industry in China

Private education has become a crucial element in the Chinese educational system. The total revenue of the private education industry in China has increased from RMB271.7 billion in 2014 to RMB476.8 billion in 2018, representing a CAGR of 15.1%, and is expected to further increase to RMB794.3 billion in 2023 at a CAGR of 10.7%.

Total Revenue of Private Education Industry (China), 2014–2023E



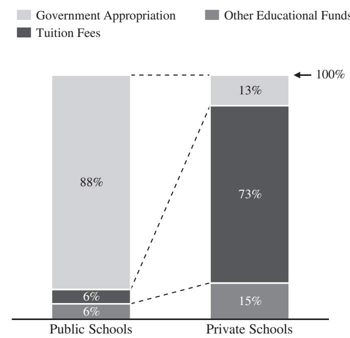
Source: Frost & Sullivan

Revenue Source of the Education Industry: Public Education vs. Private Education

The public education industry in China is mainly funded by the government. In 2018, approximately 88% of the revenue of public schools was funded by the government while a small part of the revenue was contributed by tuition fees, accounting for approximately 6% of the total revenue of public schools.

In contrast, private schools are mainly supported by tuition fees and other funds provided by investors, and through donations and fundraising. In 2018, tuition fees were the major source of revenue for private schools in China, contributing to 73% of their total revenue.

Revenue Source of Education Industry: Public Education vs. Private Education, 2018



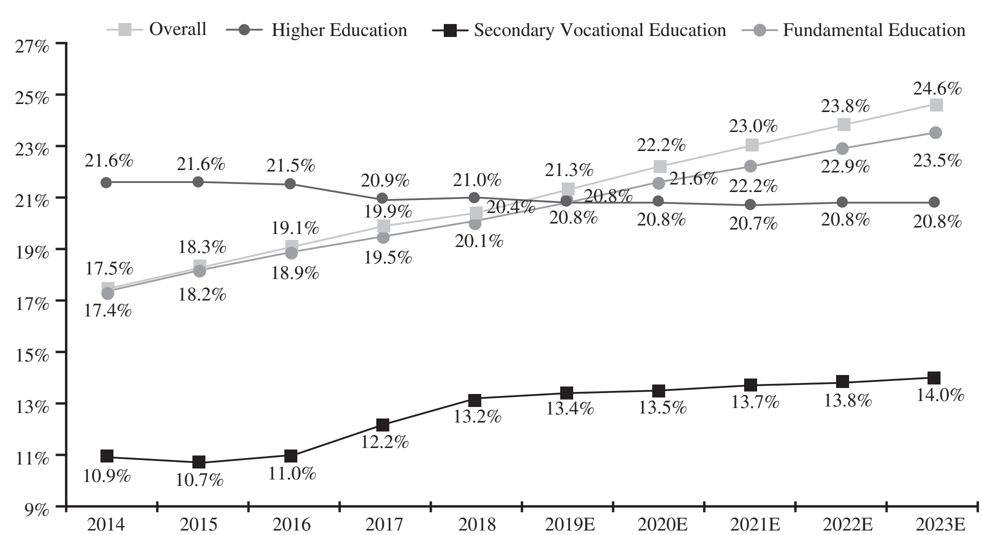
Source: Frost & Sullivan

Note: the percentages may not add up to 100% due to rounding.

Penetration of Private Schools in China's Education Industry

According to the F&S Report, the overall penetration rate of private schools in China's education industry has continuously increased from 2014 to 2018, and is expected to continue to increase in the future.

Penetration Rate of Private Schools in the Education Industry in Terms of Number of Student Enrollment (China), 2014–2023E



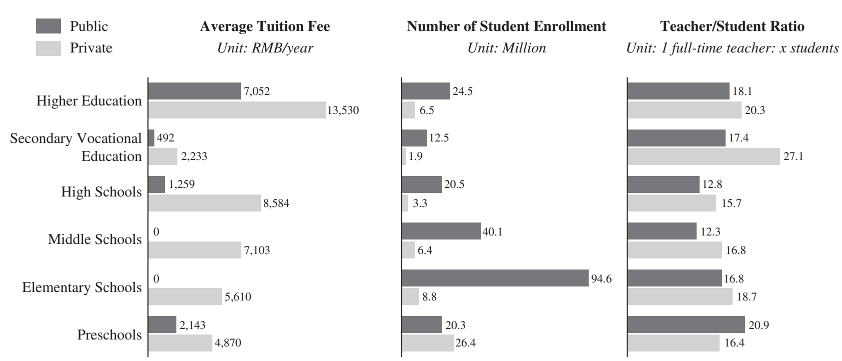
Source: Frost & Sullivan

Comparison between Private Schools and Public Schools in China

The following table sets forth the major differences between private schools and public schools:

	Private Schools	Public Schools
Admission Barrier	• Lower entry barrier with fewer administrative procedures and restrictions on students' background	• Higher entry barrier with more restrictions on students' background, such as permanent residency in relevant cities
Operational independence	• High independence in terms of schools' daily operation and development direction	• Low independence in terms of school's daily operation and development direction • Directly administered by relevant government authorities
Awareness of competition	• Stronger awareness of competition • High incentive to enhance competitiveness	• Weaker awareness of competition • Dependent on financial support from the government which may result in slow development progress

According to the F&S Report, in 2018, private schools typically charged higher tuition fees on average, and had a lower number of student enrollment and teacher/student ratio, compared to public schools.



Source: Ministry of Education, Frost & Sullivan

THE PRIVATE HIGHER EDUCATION INDUSTRY IN CHINA

According to the F&S Report, the private higher education industry in China has experienced rapid growth since the 1990s, and the relevant government authorities endeavoured to complete the regulatory framework for private higher education.

Private higher education institutions in China can be classified into three categories:

- **Private Regular Universities (民辦普通本科學校):** operated by non-governmental entities or individuals, these universities offer undergraduate programs and award bachelor's or higher degrees.

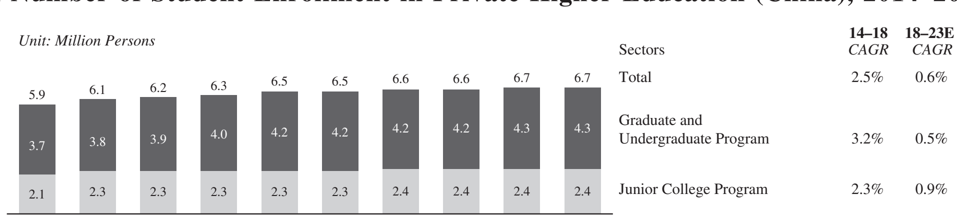
- **Private Junior Colleges (民辦普通專科學校):** operated by non-governmental entities or individuals, these colleges award junior college diplomas.

- **Independent Colleges (獨立學院):** operated by public universities and colleges in cooperation with non-governmental entities or individuals, these colleges offer undergraduate programs and are not authorized to grant bachelor's degrees without referring to the names of the sponsoring public universities. Independent colleges are different from other private higher education institutions in various aspects, including (i) the operation and student admission of independent colleges are under the names of the sponsoring public universities; (ii) some independent colleges are located on the campus of their corresponding sponsoring public universities and use the teachers and other teaching resources of their corresponding sponsoring public universities; and (iii) independent colleges normally pay a certain portion of their tuition fee income to the sponsoring public universities for the use of their brands and resources.

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

According to the F&S Report, the total revenue of the private higher education industry in China increased from RMB82.9 billion in 2014 to RMB118.0 billion in 2018, and is expected to further increase to RMB163.7 billion in 2023, driven jointly by the increasing student enrollment in private higher education and rising average tuition fees per student. In terms of student enrollment in the higher education industry in China, according to the F&S Report, the number of student enrollment increased from 5.9 million in 2014 to 6.5 million in 2018, and is expected to further increase to 6.7 million in 2023. The number of students enrolled in undergraduate and graduate programs increased from 3.7 million in 2014 to 4.2 million in 2018, representing a CAGR of 3.2%. Going forward, the number of student enrollment in this segment is expected to grow from 4.2 million in 2018 to 4.3 million in 2023 at a CAGR of 0.5%.

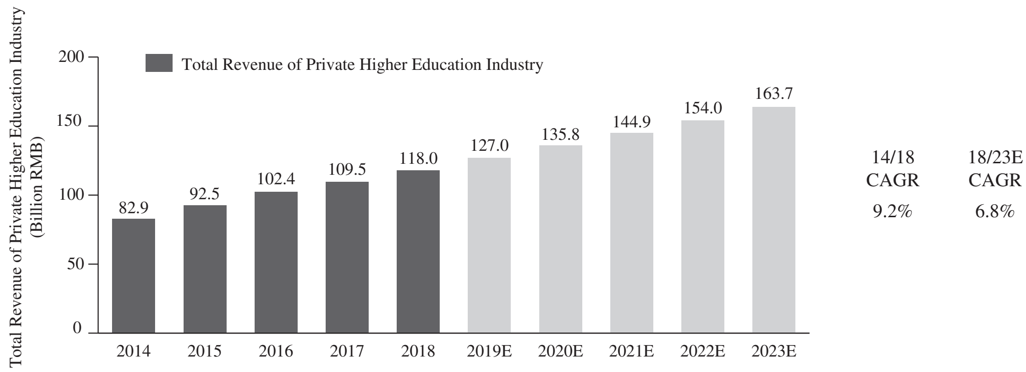
Total Number of Student Enrollment in Private Higher Education (China), 2014–2023E



Source: Frost & Sullivan

Note: Due to rounding, numbers presented above may not add up precisely to the totals.

Total Revenue of Private Higher Education Industry (China), 2014–2023E



Source: Frost & Sullivan

Market Drivers of Private Higher Education in China

The development of private higher education in China is primarily driven by the following factors:

- *Increasing wealth and demand for higher education:* As the income of Chinese people increase and their living conditions improve, Chinese people are becoming increasingly aware of the importance of education. With the rapidly increasing demand for higher education and the limited public resources for higher education in China, the private education industry is expected to have great growth potentials. Compared with major developed countries in Europe and North America, China's higher education student enrollment rate is significantly lower, but is expected to continue to increase. Given that public educational resources is likely to increase at a relatively steady pace, private education is expected to fulfill the residual demand for higher education in China.

- *Government support:* The development of private higher education in China is strongly supported by the PRC government, which has issued and promulgated favourable policies and laws. Examples include the Notification of Enhancing the Management and Conducting the Development of Non-governmental Colleges and Universities by General Office of the State Council of PRC ("國務院辦公廳關於加強民辦高校規範管理引導民辦高等教育健康發展的通知") and Non-governmental Education Promotion Law of People's Republic of China ("中華人民共和國民辦教育促進法").

- *Growing market demand for technical talents:* As a result of strong economic development in China, technical talents in all fields of study are in demand. The market has experienced a significant lack of well-trained skilled frontline workers, which drives the demand for private higher education focusing on professional development.

- *Increasing diversification and strengthened education quality:* Leveraging on government support and the continuously strengthened capabilities of private education service providers, the quality of private higher education has been improving. Private education service providers that focus on professional education have also been expanding their curriculums and increasing their level of specialization in each field of study. Such developments are expected to attract more students to private higher education.

Future Development Trends of the Private Higher Education Industry in China

According to the F&S Report, the future development trends of the private higher education industry in China include the following:

- *Increasing number of private universities:* Supported by private education service providers' enhanced capability to integrate quality academic with capital resources, continuous improvement of the quality of education and better recognition, independent colleges are more likely to transform into private universities. This trend is also driven by students' demand for higher academic qualifications as a result of the social, economic and technological development in China and the increased spending on education over the years.

- *Industry consolidation:* As leading players in the private higher education industry pursue business growth through mergers and acquisitions, the industry is expected to consolidate. The expansion by mergers and acquisition is ascribed to a number of factors, including the stringent legal requirements on the establishment of universities, capital-intensive nature of the industry, lengthy preparation and establishment procedures.

- *Better match of talent cultivation and market demand:* Universities focusing on application-oriented education provide courses in line with industry practices and nurture technical talents with skillsets that suit the demand of the employers in China. The PRC government is also expected to increase its support for the development of universities and junior colleges focusing on application-oriented education.

- *Increasing school-enterprise cooperation:* School-enterprise cooperation has become an inevitable and growing trend in the private higher education industry in China. Through school-enterprise cooperation in aspects such as co-developed curriculums and employment-oriented classes, schools can eliminate the mismatch between the goals of talent cultivation and employers' requirements. Nowadays, in an attempt to differentiate themselves from public academic-oriented higher education institutions, an increasing number of private higher education institutions are re-positioning themselves to application-oriented institutions which put more emphasis on students' practical skills development and employment.

Competitive Landscape of the Private Higher Education Industry in China

China's private higher education industry is highly fragmented and the majority of private higher education providers only operate one private higher education institution. Private higher education institutions are categorised into private regular universities, independent colleges and private junior colleges. In 2018, the total number of private higher education institutions in China reached 749, of which 265 are independent colleges.

Entry Barriers for the Private Higher Education Industry in China

According to the F&S Report, the Chinese private higher education industry generally has the following entry barriers:

- *Government regulations:* The establishment of private colleges and universities in China is subject to government approval and is regulated in terms of, for example, the minimum amount of registered capital, minimum time of preparation before enrollment, and minimum number of student enrollment. New market entrants may find it difficult to fulfill such regulatory requirements.

- *Brand recognition and source of students:* Reputation is one of the most essential criteria that students and parents consider when choosing schools. As new market entrants may need considerable time and experience to establish a solid reputation for quality, they may face difficulty to enroll sufficient students.

- *Capital requirements:* The establishment of schools requires a substantial amount of initial capital for the construction of campuses and facilities and the acquisition of equipment. The high initial capital requirements, together with the additional investments needed for school expansions and continuous maintenance, constitute a high entry barrier.

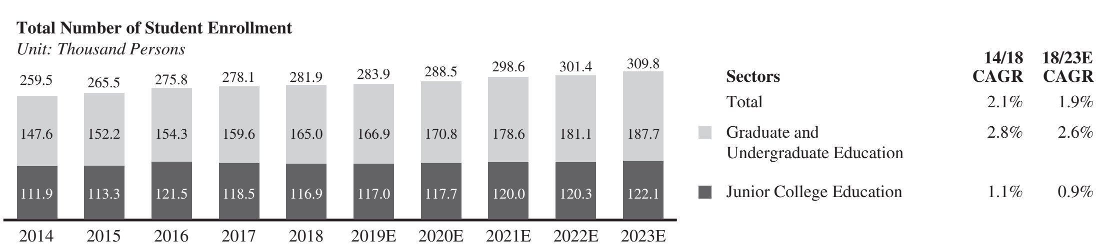
- *Availability of qualified teaching staff:* Qualified teachers are inextricably linked to the quality of education. New market entrants lacking access to qualified teachers will face difficulty to compete with other competitors.

THE PRIVATE HIGHER EDUCATION INDUSTRY IN JIANGXI PROVINCE

Along with the fast development of the private higher education industry in China, according to the F&S Report, the private higher education industry in Jiangxi province also experienced rapid growth in the past five years and is expected to grow in the future.

According to the F&S Report, the total revenue of private higher education in Jiangxi province grew from RMB2.8 billion in 2014 to RMB4.0 billion in 2018, representing a CAGR of 9.3% from 2014 to 2018, and is expected to further increase to RMB6.1 billion in 2023 at a CAGR of 8.8% from 2018 to 2023. With respect to student enrollment, the total student enrollment in the private higher education industry in Jiangxi province increased from 259.5 thousand in 2014 to 281.9 thousand in 2018, representing a CAGR of 2.1%, and is expected to rise further to 309.8 thousand in 2023 at a CAGR of 1.9% from 2018 to 2023.

Total Number of Student Enrollment in Private Higher Education (Jiangxi), 2014–2023E



Source: Frost & Sullivan

Competitive Landscape of the Private Higher Education Industry in Jiangxi Province

The following table shows the student enrollment numbers of the top 5 private higher education providers in Jiangxi province in 2018. JUAS was the fourth largest private higher education group in Jiangxi province in terms of student enrollment with 14,423 students enrolled for the 2018/2019 school year.

Leading Players in the Private Higher Education Industry (Jiangxi) in Terms of Student Enrollment, 2018

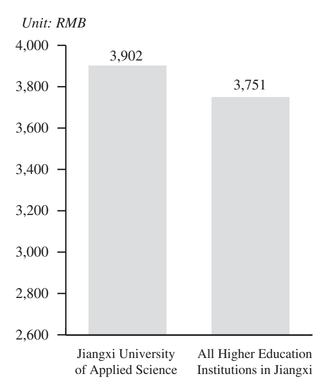
Rank	Market Players	Number of Student Enrolled (in thousands)
1	Education group A	40.5
2	Education group B	27.0
3	Education group C	21.6
4	JUAS	14.4
5	Education group D	13.9

Source: Frost & Sullivan

The average monthly salary of students newly graduated from JUAS in the 2017/2018 school year was RMB3,902, which was greater than that of the new graduates of all higher education institutions in Jiangxi in the 2017/2018 school years by RMB151, according to the F&S Report. Generally, the salary of graduates is a critical indicator to evaluate a higher education institution's competitiveness, teaching quality and brand recognition. In addition, the salary of past graduates would influence a higher education institution's future student recruitment and attractiveness to students.

Through improving teaching quality and establishing cooperative relationships with enterprises, JUAS has realized a higher average monthly salary of new graduates than the market average in Jiangxi province, which is expected to enhance its attractiveness to high school graduates, thus increasing its future student enrollment.

Average Monthly Salary of New Graduates, School Year 2017/2018



Source: Frost & Sullivan

Main costs for the private higher education industry in the PRC

Costs for the private higher education industry in the PRC mainly include staff cost, maintenance and operational costs, and depreciation and amortization expenses, among others. Particularly, staff cost are generally the largest cost of private higher education providers and is usually driven by multiple factors including average salary of teachers, student-teacher ratio and teacher-staff ratio. The average annual salary per teacher in private higher education industry in Jiangxi province increased from RMB35,200 in 2014 to RMB51,800 in 2018 and is expected to increase to RMB81,500 in 2023, representing a CAGR of 9.5% from 2018 to 2023, according to the F&S Report.

FOREIGN INVESTMENT IN EDUCATION IN THE PRC

Foreign Investment Industries Catalogue and Negative List

Pursuant to the Foreign Investment Catalogue amended and promulgated jointly by the NDRC and the MOFCOM on June 28, 2017 and became effective on July 28, 2017, the Catalogue of Industries for Encouraged Foreign Investment (2019 Version) (《鼓勵外商投資產業目錄(2019年版)》) promulgated by the NDRC and the MOFCOM on June 30, 2019 and came into effect on 30 July 2019 which substituted the "Catalog of Encouraged Industries for Foreign Investment" of the Foreign Investment Catalogue, and the Special Management Measures (Negative List) for the Access of Foreign Investment (2019 Version) (《外商投資准入特別管理措施(負面清單)(2019年版)》) promulgated by the NDRC and the MOFCOM on June 30, 2019 and came into effect on July 30, 2019, foreign investments in the PRC shall be classified into two categories, namely "Catalog of Encouraged Industries for Foreign Investment" and "Special Management Measures (Negative List) for the Access of Foreign Investment." Among which, the "Special Management Measures (Negative List) for the Access of Foreign Investment" was further classified into "Catalog of Industries Limited for Foreign Investment" and "Catalog of Industries Prohibited for Foreign Investment." Industries which do not fall within the "Special Management Measures (Negative List) for the Access of Foreign Investment" are industries permitted for foreign investment.

According to the Negative List, higher education is a restricted industry for foreign investments. Foreign investments in higher education institutions are only allowed in the form of sino-foreign cooperative education institutions in which the domestic party shall play a dominant role. This suggests that the principal or the chief executive officer of the schools shall be a PRC national and the representative of the domestic party shall account for no less than half of the total members of the board of directors, the executive council or the joint administration committee of the sino-foreign cooperative education institution.

Regulations on Sino-Foreign Cooperation in operating schools

Sino-foreign cooperation in operating schools is specifically governed by the Regulation on Sino-Foreign Regulation, 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.

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 organizations with relevant qualifications and experience in providing high-quality education and PRC educational organizations 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 organization must be a foreign educational institution with relevant qualification, experience in education, and high-quality education ability. Sino-foreign cooperative schools are not permitted, however, to engage in compulsory education and military, police, political and other kinds of education that are of a special nature in the PRC. Any Sino-foreign cooperation school and cooperation program shall be approved by relevant education authorities and obtain the Permit of Sino-Foreign Cooperation in Operating School. A Sino-foreign cooperation school established without the above approval or permit may be prohibited by the relevant authorities, be ordered to refund the fees collected from its students and be subject to a fine of no more than RMB100,000, while a Sino-foreign cooperation program established without such approval or permit may also be banned and be ordered to refund the fees collected from its students.

On June 18, 2012, the MOE issued the Implement Opinions 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%.

Foreign Investment Law

On 15 March, 2019, the NPC adopted the PRC foreign investment law (中華人民共和國外商投資法) (the "**Foreign Investment Law**") at the closing meeting of the second session of the 13th NPC. Upon taking effect on 1 January, 2020, the Foreign Investment Law will replace the Sino-Foreign Equity Joint Venture Enterprise Law (中華人民共和國中外合資經營企業法), the Sino-Foreign Cooperative Joint Venture Enterprise Law (中華人民共和國中外合作經營企業法) and the Wholly Foreign-Invested Enterprise Law (中華人民共和國外資企業法) to become the legal foundation for foreign investment in the PRC.

The Foreign Investment Law aims to further expand the opening-up of the Chinese market, promote the foreign investment, and protect the legitimate rights and interests of foreign investors. The Foreign Investment Law defines "foreign investment" as the investment activities carried out directly or indirectly by foreign investors in China, including the following scenarios where:

- foreign investors, independently or jointly with other investors, set up foreign-invested enterprises in China;
- foreign investors obtain shares, equities, property shares or other similar rights and interests of Chinese domestic enterprises;
- foreign investors, independently or jointly with other investors, invest in new projects in China; and
- investment through other means stipulated in laws, administrative regulations or provisions of the State Council.

The Foreign Investment Law stipulates that the PRC implements a system of pre-entry national treatment plus negative list for the administration of foreign investment. "Pre-entry national treatment" means the treatment given to foreign investors and their investment at the market accessing stage being not less favourable than that given to domestic investors and their investment. "Negative list" means the special administrative measures stipulated by the State for foreign investment's access to specific areas. Foreign investors shall not invest in any area where foreign investment is prohibited as set out in the negative list. Foreign investors shall meet the conditions prescribed in the negative list before investing in any area where foreign investment is restricted. The PRC grants national treatment to foreign investment outside the negative list.

Except for the regulations on market entry, the Foreign Investment Law undertakes to protect the investment, incomes and other legitimate rights and interests of foreign investors in China. The Foreign Investment Law provides that the State would not impose expropriation on the investment of foreign investors; under special circumstances where expropriation or requisition on foreign investment is justified, legal procedure shall be followed, and fair and reasonable compensation shall be provided. The Foreign Investment Law allows foreign investors' profits, capital gains, intellectual property royalties and other gains to be freely remitted outward in accordance with laws. The Foreign Investment Law pledges to protect the intellectual property of foreign investors and foreign-invested enterprises.

The Foreign Investment Law also contains many provisions aiming to promote foreign investment, including that the State's policies supporting enterprise development are equally applicable to foreign-invested enterprises in accordance with the law; that foreign-invested enterprises are able to participate in government procurement activities through fair competition; and that products produced and services provided by foreign-invested enterprises in China will be treated equally in government procurement activities.

In terms of foreign-invested enterprises established according to the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law or the Wholly Foreign-invested Enterprise Law before the implementation of the Foreign Investment Law, i.e., 1 January 2020, the Foreign Investment Law provides that they may maintain their original organisation forms within five years after the implementation of the Foreign Investment Law. Specific implementing measures will be prescribed by the State Council.

REGULATIONS ON PRIVATE EDUCATION IN THE PRC

Education Law of the PRC

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

The Education Law was amended (the "**amended Education Law**") by the Standing committee of the PRC National People's Congress (the "**SCNPC**") on December 27, 2015, and became effective on June 1, 2016. The amended Education Law does not include the requirement that no organization 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 organizations.

Regulations on Higher Education

According to the Higher Education Law of the PRC (《中華人民共和國高等教育法》), which was promulgated by the SCNPC on August 29, 1998 and amended on December 27, 2015 and December 29, 2018, respectively, higher education includes education for academic qualifications and education for non-academic qualifications. Higher education institutions refer to universities, independent colleges, and specialised higher education schools, including higher vocational schools and higher education schools for adults. Higher education for academic qualifications include junior college education, undergraduate education and graduate course education. Higher education shall be conducted by higher education institutions and other higher education organizations. The establishment of higher education institutions for undergraduate education and above shall be subject to examination and approval by the administrative department for education under the State Council; and the establishment of higher education institutions for junior college education shall be subject to examination and approval by the people's governments of provinces, autonomous regions and municipalities directly under the PRC central government. The establishment of other higher education organizations shall be subject to examination and approval by the administrative department for education under the people's governments of provinces, autonomous regions and municipalities directly under the PRC central government. Higher education institutions shall be established in accordance with state plans for the development of higher education and in line with the interests of the state and the public. Universities shall mainly conduct undergraduate education and education at a higher level. Specialised higher education schools shall conduct junior college education. With the approval of the administrative department for education under the State Council, research institutes may undertake the graduate program. Other higher education organizations shall conduct higher education for non-academic qualifications. Universities shall, in addition, have better qualified staff for teaching and research, a higher level of teaching and research, as well as a necessary size of the student body, so that they can offer undergraduate education and education at a higher level. Moreover, universities shall offer at least three branches of learning designated by the state as the main courses.

Further, the MOE issued the Several Provisions on the Administration of Non-state-operated Colleges and Universities (《民辦高等學校辦學管理若干規定》) on February 3, 2007, which were amended on November 10, 2015, pursuant to which the conditions for running private colleges and universities shall conform to the establishment standards as prescribed by the state and the basic indicators for running regular colleges and universities. The investors of a private college or university shall, under the private education promotion law and the regulation for the implementation thereof, timely and fully perform the capital contribution obligation. No private college or university may engage in educational and teaching activities in any place other than those specified in the licence for running private education, or establish any branch, rent or lend to others its licence for running private education. The principal of a private college or university shall satisfy the appointment requirements of the state and shall have ten or more years of experience of administration of higher education and shall not be over 70 years old. The term of office of a principal shall be four years in principle.

According to the Provisions on the Set-up of Undergraduate Majors in Colleges and Universities (《普通高等學校本科專業設置管理規定》) and the Undergraduate Majors Directory for Colleges and Universities (2012) (《普通高等學校本科專業目錄(2012年)》) (the "**Undergraduate Majors Directory**"), the set-up of undergraduate majors included in the Undergraduate Majors Directory shall be filed with the MOE, while the set-up of undergraduate majors outside the Undergraduate Majors Directory or state-controlled majors is subject to the approval of the MOE.

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 (《中華人民民共和國民辦教育促進法》) (the "**Law for Promoting Private Education**") became effective on September 1, 2003 and was amended on June 29, 2013, November 7, 2016 and December 29, 2018, respectively, 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 needs of the development of the local education, and shall satisfy the requirements in accordance with the Education Law and relevant laws and regulations. The standards for the establishment of private schools shall be executed by reference to those for the establishment of public schools of the same level and category.

Private schools providing academic qualifications education and other education shall be subject to approval by the education authorities at or above the county level, while private schools engaging in occupational qualification training and occupational skill training shall be subject to approvals from the authorities in charge of labour and social welfare at or above the county level. A duly approved private school will be granted a Licence of Operating a Private School (《民辦學校辦學許可證》), and shall be registered with the Ministry of Civil Affairs of the PRC (the "**MCA**") (中華人民共和國民政部) or its local counterparts as a privately run non-enterprise institution (民辦非企業單位). As of the Latest Practicable Date, our School had obtained the Licence of Operating a Private School and has been registered with the relevant local counterpart of the MCA.

Under the regulations hereinabove, private schools have the same status as public schools, though private schools are prohibited from providing military, police, political and other kinds of education, which are of a special nature. Public schools that provide compulsory education are not permitted to be converted into private schools. The operations of a private school are highly regulated. For example, a private school shall establish its executive council, board of directors or any other form of the decision-making body and such decision-making body shall meet at least once a year.

Teachers employed by a private school shall have the qualifications specified for teachers and meet the conditions for the position as provided for in the Teachers Law of the PRC (《中華人民共和國教師法》) and other relevant laws and regulations. There shall be a definite number of full-time teachers in a private school, and for private schools offering academic qualifications education full-time teachers shall account for not less than one-third of the total number of the teachers. Our School provides a diploma or certificate to students. In line with the relevant regulations, all of our courses required for PRC diplomas or certificate are taught by teachers that are certified by the relevant city education bureaus after undergoing systematic training and passing standardised tests in the subject they teach.

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

- Right to receive a return on investment. Please refer to the paragraph headed "— Sponsor's Reasonable Returns" in this section below, and

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

On April 20, 2018, the MOE issued the MOE Draft for 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 to seek public comments, and the consultation period for public comments had closed on September 10, 2018. 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 and (ii) the local people's governments shall grant preferential treatments in terms of land use by means of allocation in accordance with the principle of treating non-profit private schools equally as public schools, and for schools that provide education for academic credentials, may provide lands by means of bid invitation, auction or listing, assigning contracts, long-term lease or combination of sale as well as rental, and may give appropriate preferential treatment on charges for the assignment or rental of land, and may permit payment in instalments.

The MOJ Draft for Comments stipulates further provisions of the operation and management of private schools, such as our School. Among other things, (i) a non-profit private school shall use the accounts filed with the competent authorities for charging fees and financial transactions, and a for profit private school shall deposit the income into a specific settlement account of its own; (ii) a private school shall conduct any connected transactions in a manner that is open, justified and fair and shall establish disclosure mechanisms for such transactions. Any agreement involving material interests or any long-term and recurring agreement entered into between a non-profit private school and its connected party shall be reviewed and audited by the relevant government authorities in terms of necessity, legitimacy and compliance; (iii) the registered capital of a for-profit private school providing higher diploma education shall be no less than RMB0.2 billion; and (iv) A social organization implementing group-oriented running of schools is not allowed to control any non-profit private school by means of merger and acquisition, chain operation, or by means of contractual arrangements.

On June 29, 2018, the People's Government of Jiangxi Province promulgated the Jiangxi Implementation Opinions, pursuant to which private higher institutions in Jiangxi Province, including our School, are required to complete their registration as either for-profit private schools or non-profit private schools before September 2022.

Sponsor's Reasonable Returns

Private education is treated as a public welfare undertaking under the relevant PRC laws and regulations. Nonetheless, sponsors of a private school may choose to require "reasonable returns" from the annual net balance of the school after deduction of costs for school operations, donations received, government subsidies (if any), the reserved development fund and other expenses as required by the regulations. Private schools are divided into three categories, namely: (i) private schools established with donated funds, (ii) private schools with the sponsors of which require reasonable returns, and (iii) private schools with the sponsors of which do not require reasonable returns.

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

At the end of each fiscal year, every private school is required to allocate a certain amount to its development fund for the construction or maintenance of the school or procurement or upgrade of educational equipment. In the case of a private school where the sponsor requires reasonable returns, this amount shall be no less than 25% of the annual net income of the school, while in the case of a private school the sponsor of which does not require reasonable returns, this amount shall be equal to no less than 25% of the annual increase in the net assets of the school, if any.

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

A sponsor of a private school has the obligation to make capital contributions to the school in a timely manner. The contributed capital can be in the form of tangible or non-tangible assets such as materials in kind, land use rights or intellectual property rights. The capital contributed by the sponsor becomes assets of the school and the school has independent legal person status. In addition, the sponsor of a private school has the right to exercise ultimate control over the school by becoming the member of and controlling the composition of the school's decision making body. Specifically, the sponsor has control over the private school's constitutional documents and has the right to elect and replace the members of the private school's decision making bodies and therefore controls the private school's business and affairs.

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

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

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

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

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

According to Several Opinions on Encouraging Individual Persons or Entities to Conduct Education and Promote the Healthy Development of Private Education (Guofa [2016] No. 81) (《關於鼓勵社會力量興辦教育促進民辦教育健康發展的若干意見》) (國發[2016]81號), which was issued by the State Council of PRC on December 29, 2016, innovative institutional mechanisms shall be implemented in the field of private education, including but without limitation to: (i) classification registration and management, which shall be applicable to private schools and the school sponsors of private schools shall, at their own discretion, choose to operate their schools as non-profit private schools or for-profit private schools; (ii) different government support policies, which shall be applicable to private schools.

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

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

Implementation Regulations on Classification Registration of Private Schools

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

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

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

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

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

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

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

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

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

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

According to the Notice of the SAMR 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 SAMR on August 31, 2017 and became effective on September 1, 2017, the private school shall be registered as a limited liability company or a joint stock limited company according to the Company Law of the PRC (《中華人民共和國公司法》) and the Law for Promoting Private Education (《中華人民共和國民辦教育促進法》) and its name shall comply with the relevant laws and regulations on company registration and education.

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

The Interim Measures for the Management of the Collection of Private Education Fees (《民辦教育收費管理暫行辦法》) (the "**Private Education Fees Collection Measures**") was promulgated by the NDRC, the MOE and the MOHRSS on March 2, 2005. According to the Private Education Fees Collection Measures and the Implementation Rules for the Law for Promoting Private Education of the PRC, the types and amounts of fees charged by a private school providing academic qualifications education shall be examined by education authorities or the labour and social welfare authorities and approved by the governmental pricing authority, and the school shall obtain the fee charge permit. A private school that provides non-academic qualifications education shall file its pricing information with the governmental pricing authority and publicly disclose such information. If a school raises its tuition fee levels without obtaining the proper approval or making the requisite filing with the relevant government pricing authorities, the school would be required to return the additional tuition fees obtained through such raise and become liable for compensation of any losses caused to the students in accordance with relevant PRC laws. Our School's fee charge permit was updated for each tuition fee increment and renewed upon its expiry prior to January 1, 2015. Pursuant to the Notice on the

Cancellation of the Fee Charge Permit System and Strengthening the Supervision in process and afterwards (《國家發展改革委、財政部關於取消收費許可證制度加強事中事後監管的通知》) which was jointly issued by the NDRC and the Ministry of Finance on January 9, 2015 and the Notice on the Cancellation of the Fee Charge Permit System and Strengthening the Supervision in process and afterwards (《江西省發展改革委、江西省財政廳轉發國家發展改革委、財政部關於取消收費許可證制度加強事中事後監管的通知》) which was jointly issued by the Jiangxi Development and Reform Commission and the Ministry of Finance of Jiangxi Province on March 25, 2015, our School is no longer required to apply for or to renew its fee charge permit after January 1, 2015.

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

On March 16, 2015, the Jiangxi Provincial Development and Reform Commission, Jiangxi Provincial Education Department and Jiangxi Provincial Department of Human Resources and Social Security jointly issued the Circular on Issues Concerning the Liberalisation of Pricing of Private Schools (Gan Fagai Shoufei [2015] No.221) (《江西省發展和改革委員會、江西省教育廳、江西省人力資源和社會保障廳關於放開民辦教育收費有關事項的通知》) (贛發改收費[2015]221號), which provides that the private schools in the self price-setting list in Jiangxi are entitled to determine their own price of the academic education tuition and accommodation fee standard. Private schools in the self price-setting list shall register in the pricing department, make undertakings with regard to education tuition and accommodation fees, and declare the pricing charge publicly.

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

Regulatory Requirement in Relation to Basic Conditions for Operating Higher Education Institutions

On February 6, 2004, the MOE issued the Basic Conditions for Operating Higher Education Institutions (Trial) (《普通高等學校基本辦學條件指標(試行)》) ("**Basic Conditions**"), which was promulgated mainly for the verification of the annual enrollment scale of higher education institutions, the determination of restrictions or suspension of enrollment of higher education institutions and monitoring the conditions of higher education institutions. The Basic Conditions set forth the compliance requirements in two categories: the basic standards for operating a higher education institution and the monitoring standards for operating a higher education institution.

The basic standards for operating a higher education institution are important bases for measuring the basic conditions of higher education institutions and verifying the scale of the annual enrollment, which were divided into two criteria: "qualified standard" and "restricted enrollment standard". If a higher education institution fails to comply any of the restricted enrollment standard, a warning of restricted enrollment will be given to such institution ("**yellow card**"). If a higher education institution receives a yellow card, the enrollment of such higher education institution can not exceed the number of graduates in the current year. If a higher education institution fails to comply with two or more restricted enrollment standards, or has received a "yellow card" for three years consecutively, such institution will receive a red card, which would subject such institution to suspension of student enrollment for the same school year. Monitoring standards for operating a higher education institution are supplementary standards, which provide bases for a comprehensive analysis of the conditions for operating higher education institutions.

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 December 29, 2018, respectively, 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 licencing system for catering industry is implemented. A catering service provider shall obtain food service licence, and assume the food safety liability in accordance with the law. Pursuant to Administrative Measures for Food Operation Licencing (《食品經營許可管理辦法》) promulgated on August 31, 2015 and became effective on October 1, 2015 and amended on November 17, 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 (《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 and became effective on the same date, 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.

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

REGULATIONS ON HUMAN RESOURCE SERVICES IN THE PRC

Human resource service agencies in the PRC are mainly regulated by the MOHRSS. Pursuant to the Provisions on Talent Market Administration (《人才市場管理規定》) jointly promulgated by the PRC Ministry of Personnel and the SAIC on September 11, 2001 and latest amended on April 30, 2015 by the MOHRSS, any entity providing talent intermediary services in the PRC must obtain a Human Resource Service License from the local Administration of Human Resources and Social Security. Human resource service agencies may engage in the following businesses: (1) collection, processing, storage and publication of information about human resource supply and demand, and relevant consulting services; (2) Internet-based job information services; (3) candidate recommendation; (4) recruitment; (5) candidate training; (6) candidate appraisal; and/or (7) other businesses stipulated in relevant PRC rules and regulations.

On June 29, 2018, the State Council promulgated the Interim Regulations on Human Resources Market (《人力資源市場暫行條例》), which became effective on October 1, 2018. The Interim Regulations on Human Resources Market provides that the state encourages private enterprises to participate in the development of the human resources market in China. Human resource service institutions are classified into two categories, namely, public human resource service institutions and commercial human resource service institutions. Public human resource service institutions shall refer to the public employment and talent services institutions established by the People's governments at or above county level. Commercial human resource service institutions shall refer to the institutions legally established and engaging in business activities in human resource services. To engage in employment intermediary activities, a commercial human resource service institution shall apply to the administrative department of human resources and social security for an administrative permit in accordance with the law and obtain a Human Resource Service License. Where a commercial human resource service institution engages in the business of human resource services such as collection and release of the information on supply and demand of human resources, guidance of employment and entrepreneurship, consultation on human resource management, assessment of human resources, training on human resources and acceptance of outsourcing of human resource services, it shall go through record-filing with the administrative department of human resources and social security within 15 days from the date of commencement of the business. The commercial human resource service institutions shall, within a specified period, submit the annual report on business operations to the administrative department of human resources and social security. In addition, a commercial human resource service institution shall strengthen the establishment of internal systems, enhance the financial management system, and create a service ledger to record service objects, service process, and service results, which shall be kept for at least two years.

After the Track Record Period, we acquired Yunnan Chen Lin which is principally engaged in human resources business and has obtained the Human Resource Service License. As confirmed by our PRC Legal Advisor, Yunnan Chen Lin was operated in a compliant manner in material aspects from the date of acquisition on June 17, 2019 to the Latest Practicable Date. The Directors also confirmed that there would be no material impact on our operations and financial performance going forward incurred by the enforcement of the Interim Regulations on Human Resources Market.

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

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

Pursuant to the Interim Regulations on Real Estate Registration (《不動產登記暫行條例》), which was promulgated by the State Council on November 24, 2014, and took into effect on March 1, 2015, and the Implementation Rules of the Interim Regulations on Real Estate Registration, which was issued by the Ministry of Land and Resources on January 1, 2016 and effected from the same date, the State shall adopt a unified real estate registration system, which means houses and other buildings and structures, as well as forests, woods and other fixtures shall be registered together with the land and sea waters to which they are attached, and their right holders shall be kept consistent. Registration of the matters for registration shall be deemed completed when such matters are recorded in a real estate register. Upon completion of registration, a real estate registration authority shall verify and issue the real estate ownership certificate or registration certificate to the applicant concerned pursuant to the law.

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 and December 29, 2018, 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.

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 amended on December 29, 2018, 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.

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 center and, upon verification by the housing provident fund management center, 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 center 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 center 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 "non-resident enterprises". Enterprises that are set up in the PRC under the PRC laws, or that are set up in accordance with the law of the foreign country (region) whose actual administration institution is in PRC, shall be considered as "resident enterprises". Enterprises established under the law of the foreign country (region) with "de facto management bodies" outside the PRC, but have set up institutions or establishments in PRC or, without institutions or establishments set up in the PRC, have income originating from PRC, shall be considered as "non-resident enterprises".

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

According to Notice of the Ministry of Finance and the State Administration of Taxation on Tax Policies Relating to Education (Caishui [2004] No. 39) (《財政部、國家稅務總局關於教育稅收政策的通知》) (財稅[2004] 39號) ("三十九號文") (the "**Circular 39**") and Notice of the Ministry of Finance and the State Administration of Taxation on Issues Concerning Strengthening the Administration over the Collection of Business Tax on Educational Services (Caishui [2006] No. 3) (《財政部、國家稅務總局關於加強教育勞務營業稅徵收管理有關問題的通知》) (財稅[2006] 3號) ("三號文") (the "**Circular 3**", which was amended on September 25, 2013 and December 30, 2014 respectively), 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 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. According to the Arrangement, if the beneficiary of the dividends is a Hong Kong resident enterprise, which directly holds no less than 25% equity interests of the aforesaid enterprise, the tax levied shall be 5% of the distributed dividends. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if such Hong Kong resident holds less than 25% of the equity interests in the PRC company.

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) promulgated by the SAT and became effective on February 20, 2009, all of the following requirements shall be satisfied where a fiscal resident of the other party to a tax agreement needs to 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) owner's equity interests and voting shares of the Chinese resident company directly owned by such a fiscal resident reaches a specified percentage; and (iii) the equity interests of the Chinese resident company directly owned by such a fiscal resident, at any time during the twelve months prior to the obtainment of the dividends, reach a percentage specified in the tax agreement.

Pursuant to 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》), which came into force on November 1, 2015, a non-resident taxpayer meeting conditions for enjoying the convention treatment may be entitled to the convention treatment itself/himself when filing a tax return or making a withholding declaration through a withholding agent, subject to the subsequent administration by the tax authorities.

Value-added Tax ("VAT")

According to the Temporary Regulations on Value-added Tax (《增值稅暫行條例》), which was promulgated by the State Council on December 13, 1993, came into effect on January 1, 1994, and was amended on November 10, 2008, February 6, 2016 and November 19, 2017 respectively and the Detailed Implementing Rules of the Temporary Regulations on Value-added Tax (《增值稅暫行條例實施細則》), which was promulgated by the Ministry of Finance and came into effect on December 25, 1993, and was amended on December 15, 2008 and October 28, 2011, all taxpayers selling goods, providing processing, repairing or replacement services or importing goods within the PRC shall pay value-added tax.

Furthermore, according to the Trial Scheme for the Conversion of Business Tax to Value-added Tax (《營業稅改徵增值稅試點方案》), which was promulgated by the Ministry of Finance and the SAT and came into effect on January 1, 2012, the State began to launch taxation reforms in a gradual manner. The collection of value added tax in lieu of business tax items was implemented on a trial basis and has not been implemented in education consulting service industries. According to the Circular on Comprehensively Promoting the Pilot Programme of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業稅改徵增值稅試點的通知》, "**Circular 36**"), which was promulgated on March 23, 2016 and became effective from May 1, 2016, education services provided by schools engaged in diploma education shall be exempted from VAT. Circular 36 stipulates that income from the provision of education services that is exempted from VAT refers to the income from the provision of degree education services for student enrolled within the officially prescribed admission plans, including: income from tuitions, accommodation fees, textbook fees, exercise-book fees, and exam entry fees that are examined and approved by the relevant government authorities and charged according to the prescribed standards, as well as income from boarding fees for catering services provided by school canteens. Except for the aforesaid income, income from the sponsorship fees and school-selection fees charged by schools is not exempted from VAT.

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 organizations or individuals and citizens with non-state fiscal funds for education and open to the public shall upon the approval by the administrative department for education or for labour of the relevant government at the county level or above which has also issued the relevant school running license, be exempt from deed tax on their ownership of land and houses used for teaching activities.

REGULATIONS ON COMPANIES IN PRC

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

The latest amendment to the PRC Company Law took effect from March 1, 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.

On October 8, 2016, MOFCOM promulgated Provisional Measures on Administration of Filing for Establishment and Change of Foreign Investment Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) (the "**Measures**") which came into effect on the same date, and was further amended on July 30, 2017 and June 30, 2018 respectively. According to the Measures, the merger and acquisition of domestic non-foreign-invested enterprises by foreign investors shall, if not involving special access administrative measures and affiliated mergers and acquisitions, be subject to the record filing measures.

Pursuant to the Measures, the incorporation and changes of a wholly foreign-owned enterprise ("**WFOE**") which do not involve the implementation of special access administrative measures prescribed by the state are subject to record-filing management. The WFOE shall file with the MOFCOM by submitting application documents for its establishment or any change through the online Foreign Investment Management System (外商投資綜合管理信息系統) within thirty days after the issuance of a business license or the occurrence of any change to the WFOE, instead of obtaining the pre-approval for establishment or changes from MOFCOM.

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 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 the Circular of the SAFE on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (Huifa [2015] No. 13) (《國家外匯管理局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 "**Circular 13**"), 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 (《關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "**Circular 19**"), which came into effect from June 1, 2015. According to the Circular 19, the foreign exchange capital of foreign-invested enterprises shall be subject to the Discretional Foreign Exchange Settlement ("**Discretional Foreign Exchange Settlement**"). The Discretional Foreign Exchange Settlement refers to the foreign exchange capital in the capital account of an foreign-invested enterprise for which the rights and interests of monetary contribution has been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operational needs of the foreign-invested enterprise. The proportion of Discretional Foreign Exchange Settlement of the foreign exchange capital of a foreign-invested enterprise is temporarily determined as 100%. The Renminbi converted from the foreign exchange capital will be kept in a designated account and if a foreign-invested enterprise needs to make further payment from such account, it still needs to provide supporting documents and go through the review process with the banks.

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

1. directly or indirectly used for payment beyond the business scope of the enterprises or payment prohibited by relevant laws and regulations;

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

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

4. paying the expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

SAFE issued the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《關於改革和規範資本項目結匯管理政策的通知》, or the "**Circular 16**") on 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.

As the Circular 16 is newly issued and SAFE has not provided detailed guidelines with respect to its interpretation or implementations, it is uncertain how these rules will be interpreted and implemented.

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

Under the Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors in the PRC (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**") which was promulgated on 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 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.

OUR HISTORY AND DEVELOPMENT

Overview

Our history can be traced back to 2002, when the School was first established under the name of Jiangxi Xin Ya Vocational College* (江西新亞職業技術學院) by Mr. Huang utilizing his personal financial resources, and Mr. Huang was the school sponsor at the time. At the time of the School's establishment, the School was a higher education institution at vocational college level (普通高等職業院校). The School was subsequently renamed as Jiangxi City Vocational College* (江西城市職業學院) in 2005. In 2009, with the approval of Jiangxi Provincial Department of Education, the school sponsor was changed to Nanchang Di Guan. In 2014, the School obtained approval from the MOE to expand its program offerings and to provide undergraduate programs in addition to junior college programs. At the same time, the name of the School was changed to Jiangxi University of Applied Science* (江西應用科技學院).

As of the Latest Practicable Date, the School is accredited to provide both undergraduate and junior college programs.

Business Milestones

The following table summarizes our major achievements and organizational milestones:

Year	Event
2002	The School was established under the name of Jiangxi Xin Ya Vocational College.
2005	The School changed its name to Jiangxi City Vocational College.
2006	The School was awarded as one of the "Top Ten Branded Private Universities in China in 2006 (2006年度中國十大品牌民辦大學)" by Xinhua News Agency and China Central Television.
2009	Nanchang Di Guan became the sponsor of the School.
	The School moved to its new campus at the current location.
2011	The School was approved by the Government of Jiangxi Province as one of the "First Pilot Universities for Education System Reform (首批教育體制改革試點高校)".
2014	The School obtained approval and accreditation from the MOE to provide undergraduate programs.
	The School changed to its current name.

Year	Event
2016	The School was awarded as a "2016 National Most Promising Undergraduate University (2016全國最具發展潛力本科院校)" by China Education Reform Commission.
2018	The Youth League committee of the School was recognized as a "National May 4th Red Flag Youth League Committee in 2017 (2017年度全國五四紅旗團委)" by the Central Committee of the Communist Youth League.

HISTORY OF THE SCHOOL

The School is a private university that provides both undergraduate and junior college programs with a wide range of subject areas.

Establishment

The School was established in April 2002, and was known as Jiangxi Xin Ya Vocational College. The School obtained approval from the Government of Jiangxi Province on April 11, 2002 for its initial establishment as a higher education institution at vocational college level under the laws of the PRC. At the time of establishment, the capital of the School was RMB7.6 million and the School sponsor was Mr. Huang.

First name change and capital increase

In April 2005, the School changed its name to Jiangxi City Vocational College with the approval of the Jiangxi Provincial Education Department* (江西省教育廳). In the same month, the School increased its capital to RMB20.0 million, of which all the additional capital was paid-up by Mr. Huang.

Change of School sponsor

In December 2009, with the approval of the Jiangxi Provincial Education Department, the School sponsor was changed to Nanchang Di Guan.

Second name change and accreditation to provide undergraduate programs

In 2014, the School obtained approval from the MOE (i) to expand its program offerings; (ii) to provide undergraduate programs in addition to junior college programs; and (iii) to change its name from Jiangxi City Vocational College to its current name, Jiangxi University of Applied Science.

HISTORY OF THE SCHOOL SPONSOR

Establishment

Nanchang Di Guan has been the sponsor of the School since December 2009. Prior to that, the sponsor of the School was Mr. Huang. Nanchang Di Guan was established on September 17, 2009 under the laws of the PRC with an initial registered capital of RMB1.0 million and was owned as to 99% by Mr. Huang and 1% by Mr. Huang Jinhui (黃金輝), an Independent Third Party.

Transfer of equity interest

On October 8, 2009, Mr. Huang Jinhui transferred his equity interest in Nanchang Di Guan to Mr. Huang at a total consideration of RMB10,000 based on arm's length negotiation and with reference to the paid-up registered capital of Nanchang Di Guan. Mr. Huang owned the entire equity interest of Nanchang Di Guan upon the completion of above equity transfer.

Increase of registered capital

On January 21, 2014, for the purpose of facilitating the business development of Nanchang Di Guan, the registered capital of Nanchang Di Guan was increased from RMB1.0 million to RMB10.0 million through additional capital contributions made by Mr. Huang. On August 4, 2017, Nanchang Di Guan further increased its registered capital to RMB50.0 million, all of which was subscribed by Mr. Huang.

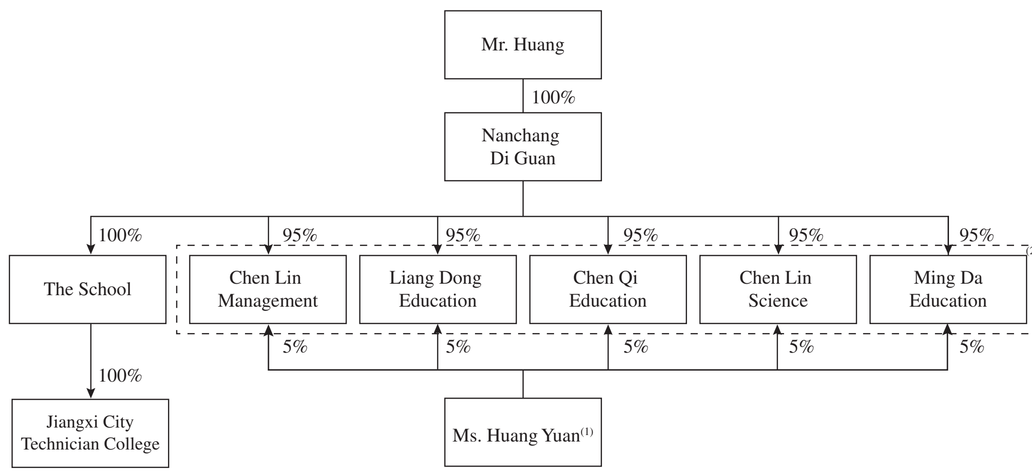
Our PRC Legal Advisor has confirmed that the transfer and capital increases of Nanchang Di Guan described above had been properly and legally completed, and all necessary registrations from the relevant PRC authorities have been obtained and completed.

Gift by Mr. Huang to immediate family members

As a part of the Reorganization, Mr. Huang transferred a part of his equity interest in Nanchang Di Guan to his immediate family members. Please refer to the paragraph headed "— Reorganization — Onshore Reorganization — Gift by Mr. Huang to immediate family members" in this section for details.

OUR GROUP STRUCTURE IMMEDIATELY PRIOR TO THE REORGANIZATION

The following chart sets forth our Group's corporate and shareholding structure immediately prior to the Reorganization:



Notes:

(1) Ms. Huang Yuan is the daughter of Mr. Huang.

(2) " " denotes the Prior Onshore Subsidiaries.

REORGANIZATION

In preparation of the Listing and to streamline our corporate structure, we underwent the following Reorganization.

Onshore Reorganization

Establishment of Chen Lin Education Science

On September 5, 2018, Chen Lin Education Science, a wholly-foreign owned enterprise, was established in the PRC with a registered capital of RMB300.0 million. The company is wholly-owned by Chen Lin Hong Kong.

Business Reorganization

As of the Latest Practicable Date, business contracts relating to services carried out by the School that do not fall within the restricted/prohibited categories of the Foreign Investment Catalogue have been either assigned to Chen Lin Education Science, or terminated and upon such termination, Chen Lin Education Science have entered into new business contracts with the same business parties under the same terms and conditions.

Disposal and deregistration of Prior Onshore Subsidiaries

In order to streamline our corporate structure and business focus:

- On June 6, 2018, Nanchang Di Guan and Ms. Huang Yuan transferred their respective equity interest in Ming Da Education to two Independent Third Parties, which the consideration was determined based on the paid-up capital of Ming Da Education at the time of transfer.

- On September 18, 2018, Nanchang Di Guan and Ms. Huang Yuan transferred their respective equity interest in Chen Lin Management to an Independent Third Party, which the consideration was determined based on the paid-up capital of Chen Lin Management at the time of transfer.

As confirmed by our PRC Legal Advisor, the above-mentioned equity transfers were completed and registered with the relevant government authorities in the PRC on June 6, 2018 and September 18, 2018, respectively.

- Each of Chen Qi Education, Liang Dong Education and Chen Lin Science had completed its deregistration procedure on September 7, 2018.

- Jiangxi City Technician College had completed its deregistration procedure on September 21, 2018.

Gift by Mr. Huang to immediate family members

On July 16, 2018, as part of Mr. Huang's family arrangement, the following changes in the shareholding of Nanchang Di Guan were made:

- Mr. Huang, being the then sole shareholder of Nanchang Di Guan, transferred 13% of his equity interest in Nanchang Di Guan to his daughter, Ms. Huang Yuan, by way of gift; and

- Mr. Huang also transferred 13% of his equity interest in Nanchang Di Guan to his son, Mr. Huang Guandi, by way of gift.

Upon completion of the transfers described above, the shareholding structure of Nanchang Di Guan was as below:

Shareholders	Amount of Registered Capital	Percentage of Shareholding
Mr. Huang	RMB37.0 million	74%
Ms. Huang Yuan	RMB6.5 million	13%
Mr. Huang Guandi	RMB6.5 million	13%

Contractual Arrangements

On September 15, 2018, Chen Lin Education Science entered into a series of agreements, which constitute the Contractual Arrangements, with the Registered Shareholders, in order to exercise and maintain control over the operation of Nanchang Di Guan and the School and to obtain economic benefits from Nanchang Di Guan and the School to prevent any leakage of assets and values to Registered Shareholders. Please refer to the section headed "Contractual Arrangements" in this prospectus for further details.

Offshore Reorganization

Incorporation of offshore holding companies

Mr. Huang, Ms. Huang Yuan, being the daughter of Mr. Huang, and Mr. Huang Guandi, being the son of Mr. Huang, each incorporated a wholly-owned offshore holding company in the BVI. Details of each of the offshore holding companies are set out as below:

Name of Company	Shareholder	Incorporation Date	Equity Interest
Huangyulin Holdings	Mr. Huang	May 22, 2018	100%
Huangyuan Holdings	Ms. Huang Yuan	June 13, 2018	100%
Huangguandi Holdings	Mr. Huang Guandi	June 13, 2018	100%

On July 5, 2018, Huangyulin Holdings incorporated a wholly-owned offshore holding company, Chen Lin Elite Holdings, in the BVI.

Incorporation of our Company

On May 25, 2018, our Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorized share capital of HK$380,000 divided into 3,800,000 ordinary shares with a par value of HK$0.10 each. On the same day, one ordinary share was allotted and issued at par value to the initial subscriber, and was subsequently transferred to Huangyulin Holdings at nominal consideration.

Allotment and issue of shares to offshore holding companies

On July 24, 2018, our Company allotted and issued an aggregate of 24,999 ordinary shares with a par value of HK$0.10 each to Huangyulin Holdings, Huangyuan Holdings, Huangguandi Holdings and Chen Lin Elite Holdings. Upon completion of such share allotment, the shareholding structure of our Company was as below:

Name of Shareholders(1)	Number of Ordinary Shares	Percentage of Shareholding
Huangyulin Holdings	16,250	65%
Huangyuan Holdings(2)	3,250	13%
Huangguandi Holdings(2)	3,250	13%
Chen Lin Elite Holdings	2,250	9%

Notes:

(1) Huangyulin Holdings, Huangyuan Holdings and Huangguandi Holdings are offshore holding companies directly and wholly-owned by Mr. Huang, Ms. Huang Yuan and Mr. Huang Guandi, respectively. Chen Lin Elite Holdings is a direct wholly-owned subsidiary of Huangyulin Holdings.

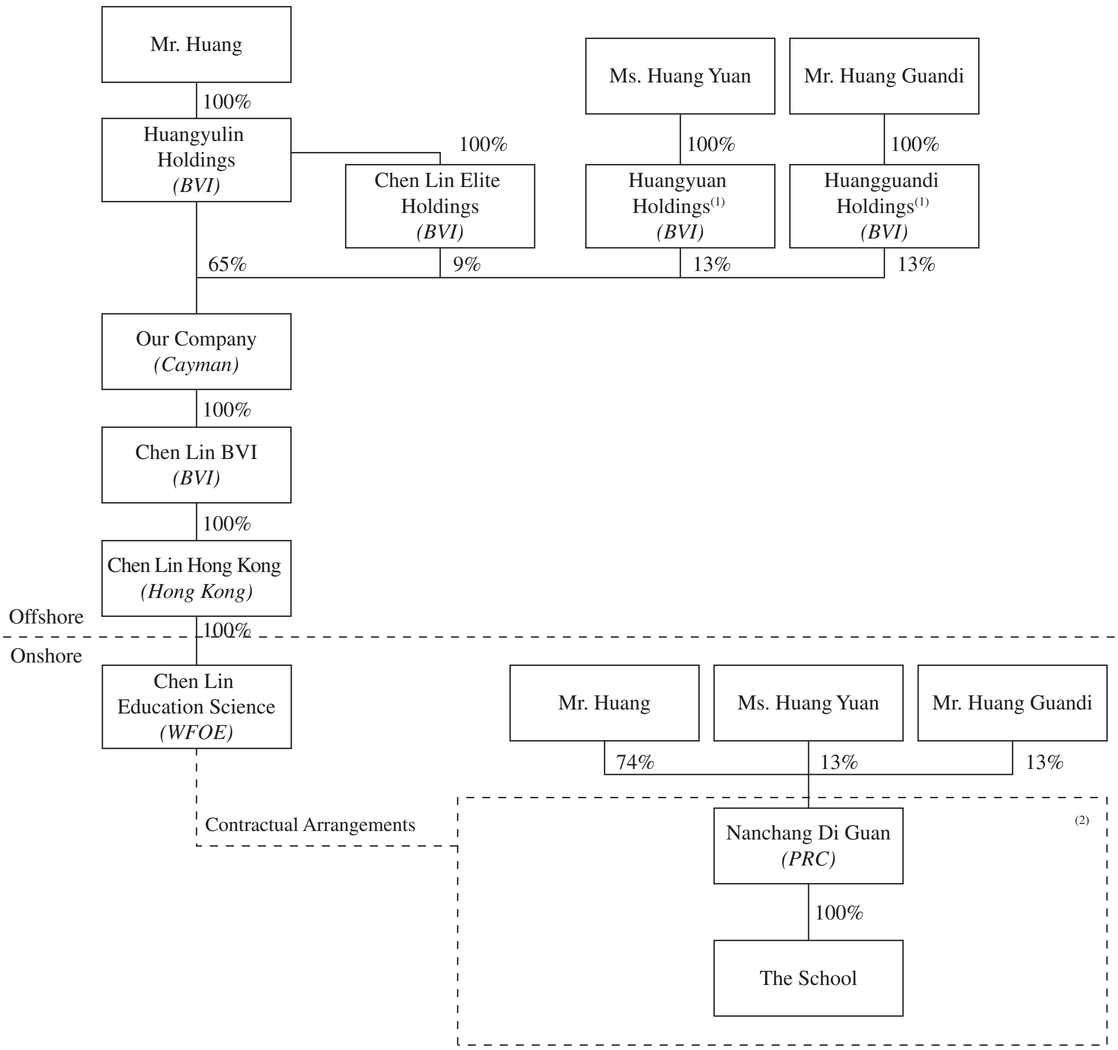
(2) An aggregate of 6,500 ordinary shares were allotted to Huangyuan Holdings and Huangguandi Holdings according to the instruction of Mr. Huang, being the then sole director of our Company, for his family arrangement. Such ordinary shares will be subject to a six-month lock-up voluntarily given by Ms. Huang Yuan, Mr. Huang Guandi and their respective offshore holding companies, namely Huangyuan Holdings and Huangguandi Holdings and will not be counted towards our Company's public float for the purposes of the Listing Rules.

Incorporation of offshore subsidiaries

On June 4, 2018, Chen Lin BVI was incorporated in the BVI as a wholly-owned subsidiary of our Company. On June 14, 2018, Chen Lin Hong Kong was incorporated in Hong Kong as a wholly-owned subsidiary of Chen Lin BVI. Chen Lin Hong Kong is the holding company of our PRC subsidiary, Chen Lin Education Science.

CORPORATE STRUCTURE AFTER REORGANIZATION

The shareholding structure of the Group after the Reorganization is as follows:



Notes:

(1) Shares being held by Huangyuan Holdings and Huangguandi Holdings will be subject to a six-month lock-up and will not be counted towards the Company's public float for the purposes of the Listing Rules.

(2) Nanchang Di Guan and the School are regarded as the Consolidated Affiliated Entities.

POST-TRACK RECORD PERIOD ACQUISITION

On June 2, 2019, Chen Lin Education Science, a wholly-owned subsidiary of our Company, entered into an equity transfer agreement (the "**Transfer Agreement**") with Mr. Yu Chuanhua (喻傳華) (the "**Vendor**"), pursuant to which Chen Lin Education Science agreed to acquire, and the Vendor agreed to transfer, the entire equity interest of Yunnan Chen Lin, at a total consideration of RMB2.0 million. The consideration was determined based on arm's length negotiations between the parties and with reference to the net asset value of Yunnan Chen Lin. As at the Latest Practicable Date, the consideration has been settled in full. As confirmed by our PRC Legal Advisor, the acquisition of Yunnan Chen Lin was completed and registered with the relevant government authorities in the PRC on June 17, 2019.

The Vendor is an individual who is a resident in the PRC. To the best knowledge and information of our Company, the Vendor is an Independent Third Party.

Yunnan Chen Lin is a company established under the laws of the PRC with limited liability on July 16, 2018, with registered capital of RMB2.0 million. Yunnan Chen Lin is principally engaged in provision of human resources services and obtained the Human Resources Service License (人力資源服務許可證) (the "**HR Services License**") for a validity period of three years from the Ministry of Human Resources and Social Security of the PRC on September 14, 2018. Set out below are the unaudited financial information of Yunnan Chen Lin for the periods indicated:

	Year ended December 31, 2018	**Five months ended May 31, 2019**
	(unaudited)	(unaudited)
	(RMB'000)	*(RMB'000)*
Revenue	255.1	1,041.2
Gross profit	29.4	83.2
Profit (loss) before taxation	(74.4)	9.1

The total assets of Yunnan Chen Lin as at December 31, 2018 and May 31, 2019 was approximately RMB2.3 million and RMB3.3 million, respectively and the net assets of Yunnan Chen Lin as at December 31, 2018 and May 31, 2019 was approximately RMB1.9 million and RMB1.9 million, respectively.

For the internship management services, apart from sizable enterprises including Tarena International (達內科技), Radiant Opto-Electronics (瑞儀光電) and Japan Display (Suzhou) (晶端顯示), we also cooperate with some human resources companies to source internship opportunities for our students participated in internship programs. Our Directors believe that the acquisition of Yunnan Chen Lin enables our Group to strengthen our internship management services by expanding our network to explore potential cooperation opportunities with other enterprises. Our Directors are also of the view that terms of the Transfer Agreement are on normal commercial terms and are fair and reasonable; and the acquisition of Yunnan Chen Lin is beneficial to our Group and our Shareholders.

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules in relation to the acquisition of Yunnan Chen Lin. Please refer to the paragraph headed "Waivers from Strict Compliance with the Listing Rules — Post-Track Record Period Acquisition" in this prospectus for details.

ADOPTION OF RSU SCHEME

In recognition of the contributions of our Directors, senior management and employees and to provide incentive, on August 20, 2019, we adopted the RSU Scheme, pursuant to which Mr. Huang contributed 1,334 ordinary shares (representing approximately 4.0% of the total issued share capital of our Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)) for the vesting of RSUs granted under the RSU Scheme.

As at the Latest Practicable Date, RSUs in respect of underlying Shares representing approximately 4.0% of the total issued share capital of our Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised) had been granted to 53 RSU Participants pursuant to the RSU Scheme.

Please see "Statutory and General Information — D. RSU Scheme" in Appendix V to this prospectus for further details.

SHARE SUBDIVISION

On November 18, 2019, our Shareholders resolved, among other things that, all the issued and unissued ordinary shares of our Company with a par value of HK$0.1 each be subdivided into 1,000 Shares with a par value of HK$0.0001 each such that the authorized share capital of our Company shall be HK$380,000 divided into 3,800,000,000 ordinary shares with a par value of HK$0.0001 each.

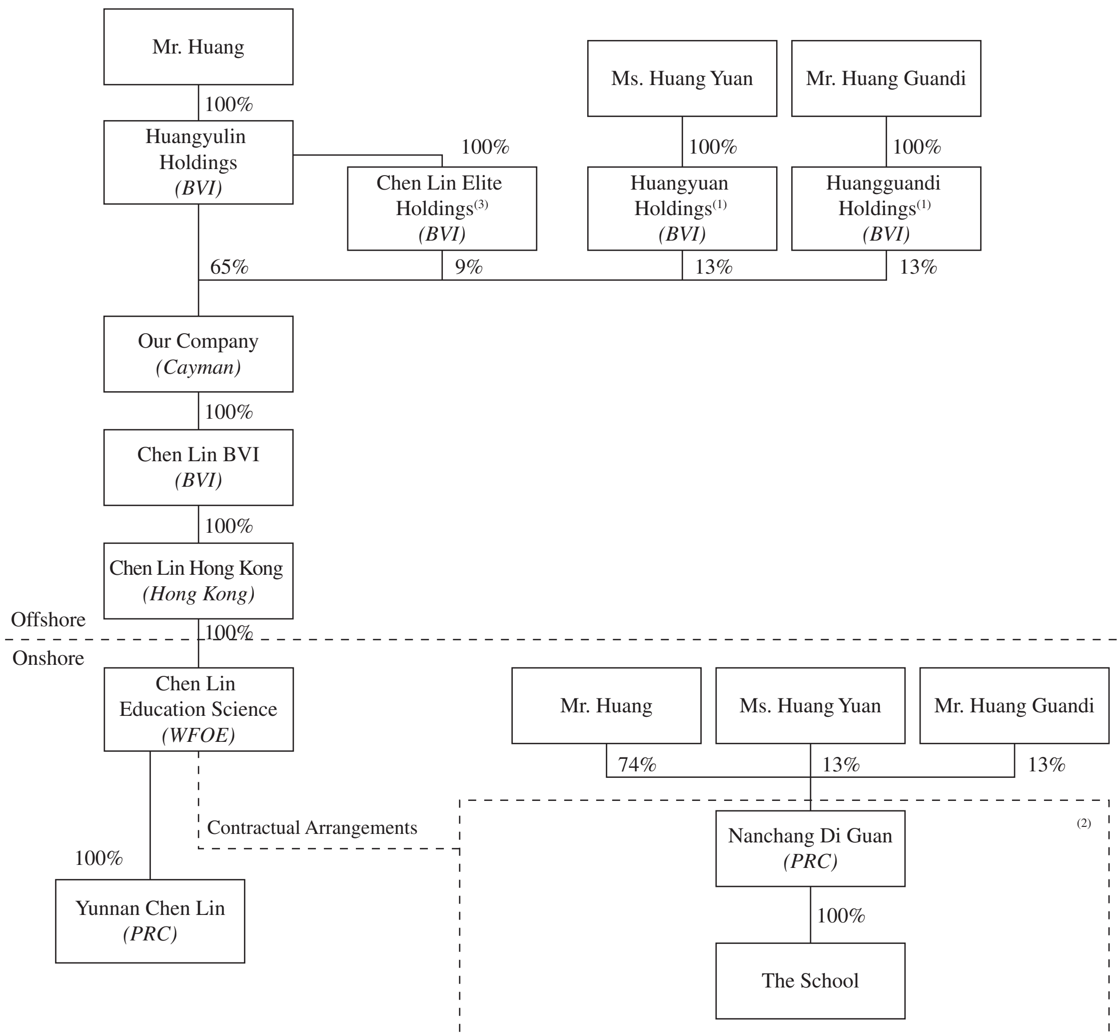
CAPITALIZATION ISSUE

Subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the Offer Shares pursuant to the Global Offering, our Directors shall be authorized to allot and issue a total of 725,000,000 Shares credited as fully paid at par value to the Shareholders on the register of members of our Company at the close of business on the date immediately preceding the date on which the Global Offering becomes unconditional (or as they may direct) in proportion to their respective shareholdings in the Company (as nearly as possible without fractions) by way of capitalization of the sum of HK$72,500 standing to the credit of the share premium account of our Company. The Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares.

CORPORATE STRUCTURES

Corporate Structure before the Global Offering

Our corporate and shareholding structure immediately prior to the completion of the Global Offering is as follow:



Notes:

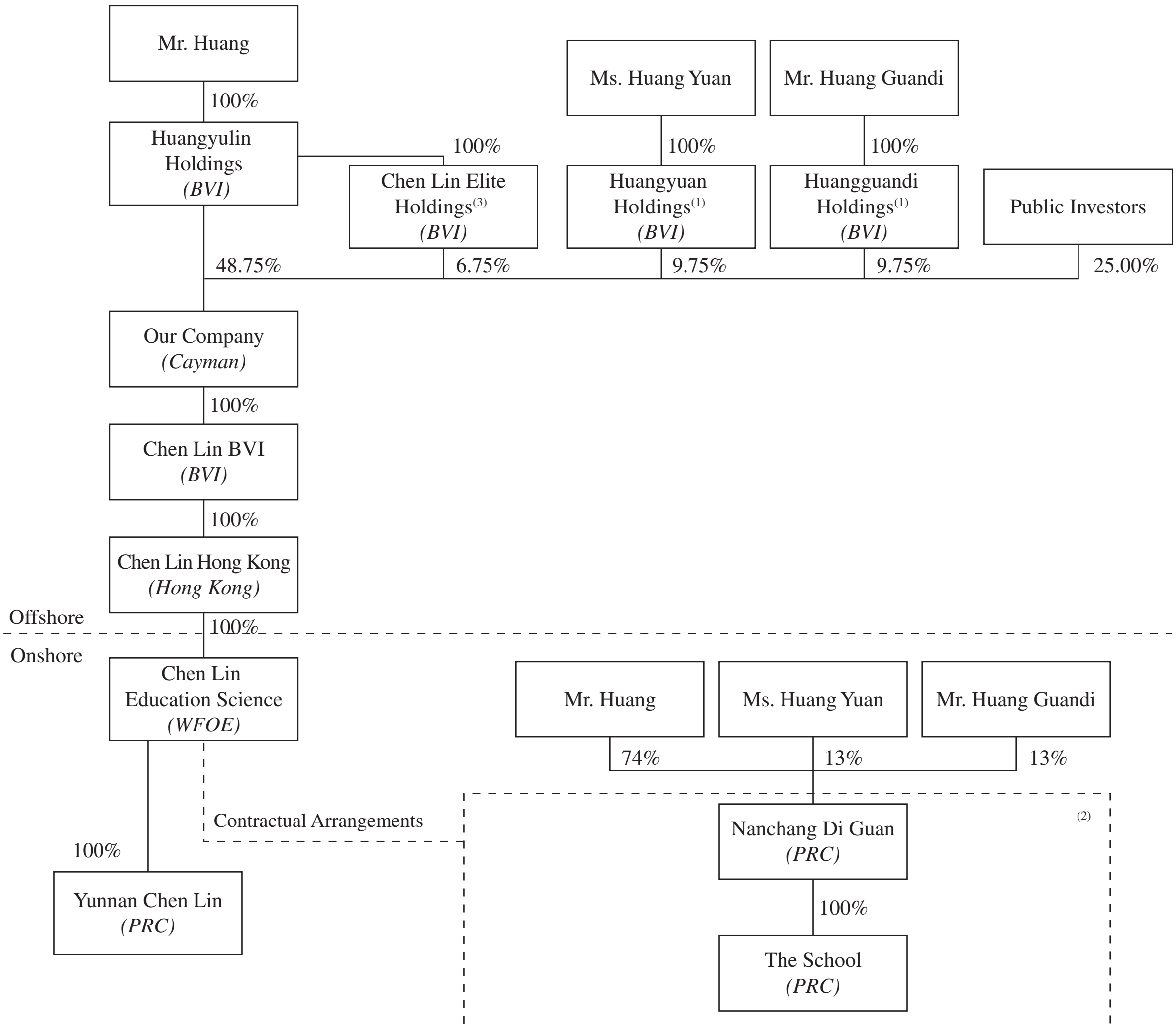
(1) Shares being held by Huangyuan Holdings and Huangguandi Holdings will be subject to a six-month lock-up and will not be counted towards our Company's public float for the purposes of the Listing Rules.

(2) Nanchang Di Guan and the School are regarded as the Consolidated Affiliated Entities.

(3) Approximately 5.34% of the issued share capital of our Company being held by Chen Lin Elite Holdings was reserved for the vesting of RSUs granted under the RSU Scheme.

Corporate Structure immediately after the completion of the Global Offering

Our corporate and shareholding structure immediately after the completion of the Global Offering will be as follows (assuming the Over-allotment Option is not exercised):



Notes:

(1) Shares being held by Huangyuan Holdings and Huangguandi Holdings will be subject to a six-month lock-up and will not be counted towards our Company's public float for the purposes of the Listing Rules.

(2) Nanchang Di Guan and the School are regarded as the Consolidated Affiliated Entities.

(3) Approximately 4.00% of the issued share capital of our Company being held by Chen Lin Elite Holdings was reserved for the vesting of RSUs granted under the RSU Scheme.

PRC LEGAL COMPLIANCE

M&A Rules

Pursuant to the M&A Rules, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

Our PRC Legal Advisor is of the opinion that prior CSRC approval for this offering is not required because Chen Lin Education Science was incorporated as a wholly foreign-owned enterprise without involving acquisition of the equity or assets of a "PRC domestic company", as such term is defined under the M&A Rules, which was in compliance with the M&A Rules. In addition, all of our Consolidated Affiliated Entities have been wholly-owned by PRC citizens since their dates of incorporation, and as such, M&A Rules are not applicable.

SAFE Registration

Pursuant to the Circular 37, a PRC citizen residing in the PRC or an overseas individual who does not hold a Chinese identity document but has a habitual residence in China due to economic interests (a "**PRC Resident**") must register with the local branch of SAFE before he contributes legal assets or equity interests in China or overseas in an overseas special purpose vehicle, which is directly incorporated or indirectly controlled by the PRC Resident for the purpose of overseas investment or financing.

Pursuant to the Circular 13, SAFE cancelled the foreign exchange registration approval under overseas direct investment. The banks would review and carry out foreign exchange registration under overseas direct investment directly, and SAFE and its branches shall implement individual supervision over foreign exchange registration of overseas direct investment via the banks.

As confirmed by our PRC Legal Advisor, the ultimate individual Shareholders of our Company, namely Mr. Huang, Ms. Huang Yuan and Mr. Huang Guandi have completed the foreign exchange registrations in August 2018 pursuant to Circular 37 and Circular 13 in relation to their offshore investments.

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

BACKGROUND OF THE CONTRACTUAL ARRANGEMENTS

We currently conduct our private higher education business through our Consolidated Affiliated Entities in the PRC. In the PRC, private education is subject to certain foreign ownership restrictions. Under applicable laws and regulations, foreign-invested education institutions offering higher education must be operated in the form of Sino-foreign cooperation, and the applicable PRC laws and regulations also impose certain qualification requirements on the foreign investors of Sino-foreign joint venture private schools. As the PRC government usually does not approve the establishment of Sino-foreign joint venture private schools as a matter of practice, we are unable to directly hold, and do not hold, any equity interest in our Consolidated Affiliated Entities. In order to comply with the applicable PRC legal and regulatory restrictions, we will obtain control over, and derive economic benefits from, our Consolidated Affiliated Entities through the use of Contractual Arrangements.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN OWNERSHIP IN THE EDUCATION INDUSTRY

Higher education

Pursuant to the Foreign Investment Catalogue, the provision of higher education in the PRC falls within the "restricted" category. The Foreign Investment Catalogue also explicitly provides that foreign investment in higher education must be operated in the form of Sino-foreign cooperation, whereby the foreign investor shall operate higher education in the PRC through cooperation with a PRC education institution. In addition, the Foreign Investment Catalogue also requires that the domestic party shall play a dominant role in the Sino-foreign cooperation, which is generally understood to mean that (a) the principal or other chief executive officers of the schools shall be PRC national; and (b) the representatives of the domestic party shall account for no less than half of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign cooperative education institution (the "**Foreign Control Restriction**"). As confirmed by our PRC Legal Advisor, we are in compliance with the Foreign Control Restriction in respect of our Consolidated Affiliated Entities on the basis that (a) the principals and chief executive officers of our Consolidated Affiliated Entities are all PRC nationals; and (b) all members of the board of directors of our Consolidated Affiliated Entities are PRC nationals.

Sino-Foreign Cooperation

Under the Sino-Foreign Regulation, if we were to apply to convert our School to a Sino-foreign joint venture private school ("**Sino-Foreign Joint Venture Private School**"), the foreign investor in our School must be a foreign education institution which is appropriately qualified in providing quality education (the "**Qualification Requirement**"). Furthermore, pursuant to the Implement Opinions, the foreign portion of the total investment in the Sino-Foreign Joint Venture Private School should be below 50% (the "**Foreign Ownership Restriction**"). In addition, we were advised by the relevant officer at the Department of Education of Jiangxi Province, being the competent authority as confirmed by our PRC Legal Advisor, that the Foreign Ownership Restriction and Qualification Requirement applies equally to education institutions offering junior college and undergraduate education in the PRC.

Our PRC Legal Advisor has advised that there are no implementing measures or specific guidance on the Qualification Requirement in accordance with the existing PRC laws and regulations and therefore it is currently uncertain as to what specific criteria must be met by a foreign investor (such as the length of experience and the form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant educational authority that it meets the Qualification Requirement.

In July 2019, with the assistance of our PRC Legal Advisor, we consulted the Jiangxi Provincial Department of Education, being the competent authority as advised by our PRC Legal Advisor, to confirm the matters relating to the Sino-Foreign Joint Venture Private Schools. We were advised by the relevant officer of the international cooperation division at the Jiangxi Provincial Department of Education that:

(i) the Foreign Ownership Restriction applies to Sino-Foreign Joint Venture Schools engaging in higher education in the region;

(ii) no implementing measures or specific guidance had been promulgated pursuant to the Sino-Foreign Regulation, including the Qualification Requirement;

(iii) no Sino-Foreign Joint Venture Private School (as a separate legal person) had been approved in Jiangxi Province after the Sino-Foreign Regulation became effective; and

(iv) the execution of the Contractual Arrangements is not prohibited by the PRC laws and regulations.

Qualification Requirement

Our PRC Legal Advisor has advised that there are no implementing measures or specific guidance on the Qualification Requirement under current PRC laws and regulations. Therefore it is currently uncertain as to what specific criteria must be satisfied by a foreign investor (such as length of experience and form and extent of ownership interest) in order to demonstrate its ability to satisfy the Qualification Requirement.

We are advised by our PRC Legal Advisor that we do not meet the Qualification Requirement as at the Latest Practicable Date, as we do not have any experience in operating education institutions outside the PRC. Given our present inability to satisfy the Qualification Requirement, it is not practicable for us to seek to apply to reorganize or convert our School into Sino-Foreign Joint Venture Private School for the time being.

Notwithstanding the fact that we do not currently meet the Qualification Requirement, we have adopted a specific plan and will continue to expend genuine efforts and financial resources towards meeting the Qualification Requirement. We will make inquiries with relevant educational authorities following the Listing to understand the relevant regulatory developments, including whether there will be any change in the relevant policy for approving Sino-Foreign Joint Venture Private School, and continuously assess whether we are qualified to meet the Qualification Requirement, with a view to unwinding the Contractual Arrangements wholly or partially as and when practicable and permissible under the prevailing PRC laws and regulations. Please refer to the paragraphs headed "Circumstances in which we will unwind the Contractual Arrangements" and "Plan to comply with the Qualification Requirement" in this section for further details.

As at the Latest Practicable Date, we have not encountered any interference or encumbrance from any governing bodies in the Contractual Arrangements and the consolidation of the financial results of our Consolidated Affiliated Entities. As advised by our PRC Legal Advisor, (i) each of the School, and the sponsor of the School, namely Nanchang Di Guan, has been legally established; (ii) the Contractual Arrangements in relation to the operations of higher education are valid, legal and binding, and do not contravene applicable PRC laws and regulations; and (iii) the failure to meet the Qualification Requirement and the adoption of the Contractual Arrangements to operate our higher education do not render our business illegal under the applicable PRC laws and regulations.

Circumstances in which we will unwind the Contractual Arrangements

Under the PRC laws and regulations and regulatory requirements, foreign investment in higher education in the PRC is required to be in the form of cooperation between Chinese educational institutions and foreign educational institutions and subject to the Foreign Ownership Restriction and the Foreign Control Restriction, foreign investors can only hold less than 50% interest in a Sino-Foreign Joint Venture Private School and not less than 50% of the governing body of the high school or institute offering higher education must be appointed by the Chinese school sponsors.

In the event that the Qualification Requirement is removed or we are able to meet the Qualification Requirement as a result of any change in policy, but (a) the Foreign Ownership Restriction and the Foreign Control Restriction remain; (b) the Foreign Ownership Restriction remains and the Foreign Control Restriction is removed; (c) the Foreign Ownership Restriction is removed and the Foreign Control Restriction remains; or (d) both the Foreign Ownership Restriction and the Foreign Control Restriction are removed, as permitted by the applicable PRC laws and regulations at the relevant time:

(a) in circumstance (a), our Company will partially unwind the Contractual Arrangements and directly hold an equity interest of less than 50% in the relevant school (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 the School without the Contractual Arrangements in place with respect to the domestic interests. Accordingly, if the Foreign Ownership Restriction and the Foreign Control Restriction remain, regardless of whether the Qualification Requirement is removed, our Company will still rely on the Contractual Arrangements to establish control over the schools. Our Company will also acquire rights to appoint members to the board of directors of the school who together shall constitute less than 50% of the board of directors of the relevant school. We will then control the voting power of the other members of the board of directors appointed by the domestic interest holder(s) by way of the Contractual Arrangements;

(b) in circumstance (b), we will partially unwind the Contractual Arrangements and directly hold an equity interest of less than 50% in the relevant school (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 the School without the Contractual Arrangements in place with respect to the domestic interests. Our Company will also acquire rights to appoint all members to the board of directors of the school;

(c) in circumstance (c), notwithstanding we will be able to hold a majority interest in Sino-Foreign Joint Venture Private Schools, the Sino-Foreign Regulation still dictates that there be a domestic interest in the school and we will not be eligible to operate the schools by ourselves. Under such circumstances, we will acquire rights to appoint members to the board of directors of the school who together shall constitute less than 50% of the board of directors of the relevant school. We will then control the voting power of such members appointed by the domestic interest holder(s) by way of the Contractual Arrangements. We also plan to directly hold the maximum percentage of equity interests permitted by the relevant laws and regulations in the relevant schools, subject to the approval of relevant government authorities. We will continue to control the remaining minority domestic interests that our Company intends to consolidate pursuant to the Contractual Arrangements; and

(d) in circumstance (d), our Company will be allowed to directly hold 100% of the interests in our School and our Company will fully unwind the Contractual Arrangements and directly hold all equity interest in the schools. Our Company will also acquire rights to appoint all members to the board of directors of the schools.

In addition, we expect that, if the PRC regulatory environment changes and all of the Qualification Requirement, the Foreign Ownership Restriction and the Foreign Control Restriction are removed (and assuming there are no other changes in the relevant PRC laws and regulations), Chen Lin Education Science will exercise the call option under the Exclusive Call Option Agreement in full to unwind the Contractual Arrangements. Please refer to "— Summary of the Material Terms of the Contractual Arrangements — (2) Exclusive Call Option Agreement" in this section for details.

Plan to comply with the Qualification Requirement

We have adopted a specific plan and have taken concrete steps which we believe are meaningful endeavors towards demonstrating compliance with the Qualification Requirement.

In August 2018, we entered into a consulting service agreement with an international education consultant, who is an Independent Third Party, with an aim to establish and operate an academic degree granting university (the "**University**") in the State of California, the United States. As confirmed by the consultant, the application, which was filed on behalf of the Company in September 2018 to the California Secretary of State to incorporate a limited company in the State of California for the purpose of operating and managing the University, is being processed and considered as at the Latest Practicable Date. Once the application is approved and the company is established, we will submit a formal application to the Bureau for Private Postsecondary Education (the "**Application to BPPE**") for the approval to establish the University in the State of California. According to the education consultant, the Application to BPPE will usually take 18 months to be processed and we currently anticipate that the University will formally commence operations in the second half of 2021. In addition, as at the Latest Practicable Date, we are in the process of designing the educational programs to be offered by the University. We plan to initially offer two undergraduate degree programs, one master's degree program, one associate degree program and five certificate programs by the University. We further plan to deploy Mr. Huang, Mr. Bau Siu Fung and other management members in our Group to develop and manage the University once it is established. We will disclose the progress of our overseas expansion and provide updates on the Qualification Requirement in our annual and interim reports in order to inform the public investors after the Listing as and when appropriate.

As (i) there are only general principles and no implementation measures or specific guidance promulgated by the Qualification Requirement, and (ii) the proposed university which will be established and operated in accordance with local regulations and rules shall provide higher education academic certificates, our PRC Legal Advisor is of view that based on their understanding of the general provisions of the existing PRC law, we have taken reasonable and appropriate steps towards fulfilling the Qualification Requirement.

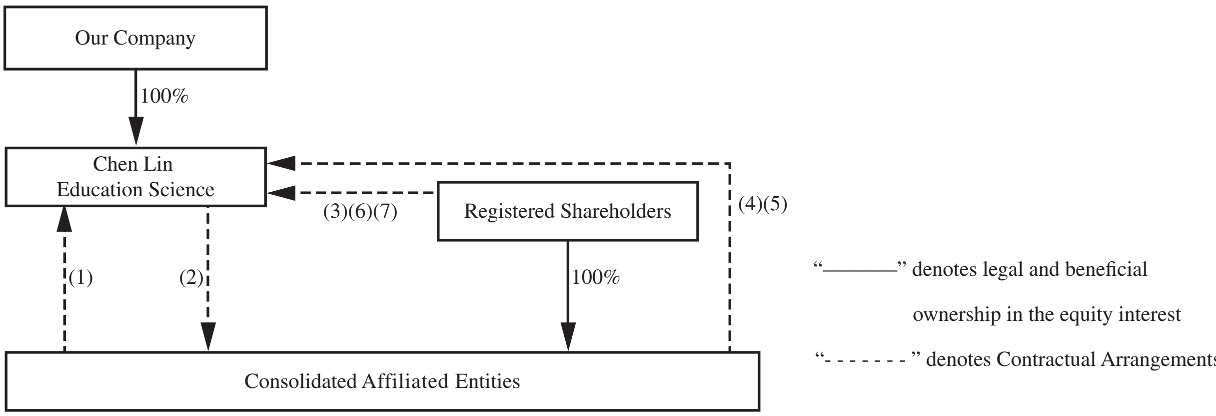
As confirmed by our PRC Legal Advisor, (our Directors are also of the view that) if the Foreign Ownership Restriction and the Foreign Control Restriction are both removed but the Qualification Requirement remains, we will be able to operate our School in the PRC directly through the University subject to the approval from the competent education authorities, assuming the University gains sufficient experience to comply with the Qualification Requirement and obtains approval from the relevant education 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).

Our Directors confirm that we will (i) under the guidance of our PRC Legal Advisor, continue to keep ourselves abreast of all relevant regulatory developments and guidance relating to the Qualification Requirement, and (ii) provide periodic updates in our annual and interim reports after the Listing to inform our Shareholders of our efforts and actions undertaken to comply with the Qualification Requirement.

OPERATION OF THE CONTRACTUAL ARRANGEMENTS

In order to comply with the PRC laws and regulations as set out above while availing ourselves to international capital markets and maintaining effective control over all of our operations, on September 15, 2018, our wholly-owned subsidiary, Chen Lin Education Science entered into various agreements that constitute the Contractual Arrangements with, among others, our Consolidated Affiliated Entities, under which substantially all economic benefits arising from the business of our Consolidated Affiliated Entities are transferred to Chen Lin Education Science to the extent permitted under the PRC laws and regulations by means of service fees payable by our Consolidated Affiliated Entities to Chen Lin Education Science.

The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to us under the Contractual Arrangements:



Note:

(1) Payment of service fee. Please refer to "(1) Exclusive Business Cooperation Agreement" below for details.

(2) Provision of technical services, management support and consulting services. Please refer to "(1) Exclusive Business Cooperation Agreement" below for details.

(3) Exclusive call option to acquire all or part of Nanchang Di Guan's school sponsor's interest in the School, and/or all or part of the Registered Shareholders' equity interest in Nanchang Di Guan. Please refer to "(2) Exclusive Call Option Agreement" below for details.

(4) Entrustment of school sponsor's rights in the School by Nanchang Di Guan. Please refer to "(5) School Sponsor's and Directors' Rights Entrustment Agreement" and "(8) School Sponsor's Power of Attorney" below for details.

(5) Entrustment of directors' rights in the School by directors of the School. Please refer to "(5) School Sponsor's and Directors' Rights Entrustment Agreement" and "(7) Directors' Power of Attorney" below for details.

(6) Entrustment of shareholders' rights of the Registered Shareholders. Please refer to "(4) Shareholders' Voting Rights Entrustment Agreement" and "(6) Registered Shareholders' Power of Attorney" below for details.

(7) Pledge of equity interest by the Registered Shareholders of their equity interest in Nanchang Di Guan. Please refer to "(3) Equity Pledge Agreement" below for details.

(8) According to PRC laws and regulations, entities and individuals who establish private schools are commonly referred to as "school sponsors" instead of "owners" or "shareholders".

Summary of the Material Terms of the Contractual Arrangements

A description of each of the specific agreements that comprise the Contractual Arrangements is set out below.

(1) Exclusive Business Cooperation Agreement

Pursuant to the exclusive business cooperation agreement dated September 15, 2018 entered into by and among Chen Lin Education Science, the Consolidated Affiliated Entities and the Registered Shareholders (the "**Exclusive Business Cooperation Agreement**"), Chen Lin Education Science shall provide technical services, management support and consulting services to our School and Nanchang Di Guan, including but not limited to: (a) formulation and development of curriculum; (b) preparation, selection and/or recommendation of course materials; (c) provision of teacher and staff recruitment and training support and services; (d) provision of student recruitment support and services; (e) provision of public relation services; (f) formulation of long term strategic development plans and annual working plans; (g) formulation of management strategies and market development plans; (h) development of financial management systems and recommendation and optimization on annual budget; (i) advising on design of internal structures and internal management; (j) provision of management and consultancy training to administrative staff; (k) conduct of market research and investigation, provide market information feedback and business development recommendation; (l) provision of regional and national student resource development plan; (m) establishment of online and offline marketing network; (n) development and improvement of business management flow; (o) advising on matters in relation to daily operation, financial, assets and human resources; (p) providing assistance to corporate finance matters; (q) maintaining relationship with clients, students and suppliers; (r) advising on business and asset operations; (s) advising on material agreements and contracts; and (t) providing other services reasonably requested by the School and Nanchang Di Guan.

In consideration of the technical services, management support and consulting services provided by Chen Lin Education Science, the School and Nanchang Di Guan agreed to pay Chen Lin Education Science a service fee equal to all of their respective amount of surplus from operations (after deducting necessary costs and reasonable expenses). Nanchang Di Guan has the right to adjust the amount of such service fee by reference to the actual services provided and the actual business operations and needs of our School and Nanchang Di Guan.

Pursuant to the Exclusive Business Cooperation Agreement, unless otherwise prescribed under the PRC laws and regulations, Chen Lin Education Science shall have exclusive proprietary rights to any technology and intellectual property developed and materials prepared in the course of the provision of research and development, technical support and services by Chen Lin Education Science to our School and Nanchang Di Guan, and any intellectual property in the products developed, including any other rights derived thereunder, in the course of performance of obligations under the Exclusive Business Cooperation Agreement and/or any other agreements entered into between Chen Lin Education Science and other parties.

Pursuant to the Exclusive Business Cooperation Agreement, without the prior written approval from Chen Lin Education Science, each of the Consolidated Affiliated Entities and the Registered Shareholders shall not enter into any transaction (save as those transactions entered into in the ordinary course of business) that may affect the Consolidated Affiliated Entities' assets, obligations, rights or operation, including but not limited to (i) the provision of any security or guarantee in favour of the Consolidated Affiliated Entities or any of their subsidiaries or the creation of any encumbrances in relation to their assets; (ii) the entering into of any loan or debt obligations in favour of any third party with a valuation higher than RMB3.0 million; and (iii) in relation to any third party the disposal, acquisition or otherwise dealing of any assets (including but not limited to intellectual properties) with a value higher than RMB3.0 million. In addition, under the Exclusive Business Cooperation Agreement, without the prior written consent of Chen Lin Education Science, none of the Consolidated Affiliated Entities shall change or remove the members of its board of directors, supervisors, principal, general managers and other senior managers.

(2) Exclusive Call Option Agreement

Under the exclusive call option agreement dated September 15, 2018 entered into by and among Chen Lin Education Science, the Consolidated Affiliated Entities and the Registered Shareholders (the "**Exclusive Call Option Agreement**"), each of the Registered Shareholders and Nanchang Di Guan unconditionally and irrevocably agreed to grant Chen Lin Education Science or its designated third party an exclusive option to purchase all or part of the equity interests in Nanchang Di Guan, being the sponsor of the School, or Nanchang Di Guan's sponsor's interest in the School, as the case may be, for the minimum amount of consideration permitted by applicable PRC laws and regulations, under circumstances in which Chen Lin Education Science or its designated purchaser is permitted under PRC laws and regulations to own all or part of the equity interests of Nanchang Di Guan, or the sponsor's interest in the School ("**Equity Call Option**"). In the event that PRC laws and regulations allow Chen Lin Education Science or us to directly hold all or part of the equity interest in Nanchang Di Guan and/or the sponsor's interest in the School, Chen Lin Education Science shall issue the notice of exercise of the Equity Call Option as soon as practicable.

In order to prevent the leakage of the assets and value pursuant to the Exclusive Call Option Agreement, none of the assets (with a value higher than RMB3.0 million) of the Consolidated Affiliated Entities are to be sold, transferred or otherwise disposed of without the written consent of Chen Lin Education Science. In addition, under the Exclusive Call Option Agreement, no transfer of, or encumbrance over, the equity interests or sponsor interests (as the case may be) in the Consolidated Affiliated Entities is permitted without Chen Lin Education Science's prior written consent (save as the equity pledge pursuant to the Equity Pledge Agreement).

(3) Equity Pledge Agreement

Pursuant to the equity pledge agreement dated September 15, 2018 entered into by and among Chen Lin Education Science, Nanchang Di Guan and the Registered Shareholders (the "**Equity Pledge Agreement**"), each of the Registered Shareholders unconditionally and irrevocably pledged and granted first priority security interests over all of his/her/its equity interest in Nanchang Di Guan together with all related rights thereto to Chen Lin Education Science as security performance of the Contract Arrangements and all direct, indirect or consequential damages and foreseeable loss of interest incurred by Chen Lin Education Science as a result of any event of default on the part of the Registered Shareholders, Nanchang Di Guan or the School and all expenses incurred by Chen Lin Education Science as a result of enforcement of the obligations of the Registered Shareholders, Nanchang Di Guan or the School under the Contractual Arrangements (the "**Secured Indebtedness**").

Pursuant to the Equity Pledge Agreement, without the prior written consent of Chen Lin Education Science, the Registered Shareholders shall not transfer the equity interest or create further pledge or encumbrance over the pledged equity interest. Any of the following events shall constitute an event of default under the Equity Pledge Agreement:

(a) any of the Registered Shareholders, Nanchang Di Guan or our School commits any breach of any obligations under the Contractual Arrangements;

(b) any representations or warranties or information provided by any Registered Shareholders, Nanchang Di Guan or our School under the Contractual Arrangements is proved incorrect or misleading; or

(c) any provisions in the Contractual Arrangements becomes invalid of 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 agreement.

Upon the occurrence of an event of default as described above, Chen Lin Education Science shall have the right to enforce the Equity Pledge Agreement by written notice to the Registered Shareholders in one or more of the following ways:

(a) to the extent permitted under the PRC laws and regulations, Chen Lin Education Science may request the Registered Shareholders to transfer all or part of his or her or its equity interest in Nanchang Di Guan to any equity or individual designated by Chen Lin Education Science at the lowest consideration permissible under the PRC laws and regulations, the Registered Shareholders irrevocably undertake that in the event that the consideration paid by Chen Lin Education Science or its designated purchaser for the transfer of all or part of the school sponsor's interest in our School and/or equity interest in Nanchang Di Guan exceeds RMB0.0, shall pay such excess amount to Chen Lin Education Science or its designated purchaser;

(b) sell the pledged equity interest by way of actuation or at a discount and have priority in the entitlement to the sales proceeds;

(c) dispose of the pledged equity interest in other manner subject to applicable laws and regulations.

We have completed the registration of the pledges under the Equity Pledge Agreement with the local authorities of SAMR.

(4) Shareholders' Voting Rights Entrustment Agreement

Pursuant to the shareholders' voting rights entrustment agreement dated September 15, 2018 entered into by and among Chen Lin Education Science, Nanchang Di Guan and the Registered Shareholders (the "**Shareholders' Voting Rights Entrustment Agreement**"), each of the Registered Shareholders has unconditionally and irrevocably authorized and entrusted Chen Lin Education Science or its designated person to exercise all of his/her/their respective rights as shareholders of Nanchang Di Guan to the extent permitted by the PRC laws. These rights include, but not limited to: (a) the right to convene and attend shareholders' meetings of Nanchang Di Guan, as the case may be; (b) the right to exercise voting rights in respect of all matters discussed and resolved at the shareholders' meeting of Nanchang Di Guan, to the extent permitted by the PRC laws and the articles of association of Nanchang Di Guan; (c) the right to appoint the directors, legal representative, general manager, and other senior management members of Nanchang Di Guan according to the article of association of Nanchang Di Guan; (d) the right to sign all shareholders' resolutions and other legal documents to be submitted to the relevant government regulatory authorities, which documents the Registered Shareholders have the authority to sign in his or their capacity as shareholders of Nanchang Di Guan, as the case may be; (e) the right to exercise voting rights, on behalf of the Registered Shareholders, at the time of insolvency, liquidation and winding up of Nanchang Di Guan; (f) the right to handle the legal procedures of registration, approval, licensing and filling of Nanchang Di Guan, as the case may be at the industrial and commercial administrative department or other government regulatory authorities; (g) the right to determine to transfer or dispose in any form of equity interests in Nanchang Di Guan held by the Registered Shareholders; (h) the right to receive the residual assets after the insolvency, liquidation and winding up of Nanchang Di Guan; and (i) the right to submit and register the related document of Nanchang Di Guan.

In addition, each of the Registered Shareholders of Nanchang Di Guan irrevocably agreed that (i) Chen Lin Education Science may delegate its rights under the Shareholders' Voting Rights Entrustment Agreement to its designated person; and (ii) any person as successor of civil rights of Chen Lin Education Science or liquidator by reason of subdivision, merger, liquidation of Chen Lin Education Science or other circumstances shall have authority to replace Chen Lin Education Science to exercise all rights under the Shareholders' Voting Rights Entrustment Agreement.

(5) School Sponsor's and Directors' Rights Entrustment Agreement

Pursuant to the school sponsor's and directors' rights entrustment agreement dated September 15, 2018 entered into by and among Chen Lin Education Science, Nanchang Di Guan, each of the directors of the School appointed by Nanchang Di Guan and the School (the "**School Sponsor's and Directors' Rights Entrustment Agreement**"), Nanchang Di Guan has irrevocably authorized and entrusted Chen Lin Education Science or its designated person to exercise all its rights as school sponsor of our School to the extent permitted by PRC laws. These rights include, but not limited to: (a) the right to appoint and/or elect directors or council members of the schools; (b) the right to appointment and/or elect supervisors of the schools; (c) the right to understand the operation and financial situation of the schools; (d) the right to review the resolutions and records of the board of directors and financial statements and reports of the schools; (e) the right to obtain reasonable returns as school sponsor of the schools in accordance with the laws and the articles of association of the School; (f) the right to acquire residue assets upon liquidation of the School in accordance with the laws and the articles of association of the School; (g) the right to transfer the school sponsor's interest in accordance with the laws; (h) the right to vote on behalf of the schools regarding the bankruptcy, liquidation, dissolution or termination of the schools; (i) the right to make a choice between profitability and non-profitability of the schools in accordance with the PRC laws, regulations or regulatory documents; (j) the right to handle the legal procedures of registration, approval, licensing and filing of our School at the education department, the department of civil affairs or other government regulatory authorities and deliver any document to relevant government authority that the school sponsor is required to deliver; and (k) other school sponsor's rights pursuant to applicable PRC laws and regulations and the articles of association of the School as amended from time to time.

Pursuant to the School Sponsor's and Directors' Rights Entrustment Agreement, each of the directors of the School appointed by Nanchang Di Guan (the "**Appointees**") has irrevocably authorized and entrusted Chen Lin Education Science or its designated person to exercise all his/her rights as directors of our School as appointed by Nanchang Di Guan and to the extent permitted by PRC laws. These rights include, but not limited to: (a) the right to attend meetings of the board of directors as representative of the Appointees; (b) the right to exercise voting rights in respect of all matters discussed and resolved at the board meeting of the School; (c) the right to propose to convene interim board meetings of the School; (d) the right to sign all board minutes, board resolutions and other legal documents which the directors appointed by Nanchang Di Guan has authority to sign in his/her capacity as directors of the School; (e) the right to instruct the legal representative and financial and business and administrative responsible persons of the School to act in accordance with the instruction of Chen Lin Education Science or its designated person; (f) the right to exercise all other rights and voting rights of directors as prescribed under the articles of association of the School; (g) the right to vote on behalf of the School in respect of bankruptcy, liquidation, dissolution or termination of the School; (h) the right to handle the legal procedures of registration, approval and licensing of our School at the education department, the department of civil affairs or other government regulatory departments and deliver any document to relevant government authority that is required to deliver; and (i) other directors' rights pursuant to applicable PRC laws and regulations and the articles of association of our School as amended from time to time.

In addition, each of Nanchang Di Guan and the Appointees has irrevocably agreed that (i) Chen Lin Education Science may delegate its rights under the School Sponsor's and Directors' Rights Entrustment Agreement to the directors of Chen Lin Education Science or its designated person, without prior notice to or approval by Nanchang Di Guan and the Appointees; and (ii) any person as successor of civil rights of Chen Lin Education Science or liquidator by reason of subdivision, merger, liquidation of Chen Lin Education Science or other circumstances shall have authority to replace Chen Lin Education Science to exercise all rights under the School Sponsor's and Directors' Rights Entrustment Agreement.

(6) Registered Shareholders' Power of Attorney

Pursuant to the registered shareholders' power of attorney executed by each of the Registered Shareholder in favor of Chen Lin Education Science on September 15, 2018 (the "**Registered Shareholders' Power of Attorney**"), each of the Registered Shareholder authorized and appointed Chen Lin Education Science, as his or their agent to act on his or their behalf to exercise or delegate the exercise of all his or their rights as shareholders of Nanchang Di Guan. For details of the rights granted, please refer to the paragraph headed "— (4) Shareholders' Voting Rights Entrustment Agreement" in this section. The Registered Shareholders' Power of Attorney shall constitute a part and incorporate terms of the Shareholders' Voting Rights Entrustment Agreement.

(7) Directors' Power of Attorney

Pursuant to the directors' power of attorney executed by each of the Appointees in favor of Chen Lin Education Science on September 15, 2018 (the "**Directors' Power of Attorney**"), each of the Appointees authorized and appointed Chen Lin Education Science, as his/her agent to act on his/her behalf to exercise or delegate the exercise of all his or their rights as directors of our School. For details of the rights granted, please refer to the paragraph headed "— (5) School Sponsor's and Directors' Rights Entrustment Agreement" in this section.

Chen Lin Education Science shall have the right to further delegate the rights so delegated to its directors or other designated person. Each of the Appointees irrevocably agreed that the authorization appointment in the Directors' Power of Attorney shall not be invalid, prejudiced or otherwise adversely affected by any reason of his/her loss or registration on capacity, death, divorce or other similar events. The Directors' Power of Attorney shall constitute a part and incorporate terms of the School Sponsor's and Directors' Rights Entrustment Agreement.

(8) School Sponsor's Power of Attorney

Pursuant to the school sponsor's power of attorney executed by Nanchang Di Guan in favor of Chen Lin Education Science on September 15, 2018 (the "**School Sponsor's Power of Attorney**"), Nanchang Di Guan authorized and appointed Chen Lin Education Science, as its agent to act on his/her behalf to exercise or delegate the exercise of all his or their rights as school sponsor of our School. For details of the rights granted, please refer to the paragraph headed "— (5) School Sponsor's and Directors' Rights Entrustment Agreement" in this section.

Chen Lin Education Science shall have the right to further delegate the rights so delegated to its directors or other designated person. Nanchang Di Guan irrevocably agreed that the authorization appointment in the School Sponsor's Power of Attorney shall not be invalid, prejudiced or otherwise adversely affected by any reason of its bankruptcy, liquidation, dissolution or other similar events. The Directors' Power of Attorney shall constitute a part and incorporate terms of the School Sponsor's and Directors' Rights Entrustment Agreement.

(9) Spouse Undertakings

Pursuant to the Spouse Undertakings, each of Ms. Xiong Yan, being the spouse of Mr. Huang, and Mr. Wang Li, being the spouse of Ms. Huang Yuan (the "**Relevant Spouse**") has irrevocably undertaken that:

(a) the Relevant Spouse has full knowledge and has consented to the entering into of the Contractual Arrangements by his/her spouse, and in particular, the arrangement has set out in the Contractual Arrangements in relation to the restrictions imposed on the direct or indirect equity interest in Nanchang Di Guan, pledge or transfer the direct or indirect equity interest in Nanchang Di Guan, or the disposal of the direct or indirect equity interest in Nanchang Di Guan in any other forms;

(b) the Relevant Spouse shall not claim for any entitlement to the equity interest of the respective Registered Shareholders in Nanchang Di Guan as part of the communal properties of the Relevant Spouse and the respective Registered Shareholders. The Relevant Spouse has further undertaken that, he/she will not raise any claim against the relevant arrangement under the Contractual Arrangements;

(c) the Relevant Spouse authorizes his/her spouse and/or his/her authorized person to execute all necessary documents and perform all necessary procedures from time to time for and on behalf of the Relevant Spouse in relation to the Relevant Spouse's equity interest in Nanchang Di Guan in order to safeguard the interest of Chen Lin Education Science under the Contractual Arrangements and give effect to the fundamental purposes thereunder, and confirms and agrees to all such documents and procedures;

(d) any undertaking, confirmation, consent or authorization under the Spouse Undertakings shall not be revoked, prejudiced, invalidated or otherwise adversely affected by any increase, decrease, consolidation or other similar events relating to the direct or indirect equity interest in Nanchang Di Guan;

(e) any undertaking, confirmation, consent and authorization under the Spouse Undertakings shall not be revoked, prejudiced, invalidated or otherwise adversely affected by death, loss of or restriction on capacity of the spouse, divorce or similar events;

(f) all undertakings, confirmations, consents and authorizations under the Spouse Undertakings shall continue to be valid and binding until otherwise terminated by both Chen Lin Education Science and Relevant Spouse in writing. Both Mr. Huang and Ms. Huang Yuan are not required to provide any compensation to the Relevant Spouse as the consideration of the undertaking; and

(g) the Spouse Undertakings shall have the same term as the Exclusive Call Option Agreement.

DISPUTE RESOLUTIONS

In the event of any dispute with respect to the construction and performance of the provisions, each of the Exclusive Business Cooperation Agreement, Exclusive Call Option Agreement, Equity Pledge Agreement, Shareholders' Voting Rights Entrustment Agreement and School Sponsor's and Directors' Rights Entrustment Agreement stipulates that:

(a) the parties shall negotiate in good faith to resolve the dispute. The negotiation shall start after one party delivers to the other parties a written negotiation request setting out the specific statements of the disputes or claims;

(b) in the event the parties fail to settle the dispute within 30 days of delivery of such written negotiation request, any party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Shanghai. The arbitration ruling shall be final and binding on all parties;

(c) the arbitral tribunal may award remedies over the equity interest and property interest and other assets of our Consolidated Affiliated Entities, injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of our Consolidated Affiliated Entities; and

(d) upon the request by any party, the courts of competent jurisdictions shall have the power to grant interim remedies in support of arbitration pending information of the arbitral tribunal or in appropriate cases. The courts of Hong Kong, the Cayman Islands, the PRC and the place where the principal assets of our Company and our 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 Contractual Arrangements and the practical consequences, we are advised by our PRC Legal Advisor that:

(a) a tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of our Consolidated Affiliated Entities pursuant to current PRC laws;

(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 Consolidated Affiliated Entities, injunctive relief or winding-up of our 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 our 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;

(d) in addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and Cayman Islands may not be recognizable or enforceable in the PRC; therefore, in the event we are unable to enforce the Contractual Arrangements, we may not be able to exert effective control over our 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 the PRC laws, the remaining provisions of the dispute resolution clauses are legal, valid and binding on the parties to the agreement under the Contractual Arrangements.

As a result of the above, in the event that our School, Nanchang Di Guan or the Registered Shareholders breaches any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our School and/or Nanchang Di Guan and conduct our business could be materially and adversely affected. Please refer to the paragraph headed "Risk Factors — Risks Relating to our Contractual Arrangements" in this prospectus for details.

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

Pursuant to the Exclusive Business Cooperation Agreement, each of the Registered Shareholders undertakes to Chen Lin Education Science that, in the event of death, loss of or restriction on capacity, divorce or other circumstances regarding the Register Shareholder which may affect the exercise of his direct or indirect equity interest in Nanchang Di Guan, the Registered Shareholder's respective successor, guardian, spouse, and any other person which may as a result of the above events obtain the equity interest or relevant rights directly or indirectly shall not prejudice or hinder the enforcement of the Contractual Arrangements.

PROTECTION IN THE EVENT OF DISSOLUTION OR LIQUIDATION OF OUR SCHOOL

Pursuant to the Exclusive Business Cooperation Agreement, in the event of the dissolution or liquidation of our School, the Registered Shareholders and Nanchang Di Guan undertake that, among others, Chen Lin Education Science and/or its designated person(s) shall have the right to exercise all school sponsor's rights on behalf of Nanchang Di Guan and shall instruct the School and/or Nanchang Di Guan to transfer assets received under PRC laws directly to Chen Lin Education Science and/or its designated person. Furthermore, Chen Lin Education Science has been irrevocably authorized and entrusted to exercise the rights of Nanchang Di Guan as school sponsor of our School and the rights of the Appointees as directors of our School and rights of Registered Shareholders as shareholders of Nanchang Di Guan.

LOSS SHARING

In the event that our School and/or Nanchang Di Guan incur any loss or encounters any operational crisis, Chen Lin Education Science may, but is not obligated to, provide financial support to our School and/or Nanchang Di Guan.

None of the agreements constituting the Contractual Arrangements provide that our Company or its wholly-owned PRC subsidiary, namely Chen Lin Education Science, is obligated to share the losses of our School and/or School Sponsor or provide financial support to our School and/or Nanchang Di Guan. Further, our School and/or Nanchang Di Guan 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 Chen Lin Education Science, is not expressly required to share the losses of our School and/or Nanchang Di Guan or provide financial support to our School and/or Nanchang Di Guan. Despite the foregoing, given that our School and Nanchang Di Guan'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 School and/or our School Sponsor suffer losses. However, due to the restrictive provisions contained in the Contractual Arrangements, the potential adverse effect on Chen Lin Education Science and our Company in the event of any loss suffered from our School and/or Nanchang Di Guan can be limited to a certain extent.

TERMINATION OF THE CONTRACTUAL ARRANGEMENTS

Each of the Contractual Arrangements provides that: (a) each of the Contractual Arrangements shall be terminated upon the completion of the purchase of all the equity interest and school sponsor's interest of the Registered Shareholders (directly or indirectly) hold in Nanchang Di Guan and our School by Chen Lin Education Science or other party designated by our Company pursuant to the terms of the Exclusive Call Option Agreement, save for the Equity Pledge Agreement which shall continue to be in force until all obligations thereunder have been performed or all Secured Indebtedness has been repaid in full; (b) Chen Lin Education Science shall have the right to terminate the Contractual Arrangements by serving 30-day prior notice; and (c) the School, Nanchang Di Guan and the Registered Shareholders shall not be entitled to unilaterally terminate the Contractual Arrangements in any situation other than prescribed by the laws.

In the event that PRC laws and regulations allow Chen Lin Education Science or us to directly hold all or part of the school sponsor's interest in our School and/or all or part of the equity interest in Nanchang Di Guan and operative private education business in the PRC, Chen Lin Education Science shall exercise the Equity Call Option as soon as practicable and Chen Lin Education Science or its designated party shall purchase such amount of equity interest to the extent permissible under the PRC laws and regulations, and upon the exercise in full of the Equity Call Option and the acquisition of all the equity interest and school sponsor's interest that the Registered Shareholders (directly or indirectly) hold in our School Sponsor and our School by Chen Lin Education Science or another party designated by our Company pursuant to the terms of the Exclusive Call Option Agreement, each of the Contractual Agreements shall be automatically terminated.

Our Company does not maintain any insurance policy to cover the risks relating to the Contractual Arrangements.

ARRANGEMENT TO ADDRESS POTENTIAL CONFLICT OF INTEREST

To ensure our effective control over our Consolidated Affiliated Entities, we have implemented measures to protect against the potential conflicts of interest between our Company and the Registered Shareholders, the shareholders of Nanchang Di Guan. Pursuant to the Exclusive Call Option Agreement, the Registered Shareholders agreed to grant us or our designated third party an exclusive option to purchase part or all of the equity interests in Nanchang Di Guan, or Nanchang Di Guan's sponsor's interest in the School, as the case may be, under circumstances in which our company or its designated third party is permitted under PRC laws and regulations to own all or part of the equity interests of Nanchang Di Guan, or Nanchang Di Guan's sponsor's interest in the School. Under the irrevocable Powers of Attorney executed by each of Registered Shareholders, they appointed Chen Lin Education Science, or any person designated by Chen Lin Education Science, as their respective attorney-in-fact to appoint directors and vote on her behalf on all matters of Nanchang Di Guan requiring shareholders' approval under its articles of associations and under the relevant PRC laws and regulations.

Furthermore, there are mechanisms in place to protect against the spouse of Mr. Huang and Ms. Huang Yuan from exercising any control or influence over the Consolidated Affiliated Entities. each of Ms. Xiong Yan, being the spouse of Mr. Huang, and Mr. Wang Li, being the spouse of Ms. Huang Yuan, had executed an irrevocable undertaking, whereby they expressly and irrevocably (i) acknowledged the entry into of the Contractual Arrangements by Mr. Huang and Ms. Huang Yuan; and (ii) undertook that they shall not take any actions that are in conflict with purpose and intention of the Contractual Arrangements, including acknowledging that any equity interests held by the shareholders do not fall within the scope of their community properties.

The Registered Shareholders have undertaken that, during the period that the Contractual Arrangements remain effective, unless otherwise agreed to by Chen Lin Education Science in writing, they would not, directly or indirectly (either on their own account or through any natural person or legal entity) participate, engage in, acquire or hold (in any case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may potentially be in competition with the businesses of Chen Lin Education Science and its subsidiaries (including any entities which interests are controlled by Chen Lin Education Science via contractual arrangements) or be interested therein. Furthermore, in the event of the occurrence of a conflict of interests (where Chen Lin Education Science has the sole absolute discretion to determine whether such conflict arises), they agree to take any appropriate actions as instructed by Chen Lin Education Science or its designated entity.

Based on the above, our Directors are of the view that the measures we have adopted are sufficient to mitigate the risks associated with the potential conflicts of interest between our Group and the Registered Shareholders and such measures are sufficient to protect our Group's interest in the Consolidated Affiliated Entities.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

PRC Legal Opinions

Our PRC Legal Advisor is of the opinion that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations and that:

(a) the Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements are legal, valid and binding on the parties thereto, enforceable under PRC laws and regulations, and in particular, the Contractual Arrangements do not violate the provisions of the PRC Contract Law including "concealing illegal intentions with a lawful form", and other applicable PRC laws and regulations, except that the Contractual Arrangements provide that the arbitral body may award remedies over the shares and/or assets or award injunctive relief and/or order the winding up of our 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 or in appropriate cases, while under PRC laws, an arbitral body has no power to grant injunctive relief or to order an entity to wind up, and the aforesaid interim remedies granted by competent courts are only enforceable to the extent permitted under the relevant PRC laws and regulations and may not be recognizable or enforceable in the PRC;

(b) each of the Contractual Arrangements is not in violation of provisions of the articles of association of our Consolidated Affiliated Entities and Chen Lin Education Science, respectively;

(c) no approval or authorization from the PRC governmental authorities is required for entering into and the performance of the Contractual Arrangements except that: (i) the pledge of any equity interest in our School or Nanchang Di Guan for the benefit of Chen Lin Education Science is subject to registration requirements with the local authorities of SAMR; (ii) the transfer of school sponsors' interest in our School and of equity interest in Nanchang Di Guan contemplated under the Contractual Arrangements is 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 Contractual Arrangements are subject to applications to competent PRC courts for recognition and enforcement.

For details in relation to the risks involved in the Contractual Arrangements, please refer to the paragraph headed "Risk Factors — Risks Relating to our Contractual Arrangements" in this prospectus.

Directors' Views on the Contractual Arrangements

We believe that the Contractual Arrangements are narrowly tailored because the Contractual Arrangements are only used to enable our Group to consolidate the financial results of our Consolidated Affiliated Entities, which engage in the provision of higher education in the PRC, where the PRC laws, regulations or regulatory practice currently restrict operation of higher education and secondary vocational education to Sino-foreign ownership, in addition to imposing qualification requirements on the foreign owners.

As of the date of this prospectus, we have not encountered any interference or encumbrance from any governing bodies in our plan to adopt the Contractual Arrangements. As such, that the financial results of the operation of our Consolidated Affiliated Entities can be consolidated to those of our Group, and as advised by our PRC Legal Advisor, the Directors are of the view that the Contractual Arrangements are enforceable under the PRC laws and regulations, except for relevant arbitration provisions, as disclosed in the paragraph headed "— Dispute Resolutions" in this section.

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon the Listing 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 Contractual Arrangements are fundamental to our Group's legal structure and business operations, 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. Please refer to the section headed "Connected Transactions" in this prospectus for details.

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

According to IFRSs 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 Consolidated Affiliated Entities, the Contractual Arrangements as mentioned above enable our Company to exercise control over our Consolidated Affiliated Entities. The basis of combining the results of our Consolidated Affiliated Entities is disclosed in note 2.2 to the Accountant's Report. Our Directors consider that our Company can combine the financial results of our Consolidated Affiliated Entities as if they were our Group's subsidiaries.

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

On January 19, 2015, MOFCOM released the Draft Foreign Investment Law and the Explanatory Notes to the Draft Foreign Investment Law (the "**Explanatory Notes**") for public consultation. The major changes that the Draft Foreign Investment Law introduces to the foreign investment regime in the PRC are as follows:

(1) The Definitions of "foreign investors" and "foreign investment"

The Draft Foreign Investment Law introduces the concept of "control" and "actual control". Under Article 18 of the Draft Foreign Investment Law, the term "control" means that any of the following conditions is met in respect of an enterprise:

(a) holding, directly or indirectly, more than 50% of shares, equities, share of properties, voting power or other similar equities in the enterprise;

(b) holding, directly or indirectly, less than 50% of shares, equities, share of properties, voting power or other similar equities in the enterprise, but are under any of the following circumstances: (a) being entitled to, directly or indirectly, more than half of the members of the enterprise's board of directors or the similar decision-making body; (b) being capable of ensuring that its nominated personnel can occupy more than 50% of seats of the enterprise's board of directors or the similar decision-making body; and (c) the voting power it holds is sufficient to have significant influence on the resolutions of the meetings of shareholders, general assembly of shareholders, board of directors or other decision-making body; or

(c) exerting decisive influence on the enterprise's management, finance, human resources or technologies, among other things, by contracts, trust or other ways.

For the purposes of the Draft Foreign Investment Law, the determination of "actual control" is an exercise to identify the ultimate natural person or enterprise that controls the foreign-invested enterprise. Article 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 the investment amount of a foreign investment enterprise ("**FIE**") exceeds certain thresholds or the business it operates falls within a "negative catalogue" 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.

The "variable interest entity" structure, or VIE structure, has been adopted by many PRC-based companies, and will be adopted by our Company in the form of the Contractual Arrangements, to establish control of our Consolidated Affiliated Entities by Nanchang Di Guan, through which our Group operate its 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 "controlled" by foreign investors. For companies with a VIE structure in an industry category that is in the "restricted category" on the "negative catalogue", it is possible that the existing VIE structure may be deemed legitimate only if the actual controlling person(s) is/are of PRC nationalities (either PRC state-owned enterprises or agencies, or PRC citizens).

(2) Restrictions on foreign investment

The Draft Foreign Investment Law stipulates restrictions on foreign investment in certain industry sectors. The negative catalogue classified the relevant prohibited and restricted industries into the catalogue of prohibitions ("**Catalogue of Prohibitions**") and the catalogue of restrictions ("**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 sector set out in the Catalogue of Restrictions, provided that the foreign investors are required to fulfil certain conditions and apply for permissions before making such investment.

Notwithstanding the Explanatory Notes do not provide a clear direction in dealing with contractual arrangements in existence before the Draft Foreign Investment Law becomes effective (the Draft Foreign Investment Law is still subject to public consultation and further study), MOFCOM has proposed under the Explanatory Notes three possible approaches in dealing with foreign-invested enterprises with existing contractual arrangements and conducting business in an industry falling in the negative catalogue:

(a) to make a declaration to the competent authority of the State Council that the actual control is vested with Chinese investors, whereby contractual arrangements may be retained for its operation;

(b) to apply to the competent authority of the State Council for certification that its actual control is vested with Chinese investors and upon verification by competent authority of the State Council, whereby the contractual arrangements may be retained for its operation; and

(c) to apply to the competent authority of the State Council for permission, whereby the competent authority of the State Council 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 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 RMB1.0 million or of not more than 10% of illegal investments.

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 RMB1.0 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, evading the performance of the information reporting obligation, 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, evading the performance of the information reporting obligation, 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 person-in-charge directly responsible and other persons liable shall be sentenced to fixed-term imprisonment of not more than one year or criminal detention.

If the Draft Foreign Investment Law is promulgated in the current draft form, on the basis that (i) Mr. Huang, who is of Chinese nationality, is expected to indirectly hold an aggregate of more than 50% of the issued share capital of our Company upon completion of the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option); and (ii) our Company through Chen Lin Education Science exercises effective control over our Consolidated Affiliated Entities pursuant to the Contractual Arrangements, our PRC Legal Advisor is of the view that our Company may apply for the recognition of the VIE structure under the Contractual Arrangements as domestic investments and it is likely that the Contractual Arrangements will be considered as legal.

Potential impact to our Company in the worst scenario that the Contractual Arrangements are not treated as a domestic investment

The operation of educational institutions offering higher education may be in the Catalogue of Prohibitions or the Catalogue of Restrictions and the Contractual Arrangements may be deemed as foreign investments on prohibited or restricted industry sector. If the Draft Foreign Investment Law is refined and deviates from the current draft, depending on the treatment of existing contractual arrangements, the Contractual Arrangements may be regarded as invalid and illegal. As a result, our Group would not be able to operate its schools through the Contractual Arrangements and our Company would have to terminate the Contractual Arrangements and lose the rights to receive the future economic benefits of our Consolidated Affiliated Entities. As a result, the financial results of our Consolidated Affiliated Entities would no longer be consolidated into our Group's financial results and our Group 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 de-recognition.

Nevertheless, 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 that, if the Draft Foreign Investment Law is promulgated, the relevant authorities will apply the rules retrospectively to require the relevant enterprises to remove existing contractual arrangements. In the 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 practice situations.

However, there are uncertainties as to what the definition of control may be under the ultimate version of the Foreign Investment Law to be enacted 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 Advisor' 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 Consolidated Affiliated Entities

Our PRC Legal Advisor is of the view that the structure under the Contractual Arrangements is 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 Contractual Arrangements remain a domestic investment so that our Group can maintain control over our Consolidated Affiliated Entities and receive all economic benefits derived from our Consolidated Affiliated Entities, as confirmed by our PRC Legal Advisor, the School has requested Mr. Huang to provide the following undertaking to mitigate the risks associated with the Draft Foreign Investment Law:

(a) continue to maintain his Chinese nationality and citizenship for as long as he holds a controlling interest in our Company;

(b) maintain control over our Company for the purposes of the Draft Foreign Investment Law (together with all its subsequent amendments or updates, as promulgated) and related laws applicable to our Group in relation to domestic investment when they become effective, or otherwise procure the transferee(s) who will become the new PRC controlling shareholder of our Company to provide an undertaking in the same terms and conditions as the one offered by him/her to our Company;

(c) maintain the shares held by the ultimate control persons who are PRC citizens account for not less than 50% of the issued share capital of our Company including after the issuance of any new shares by Company. Further, upon completion of the Listing, the

Shares held by Mr. Huang (through Huangyulin Holdings and Chen Lin Elite Holdings) and the Shares held by his subsequent transferee(s) will be held in the form of physical certificates;

(d) instruct the relevant share registrar not to register any subscription, purchase and transfer of shares unless and until our Company is satisfied that the same will not result in Mr. Huang ceasing to have control over our Company or any other breach of the undertaking.

Based on the view of our PRC Legal Advisor and the aforesaid undertaking to be given by Mr. Huang, the Directors are of the view that (i) the VIE structure under the Contractual Arrangements are likely to be deemed as a domestic investment and be permitted to continue; and (ii) our Group can maintain control over our Consolidated Affiliated Entities and receive all economic benefits derived from our Consolidated Affiliated Entities. The aforesaid undertaking will become effective from the date of the Listing and will be terminated only in the circumstance where our Company has been advised by our PRC Legal Advisor that compliance with the Draft Foreign Investment Law (together with all its subsequent amendments or updates, as promulgated) is not required.

FOREIGN INVESTMENT LAW

On December 23, 2018, the 7th meeting of the 13th SCNPC reviewed the 2018 draft foreign investment law first submitted by the State Council, which was promulgated by the NPC on its official website on December 26, 2018 for public consultation until February 24, 2019, and further submitted the second draft of the 2018 draft foreign investment law to the NPC for deliberation on January 29, 2019. On March 15, 2019, the Foreign Investment Law was finally adopted by the second session of the 13th NPC and will become effective on January 1, 2020. The Foreign Investment Law, when becomes effective on January 1, 2020, will replace the Sino-Foreign Equity Joint Venture Enterprise Law (中華人民共和國中外合資經營企業法), the Sino-Foreign Cooperative Joint Venture Enterprise Law (中華人民共和國中外合作經營企業法) and the Wholly Foreign-Invested Enterprise Law (中華人民共和國外資企業法) to become the legal foundation for foreign investment in the PRC.

Impact and potential consequences of the Foreign Investment Law on our Contractual Arrangements

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including us, to obtain and maintain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions or prohibitions in China. The Foreign Investment Law does not mention concepts including "de facto control" and "controlling through contractual arrangements", nor did it specify the regulation on controlling through contractual arrangements. Furthermore, the Foreign Investment Law does not specifically stipulate rules on the industry we operate in. Therefore, we believe that the Foreign Investment Law, when becomes effective, together with the then laws, regulations and rules, will not treat contractual arrangements as a form of foreign investment, and will not, by itself, have any material adverse effect on our corporate structure or, in turn, on our business operations.

Notwithstanding the foregoing, there remains uncertainties regarding whether any new PRC laws, rules or regulations relating to foreign investments will be adopted in the future. For the details of risks relating to the Foreign Investment Law, please refer to the paragraph headed "Risk Factors — Risks relating to our Contractual Arrangements — Uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations." in this prospectus.

The potential impact to our Company in the worst scenario pursuant to the Foreign Investment Law that the Contractual Arrangements are treated as a foreign investment

If providing higher education is no longer in the Negative List, or the "negative catalogue" under the Foreign Investment Law to be issued by the State Counsel in the Future and our Group can legally provide higher education under PRC Laws, Chen Lin Education Science will exercise the Equity Call Option under the Exclusive Call Option Agreement to directly hold the equity interest in Nanchang Di Guan and/or the sponsor's interest in the School and unwind the Contractual Arrangements subject to re-approval by the relevant authorities.

If providing higher education is in the Negative List, or the "negative catalogue" under the Foreign Investment Law to be issued by the State Counsel in the Future, the Contractual Arrangements may be viewed as restricted foreign investment and may be regarded as invalid and illegal. As a result, our Group would not be able to operate our Consolidated Affiliated Entities through the Contractual Arrangements and we would lose our rights to receive the economic benefits of our Consolidated Affiliated Entities. As a result, the financial results of our Consolidated Affiliated Entities would no longer be combined 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.

Nevertheless, 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, when the Foreign Investment Law becomes effective, that the relevant regulations will take retrospective effect to require the relevant enterprises to remove the contractual arrangements. In any event, our Company will take reasonable steps in good faith to seek to comply with the Foreign Investment Law, when it comes into force.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group will adopt the following measures before Listing to ensure effective operation and compliance with the Contractual Arrangements:

(a) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion;

(b) our Board will review the overall performance of and compliance with the Contractual Arrangements annually;

(c) our Company will disclose the overall performance and compliance with the Contractual Arrangements in its annual reports and interim reports to update our Shareholders and potential investors;

(d) our Company and our Directors undertake to provide periodic updates in the annual and interim reports, after its Listing, regarding the Qualification Requirement and the status of compliance with the applicable laws and regulations, as well as the plan and progress towards demonstrating compliance with the Qualification Requirement;

(e) our Company will disclose, as soon as possible (i) any updates of changes to the applicable laws and regulations that will materially and adversely affect our Company as and when they occur; and (ii) a clear description and analysis of the relevant laws and regulations as implemented, specific measures taken by us to fully comply with the such laws and regulations supported by a PRC legal opinion and any material impact on our operations and financial position; and

(f) our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements and the legal compliance of Chen Lin Education Science and our Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

In addition, notwithstanding that one of the Directors, Mr. Huang, is also one of the Registered Shareholders, our Company believes that the Directors are able to perform their roles in our Group independently and our Group is capable of managing its business independently after the Listing under the following measures:

(a) the decision-making mechanism of our 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 our 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 or her fiduciary duties as a Director which requires, amongst other things, that he or she acts for the benefits and in the best interests of our Group;

(c) our Company will appoint four independent non-executive Directors, comprising more than one-third of the Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of our Company and the Shareholders as a whole; and

(d) our Group will disclose in its announcements, circulars and 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.

OVERVIEW

We are one of the leading providers of private higher education in Jiangxi province, China, with over 17 years of experience in the private higher education industry. We currently operate one private university located in Nanchang, Jiangxi province, namely the Jiangxi University of Applied Science (the "**JUAS**" or the "**School**"), and offer undergraduate and junior college programs, as well as diverse education related services. We ranked 4th among the 31 private higher education institutions in Jiangxi province in terms of student enrollment for the 2018/2019 school year. As of the Latest Practicable Date, our School had a total number of student enrollment of 14,155, consisting of 5,325 undergraduate students and 8,830 junior college students. We have implemented an effective business strategy that focuses on providing quality higher education while synthesizing our educational resources to provide market-oriented education related services. We believe our business strategy is the core element leading to the rapid growth of our business.

Our mission is to cultivate innovative talents with practical skills and knowledge, and to provide talent support for the development of urbanization in China. Our School offered 30 undergraduate programs and 36 junior college programs as of the Latest Practicable Date. With a view of nurturing talents with practical skills, we are devoted to providing outstanding private higher education to our students and offering diversified programs and curriculums encompassing a broad range of market-oriented fields of study and career trainings, including, among others, international business, e-commerce, logistics management, internet-of-things, civil engineering, software engineering, mechanical manufacturing and automation, and robotics engineering. We believe our practical programs and curriculums equip our students with practical skills that meet the rapidly evolving market demand. We also cooperate with a number of sizable enterprises, including Tarena International (達內科技), an information technology training provider, and technology companies such as Radiant Opto-Electronics (Suzhou) (瑞儀光電) and Japan Display (Suzhou) (晶端顯示), to provide our students with internship and potential employment opportunities. The final employment rates of our graduates were 97.2%, 97.7% and 98.3%, for the 2015/2016 school year, the 2016/2017 school year and the 2017/2018 school year, respectively, which were higher than the average final employment rates of 91.1%, 91.4% and 91.0%, for graduates among all higher education institutions in the PRC over the corresponding periods.

In addition to tuition fees and boarding fees, we also generate income by providing a variety of education related services. Our education related services mainly include (i) internship management services, through which we introduce qualified students from our School and other schools to participate in various internship programs, and (ii) a variety of tutoring and program management services, including qualification exam review services, personal development training services and education program management services offered to enterprises and education institutions.

Leveraging our extensive experience in operating our School and offering diverse education related services, we have experienced rapid growth during the Track Record Period. Particularly, our revenue increased from RMB166.0 million for the year ended December 31, 2016 to RMB215.0 million for the year ended December 31, 2018, representing a CAGR of 13.8% and from RMB80.5 million for the five months ended May 31, 2018 to RMB93.0 million for the five months ended May 31, 2019, representing an increase of 15.5%. Our profit for the year/period increased from RMB41.1 million for the year ended December 31, 2016 to RMB83.2 million for the year ended December 31, 2018, representing a CAGR of 42.2% and from RMB33.6 million for the five months ended May 31, 2018 to RMB39.4 million for the five months ended May 31, 2019, representing an increase of 17.3%.

OUR COMPETITIVE STRENGTHS

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

We are one of the leading providers of private higher education in Jiangxi province, offering quality private higher education and diverse education related services.

During our over 17 years of operation, our School has been steadily growing in a sustained and stable manner. With a mission to cultivate innovative talents with practical skills and knowledge, and to provide talent support for the development of urbanization in China (為新型城鎮化建設與管理培養高層次、高技能、創新型和應用型人才), we established our new school campus at the current location in 2009. In 2014, our School was successfully upgraded with the qualification to offer undergraduate programs. The number of students enrolled in our undergraduate programs continuously increased from 2,115 students in the 2015/2016 school year to 4,578 students in the 2018/2019 school year, representing a CAGR of 29.4% for four school years, while our undergraduate program tuition fees income increased from RMB29.0 million for the year ended December 31, 2016 to RMB64.1 million for the year ended December 31, 2018, representing a CAGR of 48.7%. We believe that, subject to admission quota approved by competent authorities, we will be able to continue optimizing our program structure and to recruit more undergraduate students, which will further increase our revenue generated from tuition fees and enhance our reputation in the private higher education industry in China. Our School has received many awards and recognitions for providing quality higher education. For example, the youth league committee of our School was awarded as a National May 4th Red Flag Youth League Committee (2017年度全國五四紅旗團委) in May 2018, which made us the only private university to win this award among all the higher education institutions in Jiangxi province for the past three years. Our School was also awarded as one of the "2016–2018 Excellent Schools in Evaluation of Higher Education Graduates Employment Affairs in Jiangxi Province (2016年–2018年江西省高校畢業生就業工作評估優秀等級學校)" by the Jiangxi Provincial Department of Education (江西省教育廳) in December 2018 and as one of the "2016 National Most Promising Undergraduate Universities (2016全國最具發展潛力本科院校)" by the China Education Reform Commission (中國教育改革委員會) in December 2016. For more details of the awards and recognitions of our Group, please refer to the paragraph headed "— Awards and Recognitions" in this section.

In addition to our offering of quality higher education, we also develop diverse education related services to further expand our business scope. Our education related services mainly include internship management services as well as tutoring and program management services. Leveraging our experience accumulated over the past 17 years in the private higher education industry, we have established stable and extensive cooperative relationships with many enterprises and education institutions. Supported by our excellent management team and educational resources, we are able to deliver diversified and customized services for many enterprises and education institutions, which we believe will be the driving force for the sustainable development of our education related services.

Leveraging our extensive experience in operating our School and offering diverse education related services, we have experienced rapid growth during the Track Record Period. Particularly, our revenue increased from RMB166.0 million for the year ended December 31, 2016 to RMB215.0 million for the year ended December 31, 2018, representing a CAGR of 13.8% and from RMB80.5 million for the five months ended May 31, 2018 to RMB93.0 million for the five months ended May 31, 2019, representing an increase of 15.5%. Our profit for the year/period increased from RMB41.1 million for the year ended December 31, 2016 to RMB83.2 million for the year ended December 31, 2018, representing a CAGR of 42.2% and from RMB33.6 million for the five months ended May 31, 2018 to RMB39.4 million for the five months ended May 31, 2019, representing an increase of 17.3%.

Extensive school-enterprise cooperation and career development services enable us to achieve favorable graduate employment outcomes

We believe maintaining extensive and effective school-enterprise cooperation is instrumental in equipping our students with practical skills and improving their job prospects. In 2015, our School was selected and approved by the Jiangxi Provincial Department of Education (江西省教育廳) as one of the first ten pilot undergraduate universities in Jiangxi province to focus its educational offering on intensively developing school-enterprise cooperation and cultivating talents with practical skills, among others. We cooperate with a number of sizable enterprises to provide our students with internship and potential employment opportunities, including Tarena International (達內科技), Radiant Opto-Electronics (Suzhou) (瑞儀光電) and Japan Display (Suzhou) (晶端顯示). Particularly, we have developed a number of featured programs, including employer-tailored mutual cultivation (the "**ETMC**") programs, with a view of integrating theoretical knowledge with skill-oriented practices for our students. These courses are designed to bring our students first-hand practical knowledge that suits the special demands of our cooperative enterprises, which in turn provide internship and employment opportunities for students enrolled in such programs. Some of our cooperative enterprises provide us with educational equipment, textbooks and teaching staff for the courses to ensure that our students are equipped with the knowledge and skills required by them.

Our School also provides a variety of career development supporting services. We have established a start-up incubator in 2015, namely the Three-Element Group Innovation Space (三元眾創空間) (the "**Incubator**"), to encourage and provide support for our students and new graduates of our School to start their own businesses. Our Incubator was recognized by the Jiangxi Provincial Department of Science and Technology (江西省科技廳) as a "2017 Provincial Group Innovation Space (2017年度省級眾創空間)" in November 2017.

As such, we have achieved favorable graduate employment outcome for our students. The final employment rates of our graduates were 97.2%, 97.7% and 98.3%, for the 2015/2016 school year, the 2016/2017 school year and the 2017/2018 school year, respectively, which were higher than the average final employment rates of 91.1%, 91.4% and 91.0%, for graduates among all higher education institutions in the PRC over the corresponding periods.

Our ability to offer comprehensive, market-oriented and diversified practical programs and curriculums, nurturing academic environment and experienced teachers have enabled us to provide quality higher education to our students

We are devoted to offering quality private higher education to our students. Our School offered 30 undergraduate programs and 36 junior college programs as of the Latest Practicable Date. We believe our diverse curriculums prepare our students for future employment in a variety of industry sectors.

We are dedicated to providing diversified programs and curriculums encompassing a broad range of market-oriented study and career trainings, including, among others, international business, e-commerce, logistics management, internet-of-things, civil engineering, software engineering, mechanical manufacturing and automation and robotics engineering. With reference to our market research, we carefully design and regularly review and adjust our program and course offerings. For example, we have established the department of artificial intelligence, the department of intelligent manufacturing and engineering and the department of general and physical education by upgrading existing departments in 2018. In particular, over 1,000 newly enrolled students signed up for the undergraduate and junior college programs in the department of artificial intelligence in the 2018/2019 school year. In addition to providing theoretical courses, we provide students with practical training opportunities. Students are generally required to participate in an internship program for at least six months before graduation. Our School also offers a variety of workplace simulation training centers and laboratories, including training centers and laboratories for construction works, electrical and mechanical engineering, electrotechnics and electronics, and computer science, among others. We believe our practical programs and curriculums equip our students with practical skills that meet the rapidly evolving market demand.

We have developed a conducive academic environment with advanced teaching equipment. Our campus occupies a total site area of 1,105,566.3 sq.m., consisting of a variety of campus facilities, such as lecturer halls, research centers, practical training centers, international academic communication center, student activity center, library, laboratories, gymnasium, track and field, basketball courts, soccer courts, tennis courts and volleyball courts. Our classrooms and laboratories are equipped with advanced teaching equipment to facilitate our students' in-class skill development. Our music center, with a total GFA of 6,317.6 sq.m., is capable of holding national events and performances, and was recognized by the China Chorus Association (中國合唱協會) as its official chorus base in Jiangxi province in 2011. Our international academic communication center occupies a total GFA of 14,090.2 sq.m., which can accommodate group meeting for about 300 participants.

We also believe that our experienced and dedicated teachers have further enhanced our brand reputation. Our teachers are generally selected and hired by us through our hiring procedures to ensure that they have professional expertise, teaching experience and/or work experience in relevant fields. As of the Latest Practicable Date, we had an aggregate of 730 teachers working on full-time basis, and 164 teachers working on part-time basis, in which approximately 49.6% of our full-time teachers have master's or higher degree, and approximately 30.4% of our full-time teachers are "double qualification teachers".

We believe our comprehensive, market-oriented and diversified practical programs and curriculums, nurturing academic environment and experienced teachers have enabled us to provide quality higher education to our students.

We have diversified income streams and generated considerable revenue from our fast-growing education related services

With its prestige in the industry, our School serves as a vehicle that enables us to provide diversified education related services. Our education related services mainly include internship management services as well as tutoring and program management services. We believe that diversified income streams generated from our education related services can increase our revenue in addition to the tuition fees and boarding fees.

We provide internship management service to enterprises located in Jiangxi province and other developed regions in China, including the Pearl River Delta and Yangtze River Delta. In particular, we introduce qualified students from our School and other schools to participate in our internship programs and provide internship management service to such enterprises.

We offer a variety of tutoring and program management services to enterprises and education institutions, including qualification exam review services, personal development training services and education program management services, and in turn receive the corresponding service fees. Our qualification exam review services cover qualification exams including the Cross-border E-Commerce Certificate (跨境電子商務師), the Certification of Human Resources Professional (企業人力資源管理師), the Mechanical Design Engineer (機械設計工程師), the Android Operating System Senior Software Engineer (Android系統高級開發工程師), the Java Software Engineer (Java軟件工程師), the Associate Constructor Certificate (二級建造師) and the Teacher's Qualification License (教師資格證), among others. We also provided personal development training services to two vocational schools and one enterprise, with an aim of improving the communication and problem solving skills. In addition, we offered education program management services to enterprises and education institutions.

We have experienced rapid growth in our education related services in recent years. During the Track Record Period, the revenue generated from our education related services amounted to RMB10.3 million, RMB15.0 million, RMB32.9 million, RMB5.9 million and RMB9.0 million, respectively, for the years ended December 31, 2016, 2017 and 2018, and the five months ended May 31, 2018 and 2019. We believe that our fast-growing education related services will fuel our continuous growth and enable us to have diverse business coverage.

We have a strong management team with extensive experience and good reputation

Our founder and chairman of the Board, Mr. Huang Yulin, has over 20 years of experience in the education industry in China. Mr. Huang created the "Three-element Talent Cultivation (三元育人)" mode in 1998, aiming to foster talents with "upright personality, comprehensive theoretical knowledge and practical skills (培養具有健全人格、複合專業與實踐能力的人才)". Mr. Huang is responsible for the overall formulation and guidance of our business strategy and development of our Group, and has led us to develop and expand our business in a sustained and stable manner. Mr. Huang's achievements in the education industry were well recognized. In particular, Mr. Huang was awarded the title of Jiangxi Province Outstanding Worker (江西省先進工作者) by the People's Government of Jiangxi Province (江西省政府) in 2010. He was also a Labor Day Medal Winner in Jiangxi province (江西省五一勞動獎章) awarded by the Federation of Trade Unions of Jiangxi Province (江西省總工會) in 2007, and one of the Top 10 Leaders in Jiangxi Economy Field (江西省十大經濟人物) awarded by the CPC Jiangxi Province Committee Publicity Department (中共江西省委宣傳部) in 2005. In addition, Mr. Huang has also distinguished himself in the academic world by publishing six books and 15 papers and articles, with topics covering educational policy and liberal education. Mr. Huang has served as an Ideological and Political Education professor at our School since 2011.

Our School is managed on a day-to-day basis by its principal, who is assisted by several vice principals. Our School principal and vice principals all have proven themselves capable educators and administrators with their extensive experience in the education industry. Mr. Lin Jiaqi, the principal of our School, had worked as the dean of Jiangxi Institute of Education (江西教育學院, now known as Nanchang Normal University (南昌師範學院)) for four years, and had served in various positions in

Nanchang University (南昌大學) for over 13 years. Mr. Li Cunyi, our executive Director and the former principal of our School, has over 30 years of experience in the education industry, including over 20 years of working experience at Jiangxi Police College (江西公安專科學校). Mr. Wang Yuqi, a vice principal of our School, is a State Council Special Allowance Expert, and was a standing committee member of the Political Consultative Conference of Jiangxi Province (江西省政協). Mr. Zhao Ming, a vice principal of our School, had worked as the vice principal of Jiangxi Normal University (江西師範大學) for over nine years, and had served as a professor in Jiangxi Normal University for over 20 years.

Our other management team members also have extensive knowledge and experience in the education industry. Many of our management team members joined us at the beginning of their careers and have been promoted internally to management level, and therefore have deep understanding of our business, culture and value. We believe our management team's extensive experience has provided us with valuable industry insight and has helped lay a solid foundation for the efficient operations and continuous development of our business.

OUR BUSINESS STRATEGIES

We intend to keep growing our higher education services and education related services in China. To achieve our goals, we plan to pursue the following business strategies:

Improve our school facilities, enhance our brand recognition and reputation, and expand our business and school network

The private higher education industry in China has been growing rapidly in recent years primarily driven by the increasing demand for private higher education, growing market demand for talents with practical skills, increasing diversification and strengthened education quality, as well as government support, according to the F&S Report. In addition, the number of student enrollment in private higher education has increased from 5.9 million to 6.5 million from 2014 to 2018, and is expected to increase to 6.7 million in 2023.

To benefit from and seize the growth opportunities in the private education industry in China, we will continue offering quality higher education and attracting more talents to our School. As an important measure to enhance our higher education services, we plan to construct, renovate and upgrade the facilities and infrastructure of our current School campus. Particularly, we plan to build teaching and research buildings, new student residence halls, swimming pool and other education facilities on our campus, as well as to upgrade existing student residence halls and faculty residence halls. For more details, please refer to the paragraphs headed "— Our School — Expansion Plans" in this section. We believe that the optimization of our educational offerings and the improvement of our school facilities will help us better seize the growth opportunities in the private education sector by attracting more talents and students to our School.

In order to expand our business and school network, and increase our market penetration in the education industry, we may consider acquiring private higher education institutions and/or private vocational schools at a suitable time with reasonable consideration. We presently do not plan to target non-profit schools and schools that are not permitted to be registered as for-profit schools under applicable PRC laws and regulations (for example compulsory education schools) for our potential acquisitions. Our expansion strategy will initially focus on private higher education institutions and private vocational schools with an aggregate student enrollment of around or above 5,000. We plan to use the proceeds from the Global Offering, bank borrowings and our internal resources, if necessary, to fund such acquisitions. As of the Latest Practicable Date, we had yet to identify any specific acquisition targets. We will assess whether the MOJ Draft for Comments or other relevant implementation rules and regulations in the future will present practical challenges or compliance issues to any future acquisition of private higher education institutions and private vocational schools. We will ensure that our acquisition in the future, if any, will fully comply with the relevant rules and regulations in effect from time to time.

We also plan to further enhance the brand recognition and reputation of our Group. We believe that our excellent teaching quality, established operating history, provision of various education related services and the market recognition of our brand have all significantly contributed to our success. We plan to further enhance our marketing and branding by promoting our School and our education related services through both online and offline media, including utilizing both traditional advertisements on TV and newspaper.

Continue to optimize our program and course offerings in order to enhance the competitiveness of our students

As an education service provider, the quality and coverage of the programs and course offerings are crucial for our School in providing quality education services. We intend to improve our education quality, expand the scale of our business operations and diversify our revenue primarily through the following strategies:

- *Optimize program offerings*. We believe it is essential for our School to offer attractive program offerings in response to evolving market demand, including establishing new programs to capture opportunities presented by market developments and optimizing existing fields of study. We plan to develop new core disciplines or create new fields of studies in the future based on new market trends. We will also continue optimizing the programs we currently offer at our School.

- *Strengthen school-enterprise collaboration.* We believe our strong collaboration with cooperative enterprises give us a competitive edge over our competitors. Through these collaborative relationships with potential employers, our students have access to various internship and employment opportunities. We plan to collaborate with more reputable and industry-leading potential employers, and further expand the coverage of our featured programs. In addition, we plan to utilize our large and growing alumni network to explore more school-enterprise collaboration opportunities.

- *Strengthen international collaboration*. To enhance the overall quality of our educational services and the attractiveness of our School, we plan to establish more cooperative relationships with overseas education institutions and enterprises. For example, our School entered into a memorandum of understanding with a university in Singapore in January 2018, pursuant to which we agreed to encourage and develop credit transfer arrangements between the two universities. In addition, we plan to recruit international students in the future and have filed an application to the Jiangxi Provincial Education Department for the recruitment of international students in October 2018.

- *Develop online education courses.* We plan to further develop and explore online education to optimize and diversify our course offerings. For example, we utilize a massive open online courses platform (the "**MOOC**") provided by an Independent Third Party to offer after-class education covering a number of general education courses. We intend to continue developing new courses in a variety of study fields, and provide more courses offered by experienced professionals and experts.

Further strengthen and diversify our education related services

We believe that the provision of education related services has substantial market potential in China. To continue improving our profitability, we plan to further strengthen and diversify our education related services. We believe a diverse portfolio of educational services provided by us will be instrumental in enhancing our brand awareness and widening our revenue base.

We plan to explore the opportunities to cooperate with other higher education providers to secure more qualified students for our internship management services. We intend to proactively identify and cooperate with more suitable higher education institutions in Jiangxi province as well as other regions in China. On the other hand, leveraging our reputation in the private higher education industry, we plan to seek cooperation opportunities with more enterprises located in developed areas of China, thereby further grow our internship management services. Furthermore, we acquired Yunnan Chen Lin, a company primarily engaged in the provision of human resources services, in June 2019. Our Directors believe that the acquisition of Yunnan Chen Lin enables our Group to strengthen our internship management services by expanding our network to explore potential cooperation opportunities with other enterprises. Please refer to the paragraphs headed "History and Reorganization — Post-Track Record Period Acquisition" in this prospectus for more details.

Leveraging our extensive educational resources, we also plan to further strengthen our cooperation with enterprises and education institutions to enhance our tutoring and program management services. Particularly, we plan to (i) provide qualification exam review services covering more qualification exams, (ii) promote our personal development training services to more enterprises and education institutions, and (iii) strengthen our education program management services by offering such services to more enterprises and education institutions.

Leveraging our rich experience and existing educational resources, we believe we will be able to increase our profitability, further diversify our business coverage and income streams.

Continue to attract, train and retain talented teachers and other professionals

We believe that hiring, retaining and training outstanding teachers is crucial in providing quality education to students. We intend to continue attracting and retaining teachers with professional expertise, teaching experience and/or work experience in relevant fields. To achieve this goal, we will continue applying high standards in our recruitment of teachers, and target applicants who have post-graduate degree or have extensive work experience in relevant field. We plan to expand our faculty team with more "double qualification teachers," experienced technical experts, well-recognized business administrators, and other personnel with expertise who are qualified to deliver skill-focused curriculums at our School on either full-time or part-time basis. In addition, we also intend to hire professors from other higher education institutions with experience to serve in academic leadership roles at our School.

We conduct regular evaluations of our teachers in each school year which includes self-evaluation, student evaluation, and evaluations by supervisors from both school level and discipline department level. The supervisors' evaluation is generally conducted by evaluating teachers' preparation of their classroom instructions, their work attendance, quality of their examination papers and homework assignments, among others. As a part of the evaluation process, we also organize student seminars and invite students to complete teacher performance questionnaires. We generally award teachers who receive outstanding performance reviews. We intend to continue conducting regular evaluations of our teachers to ensure our teaching quality, and providing our teachers with continuing training to help improve their teaching techniques and general professional skills.

With the continued expansion of our education related services, we also plan to further expand our professional team, particularly our technical, sales and marketing employees, through our internal trainings and introduction of talents to improve program development, product upgrade and service promotion, thereby satisfying our increasing operation demand. We believe that the booming PRC education market will continue to attract more quality talents to participate in the market. Sequentially, we have adopted various measures to attract and retain promising talents, which we believe will effectively secure our demand for the talents in the near term.

We believe that our efforts to continue attracting, training and retaining talented teachers and other professionals will enhance our ability to provide quality private higher education and education related services, and further increase our brand awareness, reputation and profitability.

OUR SCHOOL

Our Mission and Educational Philosophy

Our mission is to cultivate innovative talents with practical skills and knowledge, and to provide talent support for the development of urbanization in China (為新型城鎮化建設與管理培養高層次、高技能、創新型和應用型人才). Our fundamental educational philosophy is to foster talents with "upright personality, comprehensive theoretical knowledge and practical skills (培養具有健全人格、複合專業與實踐能力的人才)" by implementing our "Three-element Talent Cultivation (三元育人)" mode. We aim to provide quality higher education services in a manner consistent with our mission and educational philosophy.

Overview

We operate a private university located in Nanchang, Jiangxi province, the PRC, namely Jiangxi University of Applied Science. Our School offers both four-year undergraduate education and three-year junior college education programs. We had 14,155 students enrolled at our School, consisting of 5,325 students enrolled in undergraduate programs and 8,830 students enrolled in junior college programs as of the Latest Practicable Date.

Our School offered 30 undergraduate programs and 36 junior college programs as of the Latest Practicable Date. For more details of the programs and disciplines we provided, please refer to the paragraph headed "— Our Educational Offerings — Undergraduate and Junior College Programs" in this section. All our undergraduate and junior college programs have been approved by the MOE. Our school campus occupies a total site area of 1,105,566.3 sq.m., consisting of a variety of campus facilities, such as lecturer halls, research centers, practical training centers, international academic communication center, student activity center, library, laboratories, gymnasium, track and field, basketball courts, soccer courts, tennis courts and volleyball courts, and chorus music center.

Student Enrollment and Capacity

The total number of our students was 13,778 in the 2015/2016 school year, 15,494 in the 2016/2017 school year, 15,274 in the 2017/2018 school year and 14,423 in the 2018/2019 school year. The following table sets forth detailed information regarding the number of student enrollment of our School during the periods indicated:

	Student Enrollment(1) for the School Year			
	2015/2016	**2016/2017**	**2017/2018**	**2018/2019**
Undergraduate programs	2,115	2,843	3,972	4,578
Junior college programs	11,663	12,651	11,302	9,845
Total	13,778	15,494	15,274(2)	14,423(2)

Notes:

(1) The operating data for student enrollment presented in this table is based on records of our School submitted to competent PRC education authorities at the beginning of the corresponding school year.

(2) The decreases in the total number of student enrollment from 15,494 in the 2016/2017 school year to 15,274 in the 2017/2018 school year and further to 14,423 in the 2018/2019 school year were due to decreases in the number of students enrolled in our junior college programs. To optimize our education program structure by taking into consideration of our teaching resources and capacity as well as the number of students selected our School in the respective school year, we proactively increased the number of students in the undergraduate programs and decreased the number of students in the junior college programs since the 2016/2017 school year. As undergraduate programs generally generate a higher level of tuition fees compared to junior college programs, we believe our strategy to optimize our education program structure and to recruit more undergraduate students served as a driver for the increases in our revenue from tuition fees during the Track Record Period. Our revenue from tuition fees increased from RMB128.8 million in 2016 to RMB141.1 million in 2017 and further to RMB156.6 million in 2018, and increased from RMB65.3 million for the five months ended May 31, 2018 to RMB74.3 million for the five months ended May 31, 2019. Furthermore, our Directors believe that such approach could demonstrate the improvement of our teaching capabilities and enhance our reputation, and thereby help us attract more prospective students, which will benefit our Group and Shareholders as a whole.

We generally require all of our students in both undergraduate programs and junior college programs to reside in school dormitories during their study at our School, provided that, students participating in internship programs for at least six months in their last school year may live off-campus during such internship. However, we would still reserve the dormitories for such students to maintain flexibility for them to return to campus whenever they complete their respective internship programs. As a result, our school capacity is limited by the number of beds available in student dormitories. The following table sets forth detailed information regarding the school capacity and utilization rates of our School during the periods indicated:

	School Capacity(1) for the School Year				Utilization Rate (%)(2) for the School Year			
	2015/2016	2016/2017	2017/2018	2018/2019	2015/2016	2016/2017	2017/2018	2018/2019
JUAS	18,912	18,912	18,912	18,912	72.9(3)	81.9(3)	80.8(3)	76.3(3)

Notes:

(1) The school capacity is calculated based on the approximate number of beds available to our students in student dormitories according to our internal records. Our existing student residence halls offered six-person dormitories on our campus during the Track Record Period. Students enrolled in the undergraduate programs and junior college programs share the same student housing facilities. We have already upgraded six-person dormitories in twelve student residence halls to four-person dormitories by August 2019, and plan to upgrade the six-person dormitories to four-person dormitories in the remaining six student residence halls by August 2020. For more details, please refer to the paragraphs headed "Business — Our School — Expansion Plans" of this prospectus. If calculated based on the capacity of four-person dormitories with respect to our existing 18 student residence halls, the utilization rate of our School for the 2015/2016 school year, the 2016/2017 school year, the 2017/2018 school year and the 2018/2019 school year would be 109.3%, 122.9%, 121.1% and 114.4%, respectively.

(2) Utilization rates are calculated by dividing the aggregate number of our student enrollment by the school capacity in each school year.

(3) The operating data for student capacity and utilization rate presented in this table is based on internal records of our School at the beginning of the corresponding school year.

Admission Quota and Utilization Rate

The number of new students for both undergraduate programs and junior college programs we may admit for each school year is generally limited by admission quota specified by the MOE and other relevant governmental authorities, which may be adjusted retrospectively. The maximum number of new students we may admit for each school year is therefore beyond our control. For more details, please refer to the paragraph headed "Risk Factors — Risks Relating to Our Business and Our Industry — The number of students we may admit in our School is subject to the admission quota approved by competent government authorities and limited by our school capacity, which may hinder our ability to expand our business" in the prospectus.

The following table sets forth information relating to admission quota and freshman student enrollment of our School for the school years indicated:

	School Year			
	2015/2016	2016/2017	2017/2018	2018/2019
Admission quota [(1)]	4,100	4,635	4,470	5,308
Adjusted admission quota [(2)]	6,185	5,607	5,908	6,180
Freshman students enrolled [(2)]	5,661	4,714	4,261	4,347

Notes:

(1) Admission quota means the maximum number of new students our School can recruit in general as approved by competent government authorities in each corresponding school year, subject to adjustment as allowed by such government authorities at a later stage.

(2) Freshman students enrolled means the actual number of newly-enrolled students in each school year. Admission quota granted for each school year is generally determined by competent government authorities before the Gaokao prior to such school year. Freshman students enrolled at our School exceeded admission quota for certain school years because additional quotas were granted by the competent government authorities taking into consideration the number of students that participated in Gaokao in Jiangxi province and the number of students who selected our School in their university entrance applications in the corresponding school year. As advised by our PRC Legal Advisor, the admission of additional students by our School in excess of its admission quota for certain school years during the Track Record Period was in compliance with applicable PRC laws and regulations in all material aspects as the aforementioned adjustments of the admission quotas to our School was permitted by the competent government authorities.

The admission quota granted to our School has generally increased during the Track Record Period other than a slight decrease between the 2016/2017 school year and the 2017/2018 school year. As advised by our PRC Legal Advisor and to the best knowledge of our Directors, admission quota is determined based on various factors including the capacity of educational facilities and equipment, teaching resources, student enrollment plan, education quality and reputation of the higher education institutions, track record of number of students to select such higher education institution in their university entrance applications, the results of annual inspection of such higher education institution, as well as the overall regional education plan, among others. We believe that with our continuous efforts to improve the quality of our education services, the increasing trend of the number of undergraduate students enrolled at our School during the Track Record Period, the increasing reputation of our School as well as the continuous improvement and enhanced capacity of our educational facilities and equipment, we will be able to apply for additional admission quota to support our expansion plan if needed in the future.

Tuition Fees and Boarding Fees

We typically charge our students fees mainly comprising tuition fees and boarding fees. We generally require our students to pay tuition and boarding fees for the entire school year at the commencement of the school year, and recognize tuition fees as our revenue proportionately over a nine-month period and boarding fees proportionately over a twelve-month period. For the years ended December 31, 2016, 2017 and 2018, and the five months ended May 31, 2018 and 2019, tuition and boarding fees generated from our operation of our School accounted for 87.6%, 86.4%, 80.5%, 89.5% and 87.4% of our total revenue, respectively.

The following table sets forth the listed and average tuition fees per student for the school years indicated:

	School Year			
	2015/2016	2016/2017	2017/2018	2018/2019
	(RMB)			
Listed Tuition Fees(1)				
Undergraduate programs	12,000	12,800–13,800	14,800–15,800	18,800–20,800
Junior college programs	7,600–11,800	8,800–12,800	9,800–14,800	10,800–17,800
Average Tuition Fees(2)				
Undergraduate programs	12,080	12,360	13,092	15,300
Junior college programs	7,217	7,790	8,921	10,486

Notes:

(1) Tuition fee range for each of the undergraduate programs and junior college programs represents the different tuition fees of various programs offered and are applicable to new students admitted in the relevant school year only. Existing students pay the same tuition fee applicable in the year when they were admitted throughout their tenure at our School.

(2) Average tuition fees is calculated by dividing the total tuition fees received by student enrollment in each school year.

Our tuition fees had generally increased during the Track Record Period. We believe such increase in tuition fees reflected our growing reputation and popularity among prospective students, and was commensurate with the improved quality of education we provided. New tuition fee rates are applicable to newly-enrolled students in the relevant school year. Existing students pay the same tuition fee applicable in the year when they were admitted throughout their tenure at our School. We may raise tuition fee rates for some of our programs to reflect our increased operating costs.

The following table sets forth the listed and average boarding fees per student for the school years indicated:

	School Year			
	2015/2016	2016/2017	2017/2018	2018/2019
	(RMB)			
Listed Boarding Fees(1)	1,100	1,100	1,300	1,300
Average Boarding Fees(2)	1,100	1,100	1,156	1,219

Notes:

(1) Students enrolled in the undergraduate programs and junior college programs share the same student residence halls and therefore we charge them the same amount of boarding fees. Changes in boarding fees are applicable to new students admitted in the relevant school years only. Existing students pay the same boarding fees applicable in the year when they were admitted throughout their tenure at our School.

(2) Average boarding fees is calculated by dividing the total boarding fees received by student enrollment in each school year.

Our boarding fees had increased during the latter part of the Track Record Period. New boarding fee rates are applicable to newly-enrolled students in the relevant school years. We may adjust our boarding fee rates to reflect changes in our operating costs. We intend to improve the living condition for students by constructing new student residence halls and upgrading our existing student residence halls. For more details, please refer to the paragraphs headed "— Our School — Expansion Plans" in this section.

Student Withdrawals and Refund

We have tuition fees and boarding fees refund policies in place at our School for withdrawing students. During the Track Record Period, when a student enrolled and paid tuition fees and boarding fees but voluntarily withdrew from our School before the end of the corresponding school year, we would (i) refund 90%, 70% or 50% of the tuition fees and boarding fees for withdrawal applications filed within one month, two months (but more than one month) or one semester (but more than two months) since the commencement of that school year, respectively, and (ii) no refund for withdrawal applications filed more than one semester since the commencement of that school year. Furthermore, when a student was expelled from our School or left our School without permission during the Track Record Period, none of his/her tuition fees and boarding fees can be refunded. We have adopted new tuition fees and boarding fees refund policies at our School in July 2019, pursuant to which we will refund tuition fees and boarding fees to a withdrawing student depending on the actual time such student spend at our School calculated on a pro rata basis. For example, if a student withdraws within one month after the commencement of a school year, we will refund the tuition fees and boarding fees for the remaining months of a school year calculated on a pro rata basis to such student.

The following table sets forth the number of students of our School who voluntarily withdrew for the school years indicated:

	Number of students that voluntarily withdrew[1] for the School Year			
	2015/2016	**2016/2017**	**2017/2018**	**2018/2019**
Undergraduate programs	—	1	3	—
Junior college programs	81[2]	28	38	5
Total	81	29	41	5

Notes:

(1) The operating data for voluntarily withdrawing students presented in this table is based on internal records of our School as of June 30 of the corresponding school year. Students may voluntarily withdraw from our School for various personal reasons. During the Track Record Period, students voluntarily withdrew from our School for reasons mainly including (i) some students chose not to return to school after being discharged from military services, (ii) some students chose to quit school and work prior to graduation due to personal reasons, and (iii) some students withdrew to re-take the Gaokao.

(2) The number of students in the junior college programs who voluntarily withdrew in the 2015/2016 school year was relatively higher than that of other school years during the Track Record Period, primarily due to changes in local policies in Jiangxi province in 2015 which no longer allowed certain of our self-taught students from taking our School's Enrollment for Higher Vocational Education (高職院校單獨招生). As a result, approximately 40 self-taught students in our School planning to take such exam chose to withdraw from our School.

The following table sets forth the amount of refund with respect to tuition fees and boarding fees collected for the school years indicated:

	Refund with respect to tuition fees collected for the school year[1]				Refund with respect to boarding fees collected for the school year[1]			
	2015/2016	2016/2017	2017/2018	2018/2019[2]	2015/2016	2016/2017	2017/2018	2018/2019[2]
	(RMB)							
Undergraduate programs	—	6,600	28,000	—	—	1,100	2,200	—
Junior college programs	538,865	208,016	295,580	—	68,510	24,100	25,050	—
Total	538,865	214,616	323,580	—	68,510	25,200	27,250	—

Notes:

(1) The information for tuition fees and boarding fees refund presented in this table is based on internal records of our School as of June 30 of the corresponding school year.

(2) No tuition fees and boarding fees was refunded to students withdrew during the 2018/2019 school year as they were not qualified for such refund according to our School's refund policies.

Our Educational Offerings

To provide quality education to our students, our School offers a variety of undergraduate programs and junior college programs, as well as a number of featured programs.

Undergraduate and Junior College Programs

As of the Latest Practicable Date, our School offered 30 undergraduate programs and 36 junior college programs. All our undergraduate and junior college programs have been approved by the MOE. It generally takes four years of full-time study for students enrolled in our undergraduate programs to complete their study, while it generally takes three years of full-time study for students to complete our junior college programs.

We are dedicated to providing diversified programs and curriculums encompassing a broad range of market-oriented fields of study and career trainings, including, among others, international business, e-commerce, logistics management, internet-of-things, civil engineering, software engineering, mechanical manufacturing and automation and robotics engineering. Based on our market research, we carefully design and regularly review and adjust our program and course offerings at our School. For example, we have established the department of artificial intelligence, the department of intelligent manufacturing and engineering and the department of general and physical education by upgrading existing departments in 2018. In particular, over 1,000 newly enrolled students signed up for the undergraduate and junior college programs in the department of artificial intelligence in the 2018/2019 school year. We believe our practical programs and curriculums equip our students with practical skills that meet the rapidly evolving market demand.

The following table sets forth some general information of our offerings of undergraduate and junior college programs as of the Latest Practicable Date:

Education Program	Academic Structure and Program Offerings
Undergraduate programs	30 programs in nine departments: • three programs in the department of construction engineering; • four programs in the department of artificial intelligence; • three programs in the department of intelligent manufacturing and engineering; • three programs in the department of accounting and finance; • four programs in the department of international business; • four programs in the department of modern management; • three programs in the department of general and physical education; • three programs in the department of art and design; and • three programs in the department of music.
Junior college programs	36 programs in nine departments: • four programs in the department of construction engineering; • five programs in the department of artificial intelligence; • six programs in the department of intelligent manufacturing and engineering; • three programs in the department of accounting and finance; • three programs in the department of international business; • six programs in the department of modern management; • two programs in the department of general and physical education; • five programs in the department of art and design; and • two programs in the department of music.

Featured Programs

We are devoted to offering quality private higher education to our students. We have developed the following featured programs to provide our students with quality education and equip our students with practical skills.

Joint-Established Department of Artificial Intelligence

We cooperated with iFly Tek to jointly establish the department of artificial intelligence for the 2018/2019 school year by upgrading the previous information engineering department. We entered into a cooperation agreement with iFly Tek in May 2018 for an initial term of five years. We will provide up to seven programs in the department of artificial intelligence, including internet-of-things, software engineering, software technology and computer networking technology, to undergraduate and/or junior college students when and if the number of students enrolled in any of such programs reaches the pre-agreed threshold. We will be responsible for student management, provision of necessary educational facilities, and the offering of general education courses and basic professional courses, while iFly Tek will be responsible for offering advanced professional courses and practicable training courses to students. During the course of the cooperation, teachers from our School will be provided with the opportunities to attend regular industry seminars and training sessions organized by iFly Tek to gain the up-to-date information in the industry. In addition, our School will work with iFly Tek to provide career development services to students, including offering career training courses and introducing internship and potential employment opportunities.

ETMC programs

We believe the ETMC programs not only equip our students with the knowledge and practicable skills required by the potential employees, but also introduce the enterprise culture and mission to students. Therefore, we offer a variety of ETMC programs to our students in undergraduate and junior college education programs, such as finance management, software technology and robotics engineering ETMC programs.

We generally develop a joint cultivation plan with each of our cooperative enterprises, which mainly include the specific program to be offered, term of the cooperation, responsibilities of our School and the enterprise, and minimum or proposed number of students to be recruited for such program. We usually directly recruit students, at the beginning of their first school year at our School, to enroll in the corresponding ETMC program without additional tests; *provided, however,* that some enterprises may require students to pass tests organized by such enterprises to be eligible for enrolling in the applicable programs. The term of ETMC programs ranges from two school years to three school years depending on the specific requirements of our cooperative enterprises. During the course of the ETMC programs, students will take specifically tailored courses designed to equip them with the necessary skills desired by such enterprises. Our cooperative enterprises generally provide us with educational equipment and textbooks, and designate relevant staff to teach certain courses to students enrolled in their ETMC programs. Upon completion of the programs, internships and/or employment opportunities may be offered or arranged by such enterprises to students enrolled in their ETMC programs.

We initiated a variety of ETMC programs in the 2016/2017 school year. As of the Latest Practicable Date, we have developed 21 ETMC programs with 13 enterprises, with over 2,000 students enrolled in such programs.

Internship programs

To provide students with practicable skills, we offer a variety of internship programs to our students. We introduce qualified students from our School and other schools to our cooperative enterprises to participate in their internship programs. Please refer to the paragraph headed "— Our Education Related Services — Internship Management Services" in this section for more details of our internship programs.

International programs

To provide our students with opportunities to seek overseas education, we cooperate with a number of overseas universities to offer various opportunities for our students to study abroad. Particularly, after completing half-year of study at our School, students enrolled in international programs may choose to continue their studies for a term of two to four years at our cooperative universities in Canada or the United Kingdom. In addition, our School entered into a memorandum of understanding with a university in Singapore in January 2018, pursuant to which we agreed to encourage and develop credit transfer arrangements between the two universities.

Online education and continuing education

In addition to traditional classroom education, we also utilize a MOOC platform to offer our students with after-class education covering a number of general education courses. Such online education form part of our undergraduate programs and junior college programs. We believe the access of these online education courses will help further improve our students' capabilities and broaden their horizons. Furthermore, we offered continuing education by cooperating with a qualified third party during the Track Record Period. In October 2019, we obtained the qualification to independently offer continuing education programs at our School.

Workplace simulation training programs

To provide our students with first-hand experience in simulated working environment to practice their skills and knowledge, our School offers a variety of workplace simulation training centers and laboratories for construction works, electrical and mechanical engineering, electrotechnics and electronics, and computer science programs, among others. Such training programs form part of our undergraduate programs and junior college programs. These training centers and laboratories are designed and constructed in such a way as to provide real-world working environment to our students.

Start-up incubator

We have established a start-up incubator, namely the Three-Element Group Innovation Space (三元眾創空間) (the "**Incubator**"), in 2015 to encourage and provide support for our students and new graduates of our School to start their own businesses. The Incubator occupies a total GFA of 1,531.0 sq.m. on our campus and is generally available for a term of one year, to our full-time students and students graduated from our School for less than three years. As of the Latest Practicable Date, we provided workspace in our Incubator free of charge to 28 start-up companies in various sectors, including, among others, online marketing, landscaping technology, educational training, online tourism service and cross-border e-commerce. We also provide free utility, internet and basic office equipment for our students. In addition, we would from time to time invite alumni entrepreneurs and other experienced mentors to provide training sessions for students who aspire to start their own business at our Incubator. Our Incubator was recognized by the Jiangxi Provincial Department of Science and Technology (江西省科技廳) as a "2017 Provincial Group Innovation Space (2017年度省級眾創空間)" in November 2017.

Our Students

Overview

We believe our comprehensive, market-oriented and diversified programs and curriculums, nurturing academic environment, quality teaching staff and the favorable employment outcome of our graduates, among other factors, are key elements that attract our prospective students.

Student Admission

PRC National Higher Education Entrance Exam, or Gaokao, is the major channel for us to recruit students. Students are required to take Gaokao and submit applications to several universities or junior colleges of their choices based on the scores they achieved in Gaokao. We follow national and local admission standards and procedures to recruit students who achieve our required total score for our undergraduate program or junior college program.

In addition to the PRC National Higher Education Entrance Exam, we are also approved by the Jiangxi Provincial Department of Education to admit junior college students through the Independent Enrollment for Higher Vocational Education (高職院校單獨招生). In addition to participating in Gaokao, high school graduates and graduates of secondary vocational schools who intend to apply for the junior college programs in our School can choose to take the independent enrollment exam administered by us.

To attract more applications from talented students, we utilize a variety of marketing and recruitment tools, including attending student recruitment fairs and organizing information sessions where our teachers and recruiting staff will answer questions from prospective students and their parents, and utilizing various promotional channels, such as Weibo, WeChat, local newspapers and magazines, and other online or mobile platforms.

Examinations and Grade Assessment

Examinations are administered at the end of each semester to assess students' understanding in various subject matters. In addition to performance of written examinations, the performance in the coursework assessment also form part of the overall assessment for students. The coursework assessment includes students' class participation, performance in homework and class quizzes.

Our Teachers

Our Teaching Staff

We believe that our experienced and dedicated teachers have further enhanced our brand reputation, enabling us to achieve excellent higher education quality. We are dedicated to attracting and retaining teachers with professional expertise, solid teaching experience and/or work experience in relevant fields. Our aim is to expand our faculty team with more "double qualification teachers," on either full-time or part-time basis. We believe we offer satisfactory compensation to our teachers, which primarily includes base salary, allowance and other incentives. We also offer faculty dormitories for our teachers at campus.

As of the Latest Practicable Date, we had 730 teachers working on full-time basis and 164 teachers working on part-time basis, in which approximately 49.6% of our full-time teachers have master's or higher degree, and approximately 30.4% of our full-time teachers are "double-qualification teachers."

The following table sets forth the teacher-to-student ratio for our School for the school years indicated:

	As of the Beginning of the School Year			
	2015/2016	2016/2017	2017/2018	2018/2019
JUAS	1:18.1[(1)]	1:18.1[(1)]	1:18.1[(1)]	1:19.4[(1)]

Note:

(1) The teacher-to-student ratio equals to the number of teachers at our School (which equals to (x) the number of full-time teachers, plus (y) the number of part-time teachers divided by two) at the beginning of the corresponding school year, divided by the number of students enrolled at our School for the corresponding school year.

The teacher-to-student ratio of our School had been less than 1:18 as of the beginning of each of the 2015/2016 school year, the 2016/2017 school year, the 2017/2018 school year and the 2018/2019 school year. During each school year, we recruit additional teachers based on a number of factors, including the number of students newly enrolled in the school year, with an aim to, among other things, keep our teacher-to-student ratio at an appropriate level. Our teacher-to-student ratio decreased from 1:18.1 at the beginning of the 2017/2018 school year to 1:19.4 at the beginning of the 2018/2019 school year. To improve our teacher-to-student ratio, we have recruited 152 additional teachers during the 2018/2019 school year and thus we had 712 full-time teachers and 186 part-time teachers at the end of the 2018/2019 school year, resulting to the increase of teacher-to-student ratio to 1:17.9 at the end of the 2018/2019 school year. Based on an interview with the Jiangxi Provincial Department of Education in February 2019 and as advised by our PRC Legal Advisor, the teacher-to-student ratio of a comprehensive university should be maintained at a level of not less than 1:18 in accordance with applicable rules and regulations in the PRC. If the teacher-to-student ratio of a university falls below 1:22, such university will receive a yellow card and the number of newly-enrolled students shall not exceed the number of graduates of such university in the corresponding school year. There is no specific rule for a university with teacher-to-student ratio between 1:18 and 1:22. Furthermore, the competent authority will generally request a university to rectify such non-compliances only if the teacher-to-student ratio of such university falls below 1:21. The teacher-to-student ratio is one of the basic school operating condition indicators (基本辦學條件指標) under the relevant PRC regulations; in the event that one of the basic school operating condition indicators of a university does not meet the relevant regulatory requirement under the category of restricted enrollment standard, the university may receive a yellow card issued by competent authority and its student admission will be subject to certain restrictions; and in the event that a university receives a yellow card for three consecutive years, it shall receive a red card issued by competent government authority and its student admission will be subject to suspension. For more details, please refer to the paragraphs headed "Regulatory Overview — Regulations on Private Education in the PRC — Regulations on Higher Education — Regulatory Requirement in Relation to Basic Conditions for Operating Higher Education Institutions" and "Risk Factors — Our School is subject to compliance requirements under the Basic Conditions for Operating Higher Education Institutions (Trial)" in the prospectus.

Our School had passed all annual inspections conducted by the relevant education authorities during the Track Record Period. As of the Latest Practicable Date, our School had not received any yellow or red card from, or been subject to any form of administrative penalty by, competent authorities in relation to its non-compliance regarding the teacher-to-student ratio. Based on the foregoing as well as our PRC Legal Advisor's understanding from an interview with the Jiangxi Provincial Department of Education, our PRC Legal Advisor is of the view that our teacher-to-student ratio as set out above would not violate the restricted enrollment standard of applicable PRC laws and regulations.

Our Directors have confirmed that the non-compliance with respect to our teacher-to-student ratio (i) does not involve any fraud or dishonesty; (ii) has not resulted in any compromise to the education quality of our School in any material respects; and (iii) has not interfered with the normal operations of our School in any material respects. We will continue improving the quality of our education and the teacher-to-student ratio is one of the many metrics under consideration. We will continue to monitor and adjust the teacher-to-student ratio as necessary and where practicable based on the needs of our student enrollment and our School's education plans and activities without compromising the quality of our education or profitability. We intend to continue attracting and retaining teachers with professional expertise, teaching experience and/or work experience in relevant fields. We plan to expand our faculty team with more "double qualification teachers," experienced technical experts, well-recognized business administrators, and other personnel with expertise who are qualified to deliver skill-focused curriculums at our School on either full-time or part-time basis. In addition, we also intend to hire professors from other higher education institutions with experience to serve in academic leadership roles at our School. Through our various approaches in recruitment, we believe that we have sufficient access to an abundant source of teaching resources that would enable us to improve the quality of our education.

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

	Number	**%**
More than 10 years	251	34.4
5 to 10 years	230	31.5
Less than 5 years	249	34.1
Total	730	100.0

Teacher Recruitment

Our teachers are generally selected and hired by us through our hiring procedures to ensure that they have required professional expertise, teaching experience and/or work experience in relevant fields. We recruit teachers based on the size of our current student enrollment and the number of newly admitted students at the beginning of each school year. We generally require full-time teaching applicants to teach a live class as a part of the recruitment evaluation process. We prefer to recruit teachers who have sufficient teaching experience, working experience in relevant fields, high levels of professional expertise, and/or strong communication and interpersonal skills.

Teacher Training

We provide our teachers with continuing training to improve their teaching techniques and general professional skills. We also encourage our teachers to pursue further studies and to enhance their professional expertise and knowledge, and reimburse fees for qualified external trainings at other schools and/or enterprises.

Teaching Performance Evaluations

To ensure our teaching quality, we conduct regular evaluations for our teachers in each school year which includes self-evaluation, student evaluation, and evaluations by supervisors from both school level and discipline department level. The supervisors' evaluation is generally conducted by evaluating teachers' preparation of their classroom instructions, their work attendance, quality of their examination papers and homework assignments, among others. As a part of the evaluation process, we also organize student seminars and invite students to complete teacher performance questionnaires. We generally award teachers who receive outstanding performance reviews. As a result, our teachers have high loyalty as evidenced by our retention rate (which equals to, for each school year, the number of teachers at the beginning of such school year *minus* the number of teachers left our School during such school year, and then divided by the number of teachers at the beginning of such school year) of 89.6%, 83.4%, 95.4% and 88.7% for the 2015/2016 school year, the 2016/2017 school year, the 2017/2018 school year and the 2018/2019 school year, respectively. In order to maintain our high retention rate of teachers, we plan to continue to offer competitive salaries, professional trainings and other incentives to our teachers.

Campus Facilities and Services

Campus Facilities

Our campus occupies a total site area of 1,105,566.3 sq.m., consisting of a variety of campus facilities, such as lecturer halls, research centers, practical training centers, international academic communication center, student activity center, library, laboratories, gymnasium, track and field, basketball courts, soccer courts, tennis courts and volleyball courts, and chorus music center. Our classrooms and laboratories are equipped with advanced teaching equipment to facilitate our students' in-class skill development. Our school dormitories generally have bathrooms and balconies, as well as a variety of furniture and home appliances such as air conditioners, water heaters, automatic washing machines and drinking fountains.

Campus Services

Our School provides a variety of campus services which mainly include campus safety services, meal catering services, medical care services, campus stores and school bus services.

Campus Safety

We consider campus safety as a critical issue for our school operations. In order to control any safety risks and ensure that we are able to timely and effectively respond to any safety incidents, in addition to police officers stationed on campus, we have a campus security team at our School and formulated a set of safety management rules. Our School has been awarded as a "safe campus (平安校園)" by the Comprehensive Social Management Committee of Jiangxi Province (江西省綜合治理委員會) for three consecutive years from 2015 to 2017.

Meal Catering Services

We have four student canteens and one faculty canteen at our campus. We possess the necessary operating licenses for offering meal catering services through canteens on our campus, as advised by our PRC Legal Advisor. We outsource the five canteens to a qualified service provider with effective food distribution permit to offer meal catering services to our students and faculty.

Medical Care Services

We provide routine medical care services for our students and faculty on our school campus by outsourcing such services to a qualified hospital in Nanchang from April 1, 2019 to June 30, 2022. As confirmed by our PRC Legal Advisor, such hospital possesses the medical institution practice license (醫療機構執業許可證) to operate a medical center and have engaged medical staff with necessary licenses including doctor license to provide medical care services to us as required under applicable PRC laws and regulations.

Campus Stores

To provide better quality of life for our students and faculty living on campus, there were over 100 stores at our campus, such as restaurants, bookstores and pharmacy stores. We outsource the operation of these stores to a qualified service provider.

School Bus Services

We offer school bus service for our teachers and teaching staff. We also provide transportation for freshmen and their parents on the school enrollment date. Such services are provided free of charge.

Expansion Plans

We plan to further enhance our higher education services by improving our education facilities. Particularly, we plan to construct, renovate and upgrade the following facilities and infrastructure on our current School campus. For more details, please refer to the section headed "Future Plans and Use of Proceeds" of this prospectus.

Projects	Expected Approximate Costs	Source of Funding	Expected Commencement Date[4]	Expected Completion Date[4]
	(RMB in millions)			
Construction of teaching and research buildings	119.0	Cash generated from operations, bank borrowings and proceeds from the Global Offering	September 2020	September 2021
Construction and upgrade of student residence halls				
(a) Construction of new student residence halls				
— *Phase I: Construction of four new student residence halls ("**Phase I Construction**")*[1]	26.0	Cash generated from operations, bank borrowings and proceeds from the Global Offering	November 2019	May 2020
— *Phase II: Construction of seven new student residence halls ("**Phase II Construction**")*[2]	41.0	Cash generated from operations, bank borrowings and proceeds from the Global Offering	October 2020	April 2021
(b) Upgrade of the six existing student residence halls[3]	8.5	Cash generated from operations and bank borrowings	June 2020	August 2020
Renovation and upgrade of the 18 existing faculty residence halls	22.0	Cash generated from operations, bank borrowings and proceeds from the Global Offering	June 2020	August 2020

Projects	Expected Approximate Costs	Source of Funding	Expected Commencement Date(4)	Expected Completion Date(4)
	(RMB in millions)			
Construction of swimming pool	10.0	Cash generated from operations, bank borrowings and proceeds from the Global Offering	October 2020	February 2021
Construction of other education facilities	15.0	Cash generated from operations, bank borrowings and proceeds from the Global Offering	November 2019	May 2020

Notes:

(1) These four new student residence halls are designed to offer four-person dormitories to students. According to our current construction plan, we expect that after completing the Phase I Construction, these four new student residence halls can accommodate approximately 2,000 students.

(2) Theses seven new student residence halls are designed to offer four-person dormitories to students. According to our current construction plan, we expect that after completing the Phase II Construction, these seven new student residence halls can accommodate approximately 4,000 students.

(3) To improve the living conditions for our students, in addition to the construction of eleven new student residence halls, we also plan to upgrade all the existing six-person dormitories on our campus to four-person dormitories. Upgrades of our existing student residence halls mainly include replacement of beds, desks and closets, purchase of air conditioners and washing machines, as well as renovation of certain other living facilities. We have already upgraded dormitories in twelve student residence halls as of August 2019. We plan to upgrade the student dormitories in the remaining six student residence halls in June 2020. We believe the upgrade of the remaining six student residence halls on our campus will not affect the ordinary operations of our School as (i) we will commence the upgrade process in June 2020 after the completion of the Phase I Construction which is expected to be May 2020, and (ii) we plan to utilize the summer vacation in 2020 for the upgrade when students are not living on campus. After completing the Phase I Construction, the Phase II Construction and upgrades of the remaining six student residence halls, we expect that our School will be able to accommodate 19,208 students, representing a 1.6% increase in school capacity compared to our capacity to accommodate 18,912 students at the beginning of the 2018/2019 school year.

(4) The actual commencement date and the actual completion date are subject to a number of factors, including factors that are beyond our control such as the timeframe to obtain certain permits or approvals for the construction from relevant governmental authorities. Therefore, the actual commencement date and the actual completion date for each construction, renovation or upgrade project may be different from the expected commencement date and the expected completion date in the table above.

OUR EDUCATION RELATED SERVICES

In addition to our operation of JUAS, we also generate income by providing a variety of education related services in China. During the Track Record Period, the revenue generated from our education related services, which mainly included internship management services as well as tutoring and program management services, amounted to RMB10.3 million, RMB15.0 million, RMB32.9 million, RMB5.9 million and RMB9.0 million, respectively, for the years ended December 31, 2016, 2017 and 2018, and the five months ended May 31, 2018 and 2019. The continuous increase in revenue from education related services during the Track Record Period was mainly due to (i) expansion of program offerings since 2017, including the provision of education program management services to a vocational school and an art training institution, the offering of personal development training services, as well as the provision of program management services for application-oriented courses, and (ii) the stable increase in revenue generated from internship management services and qualification exam review services from 2016 to 2018. We believe that our fast-growing education related services will fuel our continuous growth and enable us to have diverse business coverage to lower the market risk.

Internship Management Services

Given the competitiveness of the employment market resulting from China's changing economy in recent years, employers increasingly realize that identifying and attracting qualified employees is a critical factor to the success of their business. Many employers prefer potential employees to complete their internship programs prior to formally employing them. To benefit from and seize such market opportunities, we provide internship management services to a variety of enterprises located in the developed regions in China, including the Pearl River Delta and Yangtze River Delta. In particular, we introduce qualified students from our School and other schools to our cooperative enterprises to participate in their internship programs.

We maintain cooperative relationships with a variety of enterprises. We proactively contact enterprises to check whether they need any interns, and enterprises from time to time also reach out to us about their specific demands for interns, including the number of interns and the specific knowledge required for the internship. Once we reach an agreement with an enterprise with respect to such enterprise's demands for interns, we would typically enter into a service agreement with such enterprise, specifying the term of the cooperation including salary and insurance coverage for students who consent to attend the program and our service fee arrangement. Some enterprises would offer a short-term training session for students to have a basic understanding of enterprise culture, daily operation and management policy, and key practicable skills. We also provide student management services for our cooperative enterprises to ensure the effectiveness of the internship program and the safety of students.

As of the Latest Practicable Date, we offered internship management services for a total of 27 enterprises. During the Track Record Period, we received a fixed amount of management fee ranging from RMB150 to RMB1,350 for each student we introduced to our cooperative enterprises per month during the internship programs. The term of the internship programs ranged from one month to five months during the Track Record Period. The management fees paid to us is usually negotiated between us and the cooperative enterprises based on a number of factors including, among others, market demands for specific talents, the level of knowledge and practicable skills required, and number of students desired for the internship programs. For the years ended December 31, 2016, 2017 and 2018 and the five months ended May 31, 2019, around 3,400, 3,300, 4,300 and 2,300 students had participated in such cooperative internship programs, respectively, and the average management fee we received from our cooperative enterprises for each student we introduced per month during the internship programs amounted to approximately RMB600, RMB810, RMB830 and RMB750 during the same periods, respectively.

Tutoring and Program Management Services

We offer a variety of tutoring and program management services including qualification exam review services, personal development training services and education program management services.

Qualification Exam Review Services

We offer qualification exam review services mainly to our students as well as some enterprises. Our services cover a variety of qualifications exams, including the Cross-border E-Commerce Certificate (跨境電子商務師), the Certification of Human Resources Professional (企業人力資源管理師), the Mechanical Design Engineer (機械設計工程師), the Android Operating System Senior Software Engineer (Android系統高級開發工程師), the Java Software Engineer (Java軟件工程師), the Associate Constructor Certificate (二級建造師) and the Teacher's Qualification License (教師資格證), among others. For qualification exam review services offered to our students, we normally organize exam practices and offer educational equipment to our students. We received a fixed amount of service fee ranging from approximately RMB68 to RMB640 per course from each participating student during the Track Record Period. For qualification exam review services offered to enterprises, we are responsible for referring our students to participate in the relevant qualification exam review courses, offering certain educational equipment and/or handling related administrative matters, while the enterprises are responsible for offering qualified teachers and preparing course materials, as the case may be. We are entitled to receive either (i) a fixed amount of service fees per participating student, or (ii) a fixed amount of service fee per participating student depending on the overall exam pass rate of participating students for such courses, from these enterprises. Such service fee received from enterprises ranged from RMB12 to RMB772 per course per participating student. For the years ended December 31, 2016, 2017 and 2018 and the five months ended May 31, 2019, there were around 13,500, 23,300, 26,000 and 8,100 student enrollment for the qualification exam review courses, respectively. The average fee per enrollment we received amounted to approximately RMB250, RMB270, RMB270 and RMB350 during the same periods, respectively.

Personal Development Training Services

We provided personal development training services to two vocational schools and one enterprise during the Track Record Period. Our personal development training services aim to improve the communication and problem solving skills. We generally entered into service agreements with customers with the terms of up to one year. Pursuant to the service agreements, we are responsible for offering personal development training services or offering relevant lectures to our customers, and in turn receive a fixed amount of service fee. During the Track Record Period, the service fee for our personal development training services ranged from RMB120,000 to approximately RMB1.9 million depending on the length and the scope of our services, as well as the number of participants for such services.

Education Program Management Services

Leveraging on our educational resources, we provided education program management services to enterprises and education institutions during the Track Record Period.

We also provide program management services for application-oriented courses to enterprises starting from 2017. In preparing the programs, we normally involved in the course planning, coordination with the administrative staff and qualified teachers from the enterprises and student referral. Our customers are mainly responsible for providing qualified teachers and courses materials. In some circumstances, program-specific equipment and devices are also provided by the enterprises. We enter into service agreement with the enterprises with a term up to three years and charge service fee mainly based on the number of participating students. During the Track Record Period, the service fee we received ranged from RMB3,000 to RMB10,000 per participating student. For the years ended December 31, 2017 and 2018 and the five months ended May 31, 2019, there were around 100, 700 and 100 students participated in such application-oriented courses, respectively. The average service fee we received per participating student amounted to approximately RMB5,300, RMB8,600 and RMB6,000 during the same periods, respectively.

We entered into a service agreement with a vocational school in Jiangxi province for a term of three years from July 1, 2018. The service agreement will be terminated automatically upon the expiration of its term unless parties agree to renew the agreement. Pursuant to the service agreement, we are responsible for offering certain general education courses to students enrolled in such vocation school and providing student management services. Around 1,500 and 1,300 students of such vocational school had studied the general education courses provided by our School in 2018 and 2019, respectively, and the service fee per participating student was RMB4,245 and RMB1,723 in the corresponding period.

We also provided curriculum design and exam review courses to an art training institution in Jiangxi province during the Track Record Period. We entered into a service agreement with such art training institution for a term of three years from January 8, 2018. The service agreement will be terminated automatically upon the expiration of its term unless with mutual consent by parties to renew the agreement. According to the agreement entered with the art training institution, our services mainly include (i) development of professional curriculum system and detailed teaching plan, for which we receive a fixed amount of service fee of RMB5,000 per month with respect to each teacher of JUAS offering such services during the service term; and (ii) providing qualified teachers from our School to teach exam review courses for one month each year at such art training institution, for which we receive a fixed amount of service fee of RMB2,000 for each participating student. We are also entitled to a lump sum bonus from our cooperative art training institution if the exam passing rate for participating students reaches a certain pre-agreed threshold. Around 200 students participated in our exam review courses in 2018 and we had received a total amount of RMB0.9 million service fee.

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

The Amendment Decision

Overview

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) (the "**Amendment Decision**") was promulgated on November 7, 2016 and became effective on September 1, 2017. Pursuant to the Amendment Decision, the school sponsors of private schools providing non-compulsory education may, at their own discretion, elect to register the schools as for-profit private schools or non-profit private schools. The following table sets forth key differences between a for-profit private school and a non-profit private school under the Amendment Decision:

Item	For-profit private school	Non-profit private school
Receipt of operating profits	School sponsors are permitted to receive operating profits, and the surplus from operations shall be handled in accordance with the provisions of the PRC Company Law and other applicable laws and regulations	School sponsors are not permitted to receive operating profits, and the surplus from operations shall be used solely for the operation of school
Licenses and registration	Private school operating license, and business license	Private school operating license, and legal person certificate of private non-enterprise or public institution
Fees to be charged	Determined by schools themselves based on operating costs and market demand, and no prior regulatory approval is required	Determined pursuant to the standards stipulated by local competent authorities
Tax treatment	Preferential tax treatment as stipulated by the State	Same preferential tax treatment as public schools
Land	Acquired either by way of land allocation or land transfer	Acquired by way of land allocation or other means according to the same principle of public schools

Item	For-profit private school	Non-profit private school
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, governmental grants, incentive funds and donations
Liquidation	The remaining assets of for-profit private schools after debt retirement shall be disposed in accordance with relevant provisions of the PRC Company Law	Schools' remaining assets after debt retirement shall be used for the operation of other non-profit schools. For schools established prior to the promulgation of the Amendment Decision, before the remaining assets being used as such, school sponsors may apply for compensation or awards from the schools' remaining assets after the settlement of schools' indebtedness

In addition to the Amendment Decision, State-level government authorities also issued certain implementing rules. On December 30, 2016, five State-level government authorities, including the MOE, jointly issued the Implementing Measures on Classification Registration of Private Schools (民辦學校分類登記實施細則), specifying measures for the establishment and classification registration of private schools, and procedures for existing private schools to register as for-profit and non-profit private schools pursuant to provincial rules to be promulgated by local provincial governments. The Implementing Rules 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) were issued on December 30, 2016, specifying measures concerning the establishment, modification and termination of for-profit private schools, and the educational and teaching related activities and financial management conducted by for-profit private schools. In addition, the Several Opinions on Encouraging Social Support for Education to Promote 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) were issued on December 29, 2016, providing policies for promoting private education. For more details of the regulatory overview for private schools, please refer to the paragraph headed ''Regulatory Overview — Regulations on Private Education in the PRC'' in this prospectus.

Implications

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

Election of For-profit or Non-profit Status

Our School is required to elect to be treated as a for-profit school or a non-profit school within a transitional period determined by the local government authorities. As of the Latest Practicable Date, we had not made a definitive decision with regard to the status of our School. The Amendment 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 Amendment Decision, shall be further clarified by relevant regulations to be promulgated by the local government authorities. On June 29, 2018, Jiangxi Municipal Government promulgated the Jiangxi Implementation Opinions, pursuant to which private higher institutions in Jiangxi Province, including our School, are required to complete their registration as either for-profit private schools or non-profit private schools before September 2022. As of the Latest Practicable Date, the local governmental authorities in Jiangxi Province have not yet promulgated any corresponding regulations concerning the conversion procedures of existing private schools into for-profit private schools or non-for-profit private schools. As a result, the exact timing for our School to make the election between a for-profit school and a non-profit school remains uncertain.

Contractual Arrangements

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

Re-registration as a For-profit or a Non-profit Private School

Under the Amendment Decision, a private school electing to re-register as a for-profit school must undertake financial clearing, have the competent governmental authorities ascertain and authenticate our property rights in relation to the relevant assets (including land, school buildings, and the assets accumulated from our school operations), pay relevant taxes and fees, and re-register with the relevant authorities, to continue the school operations. The specific registration requirements for existing private schools shall be formulated by the provincial governments. Pursuant to the Jiangxi Implementation Opinion, private higher institutions in Jiangxi province shall complete the re-registration procedures by September 2022. Despite the issuance of the Jiangxi Implementation Opinions, the specific requirements, policies and procedures for re-registration as for-profit or non-profit private schools remain unclear in Jiangxi province. Therefore, we are unable to quantify the impact that the Amendment Decision may have on our business operations. For risks associated with the Amendment Decision and relevant new regulations in general, please refer to the paragraph headed "Risk Factors — Risks Relating to Our Business and Our Industry — We are subject to uncertainties brought by the Amendment Decision and the MOJ Draft for Comments" in this prospectus. 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 Amendment Decision (including any proposed election of status by our School) 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) the local people's governments shall grant preferential treatments in terms of land use by means of allocation in accordance with the principle of treating non-profit private schools equally as public schools, and for schools that provide education for academic credentials, may provide lands by means of bid invitation, auction or listing, assigning contracts, long-term lease or combination of sale as well as rental, and may give appropriate preferential treatment on charges for the assignment or rental of land, and may permit payment in instalments.

The MOJ Draft for Comments stipulates further provisions of the operation and management of private schools, such as our School. Among other things, (i) a non-profit private school shall use the accounts filed with the competent authorities for charging fees and financial transactions, and a for-profit private school shall deposit the income into a specific settlement account of its own; (ii) a private school shall conduct any connected transactions in a manner that is open, justified and fair and shall establish disclosure mechanisms for such transactions. Any agreement involving material interests or any long-term and recurring agreement entered into between a non-profit private school and its connected party shall be reviewed and audited by the relevant government authorities in terms of necessity, legitimacy and compliance; and (iii) the registered capital of a for-profit private school providing higher diploma education shall be no less than RMB0.2 billion.

Implications

Based on our current understanding and interpretation of the MOJ Draft for Comments, there would not be any substantive implications on the legal framework of our School. However, if the MOJ Draft for Comments is implemented in its current form, and if our Contractual Arrangements are considered as "controlling through contractual arrangements" under Clause 12 of the MOJ Draft for Comments, we may need to register our School as a for-profit private school. We may be required to increase the registered capital of our School to no less than RMB0.2 billion should we register it as a for-profit private school. As of the Latest Practicable Date, our School had a registered capital of RMB20 million. Nanchang Di Guan, the sponsor of our School, is responsible for the capital injection to our School. Nanchang Di Guan is expected to work with Chen Lin Education Science to provide the source of funding to increase the registered capital of our School to RMB0.2 billion if and when required by applicable PRC laws. We consider that the amount required to increase the registered capital of our School to RMB0.2 billion is immaterial to the Group as a whole and would not adversely affect the financial position of our Group.

Current status of the MOJ Draft for Comments

The MOJ sought for comments from the public on the MOJ Draft for Comments, if any, but has not provided the timeframe for the promulgation of the newly amended implementation rules on the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法實施條例》). As of the date of this prospectus, 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 Advisor for the developments of the MOJ Draft for Comments and other related publications and promulgations.

Special committee to monitor development

As of the Latest Practicable Date, we were not in a position to accurately assess the potential impact of the election of registering as a for-profit private school or a non-profit private school for our School, and in turn our Group as a whole and make any informed decision in relation to the Amendment Decision and the MOJ Draft for Comments. Therefore, as of the Latest Practicable Date, we had not elected nor decided as to whether our School will be registered as a for-profit private school or a non-profit private school. As part of our measures to mitigate any compliance risk in relation to the Amendment Decision, the MOJ Draft for Comments and other relevant developments, including our decision to register our School as a for-profit private school or a non-profit private school in the future, we have established and assigned the responsibility to a special committee. The special committee is chaired by Mr. Huang and comprises (i) three senior management members of our Company; (ii) two independent non-executive Directors with extensive experience in the education industry; and (iii) four senior management members of the School who are responsible for the day-to-day management and operation affairs of the School. Such special committee will, among other things, (i) pay close attention to the latest development of the relevant laws, regulations and policies on private education sector in the PRC, including the MOJ Draft for Comments (collectively, the "**Relevant Rules**") and hold periodic meetings to discuss such development; (ii) where necessary, engage professional advisors, including PRC legal advisors, at the cost of the Company, to assist the special committee to understand the latest development of the Relevant Rules and provide related research reports and/or independent professional advice on the selection of for-profit or non-profit private school with detailed analysis on the potential impact on our Group and our Shareholders; and (iii) report and make recommendations to the Board for final decision based on the research reports and/or independent and professional advice as well as the special committee's major findings and preliminary conclusions. We will ensure that any decision of us will be made on a fully informed basis by our Board taking into account the findings of such special committee and will update our Shareholders and investors in this regard by way of disclosure in announcements and/or annual/interim reports, as and when appropriate.

COMPETITION

The markets for higher education services and education related services in China are rapidly evolving and highly competitive. We face competitions from other educational service providers, as well as public and private higher education institutions in China, in particular from those that operate in the same geographic area. We believe our core competitive advantages include, among others:

- our extensive operating experience and reputation;
- our diversified business scope and income streams;
- our in-depth understanding of the market condition in education sector in China and in Jiangxi province;
- the reputation of our School and our Group;
- the high employment rate of our graduates;
- our well-developed and market-oriented curriculums and programs;
- the extensive practical and internship opportunities we are able to provide to our students;
- overall student experience and satisfaction; and
- our ability to attract and retain highly qualified teachers.

CUSTOMERS AND SUPPLIERS

Our customers primarily consisted of students, enterprises, and certain education institutions during the Track Record Period. For the years ended December 31, 2016, 2017 and 2018 and the five months ended May 31, 2019, revenue generated from our five largest customers amounted to RMB4.9 million, RMB3.0 million, RMB16.6 million and RMB4.1 million, respectively, which represented 3.0%, 1.6%, 7.7% and 4.4% of our total revenue in the same periods. During the same periods, revenue generated from our largest customer amounted to RMB2.1 million, RMB0.7 million, RMB7.9 million and RMB1.7 million, respectively, which represented 1.3%, 0.4%, 3.7% and 1.9% of our total revenue in the same 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 customers during the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period, our suppliers mainly consisted of engineering and construction companies responsible for the construction, renovation and furnishing of our facilities on campus, book suppliers, teaching equipment suppliers, furniture suppliers and seedling nursery suppliers located in China. The materials and equipment required for the provision of our higher education and education related services are generally readily available in the market through a number of suppliers. We carefully select our suppliers based on various factors, including their qualifications, quality of the materials and equipment, reputation, pricing and overall services. For the years ended December 31, 2016, 2017 and 2018 and the five months ended May 31, 2019, purchases from our five largest suppliers amounted to RMB7.8 million, RMB26.7 million, RMB50.2 million and RMB25.0 million, respectively. During the same periods, purchases from our largest supplier amounted to RMB3.4 million, RMB15.6 million, RMB19.3 million and RMB13.1 million, respectively. 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.

Overlapping customer and supplier

During the Track Record Period, Jiangxi Huacheng was one of our five largest suppliers for the year ended December 31, 2018, and was one of our customers in the same year. Jiangxi Huacheng is an education equipment supplying company, and thus we purchased certain electronic education equipment from such company, while offered personal development training services to Jiangxi Huacheng during the Track Record Period. Revenue generated from Jiangxi Huacheng for the year ended December 31, 2018 amounted to RMB0.1 million, which represented less than 0.1% of our total revenue for the year ended December 31, 2018, and the purchase from Jiangxi Huacheng amounted to RMB7.4 million in the same year. Our Directors confirmed that both of our services provided to and purchase from Jiangxi Huacheng were conducted in the ordinary course of business under normal commercial terms and on arm's length basis.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we had seven patents and had registered nine domain names in China. We also had three registered trademark in Hong Kong as of the Latest Practicable Date. For more details of the intellectual property rights of our Group, please refer to "Appendix V — Statutory and General Information" to this prospectus.

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

AWARDS AND RECOGNITIONS

We have received numerous awards and recognitions since our establishment in recognition of our achievements. The following table sets forth some of the awards and recognitions received by us:

Year	Award/Accreditation	Awarding Organization
2019	No.1 in terms of teaching skills competition among all private universities in Jiangxi province between 2012 and 2018 (2012–2018年江西省民辦普通本科院校教師教學競賽狀態第一名)	China Association of Higher Education
2018	2017 National May 4th Red Flag Youth League Committee (2017年度全國五四紅旗團委)	The Central Committee of the Communist Youth League
2018	2016–2018 Excellent School in Evaluation of Higher Education Graduates Employment Affairs in Jiangxi Province (2016年–2018年江西省高校畢業生就業工作評估優秀等級學校)	Jiangxi Provincial Department of Education
2016	2013–2015 Excellent School in Evaluation of Higher Education Graduates Employment Affairs in Jiangxi Province (2013年–2015年江西省高校畢業生就業工作評估優秀等級學校)	Jiangxi Provincial Department of Education
2016	2016 National Most Promising Undergraduate University (2016全國最具發展潛力本科院校)	China Education Reform Commission
2015	2015 Excellent Entity in Social Stability Comprehensive Management Work (in terms of Safety Management) of Jiangxi Province (2015年度全省綜治工作(平安建設)先進單位)	Jiangxi Provincial Commission for the Comprehensive Management of Public Security
2013	Excellent University in Ideological and Political Education among all Higher Education Institutions in Jiangxi Province (全省高校思想政治教育工作先進集體)	Education Committee of Provincial Communist Party in Jiangxi Province, and Jiangxi Provincial Department of Education

Year	Award/Accreditation	Awarding Organization
2011	One of the First Pilot Universities for Education System Reform (首批教育體制改革試點高校)	People's Government of Jiangxi Province
2011	Provincial Pilot Zone for Talent Cultivation Mode Innovation (省級人才培養模式創新實驗區)	Jiangxi Provincial Department of Education
2010	2010 Jiangxi Province Top Ten Charity Entity of the Year (2010年江西省十大年度公益慈善單位)	Jiangxi Charity Federation, and Jiangxi Provincial News Channel
2006	2006 Top Ten Branded Private Universities in China (2006年度中國十大品牌民辦大學)	Xinhua News Agency, and China Central Television
2005	Satisfactory Private University (人民滿意的民辦大學)	Education and Human Resources Research Department of National Institute for Educational Research of the MOE of China

EMPLOYEES

As of the Latest Practicable Date, we had a total number of 1,146 employees. Substantially all of our employees are located in Jiangxi province. The following table sets forth the total number of employees by function as of the Latest Practicable Date:

Function	Number of employees	% of total
Senior management	10	0.9
Teachers(1)	894	78.0
Teaching support staff	116	10.1
Administrative staff	81	7.0
Accounting and internal control staff	9	0.8
Campus security staff	9	0.8
Other staff(2)	27	2.4
Total	1,146	100.0

Notes:

(1) Including 164 teachers working on part-time basis.

(2) Other staff primarily include logistic service staff.

As of the Latest Practicable Date, our employees were primarily located in the PRC. Pursuant to relevant PRC regulations, we are required to make social insurance payments and housing provident fund contributions for our employees. For more details of our compliance status with relevant social insurance and housing provident fund regulations, please refer to the paragraph headed "— Legal Proceedings and Compliance" in this section of this prospectus. We have established a labor union and our employees may join the labor union voluntarily. As confirmed by our Directors, we had not experienced any material labor dispute during the Track Record Period.

PROPERTIES

As of the Latest Practicable Date, we (i) owned the land use rights of land parcels with a total site area of 653,024.0 sq.m. and owned 64 completed buildings with a total GFA of 334,357.6 sq.m. in the PRC; and (ii) leased three land parcels with a total site area of 452,540.0 sq.m. and some offices in the PRC. All of these properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. Please refer to "Appendix III" to this prospectus for a valuation report of our owned properties prepared by Cushman & Wakefield.

Owned Properties

Land

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

No.	Location	Site Area (sq.m.)	Permitted Use	Expiration Date	Current Status	Land Use Right Certificate
1.	Nanchang, Jiangxi province	320,189	Education (教育用地)	No expiration date*	Occupied	Obtained
2.	Nanchang, Jiangxi province	164,107	Science and education (科教用地)	No expiration date*	Occupied	Obtained
3.	Nanchang, Jiangxi province	132,219	Science and education (科教用地)	No expiration date*	Occupied	Obtained
4.	Nanchang, Jiangxi province	28,331	Science and education (科教用地)	No expiration date*	Occupied	Obtained
5.	Nanchang, Jiangxi province	8,178	Science and education (科教用地)	No expiration date*	Occupied	Obtained

Note:

* We acquired the land use rights of these parcels of land through allocation (劃撥). According to relevant PRC laws and regulations, land use rights obtained through such allocation does not have an expiration date.

Buildings

As of the Latest Practicable Date, we owned 64 completed buildings in the PRC with a total GFA of 334,357.6 sq.m. A substantial portion of these buildings have been used for education-related purposes, such as lecturer halls, dormitories, library, canteens, and administrative buildings.

As of the Latest Practicable Date, among the 64 completed buildings owned by us, we had not obtained the building ownership certificate for a water treatment plant with a GFA of 454.0 sq.m. on our school campus, representing approximately 0.1% of the total GFA for our 64 completed buildings.

Water Treatment Plant

To provide clean water for our students and faculty, we constructed a water treatment plant when developing our new campus at the current location in 2009 as we didn't have access to public water treatment network at that time. The water treatment plant was built on a leased land parcel and our use of such land parcel is in contravention of its permitted use as an agricultural land. Therefore, we are unable to obtain the building ownership certificate and the other certificates and approvals required for the application of the building ownership certificate for the water treatment plant, including the construction planning permit, construction work commencement permit, completion acceptance inspection, environmental protection inspection and fire control assessment, among others.

As a result, we may be subject to certain governmental orders, fines and penalties according to applicable PRC laws and regulations. As confirmed by our PRC Legal Advisor, we could be required to demolish the construction within a specified time limit and subject to fines and penalties of not more than approximately RMB3.1 million by the competent authorities in the worst case scenario. As of the Latest Practicable Date, we were not aware of any actual or contemplated actions, claims or investigations by any government authorities or third parties against us with respect to the lack of the building ownership certificate and other relevant permits or approvals for our water treatment plant. Based on interviews conducted by our PRC Legal Advisor with competent authorities, including the Fire Control Brigade of Nanchang Public Security Bureau Xinjian District Branch (南昌市新建區消防救援大隊), the Nanchang Housing and Urban-Rural Development Bureau Xinjian District Branch (南昌市新建區住房和城鄉規劃建設局), the Nanchang Environmental Protection Bureau Xinjian District Branch (南昌市新建區環保局) and the Nanchang Property Registration Center Xinjian District Branch (南昌市新建區不動產登記中心), the competent authorities confirmed that they would not impose any penalty or fine to us in this regard. We have also obtained a written certification issued by the Nanchang Emergency Management Bureau Xinjian District Branch (南昌市新建區應急管理局), pursuant to which the competent authority confirmed that we had not been subject to any administrative action, fine or penalty and such authority will not initiate any administration investigation against us. As advised by our PRC Legal Adviser, (i) the foregoing governmental authorities are the competent authorities for making such confirmations; (ii) we had not been imposed of any punishments due to our non-compliance in this regard during the Track Record Period; and (iii) the risks of being punished or be prohibited from using such water treatment plant by competent authorities are low. Based on the foregoing, our Directors are of the view that the foregoing penalties (if any) would not have a material impact on our financial condition.

We have engaged a third-party agent to inspect our water treatment plant in November 2018, and such agent confirmed that the water treatment plant met the relevant safety standards and was in safe condition as of the date of such inspection. Based on the qualification and license of such third-party agent, our Directors are of the view that the third party agency is competent and qualified to provide such inspection and assurance. As a result, we believe the water treatment plant is safe for its purposes. Based on the above, our Directors consider that the lack of building ownership certificate for the water treatment plant and the lack of certain permits and approvals would not have any material adverse effect our business, financial condition and operations as a whole.

Our School is currently included in the geographic coverage of the public water treatment network. If we are required to demolish and thus cease using our water treatment plant by competent authorities due to our lack of building ownership certificate, based on the quotations we obtained from third party agents, we estimate that (i) it costs approximately RMB0.3 million and takes around one month to demolish the water treatment plant and to reinstate the land parcel, and (ii) it costs approximately RMB0.3 million and takes less than one month to connect our School's water pipeline system to the public water treatment network. Based on the foregoing, our Directors are of the view that the demolishment of our water treatment plant and the connection to the public water treatment network will not materially and adversely affect our business and financial position.

Sewage treatment plant

We have constructed a sewage treatment plant on our school campus as we were not included in the geographic coverage of the public sewage treatment network in Nanchang when developing our new campus at the current location in 2009. We have obtained a building ownership certificate for our sewage treatment plant on March 5, 2019. However, our failure to obtain or prepare certain pre-requisite documents or permits for the building ownership certificate may subject us to certain governmental orders, fines and penalties according to applicable PRC laws and regulations. As confirmed by our PRC Legal Advisor, we could be prohibited from using such plant and subject to fines and penalties of not more than RMB0.4 million by the competent government authorities. As of the Latest Practicable Date, we were not aware of any actual or contemplated actions, claims or investigations by any government authorities or third parties against us with respect to the lack of the foregoing documents or permits for our sewage treatment plant.

Based on interviews conducted by our PRC Legal Advisor with the Fire Control Brigade of Nanchang Public Security Bureau Xinjian District Branch (南昌市新建區公安消防救援大隊) and the Nanchang Housing and Urban-Rural Development Bureau Xinjian District Branch (南昌市新建區住房和城鄉規劃建設局), the competent authorities confirmed that they would not impose any penalty or fine to us and will not prohibit us from using such plant. According to the above interviews and as advised by our PRC Legal Advisor, (i) the foregoing governmental authorities are the competent authorities for making such confirmations; (ii) we had not been subjected to any punishments due to our non-compliance in this regard during the Track Record Period and up to the Latest Practicable Date; and (iii) the risks of being punished or be prohibited from using such sewage treatment plant by competent government authorities are remote. Based on the foregoing, our Directors are of the view that the foregoing penalties (if any) would not have a material impact on our financial condition.

We have engaged a third-party agent to inspect our sewage treatment plant in November 2018, and such agent confirmed that the sewage treatment plant met the relevant safety standards and was in safe condition as of the date of such inspection. Based on the qualification and license of such third-party agent, our Directors are of the view that the third party agency is competent and qualified to provide such inspection and assurance.

Construction Projects

We plan to construct four new student residence halls with a total planned GFA of 17,372.2 sq.m. on our current campus in the fourth quarter of 2019 after obtaining all the necessary permits and approvals for the construction. We have obtained the investment project recordal-filing notice and the construction land planning permit as of the Latest Practicable Date. Please refer to the paragraphs headed "— Our School — Expansion Plans" in this section for more details of our planned construction projects.

Leased Properties

As of the Latest Practicable Date, we leased three land parcels and some offices in China. The following table sets forth the general information of our leased properties which we consider material to our business operations.

No.	Leased Property	Current Use	Lease Term	Registration of Lease Contract
1.	One parcel of land with a site area of 159,333.3 sq.m. in Nanchang, Jiangxi[1]	Green area	September 1, 2003 to August 31, 2053	No[2]
2.	One parcel of land with a site area of 206,540 sq.m. in Nanchang, Jiangxi[1]	Water treatment plant and green area	November 17, 2005 to August 31, 2053	No[2]
3.	One parcel of land with a site area of 86,666.7 sq.m. in Nanchang, Jiangxi[1]	Green area	N/A	No[2]
4.	Office space with a total GFA of 129.7 sq.m. in Qujing, Yunnan	Office	May 28, 2019 to May 28, 2022	No[2]

Notes:

(1) As the relevant landlords were not able to provide the relevant ownership certificates, we may not be able to continue to use the relevant leased land parcels if the competent government authorities decide to take back the land parcel(s) or determine that the relevant landlords do not have the authorities to enter into these lease agreements. Nevertheless, we have obtained written confirmations from the relevant landlords confirming that they have the right to enter into lease agreements with us. As advised by our PRC Legal Advisor, the risk of these land parcels being ordered to be returned by the competent authorities are relatively low. Our Directors consider the leased land parcels, being mostly green area on which we built the water treatment plant on our campus, are not critical to our operations. Should our use of such leased land parcels be adversely affected, our Directors believe that we will be able to stop using the water treatment plant and connect our water pipeline system to the public water treatment network, or to lease alternative land parcels, if necessary, without significant disruption of our operations and without incurring significant additional costs and expenses. Based on the above, our Directors are of the view that the uncertainty with respect to the validity of the lease of the three leased land parcels would not have any material adverse impact on our operations as a whole.

(2) The lease agreements entered into by and between us and the relevant landlords had not been registered with the competent PRC governmental authorities as of the Latest Practicable Date. Our PRC Legal Advisor advised us that we may be required by the competent governmental authorities to register the relevant lease agreements within a prescribed time limit. If we fail to do so, we may be subject to fines in an amount ranging from RMB1,000 to RMB10,000 for each non-registered lease. As of the Latest Practicable Date, we had not been imposed of any fines by the relevant PRC governmental authorities with respect to these non-registered leases, and our PRC Legal Advisor advised us that the non-registration of such lease agreements would not affect the leases' validity.

INSURANCE

We have purchased school liability insurance for our School operations. However, we do not maintain business interruption insurance, product liability insurance or key-man life insurance. In the opinion of our Directors, we generally maintain insurance coverage in line with the customary practice in the industry, providing our assets, the operation of the School and the provision of education related services with adequate protection. However, we cannot assure you that we are able to maintain sufficient insurance coverage for all liabilities which may arise from our business operation. For more details, please refer to the paragraph headed "Risk Factors — Our insurance coverage may not be sufficient" in this prospectus.

LICENSES AND PERMITS

As confirmed by our PRC Legal Advisor, up to the Latest Practicable Date, except as otherwise disclosed in this prospectus, we had obtained all material licenses, permits, approvals and certificates necessary for our business operations from relevant government authorities in the PRC, and such licenses, permits, approvals and certificates remained in full effect for the business we currently operate.

The table below sets forth details of the material licenses and permits of our business:

License/Permit	Granting Authority	Grant Year/Date	Expiry Year/Date
Private school operating license* (民辦學校辦學許可證)	MOE	2018	2021
Registration certificate of private non-enterprise entities* (民辦非企業單位登記證書)	Jiangxi Provincial Civil Affairs Department	November 9, 2016	November 8, 2021

Note:

* As advised by our PRC Legal Advisor, our School is required to pass annual inspection regardless of whether such licenses have an expiry date or not.

HEALTH AND SAFETY MATTERS

We are dedicated to protecting the health and safety of our students and faculty. To ensure food quality and safety, we require our meal catering service provider to comply with applicable rules required by competent government authorities regarding the daily working process in the canteens, and to install video surveillance system in the food processing and sales area. We also supervise our meal catering service provider's operation of our canteens from various aspects such as food quality, safety and sanitation, price, quality of service and service scope. Furthermore, we provide routine medical care services to our students and faculty by outsourcing such service to qualified hospital. In the event of any serious and emergency medical situations, we will promptly send our students to local hospitals for treatment. In addition, we have formed a campus security team at our School and formulated a set of safety management rules to ensure the safety of our students and teachers.

During the Track Record Period, we had not experienced any serious accident, medical situation or safety issues involving our students or our teachers on our campus. Nevertheless, we have limited or no control over undesirable incidents that may take place. For more details, please refer to the paragraph headed "Risk Factors — Accidents or injuries suffered by our students, our employees or other people at our School premises may adversely affect our reputation and subject us to liabilities" in this prospectus.

LEGAL PROCEEDINGS AND COMPLIANCE

From time to time, we may be subject to legal proceedings, investigations and claims incidental to the conduct of our business. During the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or any of our Directors which, in the opinion of our management, could have a material adverse effect on our business, financial condition or results of operations. Furthermore, our Directors confirm that no member of our Group is currently engaged in any material litigation, arbitration or administrative proceedings.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, (i) we had not committed any non-compliance incidents of applicable laws and regulations, which taken as a whole, in the opinion of our Directors, are likely to have a material and adverse effect on our business, financial condition or results of operations; and (ii) we had not experienced any systematic non-compliance incidents, which taken as a whole, in the opinion of our Directors, reflects negatively on the ability or tendency of our Group, our Directors or our senior management to operate our business in a complaint manner. Our PRC Legal Advisor is of the opinion that we have complied with the applicable PRC laws and regulations currently in effect in all material respects during the Track Record Period and up to the Latest Practicable Date.

Set forth below is a summary of our non-compliance matters during the Track Record Period and up to the Latest Practicable Date, as well as rectification actions and preventive measures that we have taken in respect of such matters:

	Non-compliance Incident	Reasons for the non-compliance	Legal consequence and potential maximum penalties	Remedies and rectification measures taken to prevent future breach and ensure on-going compliance	Potential impact on our operations and financial condition
1.	During the Track Record Period, we failed to pay social insurance and housing provident fund in full for our employees based on their actual salary level. In addition, some of our subsidiaries failed to open a social insurance account and a housing provident fund account within 30 days upon their incorporation.	The non-compliance was primarily caused by administrative oversight, the relevant management being unfamiliar with the relevant regulatory requirements, and the inconsistent implementation or interpretation of relevant regulations by the responsive local authorities.	Our PRC Legal Advisor advises us that (i) for overdue contributions prior to the effectiveness of the Social Insurance Law of the PRC (中華人民共和國社會保險法) on July 1, 2011, relevant authorities may require us to pay the outstanding amount within a stipulated period, and if we fail to make the overdue contributions within such stipulated period, an additional late payment penalty at daily rate of 0.2% of the outstanding amount may be imposed; and (ii) for overdue contributions after July 1, 2011, relevant authorities may require us to pay, within a prescribed time limit, the outstanding amount with an additional late payment penalty at the daily rate of 0.05%, and if we fail to make the overdue contributions within such time limit, a fine equal to one to three times the outstanding amount may be imposed. Our PRC Legal Advisor also advises us that pursuant to the Regulations on the Management of Provident Fund (住房公積金管理條例), an employer shall make full contribution to the housing provident fund on a timely manner and shall not make overdue contribution or inadequate contribution. If an employer does not make such contribution when it is due or makes inadequate contribution to the housing provident fund, the relevant housing provident management center shall order such employer to make supplemental contributions within stipulated period. If such employer does not make such contributions within the stipulated period, an enforcement application can be made to the people's court.	Pursuant to certifying letters issued by local governmental authorities in Nanchang, Jiangxi province and Qujing, Yunnan province in July 2019, we are currently in compliance with applicable PRC laws and regulations with respect to social insurance payment, and such governmental authorities will not impose any fine or penalty for our historical non-compliance incidents with respect to social insurance payment. Pursuant to certifying letters issued by local governmental authorities in Nanchang, Jiangxi province in July 2019, we are currently in compliance with applicable PRC laws and regulations with respect to housing provident fund payment (other than Yunnan Chen Lin as disclosed below), and such governmental authorities will not impose any fine or penalty for our historical non-compliance incidents with respect to housing provident fund payment. Yunnan Chen Lin failed to open a housing provident fund account with 30 days upon its incorporation. Yunnan Chen Lin has opened a housing provident fund account in September 2019 and began to pay housing provident fund to its employees since September 2019. Our Directors confirm that Yunnan Chen Lin had not been subject to any fine or penalty or been ordered to pay any outstanding amount by any governmental authority as of the Latest Practicable Date.	We made provisions for the outstanding balance of relevant social insurance payments and housing provident fund contributions for the past two years since June 2017 according to applicable PRC regulations. As of May 31, 2019, our provision amount were RMB0.6 million and RMB1.6 million for social insurance underpayment and housing provident fund underpayment, respectively. Based on the foregoing, our Directors believe that this non-compliance incident has no material impact on our operations, and does not reflect negatively on our ability to operate in a compliant manner.

Non-compliance Incident	Reasons for the non-compliance	Legal consequence and potential maximum penalties	Remedies and rectification measures taken to prevent future breach and ensure on-going compliance	Potential impact on our operations and financial condition
We estimate that (i) the amount of social insurance payments that we did not pay during the years ended December 31, 2016, 2017 and 2018, and for the five months ended May 31, 2019, were RMB0.6 million, RMB0.4 million, RMB0.3 million and nil, respectively, and (ii) the amount of housing provident fund contributions that we did not pay during the years ended December 31, 2016, 2017 and 2018 and for the five months ended May 31, 2019, were RMB1.0 million, RMB1.4 million, RMB0.8 million and nil, respectively.		As of the Latest Practicable Date, no competent government authorities had imposed administrative action, fine or penalty to us with respect to this non-compliance incident, nor had any competent government authorities required us to settle the outstanding amount of social insurance payments and housing provident fund contributions.	Our PRC Legal Advisor is of the view that (i) the aforementioned governmental authorities issuing certifying letters are competent governmental authorities to issue such certifying letters, and (ii) the risks of us being ordered to make up the underpayments, pay any late fees or be subject to fines for the social insurance and housing provident fund related non-compliance by the relevant government authorities in practice is remote.	

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

We have engaged an independent internal control consultant (the "**Internal Control Consultant**") to conduct an assessment of our internal control system. The Internal Control Consultant has conducted review procedures on our internal control system in certain aspects including financial reporting and management procedures, construction work management, revenue management, procurement, fixed asset and intangible asset management, human resources, tax, cash management, financing management, and information technology. The Internal Control Consultant conducted its work in December 2017, May 2018, March 2019 and July 2019, respectively, and provided a number of findings and recommendations in its report. We have substantially taken remedial actions in response to such findings and recommendations. The Internal Control Consultant performed follow-up procedures on our internal control system with regard to those actions taken by our Group and reported further evaluation in July 2018, September 2018, July 2019 and August 2019, respectively.

We have established an internal control function on the group level and have designated our internal audit department to monitor the on-going compliance by our Group and our School with relevant PRC laws and regulations that govern our business operations and oversee the implementation of any necessary measures. In addition, we plan to provide our Directors, senior management (including the principal of our School) and relevant employees with continuing training programs and/or updates regarding the relevant PRC laws and regulations on a regular basis with a view of proactively identify any concerns and issues relating to any potential non-compliance.

Particularly, with respect to the material non-compliance incidents referred to under "— Legal Proceedings and Compliance" in this section, we have also implemented the following internal control measures to ensure our compliance with relevant social security laws and regulations:

- our human resources department has updated the *Rules on Social Insurance and Housing Provident Fund Contribution for Employees*, pursuant to which we will ensure our compliance of the relevant PRC laws and regulations in relation to social insurance and housing provident fund;

- we undertake to pay, and have paid since July 2018, the housing provident fund in full for our employees based on their actual salary level;

- we undertake to pay, and have paid since October 2018 (such time was agreed by the government authority as we can only adjust the social insurance payment base at certain specified time), the social insurance in full for our employees based on their actual salary level; and

- we have made provisions for the outstanding balance of relevant social insurance payments and housing provident fund contributions for the past two years since June 2017 according to applicable PRC regulations. As of May 31, 2019, our provision amount were RMB0.6 million and RMB1.6 million for social insurance underpayment and housing provident fund underpayment, respectively.

Taking into account rectification measures taken by us and the internal control measures implemented by us in connection with the non-compliance incidents disclosed under the paragraph headed "— Legal Proceedings and Compliance" in this section, the on-going monitoring and supervision by our management with the assistance from professional external advisors where required, and the fact that, as confirmed by the Directors, the non-compliance incidents did not involve fraud or dishonesty, our Directors are of the view that our enhanced internal control measures are adequate and effective to prevent recurrence of similar non-compliance in the future; the suitability and competency of our Directors is compliant with Rules 3.08 and 3.09 of the Listing Rules; and our Company is suitable for listing under Rule 8.04 of the Listing Rules. The Sole Sponsor concurs with the views of our Directors that the suitability and competence of our Directors is compliant with Rule 3.08 and 3.09 of the Listing Rules, on the basis that i) the non-compliance was primarily caused by administrative oversight, the relevant management being unfamiliar with the relevant regulatory requirements, and the inconsistent implementation or interpretation of relevant regulations by local authorities in the PRC, ii) remedies and rectification measures taken by the Company to prevent future breach and ensure on-going compliance, and iii) the review of PRC Legal opinions, internal control reports and other relevant documents, discussions with Directors and Directors' confirmation.

Risk Management

We are exposed to various risks in the operations of our business and we believe that risk management is important to our success. Please refer to the section headed "Risk Factors" in this prospectus for further details of disclosures on various risks we face. Our Directors oversee and manage the overall risks associated with our operations. We have prepared written terms of reference in compliance with Rule 3.21 of the Listing Rules, and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Listing, we have adopted or will continue to adopt, among other things, the following risk management measures:

Overall and Compliance Risk Management

We have adopted the risk management policy in March 2019 on risk management strategies, organizational structure, identification and assessment for risks, handling, reporting and supervision for the overall risk management for our Group.

We have adopted various policies to ensure compliance with the Listing Rules. Particularly, we have adopted the information disclosure management policy in March 2019 which sets forth detailed rules on non-disclosure obligation of confidential information, prevention of insider trading and regulations on information disclosure. We have also adopted the connected transaction management policy in April 2018 which provides detailed rules on identification and approval process for connected transactions.

Financial Reporting Risk Management

To manage our financial reporting risks, we have established a set of accounting policies in relation to financial report management, budget management, financial statements preparation, and duties and responsibilities of our financial department. We will also establish an Audit Committee to review and supervise our financial reporting process and internal control system.

Information System Risk Management

We value the importance of information security. We have implemented rules and procedures designed to ensure security of data and to prevent leakage or loss of relevant data. Particularly, we have set up the data backup policy which sets forth detailed rules on the backup of data. We have adopted the information system account management policy to manage user authorization, and have conducted an overall clearance for inactive user accounts in 2018. Furthermore, we have completed the establishment of firewall for our information system in 2018 to ensure information security.

*You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, included in the Accountant's Report set out in Appendix I to this prospectus (the "**Historical Financial Information**"). Our Historical Financial Information has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States.*

The following discussion and analysis 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 set out in the sections headed "Risk Factors" and "Forward-looking Statements" in this prospectus.

OVERVIEW

We are one of the leading providers of private higher education in Jiangxi province, China, with over 17 years of experience in the private higher education industry. We currently operate one private university located in Nanchang, Jiangxi province, namely the Jiangxi University of Applied Science (the "**JUAS**" or the "**School**"), and offer undergraduate and junior college programs, as well as diverse education related services. We ranked 4th among the 31 private higher education institutions in Jiangxi province in terms of student enrollment for the 2018/2019 school year. As of the Latest Practicable Date, our School had a total number of student enrollment of 14,155, consisting of 5,325 undergraduate students and 8,830 junior college students. We also provide a variety of education related services including internship management services as well as tutoring and program management services to enterprises and education institutions.

Leveraging our extensive experience in operating our School and offering diverse education related services, we have experienced rapid growth during the Track Record Period. Particularly, our revenue increased from RMB166.0 million for the year ended December 31, 2016 to RMB215.0 million for the year ended December 31, 2018, representing a CAGR of 13.8% and from RMB80.5 million for the five months ended May 31, 2018 to RMB93.0 million for the five months ended May 31, 2019, representing an increase of 15.5%. Our profit for the year/period increased from RMB41.1 million for the year ended December 31, 2016 to RMB83.2 million for the year ended December 31, 2018, representing a CAGR of 42.2% and from RMB33.6 million for the five months ended May 31, 2018 to RMB39.4 million for the five months ended May 31, 2019, representing an increase of 17.3%.

BASIS OF PRESENTATION

Immediately prior to and after the Reorganization as further explained in the section headed "History and Reorganization" in this prospectus, our business was mainly conducted by the Consolidated Affiliated Entities, and was managed and controlled by the Controlling Shareholders. Pursuant to the Reorganization, the Consolidated Affiliated Entities and the business carried out by the Consolidated Affiliated Entities are effectively controlled by Chen Lin Education Science and ultimately our Company through the Contractual Arrangements. For more details of our Contractual Arrangements, please refer to the section headed "Contractual Arrangements" in this prospectus. Our Company had not been involved in any other business prior to the Reorganization, and the Reorganization does not result in any changes in management, owner and business substance. Accordingly, our Group resulting from the Reorganization is regarded as a continuation of our business and the historical financial information of the companies now comprising our Group have been prepared on a consolidated basis and is presented using the respective carrying value of our business for all periods presented. Inter-company transactions, balances and unrealized gains/losses on transactions between the companies within our Group are eliminated on combination.

We adopted a full retrospective application of IFRS 9, "Financial instruments", IFRS 15, "Revenue from contracts with customers" and IFRS 16, "Leases", which have been applied on a consistent basis throughout the Track Record Period. We believe that the adoption of IFRS 9, IFRS 15 and IFRS 16, as compared to the requirements of IAS 39, IAS 18 and IAS 17, does not have significant impact on our consolidated financial position and performance during the Track Record Period.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, which primarily include the following:

Demand for Private Higher Education in China and in Jiangxi Province

Our financial performance is significantly affected by the demand for private higher education in China, which is in turn affected by a number of factors, including the levels of economic development and changes in demographics. Our business has benefited from the growth of China's economy and the increasing demand for private higher education in China. According to the F&S Report, as the PRC's economy had continued to grow over the past five years, per capita nominal GDP in China also grew from approximately RMB47,000 in 2014 to approximately RMB64,600 in 2018, representing a CAGR of approximately 8.3%, and is expected to reach approximately RMB94,500 by 2023, at an expected CAGR of approximately 7.9%. Driven by the increasing annual disposable income of urban households, it is expected that Chinese per capita annual expenditure of urban households on education to further increase to approximately RMB1,780.8 in 2023, realizing a CAGR of approximately 8.3% from 2018 to 2023.

While growing affluence of Chinese people has contributed to the increase of expenditure on education, private higher education has grew at a faster pace to become a crucial element in the Chinese education system. According to the F&S Report, the revenue of private higher education in China increased from approximately RMB82.9 billion in 2014 to approximately RMB118.0 billion in 2018, representing a CAGR of approximately 9.2%, and is expected to increase to approximately RMB163.7 billion in 2023, representing a CAGR of approximately 6.8%. In respect of the private higher education industry in Jiangxi province, the revenue grew from RMB2.8 billion in 2014 to RMB4.0 billion in 2018, representing a CAGR of 9.3%, and is expected to further increase to RMB6.1 billion in 2023, representing a CAGR of 8.8%. With respect to student enrollment, the total student enrollment in the private higher education industry in Jiangxi province increased from 259.5 thousand in 2014 to 281.9 thousand in 2018 and is expected to rise further to 309.8 thousand in 2023.

In addition, the PRC government has issued a series of policies and regulations to encourage and promote the development of private higher education, such as encouraging private capitals to invest in the education business. Additional favorable policies are likely to be introduced to further drive the development of the PRC private education, according to the F&S Report.

Student Enrollment

Our revenue generally depends on the number of students enrolled at our School and the level of tuition fees we charge. We believe our student enrollment is generally dependent on, among other things: (i) our reputation; (ii) our capacity for student enrollment; and (iii) our admission quota as approved by relevant government authorities. For the student enrollment details of our School, please refer to the paragraphs headed "Business — Our School — Overview — Student Enrollment and Capacity" in this prospectus.

We believe one of the most important factors students and parents would consider when choosing a school to attend is the school's reputation. We believe that the reputation of our School is built on our high rankings, high graduates employment rates and ample employment opportunities available to our students, which are attributable to our dedication to education quality, our focuses on innovation, and employment. If we are not able to maintain or continue to enhance our reputation, we may not be able to maintain or increase our student enrollment level.

Tuition Fees and Boarding Fees

We derived 87.6%, 86.4%, 80.5% and 87.4% of revenue from our higher education services for the years ended December 31, 2016, 2017 and 2018 and the five months ended May 31, 2019. Our revenue is affected by the level of tuition fees and boarding fees that we are able to charge. We usually require students to pay tuition fees and boarding fees at the beginning of each school year and recognize tuition fees as our revenue proportionately over a nine-month period and boarding fees proportionately over a twelve-month period. We determine our tuition fees typically based on the demand for our educational programs, the cost of our operations, the tuition fees charged by other school, our strategy to gain market share and general economic conditions in China and in Jiangxi province. Accordingly, we may experience fluctuations in our revenue and results of operations. For the details of the tuition fees and boarding fees charged by our School, please refer to the paragraph headed "Business — Our School — Overview — Tuition Fees and Boarding Fees" in this prospectus.

Our revenue is also affected by the mix of our tuition fees income. The tuition fees of our School vary depending on whether students are enrolled in undergraduate programs or junior college programs, as well as the different academic programs that our School offers. As a result, the changes in the number of students enrolled in different programs in each school year may lead to fluctuations of our tuition fees income.

According to the F&S Report, the formal education industry has high entry barriers. Given our position in existing markets, our reputation, our premium education quality and the strong demand for our services, we believe we will be able to optimize our pricing without compromising our competitive edges. While we have successfully increased tuition fees and boarding fees of our School during the Track Record Period, there is no guarantee that we will be able to continue to raise tuition fees and boarding fees in the future. For more details, please refer to the paragraph headed "Risk Factors —

Risks Relating to Our Business and Our Industry — The level of tuition and boarding fees we are able to charge and our ability to maintain and raise the level of tuition and boarding fees are crucial to our business" in this prospectus.

Demand for Our Education Related Services

Our revenue generated from education related services is affected by the number of customers and the service fee levels of our education related services. The revenue generated from education related services, including internship management services as well as tutoring and program management services, amounted to RMB10.3 million, RMB15.0 million, RMB32.9 million and RMB9.0 million for three years ended December 31, 2016, 2017 and 2018, and five months ended May 31, 2019, respectively. Our ability to generate revenue from education related services largely depends on, among others, our in-depth understanding of the market condition in education market of China, ability to effectively market our education related services and our brand in new markets or promote ourselves in existing markets, and ability to maintain good relationship with our current customers/cooperative enterprises and education institutions. While we expect to have continuous growth in our education related services in the foreseeable future, there is no guarantee that we will be able to achieve such growth. For more details, please refer to the paragraph headed "Risk Factors — Risks Relating to Our Business and Our Industry — We may not be able to maintain good relationship with our existing cooperative enterprises, successfully compete with our competitors or find new cooperative enterprises, any of which may materially and adversely affect the business and prospects of our internship management service" and "Risk Factors — Risks Relating to Our Business and Our Industry — We may not be able to successfully deliver and expand our tutoring and program management services, which could adversely affect our business and prospects".

Salaries of Teachers and Other Teaching Staff

Our profitability depends, in part, on our operating costs and expenses, a significant component of which is salaries and other benefits to our teachers. For the years ended December 31, 2016, 2017 and 2018 and the five months ended May 31, 2019, employee benefit expenses represented approximately 44.5%, 46.3%, 43.5% and 45.6% of our cost of sales, respectively, which mainly reflected salaries and other benefits for our teachers and other teaching staff. Salaries and other benefits for our teachers fluctuated slightly during the Track Record Period primarily as we adjusted levels of compensation to achieve an optimal balance between cost and benefit. As we continue to expand our school network, increase student enrollment at our School, and expand the coverage of our education related services, we may need to recruit more teachers and other teaching staff. We may also need to increase our employees' salaries and other benefits from time to time to stay competitive in the labor market. As a result, our employee benefit expenses as a percentage of revenue may increase. According to the F&S Report, the average annual salary of teachers in private higher education industry in Jiangxi province is expected to increase from RMB51,800 in 2018 to RMB81,500 in 2023, representing a CAGR of 9.5%. If we were unable to effectively manage our operating costs and expenses, especially the salaries of our teachers and other teaching staff, our profitability and results of operations may be adversely affected.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that we believe are most significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items. Estimates and judgements are continually re-evaluated and are based on historical experience and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. We have not changed our material assumptions or estimates in the past and have not noticed any material errors regarding our assumptions or estimates. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the future. When reviewing our consolidated financial statements, you should consider (i) our critical accounting policies, (ii) the judgements and other uncertainties affecting the application of such policies and (iii) the sensitivity of reported results to changes in conditions and assumptions.

Our significant accounting policies, estimates and judgements, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Notes 2 and 4 to the Accountant's Report in Appendix I to this prospectus.

RESULTS OF OPERATIONS

The following table presents our consolidated statements of comprehensive income for the years ended December 31, 2016, 2017 and 2018 and the five months ended May 31, 2018 and 2019:

	Year ended December 31,						Five months ended May 31,			
	2016		2017		2018		2018		2019	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000* (unaudited)	*% of revenue*	*RMB'000*	*% of revenue*
Revenue	166,039	100.0	182,895	100.0	214,962	100.0	80,515	100.0	92,969	100.0
Cost of sales	(53,811)	(32.4)	(52,778)	(28.9)	(61,659)	(28.7)	(21,234)	(26.4)	(27,569)	(29.7)
Gross profit	112,228	67.6	130,117	71.1	153,303	71.3	59,281	73.6	65,400	70.3
Other income	7,373	4.4	11,159	6.1	25,509	11.9	8,322	10.3	7,845	8.4
Other expense	(747)	(0.4)	(702)	(0.4)	(4,079)	(1.9)	(1,148)	(1.4)	(1,009)	(1.1)
Other gains/(losses) — net	(286)	(0.2)	(1,961)	(1.1)	960	0.4	1,356	1.7	(933)	(1.0)
Net impairment losses on financial assets	(2,204)	(1.3)	(2,985)	(1.6)	(3,591)	(1.7)	(1,035)	(1.3)	(2,395)	(2.6)
Selling expenses	(12,024)	(7.2)	(8,539)	(4.7)	(9,435)	(4.4)	(2,665)	(3.3)	(2,367)	(2.5)
Administrative expenses	(21,436)	(12.9)	(23,822)	(13.0)	(46,374)	(21.6)	(14,906)	(18.5)	(16,368)	(17.6)
Operating profit	82,904	50.0	103,267	56.4	116,293	54.0	49,205	61.1	50,173	53.9
Net finance costs	(39,536)	(23.8)	(29,703)	(16.2)	(24,049)	(11.2)	(12,953)	(16.1)	(8,870)	(9.5)
Profit before income tax	43,368	26.2	73,564	40.2	92,244	42.8	36,252	45.0	41,303	44.4
Income tax expense	(2,223)	(1.4)	(3,591)	(1.9)	(9,010)	(4.1)	(2,641)	(3.3)	(1,926)	(2.0)
Profit for the year/ period	41,145	24.8	69,973	38.3	83,234	38.7	33,611	41.7	39,377	42.4
Non-IFRSs Measures:										
Adjusted net profit for the year/ period(1)	41,145	24.8	70,777	38.7	99,922	46.5	38,337	47.6	43,207	46.5

Note:

(1) Adjusted net profit for the year/period, which is unaudited in nature, represents profit for the year/period, adjusted by adding back one-off listing expenses incurred for the corresponding year/period in connection with the proposed listing, which amounted to nil, RMB0.8 million, RMB16.7 million, RMB4.7 million and RMB3.8 million for the years ended December 31, 2016, 2017 and 2018 and the five months ended May 31, 2018 and 2019. Adjusted net profit for the year/period is not a measure of performance under IFRSs. We believe that such non-IFRSs measure facilitates comparison of operating performance from period to period by eliminating potential impacts of items that our management do not consider to be indicative of our operating performance. We believe that such measure provides useful information to investors in understanding and evaluating our consolidated results of operations in the same manner. However, our presentation of the adjusted net profit may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRSs measure has limitations as an analytical tool, and investors should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRSs. Please refer to the paragraph headed "Financial Information — Key Components of Our Results of Operations — Non-IFRSs Measures" in this prospectus.

KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

We derived our revenue from higher education services, education related services and others during the Track Record Period. For the years ended December 31, 2016, 2017 and 2018 and the five months ended May 31, 2018 and 2019, we generated revenue of RMB166.0 million, RMB182.9 million, RMB215.0 million, RMB80.5 million and RMB93.0 million, respectively. The following table sets forth a breakdown of our revenue by income source for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2016		2017		2018		2018		2019	
	RMB'000	*% of Total*	*RMB'000*	*% of Total*	*RMB'000*	*% of Total*	*RMB'000* (unaudited)	*% of Total*	*RMB'000*	*% of Total*
Higher education services										
Tuition fees										
Undergraduate programs	29,003	17.5	41,808	22.9	64,141	29.9	24,189	30.0	31,364	33.7
Junior college programs	99,802	60.1	99,313	54.3	92,478	43.0	41,100	51.1	42,954	46.2
Boarding fees	16,710	10.0	16,766	9.2	16,374	7.6	6,728	8.4	7,009	7.5
Sub-total	145,515	87.6	157,887	86.4	172,993	80.5	72,017	89.5	81,327	87.4
Education related services										
Internship management fees	6,849	4.1	8,083	4.4	10,682	5.0	3,362	4.2	2,929	3.2
Tutoring and program management fees	3,431	2.1	6,911	3.8	22,178	10.3	2,574	3.2	6,031	6.5
Sub-total	10,280	6.2	14,994	8.2	32,860	15.3	5,936	7.4	8,960	9.7
Others	10,244	6.2	10,014	5.4	9,109	4.2	2,562	3.1	2,682	2.9
Total	166,039	100.0	182,895	100.0	214,962	100.0	80,515	100.0	92,969	100.0

During the Track Record Period, tuition fees and boarding fees contributed to the majority of our total revenue. We generally require our students to pay tuition and boarding fees for the entire school year at the commencement of the school year, which fees are recognized proportionately over the relevant period of the applicable programs. For further information on tuition fees and boarding fees, please refer to the paragraph headed "Business — Our School — Overview — Tuition Fees and Boarding Fees" in this prospectus. In the event a student leaves school during a school year, we have tuition fees and boarding fees refund policies in place at our School. The tuition fees and boarding fees refunded each year/period during the Track Record Period accounted for less than 1.0% of our revenue of such year/period. For a summary of our tuition fees and boarding fees refund policies, please refer to the paragraph headed "Business — Our School — Overview — Student Withdrawals and Refund" in this prospectus.

Our tuition fees increased constantly during the Track Record Period, which was mainly attributable to the continuous increase of average tuition fees per student as well as the number of students enrolled in the undergraduate programs at our School which we charge for a larger amount of tuition fees as composed with junior college programs. Please refer to the paragraphs "Business — Our School — Overview — Tuition Fees and Boarding Fees" for more details. We believe these increases were ultimately attributable to our growing popularity among prospective students in recent years and favorable employment outcomes of our graduates. Our boarding fees had fluctuated slightly during the Track Record Period which was mainly attributable to the fluctuation of the total number of students. Particularly, our boarding fees decreased slightly by 2.4% from RMB16.8 million in 2017 to RMB16.4 million in 2018 as the total number of students enrolled decreased from 15,494 students in the 2016/2017 school year to 15,274 students in the 2017/2018 school year and further to 14,423 students in the 2018/2019 school year while average boarding fees per student remained stable for the school years 2016/2017, 2017/2018 and 2018/2019. We may adjust our tuition fee and boarding fee levels in the future, which adjusted fee level may only apply to newly admitted students for the respective school year, while our existing students will continue to pay the tuition fees and boarding fees applicable at the time when they were first enrolled in the relevant schools.

Our revenue generated from education related services during the Track Record Period consisted of internship management services as well as tutoring and program management services. Our revenue generated from internship management fees during the Track Record Period was primarily derived from our internship management services. Our revenue generated from tutoring and program management services during the Track Record Period was primarily derived from our provision of qualification exam review services, personal development training services and education program management services. The fee received from education related services is recognized as revenue over the period of relevant services or when we charge service fee to the enterprises. Please refer to the paragraphs headed "Business — Education Related Services" for more details.

Our revenue generated from other services during the Track Record Period was primarily derived from (i) miscellaneous fees which mainly included fees from sales of dormitory necessities to students, and (ii) commission income from book suppliers. The fee received from other services is recognized as revenue when relevant service is rendered to the customers.

Cost of Sales

Our cost of sales primarily consisted of employee benefit expenses, depreciation and amortization expenses, students activities expenses, educational supplies and consumables, repair and maintenance and others. The following table sets forth the components of our cost of sales for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2016		2017		2018		2018		2019	
	RMB'000	*% of Total*	*RMB'000*	*% of Total*	*RMB'000*	*% of Total*	*RMB'000* (unaudited)	*% of Total*	*RMB'000*	*% of Total*
Employee benefit expenses	23,964	44.5	24,439	46.3	26,834	43.5	9,638	45.4	12,558	45.6
Depreciation and amortization expenses	18,907	35.1	18,780	35.6	19,506	31.6	7,987	37.6	9,692	35.2
Students activities expenses	3,312	6.2	3,080	5.8	5,587	9.1	1,522	7.2	1,398	5.1
Educational supplies and consumables[1]	3,476	6.5	1,306	2.5	2,802	4.5	—	—	—	—
Repair and maintenance	2,211	4.1	1,910	3.6	1,452	2.4	478	2.3	1,370	5.0
Others	1,941	3.6	3,263	6.2	5,478	8.9	1,609	7.5	2,551	9.1
Total	53,811	100.00	52,778	100.00	61,659	100.00	21,234	100.00	27,569	100.00

Note:

(1) We did not incur any expenses for educational supplies and consumables for the five months ended May 31, 2018 and 2019 because (i) we generally purchase educational consumables in the second half of a financial year (i.e., before the commencement of a school year); and (ii) we did not purchase any books for our library for the five months ended May 31, 2018 and 2019.

Employee benefit expenses mainly consisted of salaries, social insurance and other compensations paid to our teachers and other teaching staff. Depreciation and amortization expenses represented the depreciation and amortization expenses of our right-of-use assets, buildings, equipment and software for education purpose. Students activities expenses primarily represented expenses incurred in various official activities for our students. Educational supplies and consumables mainly represented expenses incurred for the purchase of books for our library and other consumables. Repair and maintenance fees represented expenses incurred in relation to repair and maintenance of our campus facilities and equipment. Others mainly included miscellaneous items such as promotion expenses, utilities, travelling expenses and other general office expenses.

Gross Profit and Gross Margin

For the years ended December 31, 2016, 2017 and 2018 and the five months ended May 31, 2018 and 2019, our gross profit was RMB112.2 million, RMB130.1 million, RMB153.3 million, RMB59.3 million and RMB65.4 million, respectively, and our gross margin was 67.6%, 71.1%, 71.3%, 73.6% and 70.3%, respectively.

Other Income

Other income primarily included government grants, sub-contracting income, commission income, income related to an interest-free loan and others during the Track Record Period.

- Our government grants mainly consisted of general subsidies which we would recognize as revenue after receiving such subsidies, and specific subsidies granted for particular assets which we would record as deferred revenue and recognize as revenue over the useful life of the particular assets.

- Sub-contracting income mainly consisted of income from sub-contracting the operations of meal catering services and campus stores on our School campus.

- Commission income mainly consisted of (i) income from offering promotion services for educational counseling products and services to education equipment supplying companies. We promoted such educational counseling products and services to our cooperative schools and institutions, and in turn received a low-teen percentage of sales revenue of the products and services we sold as commission income during the Track Record Period; and (ii) income from offering promotion services to an art training institution in Jiangxi province to attract prospective students to enroll in such institution, and we in turn received a fixed amount of fee ranging from RMB8,000 to RMB10,000 for each student introduced by us as our commission income during the Track Record Period. We do not plan to further expand such promotion services in the future as we intend to focus on the provision of our higher education services and education related services which we believe provide greater potential for our business growth.

- Income related to an interest-free loan represented the amortization of the premium raised from the difference between the face value and present value of the loan at the initial recognition. Please refer to the paragraph headed "— Indebtedness" in this section and Note 25(b) to the Accountant's Report in Appendix I to this prospectus for more details of such loan.

- Others mainly included income from offering pre-school education consultancy services to kindergartens in Jiangxi province, and ancillary income.

The following table sets forth the components of our other income for the periods indicated:

	Year ended December 31,			Five months ended May 31,	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Government grants	1,636	2,266	2,428	663	793
Commission income	—	—	9,125	2,809	1,704
Sub-contracting income	5,303	5,335	6,225	2,589	2,594
Income related to an interest-free loan	—	1,592	—	—	—
Others	434	1,966	7,731	2,261	2,754
Total	7,373	11,159	25,509[1]	8,322	7,845

Note:

(1) Other income increased from RMB11.2 million in 2017 to RMB25.5 million in 2018 mainly due to (i) an increase of RMB9.1 million in commission income for offering promotion services to education equipment supplying companies and an art training institution as we commenced such services since 2018, (ii) an increase of RMB1.8 million service income for education courses promotion and (iii) an increase of RMB0.9 million in sub-contracting income subsequent to the engagement of a new school campus catering services and store operator, which was partially offset by a decrease of RMB1.6 million in income related to an interest-free loan.

Other Expenses

The following table sets forth the components of our other expenses for the periods indicated:

	Year ended December 31,			Five months ended May 31,	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Promotion expenses	—	—	2,798	723	439
Depreciation and amortization expenses	630	573	623	272	284
Others	117	129	658	153	286
Total[1]	747	702	4,079[2]	1,148	1,009

Notes:

(1) For the year ended December 31, 2016, 2017 and 2018 and the five months ended May 31, 2018 and 2019, expenses incurred for our promotion services offered to education equipment supplying companies and an art training institution amounted to nil, nil, RMB3.2 million, RMB0.8 million and RMB0.6 million, respectively, accounted for approximately nil, nil, 77.3%, 69.1% and 54.9% of total other expenses during the same periods.

(2) Other expenses increased from RMB0.7 million in 2017 to RMB4.1 million in 2018 mainly due to an increase in promotion expenses of RMB2.8 million incurred for offering promotion services to education equipment supplying companies and an art training institution, which were commenced since 2018.

Other Gains/(Losses) — Net

Other net gains or losses primarily consisted of our net losses in connection with our disposals of property, plant and equipment, as well as other gains or losses mainly included expenses incurred for compensation to suppliers and students for campus accidents. The following table sets forth the components of our other net gains or losses for the periods indicated:

	Year ended December 31,			Five months ended May 31,	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Net losses on disposals of property, plant and equipment	—	(54)	(229)	(1)	(954)
Net gain on disposal of financial assets at fair value through profit or loss	1	—	—	—	—
Others	(287)	(1,907)	1,189	1,357	21
Total	(286)	(1,961)[1]	960[1]	1,356[2]	(933)[2]

Notes:

(1) We recorded other net losses of RMB2.0 million for the year ended December 31, 2017, compared to other net gains of RMB1.0 million for the year ended December 31, 2018. The net losses for the year ended December 31, 2017 were primarily due to expenses incurred for compensation to our suppliers and students for campus accidents. The net gains for the year ended December 31, 2018 were primarily a result of gains recorded in connection with the disposal of school equipment and vehicles.

(2) We recorded other net gains of RMB1.4 million for the five months ended May 31, 2018, compared to other net losses of RMB0.9 million for the five months ended May 31, 2019, mainly relating to net losses in connection with disposal of school equipment for the period in 2019.

Net Impairment Losses on Financial Assets

Net impairment losses on financial assets during the Track Record Period mainly related to provision of bad debt allowance for trade receivables. For the years ended December 31, 2016, 2017 and 2018 and the five months ended May 31, 2018 and 2019, net impairment losses on financial assets amounted to RMB2.2 million, RMB3.0 million, RMB3.6 million, RMB1.0 million and RMB2.4 million, respectively. Please refer to the paragraph headed "— Net Current Assets and Liabilities — Discussion of Key Balance Sheet Items — Trade Receivables" in this section for details.

Selling Expenses

Selling expenses primarily consisted of promotion expenses, travelling and office expenses, and others which mainly included costs incurred for promotional materials in connection with student recruitment. The following table sets forth the components of our selling expenses for the periods indicated.

	Year ended December 31,			Five months ended May 31,	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Promotion expenses	9,511	6,376	6,327	1,453	1,798
Travelling and office expenses	2,513	1,964	2,704	871	472
Others	—	199	404	341	97
Total	12,024	8,539	9,435	2,665	2,367

Administrative Expenses

Administrative expenses primarily consisted of (i) employee benefit expenses for administrative staff, (ii) depreciation and amortization expenses for administrative facilities, (iii) professional service fees, (iv) repair and maintenance expenses for administrative facilities, (v) listing expenses incurred in connection with the proposed listing, and (vi) general office expenses mainly including office expenses and transportation expenses, and other expenses of similar nature. The following table sets forth the breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,			Five months ended May 31,	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Employee benefit expenses	10,724	11,716	15,416	6,126	6,653
Depreciation and amortization expenses	3,122	2,971	3,301	1,307	1,539
Professional service fees	1,644	1,316	125	—	—
Repair and maintenance expenses	2,425	3,555	5,086	1,073	2,208
Listing expenses	—	804	16,688	4,726	3,830
General office expenses	3,043	3,245	3,923	1,467	1,492
Others	478	215	1,835	207	646
Total	21,436	23,822	46,374[(1)]	14,906	16,368

Note:

(1) Our administrative expenses increased by 95.0% from RMB23.8 million for the year ended December 31, 2017 to RMB46.4 million for the year ended December 31, 2018, primarily due to (i) an increase in listing expenses of RMB15.9 million in connection with our proposed listing, (ii) an increase of RMB3.7 million in the employee benefit expenses as we recruited more staff and increased their salary level, and (iii) an increase of RMB1.5 million in the repair and maintenance expenses mainly as we engaged a cleaning company for general cleaning and maintenance works of our School campus since October 2018 with a monthly cleaning fee of RMB0.3 million.

Net Finance Costs

Our net finance costs reflected the sum of interest expenses we paid on bank borrowings and other borrowings after netting off the interest income we received from cash and cash equivalents and loans to third parties. Our net finance costs decreased from RMB39.5 million for the year ended December 31, 2016 to RMB29.7 million for the year ended December 31, 2017, primarily due to repayment of substantial amount of our borrowings during the year. Our net finance costs decreased from RMB29.7 million for the year ended December 31, 2017 to RMB24.0 million for the year ended December 31, 2018 and further decreased to RMB8.9 million for the five months ended May 31, 2019, primarily attributable to a continuous decrease in the average balance of our borrowings during the period. The following table sets forth the breakdown of our finance income and costs for the periods indicated:

	Year ended December 31,			Five months ended May 31,	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Finance income					
— Interest income derived from cash and cash equivalents	154	79	107	9	29
— Interest income derived from loans to third parties	874	726	—	—	—
	1,028	805	107	9	29
Finance costs					
— Interest expenses on bank borrowings	(28,320)	(24,371)	(22,692)	(10,716)	(9,361)
— Interest expenses on other borrowings	(15,030)	(9,664)	(4,898)	(3,831)	(899)
Less: borrowing costs capitalized in property, plant and equipment	2,786	3,527	3,434	1,585	1,361
	(40,564)	(30,508)	(24,156)	(12,962)	(8,899)
Net finance costs	(39,536)	(29,703)	(24,049)	(12,953)	(8,870)

Income Tax Expense

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 exempted from Cayman Islands income tax. Our Company's directly held subsidiary was incorporated in BVI as an exempted company with limited liability under the BVI Companies Act 2004 and accordingly is exempted from BVI income tax.

Hong Kong Profits Tax

No provision for Hong Kong profits tax has been made as our Group did not generate any assessable profits arising in Hong Kong during the Track Record Period.

PRC EIT

Pursuant to the EIT Law and the respective regulations, all of our Group's non-school subsidiaries established in the PRC are subject to the PRC EIT of 25% with respect to their assessable profit during the Track Record Period.

According to the Law for Promoting Private Education and its implementation rules, private schools for which the sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. As a result, private schools providing academic qualification education are eligible to enjoy income tax exemption treatment if the sponsors of such schools do not require reasonable returns. Our School has been granted enterprise income tax exemption for the tuition and boarding fees from relevant local tax authorities for the Track Record Period. Please refer to the paragraphs headed "Regulatory Overview — Regulations on Taxation in the PRC — Enterprise Income Tax ("**EIT**")" in this prospectus for more details.

For other profits that were not related to providing academic qualification education, the applicable tax rate was 25% during the Track Record Period.

Our income tax expense for the years ended December 31, 2016, 2017 and 2018 and the five months ended May 31, 2018 and 2019 were RMB2.2 million, RMB3.6 million, RMB9.0 million, RMB2.6 million and RMB1.9 million, respectively, reflecting effective tax rates (equals income tax expenses divided by profit before income tax) of 5.1%, 4.9%, 9.8%, 7.3% and 4.7%. Our effective tax rate increased from 4.9% for the year ended December 31, 2017 to 9.8% for the year ended December 31, 2018, primarily due to an increase in listing expenses of RMB15.9 million which were not deductible for tax purpose. Our effective tax rate decreased from 7.3% for the five months ended May 31, 2018 to 4.7% for the five months ended May 31, 2019, primarily due to increase in revenue from higher education services of RMB9.3 million that was not subject to income tax during the period. During the Track Record Period and up to the Latest Practicable Date, there were no matters in dispute or unresolved with the relevant tax authorities.

Profit for the Year/Period

For the years ended December 31, 2016, 2017 and 2018 and the five months ended May 31, 2018 and 2019, our profit for the year/period was RMB41.1 million, RMB70.0 million, RMB83.2 million, RMB33.6 million and RMB39.4 million, respectively.

SENSITIVITY ANALYSIS

We present a sensitivity analysis of: (i) the effect of the fluctuations of tuition fees income, and (ii) the effect of the fluctuations of our employee benefit expenses, during the Track Record Period, assuming no change of depreciation and amortization or any other costs. The sensitivity analysis involving tuition fees income and employee benefit expenses 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 before income tax for the year/period with a 5% and 10% increase or decrease in tuition fees income and employee benefit expenses. While none of the hypothetical fluctuation ratios applied in the sensitivity analysis equals the historical fluctuations of the tuition fees income and employee benefit expenses, we believe that the application of hypothetical fluctuations of 5% and 10% in the tuition fees income and employee benefit expenses presents a meaningful analysis of the potential impact of changes in the tuition fees income and employee benefit expenses on our revenue and profitability.

The following tables set forth the sensitivity of our profit before income tax for the year/period to the hypothetical reasonable changes in our tuition fees income and employee benefit expenses for the periods indicated:

	Impact on our profit before income tax for the year/period				
	Year ended December 31,			Five months ended May 31,	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Tuition fees (decrease)/increase					
(10%)	(12,880)	(14,112)	(15,662)	(6,528)	(7,432)
(5%)	(6,440)	(7,056)	(7,831)	(3,264)	(3,716)
5%	6,440	7,056	7,831	3,264	3,716
10%	12,880	14,112	15,662	6,528	7,432
Employee benefit expenses (decrease)/increase					
(10%)	3,468	3,616	4,225	1,577	1,921
(5%)	1,734	1,808	2,113	788	961
5%	(1,734)	(1,808)	(2,113)	(788)	(961)
10%	(3,468)	(3,616)	(4,225)	(1,577)	(1,921)

Non-IFRSs Measure

To supplement our consolidated financial statements which are presented in accordance with IFRSs, we also use adjusted net profit as an additional financial measure, which are not required by, or presented in accordance with, IFRSs. We believe that the non-IFRSs measure facilitates comparison of operating performance from period to period by eliminating potential impacts of items that our management do not consider to be indicative of our operating performance. We believe that the measure provides useful information to investors in understanding and evaluating our consolidated results of operations in the same manner. However, our presentation of the adjusted net profit may not be comparable to similarly titled measures presented by other companies. The use of the non-IFRSs measure has limitations as an analytical tool, and investors should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRSs.

We define adjusted net profit as profit for the year/period adjusted by adding back one-off listing expenses incurred for the proposed listing. The following table reconciles our adjusted net profit for the year/period presented to the most directly comparable financial measure calculated and presented in accordance with IFRSs:

	Year ended December 31,			Five months ended May 31,	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Reconciliation of profit for the year/ period to adjusted net profit:					
Profit for the year/period	41,145	69,973	83,234	33,611	39,377
Add:					
One-off listing expenses	—	804	16,688	4,726	3,830
Adjusted net profit for the year/period	41,145	70,777	99,922	38,337	43,207

For the years ended December 31, 2016, 2017 and 2018 and the five months ended May 31, 2018 and 2019, our adjusted net profit was RMB41.1 million, RMB70.8 million, RMB99.9 million, RMB38.3 million and RMB43.2 million, respectively.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Five Months Ended May 31, 2019 Compared to Five Months Ended May 31, 2018

Revenue

Our revenue increased by 15.5% from RMB80.5 million for the five months ended May 31, 2018 to RMB93.0 million for five months ended May 31, 2019, mainly driven by increases in tuition fees from undergraduate programs and expansion of tutoring and program management services for the five months ended May 31, 2019.

Our tuition fees increased by 13.8% from RMB65.3 million for the five months ended May 31, 2018 to RMB74.3 million for the five months ended May 31, 2019, mainly due to an increase in the number of students enrolled in the undergraduate programs at our School, as well as increases in average tuition fees per student. Particularly, tuition fees for undergraduate programs increased by 29.8% from RMB24.2 million for the five months ended May 31, 2018 to RMB31.4 million for the five months ended May 31, 2019. Students enrolled at our undergraduate programs increased from 3,972 students in the 2017/2018 school year to 4,578 students in the 2018/2019 school year, representing an increase of

15.3%. Our average tuition fees per student for undergraduate students also increased from the RMB13,092 in the 2017/2018 school year to RMB15,300 in the 2018/2019 school year, representing an increase of 16.9%. Furthermore, despite of the decrease of 12.9% in the number of students enrolled in the junior college programs from 11,302 students in the 2017/2018 school year to 9,845 students in the 2018/2019 school year, average tuition fees per student for junior college programs increased by 17.5% from RMB8,921 in the 2017/2018 school year to RMB10,486 in the 2018/2019 school year, resulting into a slight increase of 4.6% of tuition fees from junior college programs from RMB41.1 million for the five months ended May 31, 2018 to RMB43.0 million for the five months ended May 31, 2019.

Our boarding fees remained stable at RMB6.7 million and RMB7.0 million for the five months ended May 31, 2018 and 2019, respectively.

Revenue from education related services increased by 52.5% from RMB5.9 million for the five months ended May 31, 2018 to RMB9.0 million for the five months ended May 31, 2019. Revenue from internship management services decreased by 14.7% from RMB3.4 million for the five months ended May 31, 2018 to RMB2.9 million for the five months ended May 31, 2019, mainly due to a decrease in the number of students participating in internship programs from around 2,600 students to around 2,300 students. Revenue from tutoring and program management services increased by 130.8% from RMB2.6 million for the five months ended May 31, 2018 to RMB6.0 million for the five months ended May 31, 2019, mainly due to (i) an increase in revenue from education program management services of RMB1.7 million as we began to offer such services to a vocational school in Jiangxi province in the second half of 2018, and (ii) an increase in revenue from qualification exam review services of RMB0.7 million, which mainly due to an increase in the average fee per enrollment received by us from approximately RMB200 to RMB350, notwithstanding a decrease in the student enrollment from around 10,000 enrollments to around 8,100 enrollments during such period.

Revenue from other services remained relatively stable at RMB2.6 million and RMB2.7 million for the five months ended May 31, 2018 and 2019, respectively.

Cost of Sales

Our cost of sales increased by 30.2% from RMB21.2 million for the five months ended May 31, 2018 to RMB27.6 million for the five months ended May 31, 2019, primarily due to (i) an increase of RMB2.9 million in employee benefit expenses as we recruited more teachers and increased their salary level; and (ii) an increase in depreciation and amortization expenses of RMB1.7 million as we constructed more buildings on School campus as well as purchase of equipment since May 31, 2018.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit increased by 10.3% from RMB59.3 million for the five months ended May 31, 2018 to RMB65.4 million for the five months ended May 31, 2019. Our gross margin decreased from 73.6% to 70.3% for the same period.

Other Income

Other income decreased by 6.0% from RMB8.3 million for the five months ended May 31, 2018 to RMB7.8 million for the five months ended May 31, 2019, primarily due to a decrease of RMB1.1 million in commission income from providing promotion services for educational counseling products and services, which was partially offset by an increase in others of RMB0.5 million.

Other Expenses

Other expenses remained stable at RMB1.1 million and RMB1.0 million for the five months ended May 31, 2018 and 2019, respectively.

Other Net Gains/(Losses)

We recorded other net gains of RMB1.4 million for the five months ended May 31, 2018, compared to other net losses of RMB0.9 million for the five months ended May 31, 2019, mainly relating to net losses in connection with disposal of school equipment for the period in 2019.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets increased from RMB1.0 million for the five months ended May 31, 2018 to RMB2.4 million for the five months ended May 31, 2019, mainly due to an increase in overdue tuition fees and boarding fees of RMB3.3 million as a result of an increasing number of students failing to pay us their tuition fees and boarding fees. Please refer to the paragraphs headed "— Net Current Assets and Liabilities — Discussion of Key Balance Sheet Items — Trade Receivables" in this section for more details.

Selling Expenses

Selling expenses decreased by 11.1% from RMB2.7 million for the five months ended May 31, 2018 to RMB2.4 million for the five months ended May 31, 2019, primarily attributable to a decrease of RMB0.4 million in travelling and office expenses.

Administrative Expenses

Our administrative expenses increased by 10.1% from RMB14.9 million for the five months ended May 31, 2018 to RMB16.4 million for the five months ended May 31, 2019, primarily due to (i) an increase of RMB1.1 million in the repair and maintenance expenses mainly as we engaged cleaning company for general cleaning and maintenance works of our School campus since October 2018 with a monthly cleaning fee of RMB0.3 million, and (ii) an increase of RMB0.5 million in the employee benefit expenses as we recruited more administrative staff during the 2018/2019 school year, which was partially offset by a decrease of RMB0.9 million in listing expenses.

Net Finance Costs

Net finance costs decreased by 31.5% from RMB13.0 million for the five months ended May 31, 2018 to RMB8.9 million for the five months ended May 31, 2019, primarily attributable to a decrease in the average balance of our borrowings during the period.

Income Tax Expense

Our income tax expense decreased by 26.9% from RMB2.6 million for the five months ended May 31, 2018 to RMB1.9 million for the five months ended May 31, 2019. Our effective tax rate decreased from 7.3% for the five months ended May 31, 2018 to 4.7% for the five months ended May 31, 2019, primarily due to increase in revenue from higher education services of RMB9.3 million that was not subject to income tax during the period.

Profit for the Period

As a result of the foregoing, our profit for the period increased by 17.3%, from RMB33.6 million for the five months ended May 31, 2018 to RMB39.4 million for the five months ended May 31, 2019. Our net margin slightly increased from 41.7% for the five months ended May 31, 2018 to 42.4% for the five months ended May 31, 2019.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Revenue

Our revenue increased by 17.6% from RMB182.9 million for the year ended December 31, 2017 to RMB215.0 million for the year ended December 31, 2018, mainly driven by expansion of education related services and increase of tuition fees from undergraduate programs.

Our tuition fees increased by 11.0% from RMB141.1 million for the year ended December 31, 2017 to RMB156.6 million for the year ended December 31, 2018, mainly driven by an increase in tuition fees from undergraduate programs of RMB22.3 million, primarily attributable to (i) an increase in the number of undergraduate students from 2,843 students in the 2016/2017 school year to 3,972 students in the 2017/2018 school year and further increased to 4,578 in the 2018/2019 school year, representing a CAGR of 26.9% from the 2016/2017 school year to the 2018/2019 school year, as well as (ii) an increase in average tuition fees per student for undergraduate programs from RMB12,360 in the 2016/2017 school year to RMB13,092 in the 2017/2018 school year and further increased to RMB15,300 in the 2018/2019 school year, representing a CAGR of 11.3% from the 2016/2017 school year to the 2018/2019 school year. Tuition fees from junior college programs decreased by 6.8% from RMB99.3 million for the year ended December 31, 2017 to RMB92.5 million for the year ended December 31, 2018, mainly driven by a decrease in the number of junior college students from 12,651 students in the 2016/2017 school year to 11,302 students in the 2017/2018 school year and further to 9,845 in the 2018/2019 school year, representing a negative CAGR of 11.8% during such period, which mainly reflected our strategy to proactively increase the number of students in the undergraduate programs to capture the growth in undergraduates and meanwhile decrease the number of students in the junior college programs to reserve more resources and teaching capacity for undergraduate programs.

Our boarding fees decreased slightly by 2.4% from RMB16.8 million in 2017 to RMB16.4 million in 2018 as the total number of students enrolled decreased from 15,494 students in the 2016/2017 school year to 15,274 students in the 2017/2018 school year and further decreased to 14,423 students in the 2018/2019 school year, representing a negative CAGR of 3.5% during such period, while the average boarding fees per student only increased slightly from RMB1,100 in the 2016/2017 school year to RMB1,156 in the 2017/2018 school year and further to RMB1,219 in the 2018/2019 school year.

Revenue from education related services increased by 119.3% from RMB15.0 million to RMB32.9 million. In particular, revenue from internship management services increased by 32.1% from RMB8.1 million for the year ended December 31, 2017 to RMB10.7 million for the year ended December 31, 2018, mainly due to an increased number of students participating in internship programs from around 3,300 students to around 4,300 students during such period, as well as an increase in the average management fee for each student we introduce per month during the internship term from approximately RMB810 to approximately RMB830 during such period. Revenue from tutoring and program management services increased by 221.7% from RMB6.9 million for the year ended December 31, 2017 to RMB22.2 million for the year ended December 31, 2018, mainly due to (i) an increase in revenue from education program management services of RMB12.8 million as we (a) began to offer program management services to a vocational school in Jiangxi province in the second half of 2018 and (b) further developed our application-oriented courses which resulted in an increase in the number of students participated in such courses from around 100 students to around 700 students during such period, and (ii) an increase in revenue from personal development training services of RMB1.6 million as we began to offer such services in 2018.

Revenue from other services remained stable at RMB10.0 million and RMB9.1 million for the years ended December 31, 2017 and 2018, respectively.

Cost of Sales

Our cost of sales increased by 16.9% from RMB52.8 million for the year ended December 31, 2017 to RMB61.7 million for the year ended December 31, 2018, primarily due to (i) an increase of RMB2.4 million in employee benefit expenses as we recruited more teachers in 2018 and increased the salary level for our teachers, (ii) an increase of RMB2.5 million in student activities expenses, (iii) increase in educational and consumable supplies of RMB1.5 million since we purchased large quantity of books for our School library in 2018 and (iv) an increase of RMB1.2 million in promotion fees.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit increased by 17.8% from RMB130.1 million for the year ended December 31, 2017 to RMB153.3 million for the year ended December 31, 2018. Our gross margin remained stable at 71.1% and 71.3% for the years ended December 31, 2017 and 2018, respectively.

Other Income

Other income increased by 127.7% from RMB11.2 million for the year ended December 31, 2017 to RMB25.5 million for the year ended December 31, 2018, primarily due to (i) an increase of RMB9.1 million in commission income for offering promotion services to education equipment supplying companies and an art training institution as we commenced such services since 2018, (ii) an increase of RMB1.8 million service income for education courses promotion and (iii) an increase of RMB0.9 million in sub-contracting income subsequent to the engagement of a new school campus catering services and store operator, which was partially offset by a decrease of RMB1.6 million in income related to an interest-free loan.

Other Expenses

Other expenses increased from RMB0.7 million for the year ended December 31, 2017 to RMB4.1 million for the year ended December 31, 2018, mainly due to an increase in promotion expenses of RMB2.8 million incurred for offering promotion services to education equipment supplying companies and an art training institution, which were commenced since 2018.

Other Net Gains/(Losses)

We recorded other net losses of RMB2.0 million for the year ended December 31, 2017, compared to other net gains of RMB1.0 million for the year ended December 31, 2018. The net losses for the year ended December 31, 2017 were primarily due to expenses incurred for compensation to our suppliers and students for campus accidents. The net gains for the year ended December 31, 2018 were primarily a result of gains recorded in connection with the disposal of some of our School's equipment and vehicles.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets increased by 20.0% from RMB3.0 million for the year ended December 31, 2017 to RMB3.6 million for the year ended December 31, 2018 mainly due to an increase of our revenue from tuition fees of RMB15.5 million which resulted in a larger amount of provision of bad debt allowance for trade receivables. Please refer to the paragraph headed "— Net Current Assets and Liabilities — Discussion of Key Balance Sheet Items — Trade Receivables" of this section for more details.

Selling Expenses

Selling expenses increased by 10.6% from RMB8.5 million for the year ended December 31, 2017 to RMB9.4 million for the year ended December 31, 2018, primarily attributable to an increase in the travelling and office expenses of RMB0.7 million mainly as we promoted our school-enterprise cooperation programs for the 2018/2019 school year.

Administrative Expenses

Our administrative expenses increased by 95.0% from RMB23.8 million for the year ended December 31, 2017 to RMB46.4 million for the year ended December 31, 2018, primarily due to (i) an increase in listing expenses of RMB15.9 million in connection with our proposed listing, (ii) an increase of RMB3.7 million in the employee benefit expenses as we recruited more staff and increased their salary level, and (iii) an increase of RMB1.5 million in the repair and maintenance expenses mainly as we engaged a cleaning company for general cleaning and maintenance works of our School campus since October 2018 with a monthly cleaning fee of RMB0.3 million.

Net Finance Costs

Net finance costs decreased by 19.2% from RMB29.7 million for the year ended December 31, 2017 to RMB24.0 million for the year ended December 31, 2018, primarily attributable to a decrease in the average balance of our borrowings during the period.

Income Tax Expense

Our income tax expense increased by 150.0% from RMB3.6 million for the year ended December 31, 2017 to RMB9.0 million for the year ended December 31, 2018. Our effective tax rate increased from 4.9% for the year ended December 31, 2017 to 9.8% for the year ended December 31, 2018, primarily due to increase in listing expenses of RMB15.9 million which were not deductible for tax purpose.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 18.9%, from RMB70.0 million for the year ended December 31, 2017 to RMB83.2 million for the year ended December 31, 2018. Our net margin remained stable at 38.3% and 38.7% for the years ended December 31, 2017 and 2018, respectively.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Revenue

Our revenue increased by 10.2% from RMB166.0 million for the year ended December 31, 2016 to RMB182.9 million for the year ended December 31, 2017, primarily driven by increase in our tuition fees from undergraduate programs.

Our tuition fees increased 9.5% from RMB128.8 million for the year ended December 31, 2016 to RMB141.1 million for the year ended December 31, 2017 mainly due to an increase in tuition fees from undergraduate programs of RMB12.8 million, representing an increase of 44.1%. The increase in tuition fees from undergraduate programs was attributable to the increase in the number of student enrolled for undergraduate programs at our School, from 2,115 students in the 2015/2016 school year to 2,843 students in the 2016/2017 school year and further increased to 3,972 students in the 2017/2018, representing a CAGR of 37.0% from the 2015/2016 school year to the 2017/2018 school year, as well as the increase in average tuition fees per student for our undergraduate programs, which increased from RMB12,080 in the 2015/2016 school year to RMB12,360 in the 2016/2017 school year and further increased to RMB13,092 in the 2017/2018 school year, representing CAGR of 4.1% from the 2015/2016 school year to the 2017/2018 school year.

Our boarding fees remained relatively stable at RMB16.7 million and RMB16.8 million for the year ended December 31, 2016 and 2017, respectively.

Revenue from education related services increased by 45.6% from RMB10.3 million to RMB15.0 million. Revenue from internship management services increased by 19.1% from RMB6.8 million for the year ended December 31, 2016 to RMB8.1 million for the year ended December 31, 2017, mainly due to an increase in the average management fee for each student we introduced per month during the internship program from approximately RMB600 to approximately RMB810, which was partially offset by a slight decrease in the number of students participating in internship programs from around 3,400 to around 3,300 during each period. Revenue from tutoring and program management services increased by 102.9% from RMB3.4 million for the year ended December 31, 2016 to RMB6.9 million for the year ended December 31, 2017, mainly due to an increase in revenue from qualification exam review services of RMB2.8 million as a result of an increased number of student enrollment in such courses from around 13,500 enrollments to around 23,300 enrollments, as well as an increase in the average fee per enrollment received by us from approximately RMB250 to RMB270 during such period.

Revenue from other services remained stable at RMB10.2 million and RMB10.0 million for the years ended December 31, 2016 and 2017, respectively.

Cost of Sales

Cost of sales decreased by 1.9% from RMB53.8 million for the year ended December 31, 2016 to RMB52.8 million for the year ended December 31, 2017, primarily due to a decrease in expenses of approximately RMB2.2 million incurred for purchase of educational supplies and consumables such as library books.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit increased by 16.0%, from RMB112.2 million for the year ended December 31, 2016 to RMB130.1 million for the year ended December 31, 2017. Our gross margin increased from 67.6% to 71.1% during the same period.

Other Income

Other income increased by 51.4% from RMB7.4 million for the year ended December 31, 2016 to RMB11.2 million for the year ended December 31, 2017, primarily due to (i) income related to an interest-free loan of RMB1.6 million which represented the amortization of the premium raised from the difference between the face value and present value of the loan at the initial recognition, and (ii) an increase in revenue from enterprise for education courses promotion of RMB1.1 million.

Other Expenses

Other expenses remained stable at RMB0.7 million and RMB0.7 million for the year ended December 31, 2016 and 2017, respectively.

Other Net Gains/(Losses)

Other net losses increased from RMB0.3 million for the year ended December 31, 2016 to RMB2.0 million for the year ended December 31, 2017, primarily as we incurred more miscellaneous losses, including expenses incurred for compensation to suppliers and students for campus accidents.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets increased by 36.4% from RMB2.2 million for the year ended December 31, 2016 to RMB3.0 million for the year ended December 31, 2017, mainly due to an increase in overdue tuition fees and boarding fees of RMB1.9 million as a result of an increasing number of students failing to pay their tuition fees and boarding fees. Please see "— Net Current Assets and Liabilities — Discussion of Key Balance Sheet Items — Trade Receivables" of this section for more details.

Selling Expenses

Selling expenses decreased by 29.2% from RMB12.0 million for the year ended December 31, 2016 to RMB8.5 million for the year ended December 31, 2017. The decrease was primarily attributable to the decrease in our promotion activities for 2017/2018 school year as a result of our growing popularity among potential students under the limited admission quota granted, which lead to a decrease in promotion expenses of RMB3.1 million and a decrease in travelling and office expenses of RMB0.5 million.

Administrative Expenses

Our administrative expenses increased by 11.2% from RMB21.4 million for the year ended December 31, 2016 to RMB23.8 million for the year ended December 31, 2017, primarily due to an increase in employee benefit expenses of RMB1.0 million as we recruited more administrative staff and increased the salary level for our administrative staff, as well as an increase in the repair and maintenance expenses of RMB1.1 million as we further enhanced the maintenance of our School buildings and facilities.

Net Finance Costs

Net Finance costs decreased by 24.8% from RMB39.5 million for the year ended December 31, 2016 to RMB29.7 million for the year ended December 31, 2017, primarily due to repayment of substantial amount of our borrowings during the year.

Profit before Income Tax

As a result of the foregoing, our profit before income tax increased by 69.6% from RMB43.4 million for the year ended December 31, 2016 to RMB73.6 million for the year ended December 31, 2017.

Income Tax Expense

Our income tax expense increased by 63.6% from RMB2.2 million for the year ended December 31, 2016 to RMB3.6 million for the year ended December 31, 2017 mainly due to increase in income which are not exempted for Enterprise Income Tax. Our effective tax rate decreased from 5.1% to 4.9% for the same period.

Profit for the Year

As a result of the foregoing, our profit for the year significantly increased by 70.3%, from approximately RMB41.1 million for the year ended December 31, 2016 to approximately RMB70.0 million for the year ended December 31, 2017. Our net margin increased from 24.8% to 38.3% for the same period.

NET CURRENT ASSETS AND LIABILITIES

The following table sets forth details of our current assets and current liabilities as of the dates indicated:

	As at December 31,			As at May 31,	As at September 30,
	2016	2017	2018	2019	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
CURRENT ASSETS					
Trade receivables	1,751	1,869	11,829	14,579	9,501
Other receivables and prepayments	26,330	9,703	11,069	11,320	18,855
Amounts due from related parties	47,481	68,929	2	2	2
Cash and cash equivalents	1,534	26,314	38,508	23,874	132,644
TOTAL CURRENT ASSETS	77,096	106,815	61,408	49,775	161,002
CURRENT LIABILITIES					
Other payables	107,912	64,099	73,490	58,623	84,576
Amounts due to related parties	1,350	870	442	883	—
Borrowings	237,611	179,464	65,470	68,886	55,786
Current income tax liabilities	5,481	9,064	18,074	19,469	19,771
Deferred revenue	1,542	1,590	1,590	736	813
Contract liabilities	88,411	93,229	106,953	30,374	181,460
TOTAL CURRENT LIABILITIES	442,307	348,316	266,019	178,971	342,406
NET CURRENT LIABILITIES	(365,211)	(241,501)	(204,611)	(129,196)	(181,404)

As of December 31, 2016, 2017 and 2018, May 31, 2019 and September 30, 2019, we had net current liabilities of RMB365.2 million, RMB241.5 million, RMB204.6 million, RMB129.2 million and RMB181.4 million, respectively, primarily due to substantial borrowings and other payables we borrowed or incurred to build and enhance our campus facilities that in turn recorded as non-current assets, as well as substantial contract liabilities which reflected tuition fees and boarding fees received at the commencement of the school year but not yet recognized as revenue. For more information, please refer to the paragraph headed ''Risk Factors — Risks Relating to Our Business and Our Industry — We had net current liabilities as of December 31, 2016, 2017 and 2018 and May 31, 2019. We had negative net operating cash flows for the five months ended May 31, 2018 and 2019. We may be exposed to liquidity risks, and our business, financial condition and results of operation may be materially and adversely affected as a result''. Our net current liabilities gradually decreased over the Track Record Period as we continuously generated cash from our operations and improved our debt portfolio by repaying a substantial portion of our borrowings, and by replacing short-term borrowings with long-term borrowings. We expect to improve our net current liabilities position with (i) funds generated from our business operations, (ii) the net proceeds from the Global Offering, and (iii) debt restructuring to continue to reduce the percentage of the short-term loans in our total borrowings. In view of these circumstances, our Directors have considered our future liquidity and performance and our available sources of finance in assessing whether we will have sufficient financial resources to continue as a going concern. Please refer to the paragraph headed "— Indebtedness — Working Capital" in this section for more details.

Discussion of Key Balance Sheet Items

Trade Receivables

Our trade receivables primarily reflected amounts due from students who have applied for the postponed payment of tuition fees and boarding fees, as well as unpaid amount due from third party customers which received our education related services and other services. Provision for impairment reflected trade receivables that potentially could not be recovered where individual students or other customers were in financial difficulties.

The following table sets out the breakdown of our trade receivables as of the dates indicated:

	As at December 31,			As at May 31,
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
— related to students fees	5,754	7,631	7,170	10,433
— related to other services	—	125	9,655	11,537
	5,754	7,756	16,825	21,970
Provision for impairment	(4,003)	(5,887)	(4,996)	(7,391)
	1,751	1,869	11,829	14,579

Our trade receivables (before provision for impairment) increased from RMB5.8 million as at December 31, 2016 to RMB7.8 million as at December 31, 2017, mainly due to an increase in trade receivables related to students fees of RMB1.9 million as a result of the increase in delayed payment of tuition fees and boarding fees together with our increased student enrollment. Our trade receivables (before provision for impairment) increased from RMB7.8 million as at December 31, 2017 to RMB16.8 million as at December 31, 2018, mainly due to an increase in trade receivables related to other services, including education related services, as a result of a significant increase in trade receivables from internship management services, education program management services, promotion services to educational equipment supplying companies, and sub-contracting income. Our trade receivables (before provision for impairment) increased from RMB16.8 million as at December 31, 2018 to RMB22.0 million as at May 31, 2019, mainly due to (i) an increase in trade receivables related to students fees of RMB3.3 million as a result of the increase in delayed payment of tuition fees and boarding fees, and (ii) an increase in trade receivables related to other services of RMB1.9 million, mainly due to an increase in trade receivables from education program and management services and sub-contracting income. In order to minimize the credit risk on trade receivables, particularly those relating to student fees, we send notice to our teachers at the department level as well as organize meetings with teachers from time to time, particularly prior to the graduation date for each school year, requesting our teachers to contact each student with overdue tuition fees and/or boarding fees and report the number of such students to the Student Affairs Department of our School to further handle such trade receivables.

The following table sets out the ageing analysis of the trade receivables as of the dates indicated based on the transaction date:

	As at December 31,			As at May 31,
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Up to 1 year	3,771	3,597	14,310	18,562
1 to 2 years	1,762	3,079	1,514	1,930
2 to 3 years	215	1,056	683	997
Over 3 years	6	24	318	481
	5,754	7,756	16,825	21,970

The following table sets forth the movements in the provision for impairment of trade receivables that were addressed for impairment as of the dates indicated:

	As at December 31,			As at May 31,
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	2,954	4,003	5,887	4,996
Provision for receivables impairment	2,204	2,985	3,591	2,395
Written-off of uncollectible receivables	(1,155)	(1,101)	(4,482)[(1)]	—
At the end of the year/period	4,003	5,887	4,996	7,391

Note:

(1) Our written-off of uncollectible receivables increased from RMB1.1 million as at December 31, 2017 to RMB4.5 million as at December 31, 2018, mainly due to an increased number of students failing to pay us their tuition fees and/or boarding fees.

As of the Latest Practicable Date, approximately RMB11.6 million, or 52.7%, of our trade receivables (before provision of impairment) as at May 31, 2019 had been settled subsequently, among which we had settled RMB0.4 million trade receivables related to students fees, and RMB11.2 million trade receivables related to other services.

Other Receivables and Prepayments

Our other receivables and prepayments primarily consisted of loans and interests due from third parties, prepaid listing expenses, other receivables and prepayments to suppliers. The following table sets out the breakdown of our other receivables and prepayments as of the dates indicated:

	As at 31 December			As at 31 May
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loans and interest due from third parties	22,322	2,100	100	100
Other receivables	3,986	7,207	5,582	5,158
Prepaid listing expenses	—	248	4,579	5,771
Prepayments to suppliers	22	148	808	291
Total	26,330	9,703	11,069	11,320

Our loans and interests due from third parties over the Track Record Period related to loans granted to Independent Third Parties, including suppliers with stable relationship. Specially, our loans and interests due from third parties in an amount of RMB22.3 million as at December 31, 2016 mainly reflected loans due from a shareholder of a former supplier of us (the "**third party borrower**"), who is an Independent Third Party. Historically, based on our established relationship with the third party borrower, the third party borrower (with her related companies) and we had provided guarantees for each other's loans. When the third party borrower and her related companies were in financial difficulties, we lent loans in a total of RMB19.4 million to the third party borrower in 2015 at an interest of 4.59%. The third party borrower fully repaid RMB19.4 million with total interests of RMB1.6 million in 2017. Going forward, we intend to prohibit similar loans. As advised by our PRC Legal Advisor, the loans we provided to such third parties are legally binding and are not in violation of any applicable PRC laws and regulations.

Other receivables primarily related to receivables from enterprise for education courses promotion and advance to employees for travelling purpose.

As of the Latest Practicable Date, approximately RMB3.2 million, or 58.2%, of our other receivables and prepayments (excluding the prepaid listing expenses) as at May 31, 2019 had been settled subsequently.

Amounts due from related parties

As at December 31, 2016, 2017 and 2018 and May 31, 2019, the amounts due from related parties were RMB47.5 million, RMB68.9 million, RMB2,000 and RMB2,000, respectively. The amount due from related parties are unsecured, non-interest bearing and repayable on demand. The amounts due from related parties will be fully settled before Listing. For more details, please refer to the paragraph headed "— Related Party Transactions" in this section.

Other payables

Other payables primarily included employee benefit payables, payables for purchase of property, plant and equipment, payables to suppliers on behalf of students, payable to students, interest payables, retention money payable for campus constructions, other taxes payables, payable for listing expenses, admission fees payable and other payable and accruals. The following table sets out the breakdown of our other payables as of the dates indicated:

	As at December 31,			As at May 31,
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Employee benefit payables	8,592	10,049	8,385	7,402
Payable for purchases of property, plant and equipment	45,453	12,173	22,409	12,495
Payable to suppliers on behalf of students	8,580	7,930	5,804	5,102
Payables to students:				
— Prepayments received from students	4,068	1,324	1,346	969
— Government subsidies and other payables to students	8,763	3,089	3,127	9,910
— Insurance fund from government	2,953	4,084	3,726	5,011
Interest payables	8,219	7,137	648	657
Retention money payable for campus constructions	519	528	1,422	834
Other taxes payable	2,076	3,131	4,976	5,597
Payable for listing expenses	—	840	5,269	3,967
Admission fees payable	10,780	6,930	7,501	—
Other payable and accruals	7,909	6,884	8,877	6,679
	107,912	64,099	73,490	58,623

Payable to suppliers on behalf of students mainly related to our purchase of textbooks for students. Prepayments received from students mainly related to advances from students for purchasing textbooks and other educational materials. Government subsidies and other payables to students mainly related to government financial assistances and scholarship for students received by us and to be paid to our students. Insurance fund from government mainly related to medical insurance funds from government to be paid to students when they apply with related reimbursement supporting documents. Admission fees payables mainly related to unsettled promotion expenses in relation to student admission.

Other payables decreased from RMB107.9 million as at December 31, 2016 to RMB64.1 million as at December 31, 2017, mainly due to a decrease in payable for purchases of property, plant and equipment of RMB33.3 million as we gradually paid such payables. Other payables increased from RMB64.1 million as at December 31, 2017 to RMB73.5 million as at December 31, 2018 mainly due to (i) an increase in payable for purchases of property, plant and equipment of RMB10.2 million primarily attributable to an increase in payables for equipment purchased for constructions, and (ii) an increase in payable for listing expenses of RMB4.4 million; which was partially offset by a decrease in interest payables of RMB6.5 million primarily as a result of a decrease in current bank borrowings of RMB93.4 million as well as a decrease in loans from other third parties of RMB39.5 million. Other payables decreased from RMB73.5 million as at December 31, 2018 to RMB58.6 million as at May 31, 2019, mainly due to (i) a decrease in payable for purchases of property, plant and equipment of RMB9.9 million as we gradually paid such payables, (ii) a decrease in admission fees payable of RMB7.5 million primarily attributable to our payment of admission fees payable prior to May 31, 2019 with respect to admission fees incurred during the year ended December 31, 2018 and the five months ended May 31, 2019, and (iii) a decrease in other payable and accruals of RMB2.2 million; which was partially offset by an increase in government subsidies and other payables to students of RMB6.8 million as we generally receive such government subsidies in the first quarter of each year and pay such government subsidies to students subsequently in two payments during the same year pursuant to government requirements in Jiangxi province. We have paid the first batch of government subsidies to students in April 2019, and plan to pay the second batch of government subsidies to students in the second half of 2019.

Contract Liabilities

Our contract liabilities primarily include tuition fees and boarding fees we received at the beginning of each school year, and revenue from education related services, but had yet to recognize as revenue. The following table sets out the breakdown of our contract liabilities which are expected to be recognized within one year as of the dates indicated:

	As at December 31,			**As at May 31,**
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tuition fees	76,401	79,986	88,918	23,461
Boarding fees	11,029	10,564	10,695	4,013
Tutoring and program management services	581	2,279	3,008	193
Others	400	400	4,333	2,941
	88,411	93,229	106,954	30,608

As of the Latest Practicable Date, approximately RMB25.1 million, or 82.0%, of our total contract liabilities as at May 31, 2019 were subsequently recognised as revenue. Particularly, approximately RMB19.6 million, or 83.4% of our total contract liabilities with respect to tuition fees as at May 31, 2019 were subsequently recognised as revenue as at the Latest Practicable Date.

Amounts due to related parties

As at December 31, 2016, 2017 and 2018 and May 31, 2019, the amounts due to related parties were RMB1.4 million, RMB0.9 million, RMB0.4 million and RMB0.9 million, respectively. The amounts due to related parties are unsecured, non-interest bearing and repayable on demand. Amounts due to related parties will be fully settled before Listing. For more details, please refer to the paragraph headed "— Related Party Transactions" in this section.

ACCUMULATED LOSSES

We recorded accumulated losses of RMB7.0 million as at January 1, 2016. We commenced the construction of our new school campus at the end of 2005 and completed the construction for most of the school facilities in 2009, and made substantial investment and incurred significant costs and expenses in relation thereto. It took us some time to regain profitability after the completion of construction and the commencement of operation of our new school campus, mainly due to (i) depreciation and finance costs incurred as a result of capital expenditure incurred for constructing our new campus, and (ii) costs and time required to increase the student enrollment and hence generating more revenue from our school operation. As a result, we recorded accumulated losses of RMB7.0 million as at January 1, 2016. Our financial performance has gradually improved during the Track Record Period, primarily attributable to (i) our successful upgrade to a private university qualified to offer undergraduate programs in 2014 which led to a significant increase in the number of newly-enrolled students, and (ii) a significant increase in our tuition fees as a result of our growing popularity as an undergraduate university and the cancellation of the fee charge permit system in 2015. As an indication for our improved financial performance, we recorded retained earnings of RMB23.8 million as at January 1, 2017. For more details of the cancellation of the fee charge permit system, please refer to the paragraph headed "Regulatory Overview — Regulations on Private Education in the PRC — Interim Measures for the Management of the Collection of Private Education Fees" in this prospectus.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to fund our working capital requirements, our purchases of property, plant and equipment and to repay loans and related interest expenses. As of the Latest Practicable Date, we have funded our operations principally with cash generated from our operations and bank and other borrowings. In the future, we believe that our liquidity requirements will be satisfied with a combination of cash flows generated from our operating activities, bank loans, other borrowings as well as proceeds from the Global Offering. Any significant decrease in the student enrollment or our tuition fee and boarding fee, or a significant decrease in the availability of bank loans or other financing may adversely impact our liquidity. Please refer to the paragraphs headed "— Indebtedness — Working Capital" in this prospectus. As of December 31, 2016, 2017 and 2018 and May 31, 2019, we had cash and cash equivalents of RMB1.5 million, RMB26.3 million, RMB38.5 million and RMB23.9 million, respectively.

Cash Flow

The following table sets forth a summary of our cash flows for the periods indicated:

	Year ended December 31,			Five months ended May 31,	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cash flows before movements in working capital	106,399	127,084	141,764	59,146	64,307
Net cash flow generated from/(used in) operating activities	112,686	106,382	158,898	(1,074)	(20,437)
Net cash flow generated from/(used in) investing activities	(3,930)	(68,276)	(28,879)	4,848	(10,422)
Net cash flow generated from/(used in) financing activities	(155,980)	(13,326)	(117,825)	(21,679)	16,225
Cash and cash equivalents at the beginning of the year/period	48,758	1,534	26,314	26,314	38,508
Cash and cash equivalents at the end of the year/period	1,534	26,314	38,508	8,409	23,874

Net Cash Flows generated from/(used in) Operating Activities

We generate cash from operating activities primarily from (i) tuition and boarding fees, all of which are typically paid in advance before the respective services are rendered, (ii) offering of education related services and (iii) offering of other services. We typically receive majority of cash payment from tuition fees and boarding fees in the second half of the financial year subsequent to the commencement of the school year, and thus we may have cash outflows for operating activities for the first half of the financial year. We expect to improve our cash flow position, particularly for the first half of each financial year, by continuous efforts to develop our business, especially our education related services which are generally not subject to a seasonality effect on cash flows.

Net cash used in operating activities amounted to RMB20.4 million for the five months ended May 31, 2019, primarily attributable to our profit before tax of RMB41.3 million as adjusted by net finance costs and non-cash effect of income statement items and negative effect of changes in working capital. The negative effect of changes in working capital primarily consisted of a decrease in contract liabilities of RMB75.8 million.

Net cash from operating activities amounted to RMB158.9 million for the year ended December 31, 2018, primary attributable to our profit before tax of RMB92.2 million as adjusted by net finance costs and non-cash effect of income statement items and positive effect of changes in working capital. The positive effect of changes in working capital primarily due to an increase in contract liabilities of RMB11.9 million and a decrease in amounts due from a related party of RMB14.5 million, which was partially offset by an increase in trade and other receivables and prepayments of RMB13.1 million.

Net cash from operating activities amounted to RMB106.4 million for the year ended December 31, 2017, primarily attributable to our profit before tax of RMB73.6 million as adjusted by net finance costs and non-cash effect of income statement items and negative effect of changes in working capital. The negative effect of changes in working capital primarily consisted of a decrease in other payables of RMB11.2 million and an increase of trade and other receivables and prepayments of RMB6.5 million.

Net cash from operating activities amounted to RMB112.7 million for the year ended December 31, 2016, primarily attributable to our profit before tax of RMB43.4 million as adjusted by net finance costs and non-cash effect of income statement items and positive effect of changes in working capital. The positive effect of changes in working capital primarily consisted of an increase in other payables of RMB7.2 million and an increase in contract liabilities of RMB7.0 million, which was partially offset by an increase in amounts due from related parties of RMB5.0 million.

Net Cash Flows Used In Investing Activities

Net cash used in investing activities amounted to RMB10.4 million for the five months ended May 31, 2019, primarily attributable to payments for purchase of property, plant and equipment of RMB10.7 million.

Net cash used in investing activities amounted to RMB28.9 million for the year ended December 31, 2018, primarily attributable to payments for purchases of property, plant and equipment of RMB93.1 million, partially offset by repayment of loans received from related parties of RMB54.4 million and government grants received of RMB7.2 million.

Net cash used in investing activities amounted to RMB68.3 million for the year ended December 31, 2017, primarily attributable to payments for purchases of property, plant and equipment of RMB73.1 million and an increase in loans to related parties of RMB16.4 million, partially offset by repayment of loans received from third parties of RMB19.4 million.

Net cash used in investing activities amounted to RMB3.9 million for the year ended December 31, 2016, primarily attributable to payments for purchases of property, plant and equipment of RMB33.5 million, partially offset by repayment of loans received from related parties of RMB23.6 million and proceeds from disposal of property, plan and equipment of RMB3.9 million.

Net Cash Flows generated from/(used in) Financing Activities

Net cash generated from financing activities amounted to RMB16.2 million for the five months ended May 31, 2019, primarily attributable to proceeds from bank borrowings of RMB30.0 million, which was partially offset by interest payment of RMB8.5 million and repayment of borrowings to banks of RMB4.1 million.

Net cash used in financing activities amounted to RMB117.8 million for the year ended December 31, 2018, primarily attributable to (i) repayment of borrowings to banks of RMB180.4 million, (ii) repayment of borrowings to third parties of RMB42.7 million and (iii) interest payment of RMB29.7 million, and partially offset by borrowings from banks of RMB140.0 million.

Net cash used in financing activities amounted to RMB13.3 million for the year ended December 31, 2017, primarily attributable to repayment of bank borrowings of RMB149.5 million and interest payment of RMB31.6 million, partially offset by proceeds from bank borrowings of RMB142.0 million.

Net cash used in financing activities amounted to RMB156.0 million for the year ended December 31, 2016, primarily attributable to repayment of bank borrowings of RMB173.9 million and interest payment of RMB40.3 million, partially offset by proceeds from bank borrowings of RMB68.0 million.

INDEBTEDNESS

As at September 30, 2019, for the purpose of our indebtedness statement, our indebtedness amounted to RMB451.8 million, which primarily included bank borrowings and other borrowings.

Borrowings

Our borrowings primarily consisted of short-term working capital loans and long-term borrowings to fund our business operations and for purchases of school equipment. Our borrowings as of December 31, 2016, 2017 and 2018, May 31, 2019 and September 30, 2019 were as follows:

	As at December 31,			As at May 31,	As at September 30,
	2016	**2017**	**2018**	**2019**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Non-current:					
Bank borrowings (secured)	243,500	300,000	353,000	375,500	396,000
Loans from other third parties (unsecured)	—	18,849	—	—	—
	243,500	318,849	353,000	375,500	396,000
Current:					
Bank borrowings (secured)	199,950	136,000	42,620	46,000	52,900
Loans from other third parties (unsecured)	37,661	43,464	22,850	22,886	2,886
	237,611	179,464	65,470	68,886	55,786
Total borrowings	481,111	498,313	418,470	444,386	451,786

The non-current and current bank borrowings in a total amount of RMB448.9 million as of September 30, 2019 were secured by tuition fee and boarding fee collection rights of our School, and personal property provided by the spouse of Mr. Huang and personal guarantees of Mr. Huang, the spouse of Mr. Huang, Ms. Huang Yuan and Mr. Huang Guandi. For more details during the Track Record Period please refer to Notes 25 and 29 to the Appendix I. Personal security provided by Mr. Huang's spouse and the abovementioned personal guarantees will be fully released prior to the Listing.

Loans from other parties during the Track Record Period mainly included the following loans. For more details, please refer to Note 25 to the Appendix I in this prospectus:

- To facilitate our business development, our prior and existing staff and their family members and friends used to provide us with loans that were unsecured, carried annual interests at rates ranging from 12% to 18%, and without fixed repayment terms ("**Development Loans**"). The Development Loans amounted to RMB36.4 million, RMB42.7 million and nil as at December 31, 2016, 2017 and 2018. We have fully repaid the Development Loans in 2018. Going forward, we intend to prohibit similar loans. Our PRC Legal Advisor is of the view that the Development Loans do not constitute illegal fund-raising activities, are legally binding and are not in violation of applicable PRC laws and regulations currently in effect.

- An amount of RMB20.0 million with a term from June 19, 2017 to May 31, 2019 ("**Third Party Loan**") provided by an Independent Third Party for the purpose of potential investment at that time. Such third party lender, together with its related company, initially planned to invest in our School, and subsequently paid us RMB20.0 million as part of the total investment. However, they decided not to proceed with such investment and after further negotiation, the lender agreed to convert the RMB20.0 million investment amount into an interest-free loan (i.e., the Third Party Loan) in return to unconditionally terminate the investment. We recorded the Third Party Loan as non-current loan as at December 31, 2017 and as current loan as at December 31, 2018 and May 31, 2019.

  The Third Party Loan was stated in its net present value. Refer to Note 25(b) to the Appendix I in this prospectus for more details of the calculation of net present value. In May 2019, we were in the process of obtaining a new banking facility at that time to repay the Third Party Loan. After negotiation with the lender, and upon the receipt of a bank loan in the amount of RMB50.0 million, we repaid the Third Party Loan in July 2019 along with RMB1.0 million interest representing the interest for the extension of the term of the Third Party Loan. Our Directors confirm that to their best knowledge, other than the aforementioned relationships, none of the Group, our directors, Shareholders, senior management and their respective close associates had any past or present relationships with such third party lender up to the Latest Practicable Date.

- An amount of approximately RMB2.9 million provided by a customer during the Track Record Period, who is an Independent Third Party and one of our top five customers for the year ended December 31, 2018. We have established cooperative relationship with the customer in 2017. In 2018, we planned to develop an e-commerce talent cultivation program with such customer under which we were responsible for providing teaching and training resources. Accordingly, the customer wired us a project deposit of approximately RMB2.9 million in February 2018 as deposit for the preparation of such cooperative program. The cooperation of such e-commerce talent cultivation program did not proceed as scheduled. In the view of our established cooperative relationship since 2017 and as to secure future cooperation opportunities, the customer agreed to convert such project deposit of approximately RMB2.9 million into an interest-free loan with a term from June 25, 2018 to June 24, 2019 and such loan was subsequently extended to June 24, 2020 by mutual consent. Our Directors confirm that to their best knowledge, other than the aforementioned relationships, none of the Group, our directors, Shareholders, senior management and their respective close associates had any past or present relationships with such customer up to the Latest Practicable Date.

Except as aforesaid and apart from intra-group liabilities, as of September 30, 2019, being the latest practicable date for the purpose of our indebtedness statement, we did not have any other loan issued and outstanding or any loan agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

Our Directors confirm that as of the Latest Practicable Date, there was no material covenant such as gearing restriction or cross default provisions on any of our outstanding debt and there was no breach of any covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that our Group did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

We had net current liabilities as of December, 2015, 2016, 2017, May 31, 2019 and September 30, 2019. Our net current liabilities gradually decreased over the Track Record Period as we continuously generated cash from our operations and improved our debt portfolio by repaying a substantial portion of our borrowings, and by replacing short-term borrowings with long-term borrowings. We plan to lower further our net current liabilities in the future by replacing short-term borrowings with long-term borrowings and repay borrowings where necessary. We believe we will be able to service our debts after Listing, taking into consideration our future working capital and capital expenditure needs. For more information, Please refer to the paragraph headed "Risk Factors — Risks Relating to Our Business and Our Industry — We had net current liabilities as of December 31, 2016, 2017 and 2018 and May 31, 2019. We had negative net operating cash flow for the five months ended May 31, 2018 and 2019. We may be exposed to liquidity risks, and our business, financial condition and results of operation may be materially and adversely affected as a result" in this prospectus.

Working Capital

We intend to continue to finance our working capital with cash generated from our operations, bank borrowings, and the proceeds from the Global Offering. We will closely monitor the level of our working capital, particularly in view of our strategy to continue expanding our school and further expand the scope of our education related services. Our future working capital requirements will depend on a number of factors, including, but not limited to, our operating income, the size of our school, maintaining and upgrading existing school premises, purchasing additional educational facilities and equipment for our School, expansion of the scope of our education related services, and hiring additional teachers and staff. In addition, we will closely monitor our available cash reserve and maturity profile of our existing debt obligations, and if required, we may borrow additional loans or utilize our existing banking facilities to satisfy unexpected capital needs.

We had net current liabilities position as at May 31, 2019 and September 30, 2019. For more details, please refer to the paragraphs headed "— Net Current Assets and Liabilities" and "— Liquidity and Capital Resources — Cash Flow" in this section. Our Directors have considered our future liquidity and performance and our available sources of financing in assessing whether we will have sufficient financial resources to continue as a going concern. Taking into account our available cash and bank balances, the anticipated cash flows from operations, borrowings and the proceeds from the Global Offering, our Directors are of the view that we have sufficient working capital for our present requirements, that is for at least the next 12 months from the date of this prospectus, particularly as we had unutilized banking facility of RMB178.6 million as of September 30, 2019.

Based on the review of financial documents and other due diligence documents, discussion with the Directors and the Directors' confirmation, the Sole Sponsor concurs with the Directors' view.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period primarily consisted of expenditures for construction in progress, electronic equipment, office furniture and fixtures, buildings and vehicles. Our capital expenditure amounted to RMB11.3 million, RMB39.4 million, RMB73.2 million and RMB34.5 million for the years ended December 31, 2016, 2017 and 2018, and five months ended May 31, 2019.

Currently, we own a majority of the premises that our School occupies. This asset-heavy model requires us to obtain the relevant property right and expend significant amount of capital outlay in connection with the establishment of our School. We intend to fund our future capital expenditures with our cash and cash equivalents from our operating activities and bank borrowings.

CONTRACTUAL COMMITMENTS

Capital Commitments

Our capital commitments primarily relate to purchase of property, plant and equipment. The following table sets forth a summary of our capital commitments as of the dates indicated:

	As at December 31,			As at May 31,
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted but not recognized as liabilities:				
Property, plant and equipment	41,491	14,149	5,432	15,601

CONTINGENT LIABILITIES

Save as disclosed above, as of September 30, 2019, being the latest practicable date for the purpose of the indebtedness statement, we did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

Our Directors confirm that there has not been any material change in our contingent liabilities since September 30, 2019 and up to the Latest Practicable Date.

RELATED PARTY TRANSACTIONS

During the Track Record Period, our Group entered into certain related party transactions. Please refer to note 29 to the Accountant's Report in Appendix I for further details of our related party transactions. Our Directors are of the view that our related party transactions during the Track Record Period were conducted in normal course of business and at terms negotiated between us and the respective related parties and do not distort our track record results or make our historical results not reflective of our future performance.

LISTING EXPENSE

Assuming an Offer Price of HK$2.86 per Share (being the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised), the aggregate commissions and underwriting fees, together with legal and other professional fees which are payable by us, are estimated to amount to approximately HK$75.8 million (equivalent to RMB67.8 million). For the years ended December 31, 2017 and 2018 and the five months ended May 31, 2019, we have incurred listing expenses of RMB27.1 million, of which RMB0.8 million, RMB16.7 million and RMB3.8 million was charged to profit or loss respectively and RMB5.8 million was included in other receivables and prepayments and will be subsequently charged to equity upon completion of the Listing. We expect to charge the estimated remaining listing expenses of approximately RMB19.0 million to profit or loss during the year ending December 31, 2019 and to capitalize approximately RMB21.7 million following the Listing. Our Directors do not expect such expenses would have a material adverse impact on our results of operations for the year ending December 31, 2019.

KEY FINANCIAL RATIOS

The following table sets out our return on assets, return on equity, current ratio and gearing ratio for the periods or as of the dates indicated below, as the case may be:

	As of/for the year ended December 31,			As of/for the five months ended May 31,
	2016	2017	2018	2019
Return on assets(1)	5.3%	8.5%	9.6%	11.3%
Adjusted return on assets(2)	5.3%	8.6%	11.6%	12.3%
Return on equity(3)	61.5%	51.1%	37.8%	36.4%
Adjusted return on equity(4)	61.5%	51.7%	45.3%	40.0%
Current ratio(5)	0.2	0.3	0.2	0.3
Gearing ratio(6)	7.2	3.7	1.9	1.7

Notes:

(1) Return on assets equals net profit for the year/profit divided by total assets as of the end of the year/period. Return on assets for the five months ended May 31, 2019 has been annualized.

(2) Adjusted return on assets equals our adjusted net profit for the year/period divided by total assets as of the end of the year/period. Adjusted return on assets for the five months ended May 31, 2019 has been annualized.

(3) Return on equity equals net profit for the year/period divided by total equity as of the end of the year/period. Return on equity for the five months ended May 31, 2019 has been annualized.

(4) Adjusted return on equity equals our adjusted net profit for the year/period divided by total equity as of the end of the year/period. Adjusted return on equity for the five months ended May 31, 2019 has been annualized.

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

(6) Gearing ratio equals total interest-bearing bank loans and other borrowings at the end of the year/period divided by total equity at the end of the year/period.

Analysis of Key Financial Ratios

Return on Assets and Return on Equity

Our return on assets ratio increased from 5.3% as of December 31, 2016 to 8.5% as of December 31, 2017, and our adjusted return on assets ratio increased from 5.3% as of December 31, 2016 to 8.6% as of December 31, 2017, mainly due to the growth of our net profit. Our return on equity ratio decreased from 61.5% as of December 31, 2016 to 51.1% as of December 31, 2017, and our adjusted return on equity ratio decreased from 61.5% as of December 31, 2016 to 51.7% as of December 31, 2017, mainly due to the continuous increase of our total equity.

Our return on assets ratio increased from 8.5% as of December 31, 2017 to 9.6% as of December 31, 2018, and our adjusted return on assets ratio increased from 8.6% as of December 31, 2017 to 11.6% as of December 31, 2018, mainly due to the growth of our net profit. Our return on equity ratio decreased from 51.1% as of December 31, 2017 to 37.8% as of December 31, 2018, and our adjusted return on equity decreased from 51.7% as of December 31, 2017 to 45.3% as of December 31, 2018, mainly due to the continuous increase of our total equity.

Our return on assets ratio increased from 9.6% as of December 31, 2018 to 11.3% as of May 31, 2019, and our adjusted return on assets ratio increased from 11.6% as of December 31, 2018 to 12.3% as of May 31, 2019, mainly due to the growth of our net profit. Our return on equity ratio decreased from 37.8% as of December 31, 2018 to 36.4% as of May 31, 2019, and our adjusted return on equity ratio in decreased from 45.3% as of December 31, 2018 to 40.0% as of May 31, 2019, mainly due to the increase of our total equity.

Current Ratio

Current ratio remained stable at 0.2, 0.3, 0.2 and 0.3 as of December 31, 2016, 2017 and 2018 and May 31, 2019, respectively.

Gearing Ratio

Our gearing ratio continuously decreased from 7.2 as of December 31, 2016 to 3.7 as of December 31, 2017, 1.9 as of December 31, 2018 and further to 1.7 as of May 31, 2019, mainly due to our efforts to repay substantial portion of our borrowings.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

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 May 31, 2019.

PROPERTY INTEREST AND PROPERTY VALUATION

Our selective property interests are set forth in the Property Valuation Report in Appendix III to this prospectus. Cushman & Wakefield has valued our selective property interests as of September 30, 2019. A summary of the valuation report issued by Cushman & Wakefield are included in the Property Valuation Report set forth in Appendix III to this prospectus.

A reconciliation of our selective property interests as of September 30, 2019 and such property interests in our consolidated financial statements as of May 31, 2019 as required under Rule 5.07 of the Listing Rules is set forth below:

	(RMB in millions)
Net book value of selective property interests as of May 31, 2019	638.3
Additions	44.5
Sold	—
Depreciation	(5.4)
Net book value as of September 30, 2019	677.4
Valuation surplus as of September 30, 2019	54.6
Valuation as of September 30, 2019	732.0

DIVIDENDS

As we are a holding company, our ability to declare and pay dividends will depend on receipt of dividends and other payments from Chen Lin Education Science, which in turn substantially depends on the service fees paid to Chen Lin Education Science from our Consolidated Affiliated Entities. Pursuant to the laws applicable to the PRC's Foreign Investment Enterprises, domestic enterprises in the PRC must make appropriations from after-tax profit to non-distributable reserve funds as determined by the board of directors of each relevant entity prior to payment of dividends. Subject to certain cumulative limits, such general reserve requires annual appropriations of 10% of after-tax profits as determined under PRC laws and regulations at each year-end until the balance reaches 50% of the relevant PRC entity's registered capital. Furthermore, PRC laws and regulations require private schools where the school sponsors require reasonable returns to make annual appropriations of 25% of net income to its development fund prior to payments of reasonable returns. Such appropriations are required to be used for the construction or maintenance of the school or for the procurement or upgrading of educational equipment. In the case of a private school where the school sponsors do not require reasonable returns, the school is required to make annual appropriations equivalent to no less than 25% of the annual increase of net profit of the school as determined in accordance with generally accepted accounting principles in the PRC.

Pursuant to the Amendment Decision, sponsors of existing private schools engaged in higher education may elect to register the schools as non-profit or for-profit private schools. Sponsors of for-profit private schools are permitted to receive operating profits, and the surplus from operations shall be handled in accordance with the provisions of the PRC Company Law and other applicable laws and regulations. Sponsors of non-profit private schools are not permitted to receive operating profits, and the surplus from operations shall be used solely for the operation of the schools. However, the Amendment Decision remains silent on the requirement of the development fund of the non-profit or for-profit private schools. Whether our School shall continue to make allocations to the development fund as required above under the Amendment Decision will be subject to future regulations that are yet to be introduced. As of the Latest Practicable Date, we had not made a definitive decision on whether to register our School as a non-profit or a for-profit private school.

If we were to have elected to register our School as a for-profit private school, as confirmed by our PRC Legal Advisor and with reference to our dividend policy, our ability to distribute dividends to our Shareholders will not be materially affected. If we were to have elected to register our School as a non-profit private school, our ability to distribute dividends to our Shareholders may be limited. Please refer to the paragraphs headed "Risk Factors — Risks Relating to Our Contractual Arrangements — We rely on dividends and other payments from Chen Lin Education Science to pay dividends and other cash distributions to our Shareholders, and any limitation on the ability of Chen Lin Education Science to pay dividends to us would materially and adversely limit our ability to pay dividends to our Shareholders" in this prospectus for more details. To mitigate such risks, we have adopted and/or will adopt the following measures: (i) we have established and assigned the responsibility to a special committee chaired by Mr. Huang, with its members comprising three senior management members of our Company, two independent non-executive Directors, and four senior management members of the School to mitigate any compliance risk in relation to the Amendment Decision, the MOJ Draft for Comments and other relevant developments, and to advise on the decision to register our School as a for-profit or a non-profit private school in the future. When making such decision, our Directors, with the advise of our special committee, will take into consideration a variety of factors including the development of our business and the interests of our Shareholders; (ii) we plan to further strengthen and diversify our offering of education related services to widen our revenue base and to enhance our profitability, which we believe will benefit our Shareholders as a whole; and (iii) our ability to pay dividends and other cash distributions to our Shareholders depends solely on our ability to receive dividends and other distributions from Chen Lin Education Science, which in turn depends on the service fees paid to Chen Lin Education Science from our Consolidated Affiliated Entities. Our PRC Legal Advisor advised that Chen Lin Education Science's right to receive the service fees from our Consolidated Affiliated Entities does not contravene any PRC laws and regulations, and payment of service fees under the Contractual Arrangements should not be regarded as part of the distribution of returns or profits to the sponsor of our School.

Any amount of dividends we pay will be determined at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the relevant laws. Subject to the foregoing, our Board intends to recommend at the relevant shareholder meetings an annual dividend of no less than 25% of our profits available for distribution in the future. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board. No dividend had been paid or proposed by our Company during the Track Record Period and up to the Latest Practicable Date.

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

Save as disclosed in this prospectus, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since May 31, 2019 (being the date on which the latest audited consolidated financial information of our Group was prepared) and there is no event since May 31, 2019 which would materially affect the information shown in our consolidated financial statements included in the Accountant's Report in Appendix I to this prospectus.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to a variety of market risks, including interest rate risk, credit risk, and liquidity risks. We manage and monitor these exposures to ensure appropriate measures are implemented in a timely and effective manner. As of the Latest Practicable Date, we did not hedge or consider necessary to hedge any of these risks. For further details, including relevant sensitivity analysis, please refer to the Note 3 to the Accountant's Report in Appendix I to this prospectus.

Interest rate risk

Our interest rate risk arises from bank deposits and borrowings. Borrowings obtained at variable rates expose us to cash flow interest rate risk which is partially offset by cash at bank with variable interest rates. Borrowings obtained at fixed rates expose us to fair value interest rate risk. During the Track Record Period, our borrowings bore interest both at variable rates and fixed rates. Bank deposits carried at prevailing market interest rate expose us to cash flow interest rate risk. We closely monitor trend of interest rate and its impact on our interest rate risk exposure to ensure it is within an acceptable level. We had not used any interest rate swap arrangements as of the Latest Practicable Date but may consider hedging interest rate risk if needed.

Credit risk

We believe we have no concentration of credit risk from third party debtors. Our maximum exposure to credit risk is the carrying amounts of cash and cash equivalents, trade and other receivables and amounts due from related parties. As at December 31, 2016, 2017 and 2018 and May 31, 2019, substantially all of our bank deposits were deposited with major financial institutions incorporated in the

PRC, which we believe are of high-credit-quality without significant credit risk. All of our trade receivables, other receivables and amounts due from related parties have no collateral. We assessed the credit quality of the counterparties by taking into account their financial position, credit history and other factors. We would also regularly review the recoverability of these receivables and follow up with the disputes or amounts overdue, if any. Our Directors are of the opinion that the risk of default by counterparties is low.

Liquidity risk

To manage liquidity risks, 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 expect to fund our future cash flow needs through internally generated cash flows from operations and borrowings from financial institutions. We believe that there is no significant liquidity risk in view of the expected cash flow from operations and continuous support from banks in the next twelve months.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purpose only, and is set out below to illustrate the effect of the Global Offering on our consolidated net tangible assets as at May 31, 2019 as if the Global Offering had taken place on such date.

This unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets as at May 31, 2019 following the Global Offering or as at any subsequent dates. It is prepared based on our audited consolidated net tangible assets as at May 31, 2019 as derived from the consolidated financial statements set out in Appendix I to this prospectus and adjusted as described below.

	Audited consolidated net tangible assets of our Group attributable to owners of our Company as at 31 May 2019 *(Note 1)*	**Estimated net proceeds from the Global Offering** *(Note 2)*	**Unaudited pro forma adjusted net tangible assets of our Group attributable to owners of our Company**	**Unaudited pro forma adjusted net tangible assets per Share** *(Note 3)*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an Offer Price of HK$3.52 per Share	259,073	737,061	996,134	1.00	1.11
Based on an Offer Price of HK$2.20 per Share	259,073	449,223	708,296	0.71	0.79

Notes:

(1) The audited consolidated net tangible assets of our Group attributable to the owners of our Company as at May 31, 2019 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of our Group attributable to the owners of our Company as at May 31, 2019 of RMB259.5 million with adjustments for the intangible assets as at May 31, 2019 of RMB0.4 million.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$3.52 and HK$2.20 per Share, respectively, after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately RMB21.3 million which have been accounted for during the Track Record Period) payable by us and takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be granted and issued or repurchased by us pursuant to the General Mandate and the Repurchase Mandate.

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,000,000,000 Shares were in issue assuming that the Global Offering, Capitalization Issue and Share Subdivision have been completed on May 31, 2019 but takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be granted and issued or repurchased by us pursuant to the General Mandate and the Repurchase Mandate.

(4) Except as disclosed above, no adjustment has been made to reflect any trading results or other transactions of our Group entered into subsequent to May 31, 2019.

(5) For the purpose of this unaudited pro forma adjusted net tangible assets, the amounts stated in Renminbi are converted into Hong Kong dollars at the rate of HK$1.00 to RMB0.8946.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Huang, through his wholly-owned holding company, Huangyulin Holdings and Chen Lin Elite Holdings, indirectly holds 74% of the total issued share capital of our Company. Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Mr. Huang will be entitled to, through his two wholly-owned offshore holding companies, namely Huangyulin Holdings and Chen Lin Elite Holdings exercise voting rights of approximately 51.50% of the issued share capital of our Company. Therefore, Mr. Huang, together with his wholly-owned holding company, namely Huangyulin Holdings and Chen Lin Elite Holdings, will continue to be our Controlling Shareholders after the Listing. For the background of Mr. Huang, please refer to the section headed "Directors and Senior Management" in this prospectus.

Disclosure under Rule 8.10 of the Listing Rules

Our Directors and Controlling Shareholders have confirmed that, as of the Latest Practicable Date, none of them had interests in any business, other than our business, which compete, or is likely to compete, either directly or indirectly, with our business that would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently of our Controlling Shareholders and their respective close associates after the Listing.

Management Independence

Our Board will comprise seven executive Directors and four independent non-executive Directors upon Listing. Mr. Huang, a Controlling Shareholder, is one of our executive Directors.

Each of our Directors is aware of his or her fiduciary duties as a Director which requires, among other things, that he or she must act for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting on relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, we believe that our senior management team is able to carry out the business decisions of our Group independently as a whole.

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 Listing.

Operational Independence

We have full rights to make business decisions and to carry out our business independent of our Controlling Shareholders and their respective close associates. On the basis of the following reasons, our Directors consider that our Company will continue to be operationally independent of our Controlling Shareholders and their respective associates after the Listing:

(i) we are not reliant on trademarks, or other intellectual properties owned by our Controlling Shareholders, or by other companies controlled by our Controlling Shareholders;

(ii) we are the holder of all relevant licenses material to the operation of our business and has sufficient capital, equipment and employees to operate our business independently;

(iii) we have our own administrative and corporate governance infrastructure;

(iv) we own or have the right to use all the operational facilities relating to our business; and

(v) none of our Controlling Shareholders and their respective associates have any interest which competes or is likely to compete with the business of our Group.

Financial Independence

We have established our own finance department with a team of financial staff, who are responsible for financial control, accounting, reporting, group credit and internal control function of our Group. The finance department is independent from our Controlling Shareholders. We make financial decisions independently and our Controlling Shareholders do not intervene with our use of funds. We have also established an independent audit system, a standardized financial and accounting system and a complete financial management system. In addition, we have been and are capable of obtaining financing from Independent Third Parties without relying on any guarantee or security provided by our Controlling Shareholders.

As none of loans, guarantees or pledge provided by our Controlling Shareholders in favour of our Group will continue after Listing, we will not rely on our Controlling Shareholders for financing after the Global Offering and we will have sufficient working capital to operate our business independently.

CORPORATE GOVERNANCE MEASURES

Our Directors believe that there are adequate corporate governance measures in place to manage conflicts of interest after the Listing. In particular, we will implement the following measures:

- as part of our preparation for the Global Offering, we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provides that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates has a material interest nor shall such Director be counted in the quorum present at the meeting;

- a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the board meetings on matters in which such Director or any of his/her close associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;

- we are committed that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors). We have appointed four independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business and/or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial and external opinion to protect the interests of our public Shareholders;

- in the event that our independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and our Controlling Shareholders and/or our Directors on the other, our Controlling Shareholders and/or our Directors shall provide our independent non-executive Directors with all necessary information and our Company shall disclose the decisions of our independent non-executive Directors (including why business opportunities referred to it by our Controlling Shareholders were not taken up) either through its annual report or by way of announcements; and

- we have appointed First Shanghai Capital Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various requirements relating to directors' duties and corporate governance.

CONTINUING CONNECTED TRANSACTIONS

We have entered into a number of agreements with our connected persons, the details of which are set out below. The transactions disclosed in this section will constitute our continuing connected transactions under Chapter 14A of the Listing Rules upon Listing.

No.	Nature of Transactions	Applicable Listing Rules	Waiver Sought	Proposed annual cap for the year ending December 31, 2019	2020	2021
				RMB	*RMB*	*RMB*
	Non-exempt continuing connected transactions					
1.	Contractual Arrangements	14A.34, 14A.35, 14A.36, 14A.49, 14A.52 to 14A.59 and 14A.71	Requirements as to announcement, circular, shareholders' approval, annual cap and limiting the term of agreements	N/A	N/A	N/A

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We set out below details of the non-exempt continuing connected transactions for our Group, which are subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. Contractual Arrangements

Background

As disclosed in the section headed "Contractual Arrangements" in this prospectus, due to regulatory restrictions on foreign ownership in the School which is in the PRC, we cannot directly or indirectly, hold any equity interest in the Consolidated Affiliated Entities, which hold certain licenses and permits required for the operation of our business. As a result, our Group has entered into the Contractual Arrangements with Nanchang Di Guan, the registered shareholders of Nanchang Di Guan, namely Mr. Huang, Ms. Huang Yuan and Mr. Huang Guandi, and the School. Through the Contractual Arrangements, we effectively control the Consolidated Affiliated Entities and are able to derive substantially all of the economic benefits and expected to continue. The Contractual Arrangements enable us to, among others, (i) receive substantially all of the economic benefits from the Consolidated Affiliated Entities in consideration for the services provided by Chen Lin Education Science to the Consolidated Affiliated Entities; (ii) exercise effective control over the Consolidated Affiliated Entities; and (iii) hold an exclusive option to purchase all or part of the equity interests in Nanchang Di Guan or the school sponsor's interest held by Nanchang Di Guan (as the case maybe) when and to the extent permitted by PRC laws.

The Contractual Arrangements consists of various types of agreements. For detailed terms of these agreements, Please refer to the section headed "Contractual Arrangements" in this prospectus.

Listing Rules implementations

The table below sets forth the connected persons of our Company involved in the Contractual Arrangements and the nature of their connection with our Group. The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon Listing.

Name	Connected relationships
Mr. Huang	A Controlling Shareholder and an executive Director of our Company, and therefore is a connected person of our Company under Rule 14A.07(1) of the Listing Rules.
Ms. Huang Yuan and Mr. Huang Guandi	Substantial shareholders of our Company, and therefore are connected persons of our Company under Rule 14A.07(1) of the Listing Rules.
Ms. Xiong Yan, the spouse of Mr. Huang	Spouse of the Controlling Shareholder and executive Director, and therefore is a connected person of our Company under Rule 14A.07(1) and Rule 14A.12(1)(a) of the Listing Rules.
Mr. Wang Li, the spouse of Ms. Huang Yuan	Spouse of a substantial shareholder, and therefore is a connected person of our Company under Rule 14A.07(1) and Rule 14A.12(1)(a) of the Listing Rules.

Accordingly, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon the Listing.

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated under the Contractual Arrangements are fundamental to our Group's legal structure and business operations, which have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms or better and are fair and reasonable in the interests of our Company and its Shareholders as a whole.

Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into, among others, by the School, Nanchang Di Guan and any member of our Group ("**New Intergroup Agreements**" and each of them, a "**New Intergroup Agreement**") technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement, circular and independent shareholders' approval requirements.

Application for Waiver

In view of the Contractual Arrangements, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of (i) the announcement, circular and independent shareholders' approval in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) setting annual caps for the transactions contemplated under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Hong Kong Stock Exchange subject to the following conditions:

(i) *No change without independent non-executive Directors' approval*. No changes to the Contractual Arrangements (including with respect to any fees payable to Chen Lin Education Science thereunder) will be made without the approval of our independent non-executive Directors.

(ii) *No change without independent Shareholders' approval*. Save as described in paragraph (iv) below, no changes to the agreements governing the Contractual Arrangements will be made without the approval of the Company's independent shareholders. Once the independent shareholders' approval of any change has been obtained, no further announcement or approval of the independent shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (v) below) will however continue to be applicable.

(iii) *Economic benefits flexibility.* The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entities through: (i) our Group's option (if and when so allowed under the applicable PRC laws) to acquire, all or part of the entire equity interests in the Consolidated Affiliated Entities at the lowest possible amount permissible under the applicable PRC laws and regulations; (ii) the business structure under which the profit generated by the Consolidated Affiliated Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to Chen Lin Education Science under the Exclusive Business Cooperation Agreement; and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of Nanchang Di Guan.

(iv) *Renewal and reproduction.* On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on one hand, and our Consolidated Affiliated Entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executive or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/or reproduction of the Contractual Arrangements, however be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar Contractual Arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

(v) *Ongoing reporting and approvals.* Our Group will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:

- The Contractual Arrangements in place during each financial period will be disclosed in the annual reports and accounts of our Company in accordance with the relevant provisions of the Listing Rules.

- Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Group's annual report and accounts for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements; (ii) no dividends or other distributions have been made by Nanchang Di Guan to the holders of its equity interest which are not otherwise subsequently assigned or transferred to our Group; and (iii) any new contracts entered into, renewed or reproduced between our Group and Nanchang Di Guan during the relevant financial period under paragraph (iv) above are fair and reasonable, or advantageous to our Shareholders, so far as our Group is concerned and in the interests of the Shareholders as a whole.

- Our Company's auditor will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of the Directors and have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by Nanchang Di Guan to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group.

- For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", the Consolidated Affiliated Entities will be treated as our Company's subsidiaries, and at the same time, the directors, chief executives or substantial shareholders of each of the Consolidated Affiliated Entities and their respective associates will be treated as connected persons of our Company (excluding for this purpose, the Consolidated Affiliated Entities), and transactions between these connected persons and our Group (including for this purpose, the Consolidated Affiliated Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.

- Each of the Consolidated Affiliated Entities will undertake that, for so long as the Shares are listed on the Stock Exchange, the Consolidated Affiliated Entities will provide the Group's management and our Company's auditor with full access to its relevant records for the purpose of our Company's auditor's review of the connected transactions.

In addition, we have applied to the Stock Exchange for, and the Stock Exchange has granted a waiver from strict compliance with the requirements of (i) the announcement, circular and independent shareholders' approval in respect of the transactions contemplated under any New Intergroup Agreements (as defined above) pursuant to Rule 14A.105 of the Listing Rules, (ii) setting an annual cap for the transactions contemplated under any New Intergroup Agreements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Hong Kong Stock Exchange. We will comply with the applicable requirements under the Listing Rules, and will immediately inform the Stock Exchange if there are any changes to these continuing connected transactions.

Internal Control Measures

The relevant operational departments of our Group will report regularly to our Directors and senior management with respect to the actual performance of the Contractual Arrangements. Our Directors and senior management will also closely monitor the operation of the Contractual Arrangements and ensure future compliance with the Listing Rules.

Confirmation from the Sole Sponsor and Directors

The Sole Sponsor has reviewed the relevant documents and information provided by our Group, has participated in the due diligence and discussions with our management and our PRC Legal Advisors and has obtained necessary representations and confirmations from our Company and our Directors. Based on the above, the Sole Sponsor is of the view that the Contractual Arrangements are fundamental to our Group's legal structure and business operations.

The Sole Sponsor and our Directors (including the independent non-executive Directors) are of the view that (i) the Contractual Arrangements and the transactions contemplated under the Contractual Arrangements as described above are fundamental to the Group's legal structure and business operations, and for which waivers have been sought, have been and will be entered into in the ordinary and usual course of business of our Group, on normal commercial terms, are fair and reasonable and in the interests of our Company and our Shareholders as a whole; (ii) with respect to the term of the relevant agreements underlying the Contractual Arrangements which is of a duration longer than three years, it is a justifiable and normal business practice to ensure that (a) the financials and operation of our Consolidated Affiliated Entities can be effectively controlled by Chen Lin Education Science, (b) Chen Lin Education Science can obtain the economic benefits derived from our Consolidated Affiliated Entities, and (c) any possible leakages of assets and values of our Consolidated Affiliated Entities can be prevented, on an uninterrupted basis.

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and after the completion of the Global Offering:

1. Prior to the Global Offering

Authorized share capital		*Nominal Value (HK$)*
3,800,000	Shares	380,000

Issued and to be issued, fully paid or credited to be fully paid

25,000	Shares	2,500

2. Upon the completion of the Global Offering

Immediately after the Global Offering and assuming that the Over-allotment Option is not exercised, the share capital of the Company will be as follows:

Authorized share capital		*Nominal Value (HK$)*
3,800,000,000	Shares	380,000

Issued and to be issued, fully paid or credited to be fully paid

25,000,000	Shares in issue	2,500
725,000,000	Shares to be issued pursuant to the Capitalization Issue	72,500
250,000,000	Shares to be issued pursuant to the Global Offering	25,000
1,000,000,000	**Total**	100,000

Immediately after the completion of the Global Offering and assuming the Over-allotment Option is fully exercised, the share capital of the Company will be as follows:

Authorized share capital		*Nominal Value (HK$)*
3,800,000,000	Shares	380,000

Issued and to be issued, fully paid or credited to be fully paid

25,000,000	Shares in issue	2,500
725,000,000	Shares to be issued pursuant to the Capitalization Issue	72,500
250,000,000	Shares to be issued pursuant to the Global Offering	25,000
37,500,000	Shares to be issued pursuant to the exercise of the Over-allotment Option	3,750
1,037,500,000	**Total**	103,750

ASSUMPTIONS

The above table assumes that the Global Offering become unconditional and is completed in accordance with the relevant terms and conditions and that the Shares are issued pursuant to the Global Offering. The above table does not take into account any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

MINIMUM PUBLIC FLOAT

According to Rule 8.08 of the Listing Rules, at the time of the Listing and at all times thereafter, at least 25% of the total issued share capital of our Company shall be held by the public (as defined in the Listing Rules).

RANKING

The Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Law and the terms of the Memorandum and the Articles, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its shares into several classes; (iv) subdivide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may subject to the provisions of the Companies Law reduce its share capital or share capital redemption reserve by its shareholders passing a special resolution. For details, please refer to "Appendix IV — Summary of the Constitution of the Company and Cayman Islands Company Law — 2. Articles of Association — (a) Shares — (iii) Alteration of capital" to this prospectus.

Pursuant to the Companies Law and the terms of the Memorandum and the Articles, all or any of the special rights attached to the shares or any class of shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-forth in nominal value of the issued shares of that class or with the sanction of special resolution passed at a separate general meeting of the holders of the shares of that class. For details, please refer to "Appendix IV — Summary of the Constitution of the Company and Cayman Islands Company Law — 2. Articles of Association — (a) Shares — (ii) Variation of rights of existing shares or classes of shares" to this prospectus.

Further, our Company will also hold general meetings from time to time as may be required under the Articles, a summary of which is set out in the section headed "Appendix IV — Summary of the Constitution of the Company and Cayman Islands Company Law" in this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions stated in the section headed "Structure of the Global Offering — Conditions of the Global Offering" in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares or securities convertible into Shares or options, warranties or similar rights to subscribe for Shares of such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by the Directors other than pursuant to:

(i) a rights issue;

(ii) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles;

(iii) a specific authority granted by the Shareholders in general meeting,

shall not exceed the aggregate of:

(i) 20% of the total nominal value of the share capital of our Company in issue upon completion of the Global Offering; and

(ii) the total nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in the paragraph headed "— General Mandate to Repurchase Shares" in this section below.

This general mandate to issue Shares will expire at the earliest of:

(i) the conclusion of our next annual general meeting; or

(ii) the expiration of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraph headed "Statutory and General Information — Written resolutions of the shareholders passed on November 18, 2019" in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in the section headed "Structure of the Global Offering — Conditions of the Global Offering" in this prospectus, our Directors have been granted a general unconditional mandate to exercise all powers of our Company to repurchase the Shares with a total nominal value of not more than 10% of the total nominal value of our share capital in the issue immediately following the completion of the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

This general mandate to repurchase Shares will expire at the earliest of:

(i) the conclusion of our next annual general meeting; or

(ii) the expiration of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or

(iii) when varied or revoked by any ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraph headed "Statutory and General Information — Written resolutions of the shareholders passed on November 18, 2019" in Appendix V to this prospectus.

So far as our Directors are aware, immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), the following persons will have interests or short position in Shares or underlying Shares of our Company which would be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, 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:

Name	Nature of interest	Shares interested in as of the Latest Practicable Date [(1)]		Shares interested in upon the Global Offering (assuming the Over-allotment Option is not exercised) [(1)]	
		Number	Approximate percentage	Number	Approximate percentage
Huangyulin Holdings [(2)]	Beneficial owner	16,250	65%	487,500,000	48.75%
	Interested in a controlled corporation	2,250	9%	67,500,000	6.75%
Mr. Huang [(2)] [(3)]	Interest in a controlled corporation	18,500	74%	555,000,000	55.50%
Ms. Xiong Yan [(4)]	Interest of spouse	18,500	74%	555,000,000	55.50%
Huangyuan Holdings	Beneficial owner	3,250	13%	97,500,000	9.75%
Ms. Huang Yuan [(5)] [(6)] [(7)]	Interest in a controlled corporation	3,250	13%	97,500,000	9.75%
	Beneficial owner	80	0.32%	2,371,000	0.24%
	Interest of spouse	80	0.32%	2,391,000	0.24%
Mr. Wang Li [(8)] [(9)]	Beneficial owner	80	0.32%	2,391,000	0.24%
	Interest of spouse	3,330	13.32%	99,871,000	9.99%
Huangguandi Holdings	Beneficial owner	3,250	13%	97,500,000	9.75%
Mr. Huang Guandi [(10)] [(11)]	Interest in a controlled corporation	3,250	13%	97,500,000	9.75%
	Beneficial owner	150	0.6%	4,503,000	0.45%

Notes:

(1) All interests stated are long positions.

(2) The entire share capital of Chen Lin Elite Holdings is directly owned by Huangyulin Holdings. Accordingly, Huangyulin Holdings is deemed to be interested in such number of shares held by Chen Lin Elite Holdings.

(3) The entire share capital of Huangyulin Holdings is directly owned by Mr. Huang. Accordingly, Mr. Huang is deemed to be interested in such number of Shares held by Huangyulin Holdings.

(4) Ms. Xiong Yan is the spouse of Mr. Huang. Accordingly, Ms. Xiong Yan is deemed to be interested in the Shares in which Mr. Huang is interested.

(5) The entire share capital of Huangyuan Holdings is directly owned by Ms. Huang Yuan. Accordingly, Ms. Huang Yuan is deemed to be interested in such number of Shares held by Huangyuan Holdings.

(6) Ms. Huang Yuan is the spouse of Mr. Wang Li. Accordingly, Ms. Huang Yuan is deemed to be interested in the Shares in which Mr. Wang Li is interested.

(7) Ms. Huang Yuan is interested in the RSUs granted to her under the RSU Scheme entitling her to receive 2,371,000 Shares subject to vesting.

(8) Mr. Wang Li is interested in the RSUs granted to him under the RSU Scheme entitling him to receive 2,391,000 Shares subject to vesting.

(9) Mr. Wang Li is the spouse of Ms. Huang Yuan. Accordingly, Mr. Wang Li is deemed to be interested in the Shares in which Ms. Huang Yuan is interested.

(10) The entire share capital of Huangguandi Holdings is directly owned by Mr. Huang Guandi. Accordingly, Mr. Huang Guandi is deemed to be interested in such number of Shares held by Huangguandi Holdings.

(11) Mr. Huang Guandi is interested in the RSUs granted to him under the RSU Scheme entitling him to receive 4,503,000 Shares subject to vesting.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of Global Offering (assuming that the Over-allotment Option is not exercised), have interests or short positions in Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of SFO or will be, directly or indirectly, 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 and/or any of our subsidiaries.

DIRECTORS

Upon the Listing, Our Board will consist of 11 Directors, comprising seven executive Directors and four independent non-executive Directors. The following table provides a brief summary information about our Directors:

Name	Age	Position	Key roles	Date of joining our Group	Date of appointment as Director	Relationship with other Director(s), senior management members and/or substantial or Controlling Shareholders
Huang Yulin (黃玉林)	57	Executive Director and chairman of the Board	Overall management, strategic planning and decision-making of our Group	April 2002	May 25, 2018	Father-in-law of Mr. Wang Li
Huang Boqi (黃伯麒)	54	Executive Director and chief executive officer	Overseeing the management and operation of our Group's business	June 1, 2019	August 20, 2019	N/A
Zheng Junhui (鄭俊輝)	47	Executive Director and the deputy general manager	Implementing corporate and business strategies and taking charge of the daily operation and management of our Group	October 2015	September 21, 2018	N/A
Li Cunyi (李存益)	71	Executive Director	Assisting in overall management, strategic planning and decision-making of our Group	November 2008	September 21, 2018	N/A
Bau Siu Fung (鮑小豐)	51	Executive Director, chief financial officer and company secretary	Providing financial management of our Group and formulating financial strategies	March 2018	September 21, 2018	N/A
Wang Li (王立)	37	Executive Director and vice president	Providing strategic advice on corporate developments of our Group and making recommendations on major operational and managerial decisions	October 2012	September 21, 2018	Son-in-law of Mr. Huang and the husband of Ms. Huang Yuan, one of our Shareholders and the daughter of Mr. Huang

Name	Age	Position	Key roles	Date of joining our Group	Date of appointment as Director	Relationship with other Director(s), senior management members and/or substantial or Controlling Shareholders
Gan Tian (干甜)	35	Executive Director and vice president	Providing strategic advice on corporate developments of our Group and making recommendations on major operational and managerial decisions	February 2004	September 21, 2018	N/A
Chan Hon Ki (陳漢淇)	41	Independent non-executive Director	Supervising and providing independent advice to our Board	November 2019	November 18, 2019	N/A
Chen Wanlong (陳萬龍)	56	Independent non-executive Director	Supervising and providing independent advice to our Board	November 2019	November 18, 2019	N/A
Huang Juyun (黃居鋆)	56	Independent non-executive Director	Supervising and providing independent advice to our Board	November 2019	November 18, 2019	N/A
Wang Donglin (王東林)	64	Independent non-executive Director	Supervising and providing independent advice to our Board	November 2019	November 18, 2019	N/A

Executive Directors

Mr. Huang Yulin (黃玉林), aged 57, is our executive Director and the chairman of our Board. Mr. Huang is responsible for the overall management, strategic planning and decision-making of our Group. Mr. Huang is also the chairman of the board of directors of the School.

Mr. Huang has 20 years of experience in the education industry. Prior to joining our Group, Mr. Huang worked at the Ganzhou Department of Personnel and Labour Bureau* (贛州行署勞動人事局) from 1988 to 1990. From 1998 to 2002, Mr. Huang acted as the legal representative and the chairman of Jiangxi Science and Engineering Specialist College* (江西理工專修學院). Mr. Huang has been acting as the chairman of the board of directors of the School since 2002, where he has been in charge of the overall management of the School.

Mr. Huang received his college diploma in government management and politics from Jiangxi Open University* (江西廣播電視大學) in October 1986.

Mr. Huang was a director of the following companies which were incorporated in Hong Kong prior to their respective dissolution:

Name of company	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution	Reasons for dissolution
Hong Kong Baodi Education Development Limited (香港寶迪教育發展有限公司)	investment holding	May 22, 2015	striking off	cessation of business
Hong Kong Baodi Education Group Limited (香港寶迪教育集團有限公司)	investment holding	May 3, 2013	striking off	cessation of business

As confirmed by Mr. Huang, as far as he is aware, the dissolutions of the abovementioned companies have not resulted in any liability or obligation being imposed against him.

Mr. Huang was also a director, the legal representative and/or supervisor of the following companies which were incorporated in the PRC and subsequently were dissolved or had its business licence revoked during his tenure:

Name of company	Position(s)	Principal business activity prior to dissolution	Date of revocation of business licence	Date of dissolution	Reasons for dissolution
Nanchang Xinghua Talent Communication Centre* (南昌市興華人才交流中心)	legal representative	consultancy services	December 25, 2009	December 11, 2018	failure to renew business licence
Beijing Di Guan Education Consultancy Co., Ltd.* (北京迪冠教育諮詢有限公司)	director and legal representative	education consultancy	August 11, 2017	April 9, 2018	cessation of business
Beijing Jia Rui Sen Tai Education Consultancy Services Co., Ltd.* (北京嘉瑞森泰教育諮詢有限公司)	director and legal representative	education consultancy	August 26, 2016	April 2, 2018	cessation of business
Nanchang Da De Industrial Co., Ltd.* (南昌達德實業有限公司)	supervisor	real property investment	June 28, 2017	February 27,2019	cessation of business
Jiangxi Jin Yang Film Production Center Co., Ltd.* (江西金陽影視製作中心有限公司)	supervisor	film production and publishing	June 25, 2017	N/A[(1)]	cessation of business

Note:

(1) As of the Latest Practicable Date, Jiangxi Jin Yang Film Production Center Co., Ltd. has not completed the dissolution procedures.

As confirmed by Mr. Huang, as far as he is aware, the dissolutions of or the licence revocation of the abovementioned companies have not resulted in any liability or obligation being imposed against him.

Historical criminal charge and acquittal of Mr. Huang in 2015

In October 2015, Mr. Huang was charged with one count of using a false instrument, pursuant to section 73 of the Crimes Ordinance (Cap. 200) (the "**Charge**") and was acquitted of the Charge in November 2015.

In May 2013, Mr. Huang was connected to a lender (the "**Lender**") by an old friend through certain intermediaries. The Lender purported to be willing to advance a loan of approximately RMB200 million to the School for the School's capital needs for development, on the condition that, *inter alia*, Mr. Huang shall pay an upfront fee of HK$2.4 million. In June 2013, at the request of the Lender, Mr. Huang was accompanied and assisted by his former student and employee (the "**Employee**"), to purchase a cashier order of HK$2.4 million (the "**Cashier Order**") payable to an entity nominated by the Lender, from a commercial bank (the "**Bank**") in Hong Kong. The Lender inspected the Cashier Order and put it back into an envelope originally containing the Cashier Order and claimed to complete the loan transaction in Nanchang soon. Mr. Huang then deposited the envelope in his safety deposit box in the Bank, to which only Mr. Huang had access. On the next day, Mr. Huang, on his way back to Nanchang, lost contact with the Lender who did not make the loan to the School as promised. In February 2015, Mr. Huang stopped by Hong Kong to retrieve the cashier order from the deposit box and presented it to the Bank with an intention to cancel it and obtain a refund, only to discover that the Cashier Order retrieved was a forgery (the "**Forgery**"). In October 2015, Mr. Huang was charged with the Charge, the trial of which was held in the Hong Kong District Court. Pursuant to the judgement (the "**Judgement**") of the Hong Kong District Court judge (the "**Judge**") issued on November 12, 2015, Mr. Huang was acquitted of the Charge and was awarded part of his legal costs.

Mr. Huang was acquitted although the Judge stated in the Judgement that Mr. Huang's deposition was implausible with the following reasons:

i. the Judge did not find Mr. Huang as an incredible or dishonest witness. Mr. Huang was of good character and did not have any criminal record. In fact, the Judge believed Mr. Huang did not know the cashier order kept inside his deposit box was forged one;

ii. had Mr. Huang intended to use the Forgery, it would have been unnecessary for him to deposit it in the deposit box in 2013 and wait two years until 2015 before retrieving and using it. The Judge specifically noted that the Cashier Order had already been cashed in June 2013 and would not be in circulation since then; and

iii. the Forgery was poorly made and the differences in appearance in terms of graphic design, colour, font and font size between it and the Cashier Order could be easily spotted with the naked eye. Had Mr. Huang intended to use the Forgery, he would have replicated it to look identical to the Cashier Order. It would also be absolutely unwise for Mr. Huang to present the Forgery to the Bank which issued the Cashier Order.

Our Directors and the Sole Sponsor considered that notwithstanding the Charge, Mr. Huang is suitable to act as the Company's Director under Rules 3.08 and 3.09 of the Listing Rules. In arriving at its view, the Sole Sponsor has taken into consideration the following:

i. the Charge was unfounded. Based on the Judgement, Mr. Huang was acquitted by the Judge after trial and there has not been any conviction;

ii. there was no dishonesty or integrity issue on Mr. Huang's part who genuinely believed the Forgery was authentic;

iii. Mr. Huang was competent as a director as he was fully aware of the potential risks of the financing arrangement and had adopted a series of cautious measures, including, amongst others: (a) checking the identity of the Lender and instructing a law firm to conduct a background search on the Lender's company; (b) involving the Employee in all negotiations and meetings since the Employee is proficient in Cantonese and was more familiar than Mr. Huang in respect of financing arrangement in Hong Kong; and (c) deciding not to make any payment until receipt of the first portion of loan evidenced by the agreed procedures in the draft financing agreement prepared by Mr. Huang's agents;

iv. According to Mr. Huang's personal knowledge and the then objective circumstances of the School, i.e. the need for substantial capital for the development and operation of the School, Mr. Huang honestly believed that the due diligence and cautious measures he had undertaken as set out above would be sufficient for him to deal with an ordinary lender. In fact, Mr. Huang had exercised due care in the financing arrangement as a reasonable person in the course of normal business. It would be too onerous to require Mr. Huang to exercise further diligence and care in presuming that the Lender might be involved in fraud at the very beginning;

v. Mr. Huang has demonstrated his abilities and competence as a Director of our Group throughout the years of our operation. He has over 20 years of experience in the education industry and is the founder of our Group. Under his leadership, our School had achieved continuous growth in revenue and net profit during the Track Record Period. Mr. Huang is also a well-respected person in the education industry in Jiangxi Province and was awarded many prizes and recognitions; and

vi. based on a search conducted by an independent search agent on directorship disqualification records in Hong Kong which found out that Mr. Huang has not been disqualified to act as a director in Hong Kong.

Mr. Huang Boqi (黃伯麒), aged 54, is our executive Director and chief executive officer. Mr. Huang Boqi is primarily responsible for overseeing the management and operation of our Group's business.

Mr. Huang Boqi has over 20 years of experience in corporate management and corporate finance. From March 1999 to February 2005, Mr. Huang Boqi acted as the general manager of Jiangxi Jin Ding Information System Co., Ltd.* (江西金鼎信息系統有限公司), a company primarily engaged in providing information technology services in the PRC. From February 2005 to March 2010, Mr. Huang Boqi served in positions including the chairman of the board of directors, executive director and chief executive director of Combest Holdings Limited (formerly known as Golding Soft Limited), a company whose shares are listed on the Stock Exchange (HK: 8190). From June 2011 to October 2014, Mr. Huang Boqi served in positions including the chairman of the board of directors, executive director and non-executive director of China Best Group Holdings Limited, a company whose shares are listed on the Stock Exchange (HK: 370). From October 2014 to May 2018, Mr. Huang Boqi acted as the deputy chairman of the board of directors and executive director and chief executive officer of Green Leader Holdings Group Limited (formerly known as North Asia Resources Holdings Limited), a company whose shares are listed on the Stock Exchange (HK: 61). Mr. Huang Boqi joined our Group in June 2019 and has been acting as the chief executive officer and executive Director since August 2019.

Mr. Huang received his bachelor's degree in Engineering from South China University of Technology* (華南理工大學) (formerly known as South China Institute of Technology* (華南工學院)) in July 1987 and a master's degree in economics from Jiangxi University of Finance and Economics* (江西財經大學) in 1999.

Mr. Huang Boqi was a director of the following company which was incorporated in Hong Kong prior to its dissolution:

Name of company	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution	Reasons for dissolution
Xing Connected (Hong Kong) Co., Limited (資博新聯(香港)有限公司)	investment holding	January 26, 2018	deregistration	cessation of business

As confirmed by Mr. Huang Boqi, as far as he is aware, the dissolution of the abovementioned company has not resulted in any liability or obligation being imposed against him.

Mr. Zheng Junhui (鄭俊輝), aged 47, is our executive Director and deputy general manager. Mr. Zheng is responsible for implementing corporate and business strategies and daily operation and management of our Group.

Mr. Zheng has over eight years of experience in the education industry. He has been acting as the general manager of Nanchang Di Guan since October 2015. Prior to joining our Group, from January 1993 to December 1998, Mr. Zheng served as an editor and the deputy director of the business development department of China Economic Times* (中國經濟時報). From February 1999 to December 2002, Mr. Zheng acted as the editor-in-chief of China City Yearbook Society* (中國城市年鑒社) which was an organisation under the China Urban Development Research Society* (中國城市發展研究會). From October 2002 to December 2015, Mr. Zheng served as the vice president of Jiangxi Chao Xian Holdings Co., Ltd.* (江西超弦控股有限公司), where Mr. Zheng's responsibilities include the overall management and business operation of the said company. From February 2005 to October 2006, Mr. Zheng acted as the vice president of Jiangxi Ganjiang Institute of Technology* (江西贛江職業技術學院), where his responsibilities include student admission affairs and planning admission policies. From October 2006 to December 2008, Mr. Zheng served as the vice president of Oriental Women Daily* (東方女報) where he was responsible for team building and business operation of the distribution department and the advertising department. Prior to joining Jiangxi Xue Ye Tong Education Technology Co., Ltd.* (江西學業通教育科技有限公司), Mr. Zheng served as the chairman of the board of Polytechnic Institute of Jiangxi Science and Technology Normal University* (江西科技師範大學理工學院), where he was primarily responsible for its overall management, strategic planning, and decision-making. From November 2015 to March 2016, Mr. Zheng acted as the executive director of Jiangxi Xue Ye Tong Education Technology Co., Ltd..

Mr. Zheng received his bachelor's degree in industrial engineering and management from Beijing Institute of Light Industry* (北京輕工業學院) in July 1992.

Mr. Zheng Junhui was a director and/or legal representative of the following companies which were incorporated in the PRC and subsequently were dissolved or had its business licence revoked during his tenure:

Name of company	Position(s)	Principal business activity prior to dissolution	Date of revocation of business licence	Date of dissolution	Reasons of dissolution
Jiangxi Chen Lin Culture and Science Co., Ltd.* (江西辰林文化科技有限公司)	legal representative, executive director and general manager	education consultancy	N/A	September 7, 2018	voluntary dissolution
Nanchang Kun Teng Educational Technology Co., Ltd.* (南昌昆騰教育科技有限公司)	executive director	education consultancy	N/A	May 28, 2018	voluntary dissolution
Zhong Nan Heng Ye (Beijing) New Energy Technology Co., Ltd.* (中南恆業(北京)新能源科技有限公司)	director	technical services	December 20, 2017	N/A(1)	cessation of business

Note:

(1) As of the Latest Practicable Date, according to public information, Zhong Nan Heng Ye (Beijing) New Energy Technology Co., Ltd. has not completed its dissolution procedure.

As confirmed by Mr. Zheng Junhui, as far as he is aware, the dissolutions of or the licence revocation of the abovementioned companies have not resulted in any liability or obligation being imposed against him.

Mr. Li Cunyi (李存益), aged 71, is our executive Director. Mr. Li is responsible for assisting in overall management, strategic planning and decision-making of our Group. Mr. Li is also the chairman of the board of supervisors of the School.

Mr. Li has extensive experience in the education industry. Mr. Li has been acting as the chairman of the board of supervisors of the School since March 2018. Prior to that, from November 2016 to January 2018, Mr. Li acted as the principal of the School, where his primary duties include overseeing the overall operation of the School. From January 2013 to November 2016, Mr. Li acted as the deputy principal of the School, where his duties include assisting the overall management, strategic planning and decision-making of the School. From November 2008 to December 2012, Mr. Li acted as a deputy dean of the School. Prior to joining our Group, from June 1985 to May 2007, Mr. Li was employed with Jiangxi Police College* (江西公安專科學校) for various positions including professor and head of the academic affairs office.

Mr. Li received his bachelor's degree in Chinese language and literature from Jiangxi Normal University* (江西師範大學) (formerly known as Jiangxi Normal College* (江西師範學院)) in August 1982.

Mr. Bau Siu Fung (鮑小豐), aged 51, is our executive Director, company secretary and the chief financial officer of our Group. Mr. Bau is primarily responsible for formulating financial strategies for our Group as the chief financial officer of our Group.

Mr. Bau has over 17 years of experience in the auditing, accounting and financial management industry. From 2000 to 2003, he worked as an auditor in several accounting firms in Hong Kong. From 2004 to October 2011, he worked in KPMG, where his last position was an audit manager. From November 2011 to January 2017, Mr. Bau was appointed as an executive director of Sheen Tai Holdings Group Company Limited, a company listed on the Stock Exchange (HK: 1335), while he also served as the said company's chief financial officer, company secretary and authorised representative until September 2017. Mr. Bau has been acting as an independent non-executive director of AUX International Holdings Limited, a company listed on the Stock Exchange (HK: 2080) since May 2015. Mr. Bau has also been acting as an independent non-executive director of FSM Holdings Limited, a company listed on the Stock Exchange (HK: 1721) since June 2018.

Mr. Bau obtained his bachelor's degree of business administration in accountancy and finance from Idaho State University in August 1997 and was admitted as a non-practising member of the Hong Kong Institute of Certified Public Accountants in 2009.

Mr. Wang Li (王立), aged 37, is our executive Director and the vice president of our Company. Mr. Wang is primarily responsible for providing strategic advice on corporate developments to our Group, making recommendations on major operational matters and making managerial decisions within our Group. Mr. Wang is also a director, the principal's assistant and the head of international academic communication center of the School.

Mr. Wang has over 6 years of experience in the education industry. Mr. Wang has been acting as the principal's assistant since April 2017 and the head of international academic communication center of the School since December 2017, as well as a director of the School since November 2016. Mr. Wang also served as the head of infrastructure and engineering department of the School from August 2014 to July 2019. Before joining our Group, from July 2004 to December 2008, Mr. Wang Li acted as the head of corporate planning department of Ganzhou Zhong Cheng Hao Jie Fang Industrial Co., Ltd.* (贛州眾成好街坊實業有限公司), where he was responsible for brand promotion planning and corporate culture development. From July 2011 to September 2012, Mr. Wang served as the chief creative officer in Han Yuan Zhen Guo Planning and Design Co., Ltd.* (漢元正果策劃設計有限公司), where his responsibilities include team management and creative strategic planning.

Mr. Wang received his bachelor's degree in fine arts from Gan Nan Normal University* (贛南師範大學) (formerly known as Gan Nan Normal College* (贛南師範學院)) in July 2004.

Ms. Gan Tian (干甜), aged 35, is our executive Director and the vice president of our Company. Ms. Gan is primarily responsible for providing strategic advice on corporate developments to our Group, making recommendations on major operational matters and making managerial decisions within our Group. Ms. Gan is also a director, the principal's assistant and the head of the international cooperation department of the School.

Ms. Gan has approximately 14 years of experience in the education industry. Ms. Gan served as the deputy head of the marketing and publicity department of the School from September 2004 to December 2004. From January 2005 to January 2011, Ms. Gan served as the head of student affairs office of the School, the head of art troupe of the School and the secretary of Youth League Committee of the School. Ms. Gan has been acting as the principal's assistant since January 2011, the head of the international cooperation department since April 2012, a director of the School since December 2015 and various other positions.

Ms. Gan received her master degree in business management from Jiangxi Normal University* (江西師範大學) in June 2018, and her college diploma in business management from the School in July 2008.

Ms. Gan Tian was a director, legal representative and/or supervisor of the following companies which were incorporated in the PRC and subsequently were dissolved during her tenure:

Name of company	Position(s)	Principal business activity prior to dissolution	Date of revocation of business licence	Date of dissolution	Reasons of dissolution
Jiangxi Chen Lin Culture and Science Co., Ltd.* (江西辰林文化科技有限公司)	supervisor	education consultancy	N/A	September 7, 2018	voluntary dissolution
Jiangxi Liang Dong Education Science Co., Ltd.* (江西良棟教育科技有限公司)	supervisor	education consultancy	N/A	September 7, 2018	voluntary dissolution
Nanchang Meili Jia Qi Wedding Planning Co., Ltd.* (南昌美麗嫁期婚慶策劃有限公司)	director and legal representative	wedding planning services	June 12, 2017	March 15, 2019	failure to renew business licence

As confirmed by Ms. Gan, as far as she is aware, the dissolutions of the abovementioned companies have not resulted in any liability or obligation being imposed against her.

Independent non-executive Directors

Mr. Chan Hon Ki (陳漢淇), aged 41, is our independent non-executive Director.

Mr. Chan has over 13 years of experiences in the field of auditing and accounting. From August 2000 to August 2003, Mr. Chan worked as an audit and accounts clerk at Louis Y.C. Fung & Co., C.P.A. From June 2004 to July 2010, Mr. Chan worked at KPMG where his last position was a manager. From October 2010 to September 2011, Mr. Chan served as an assistant financial controller at Fully Foundation Limited and as a deputy financial controller at the same company from October 2011 to April 2012. From April 2012 to October 2015, Mr. Chan served as the company secretary and chief financial officer at AUX Real Estate Group Company Limited. Mr. Chan joined AUX International Holdings Limited (HK: 2080) in May 2015 and is an executive Director, finance director and a joint company secretary of the said company. He has been acting as the chief executive officer and the authorized representative of AUX International Holdings Limited since September 2019. Mr. Chan holds a bachelor's degree in commerce from University of Canterbury, New Zealand. He is a member of the Association of Chartered Certified Accountants and a non-practising member of the Hong Kong Institute of Certified Public Accountants.

Mr. Chen Wanlong (陳萬龍), aged 56, is our independent non-executive Director.

Mr. Chen has extensive experience in the education industry. From July 1986 to December 2000. Mr. Chen held various positions within Jiangxi University of Finance and Economics* (江西財經大學) including the deputy head of taxation teaching and research office, head of taxation teaching and research office, deputy head of finance and economic faculty, deputy head of teaching office and head of teaching office. From December 2000 to August 2003, Mr. Chen worked as the deputy dean at Jiangxi Science and Technology Normal University* (江西科技師範大學). From August 2003 to August 2006, Mr. Chen worked as the dean of Jiangxi Ganjiang Vocational Institution* (江西贛江職業技術學院). Mr. Chen has been working as the dean of Jiangxi Institute of Fashion Technology* (江西服裝學院) since August 2006.

Mr. Chen received his bachelor's degree in finance from Jiangxi University of Finance and Economics in July 1986, and his doctorate degree in industrial economics from the same university in January 2009.

Mr. Huang Juyun (黃居鋆), aged 56, is our independent non-executive Director.

Mr. Huang served as the deputy general manager of the Sunshine Life Insurance Co., Ltd. Jiangxi Branch* (陽光人壽保險股份有限公司江西分公司) from July 2009 to November 2012 and served as its general manager since November 2012, where Mr. Huang has been in charge of formulating and monitoring sales targets, improving the internal control mechanisms and managing day-to-day business operations. Prior to that, Mr. Huang held various managerial positions within different branches of Taiping Life Insurance Co., Ltd.* (太平人壽保險有限公司).

Mr. Huang received his bachelor's degree in Agricultural Management from Jiangxi Agricultural University* (江西農業大學) in July 1991 and further received his doctorate degree in management studies from China University of Political Science and Law* (中國政法大學) in June 2010.

Mr. Wang Donglin (王東林), aged 64, is our independent non-executive Director.

Mr. Wang has extensive experience in the education industry. From January 1982 to September 2000, Mr. Wang held various positions, including research assistant, lecturer, associate professor and professor, in Jiangxi Normal University* (江西師範大學). From September 2000 to October 2008, Mr. Wang served as the head of the culture research center* (文化研究所) of Jiangxi Normal University. Since October 2008, Mr. Wang has served in positions, including as a professor, the head of culture research center, and the head of Zheng Da research center* (正大研究所) of Jiangxi Normal University. Mr. Wang has been acting as the advisor to Jiangxi People's Government since March 2017.

Mr. Wang received his bachelor's degree in History from Jiangxi Normal University in August 1982.

Other disclosure pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed in this prospectus, each of our Directors confirms that (1) he/she did not hold any other positions or short positions in the Shares, underlying Shares, debentures of our Company and/or any associated corporation (with the meaning of Part XV of the SFO) as the Latest Practicable Date; (2) he/she had no other relationship with any Directors, senior management and/or substantial or Controlling Shareholders of our Company as at the Latest Practicable Date; (3) he/she did not hold any directorships within the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas; and (4) there are no other matters concerning our Director's appointments that need to be bought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management and operation of our business. The senior management team of our Group, in addition to the executive Directors listed above, is as follows:

Name	Age	Position	Key roles	Date of Joining our Group	Relationship with other Director(s), senior management, and/or substantial or Controlling Shareholders
Fang Xiaozhen (房小珍)	41	Chief operating officer	Responsible for our Group's day-to-day operational management	April 2002	N/A
Lin Jiaqi (林加奇)	62	Vice president	Overall management of our undergraduate and junior college programs	January 2018	N/A
Liu Chunbin (劉春斌)	42	Vice President	Overseeing the overall educational services of our Group	April 2002	N/A
Zhang Min (張敏)	44	Vice president	Overseeing the education related services of our Group	April 2002	N/A
Lu Dong (盧東)	48	General manager of administrative department	Responsible for the overall management of our Group's administrative affairs	September 2003	N/A

For biographical details of our chief executive officer, Mr. Huang Boqi, our deputy general manager, Mr. Zheng Junhui, our chief financial officer, Mr. Bau Siu Fung as well as our vice presidents namely Mr. Wang Li and Ms. Gan Tian, please refer to the paragraph headed "— Executive Directors" in this section.

Ms. Fang Xiaozhen (房小珍), aged 41, is our chief operating officer. Ms. Fang is primarily responsible for our Group's day-to-day operational management, formulating development strategies for our Group. Ms. Fang has been acting as the principal's assistant of the School since March 2014. Prior to that, from April 2002 to February 2014, Ms. Fang held various positions in the School, including the deputy officer of the chairman's office, the supervisor of career services center, the director of new campus construction office and the director of assets management department.

Ms. Fang received her college diploma through higher education diploma exam* (高等教育學歷文憑考試) in English from the School in September 2002. She further obtained her master's degree in tourism management from Jiangxi Science and Technology Normal University* (江西科技師範大學) in December 2015.

Mr. Lin Jiaqi (林加奇), aged 62, is our vice president. Mr. Lin is responsible for the overall management of our undergraduate and junior college programs as the principal and a director of the School.

Mr. Lin has extensive experience in the education industry. Mr. Lin has been acting as the principal of the School since January 2018 and a director of the School since March 2018. Prior to joining our Group, Mr. Lin served in positions including as a lecturer, an associate professor and deputy dean in Nanchang University* (南昌大學) (formerly known as Jiangxi University* (江西大學)) from July 1982 to August 1995. From August 1995 to December 2003, Mr. Lin worked at Jiangxi Economic Reform Office* (江西省經濟體制改革辦公室) and Jiangxi Economic Reform Committee* (江西省經濟體制改革委員會). From January 2004 to June 2013, Mr. Lin acted as the deputy principal of the State-owned Assets Supervision and Administration Commission of Jiangxi Province* (江西省國有資產監督管理委員會). From September 2013 to June 2017, Mr. Lin acted as the dean and the deputy secretary of communist party committee of Nanchang Normal University* (南昌師範學院).

Mr. Lin received his bachelor's degree in finance and economics from Jiangxi University of Finance and Economics* (江西財經大學) (formerly known as Jiangxi Institute of Finance and Economics* (江西省財經學院)) in July 1982.

Mr. Liu Chunbin (劉春斌), aged 42, is our vice president. Mr. Liu is primarily responsible for overseeing our overall educational services as the principal's assistant and the head of academic affairs office of the School. Mr. Liu joined our Group in April 2002. He has served as the principal's assistant since March 2015 and the head of academic affairs office of the School from March 2015 to April 2019.

Mr. Liu received his college's diploma in the public relations and secretarial major from Jiangxi Normal University* (江西師範大學) in December 1998, a graduation certificate for self-taught higher education examinations (高等教育自學考試) in the secretarial major in June 2005 and his master's degree in engineering from Nanchang University* (南昌大學) in January 2018.

Mr. Zhang Min (張敏), aged 44, is our vice president. Mr. Zhang is responsible for overseeing our education related services. Mr. Zhang is also the principal's assistant and a supervisor of the School.

Mr. Zhang joined our Group in March 1999 as the head of infrastructure and engineering department of the School and the principal's assistant. Mr. Zhang held various positions in the School from March 1999 to April 2018, including the director of the School, the head of infrastructure and engineering department, the head of School's office, the head of assets management office and the head of career development office.

Mr. Zhang received his master's degree in tourism management from Jiangxi Science and Technology Normal University* (江西科技師範大學) in December 2015.

Mr. Lu Dong (盧東), aged 48, is our general manager of administrative department. Mr. Lu is responsible for the overall management of our Group's administrative affairs.

Mr. Lu joined our Group in September 2003. He held various positions in the in the School, including the vice president of the career development center* (職培中心) (from September 2003 to September 2004), the vice president of the library (from September 2004 to October 2005), the assistant to the dean of the computer science college (from October 2005 to October 2006), the vice president of the science and technology division of the headquarters of new campus* (新校區指揮部科技處) (from October 2006 to March 2009), the president of information department (from March 2009 to April 2009) and the president of infrastructure and equipment department (from April 2009 to January 2014). Mr. Lu has been acting as the principal of the chairman's office of the School since January 2014.

Mr. Lu completed his undergraduate course in education science (through self learning) and graduated from Jiangxi Normal University* (江西師範大學) in December 2009. Mr. Lu further completed his undergraduate course in computer science (through correspondence) and graduated from Nanchang Hang Kong University* (南昌航空大學) in January 2013.

COMPANY SECRETARY

Mr. Bau Siu Fung is the company secretary of our Company. His biographical details are set out in the paragraph headed "— Executive Directors" in this section.

BOARD COMMITTEES

We have established the following committees within our Board of Directors: an audit committee, a remuneration committee and a nomination committee. The committees operate in accordance with the terms of reference established by our Board of Directors.

Audit Committee

We have established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the paragraph C.3 of the Corporate Governance Code as set forth in Appendix 14 of the Listing Rules. The audit committee consists of four members, namely, Mr. Chan Hon Ki, Mr. Huang Juyun, Mr. Chen Wanlong and Mr. Wang Donglin. Mr. Chan Hon Ki, with appropriate accounting and financial management expertise, is the chairman of the audit committee. The primary duties of the audit committee are to provide oversight of the financial reporting process, the audit process, the mechanism of internal control and compliance with laws and regulations and perform further duties and responsibilities as assigned by our Board from time to time.

Remuneration Committee

We have established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the paragraph B.1 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The remuneration committee consists of five members, namely, Mr. Chen Wanlong, Mr. Huang Juyun, Mr. Chan Hon Ki, Mr. Wang Li and Mr. Li Cunyi. Mr. Chen Wanlong is the chairman of the committee. The primary duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for the Directors and senior management and make recommendations on the employee benefit arrangement.

Nomination Committee

We have established a nomination committee with written terms of reference in compliance with the paragraph A.5 of the Corporate Governance Code as set forth in Appendix 14 of the Listing Rules. The nomination committee consists of five members, namely, Mr. Huang Juyun, Mr. Wang Donglin, Mr. Chen Wanlong, Mr. Li Cunyi and Ms. Gan Tian. Mr. Huang Juyun is the chairman of the committee. The primary duties of the nomination committee are to make recommendations to our Board in relation to the appointment and removal of Directors and senior management and on matters of succession planning.

BOARD DIVERSITY POLICY

Our Company will adopt a board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach of which the Board could achieve and maintain a high level of diversity. Our Company recognizes the benefits of having a diversified Board, as such it will ensure that members of the Board have the appropriate balance of skills, experience and diversity of perspectives that are required to support the Group's business strategies and sustainable development. Our Company seeks to achieve Board diversity by selection of candidates for the Board through the consideration of a number of factors, including but not limited to the skills, knowledge, professional experience and qualifications, cultural and educational background, age, gender, ethnicity and length of service. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board.

The Nomination Committee is delegated to be responsible for compliance with relevant code governing board diversity under the Corporate Governance Code. The Nomination Committee will review the Board Diversity Policy from time to time to ensure that its continued effectiveness, and where necessary, will make revisions that may be required and recommend any such revision to the Board for consideration and approval.

COMPLIANCE ADVISOR

We have appointed First Shanghai Capital Limited as our compliance advisor upon the proposed Listing pursuant to Rule 3A. 19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular of financial report;
- where a transaction, which might be notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use proceeds of the Global Offering in a manner different from that detailed in this prospectus;
- where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of our Company under Rule 13.10 regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment will commence on the Listing Date and end the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date.

REMUNERATION AND COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation from our Group in the form of fees, salaries, bonus, contributions to pension schemes, allowances and benefits in kind.

The aggregate remuneration (including salaries, bonuses, share-based compensations, contributions to pension schemes, other social security costs and other employee benefits) received by our Directors were approximately RMB0.79 million, RMB1.61 million, RMB2.27 million and RMB1.20 million for the years ended December 31, 2016, 2017 and 2018, and the five months ended May 31, 2019, respectively.

The aggregate amount of salaries, bonuses, contribution to pension schemes, other social security costs and other employee benefits and share-based payments paid to our Company's five highest paid non-director individuals were approximately RMB96,000, RMB0.25 million, RMB0.42 million and RMB0.18 million for the years ended December 31, 2016, 2017 and 2018, and the five months ended May 31, 2019, respectively.

Pursuant to the arrangements currently in force, the aggregate amount of remuneration (excluding discretionary bonus) payable to and the benefits in kind receivable by our Directors for the year ending December 31, 2019 is estimated to be approximately RMB3.0 million.

No remuneration was paid by our Group to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office during the Track Record Period. Further, none of our Directors had waived any remuneration during the same period.

Save as disclosed above, no other payments have been made or are payable during the Track Record Period by our Group to the Directors.

CORNERSTONE INVESTMENTS

As part of the International Offering, the Company has entered into cornerstone investment agreements (the "**Cornerstone Investment Agreements**") with five cornerstone investors, details of which are set out below (together, the "**Cornerstone Investors**").

Assuming an Offer Price of HK$2.20 (being the low-end of the Offer Price range set out in this prospectus), the Cornerstone Investors have agreed to subscribe for an aggregate of 93,708,000 Offer Shares, representing (a) approximately 9.4% of the total Shares in issue and approximately 37.6% of the total number of Offer Shares, in each case immediately following the completion of the Capitalization Issue and the Global Offering and assuming the Over-allotment Option is not exercised; and (b) approximately 9.0% of the total number of Shares in issue and approximately 32.6% of the total number of Offer Shares, in each case immediately following the completion of the Capitalization Issue and the Global Offering and assuming the Over-allotment Option is exercised in full.

Assuming an Offer Price of HK$2.86, (being the mid-point of the Offer Price range set out in this prospectus), the Cornerstone Investors have agreed to subscribe for an aggregate of 72,082,000 Offer Shares, representing (a) approximately 7.1% of the total Shares in issue and approximately 28.8% of the total number of Offer Shares, in each case immediately following the completion of the Capitalization Issue and the Global Offering and assuming the Over-allotment Option is not exercised; and (b) approximately 7.0% of the total number of Shares in issue and approximately 25.0% of the total number of Offer Shares, in each case immediately following the completion of the Capitalization Issue and the Global Offering and assuming the Over-allotment Option is exercised in full.

Assuming an Offer Price of HK$3.52 (being the high-end of the Offer Price range set out in this prospectus), the Cornerstone Investors have agreed to subscribe for an aggregate of 58,564,000 Offer Shares, representing (a) approximately 5.9% of the total Shares in issue and approximately 23.4% of the total number of Offer Shares, in each case immediately following the completion of the Capitalization Issue and the Global Offering and assuming the Over-allotment Option is not exercised; and (b) approximately 5.7% of the total number of Shares in issue and approximately 20.4% of the total number of Offer Shares, in each case immediately following the completion of the Capitalization Issue and the Global Offering and assuming the Over-allotment Option is exercised in full.

The investments made by the Cornerstone Investors pursuant to their respective Cornerstone Investment Agreements will form part of the International Offering and all investment payment will be settled before the Listing Date.

The Offer Shares to be subscribed by each of the Cornerstone Investors pursuant to the relevant Cornerstone Investment Agreements will rank *pari passu* with all other Shares then in issue and to be listed on the Stock Exchange and will count towards the public float of the Shares.

The Offer Shares to be delivered to the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering or any exercise of the Over-allotment Option, as further described in the section headed "Structure of the Global Offering" in this prospectus.

To the best knowledge and belief of our Company, each of the Cornerstone Investors and their respective ultimate beneficial owners is an Independent Third Party, is not a connected person of the Company and is not an existing Shareholder or its close associate (as defined in the Listing Rules). Each of the Cornerstone Investors is also independent of our connected persons and their respective close associates. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will become a substantial Shareholder of the Company. In addition, to the best knowledge and belief of our Company, each of the Cornerstone Investors is independent of each other and makes independent investment decisions.

The Company confirms that (i) there was no side agreement or arrangement between such Cornerstone Investors and the Company, the Directors, chief executive of the Company, Controlling Shareholders, substantial Shareholders or existing Shareholders or any of its subsidiaries or their respective close associates in relation to the cornerstone investment; (ii) none of the Cornerstone Investors are accustomed to take instructions from the Company, the Directors, chief executive of the Company, the Controlling Shareholders, substantial Shareholders or existing Shareholders or any of its subsidiaries or their respective close associates; and (iii) none of the subscription of the Offer Shares by the Cornerstone Investors are financed by the Company, the Directors, chief executive of the Company, Controlling Shareholders, substantial Shareholders or existing Shareholders or any of its subsidiaries or their respective close associates.

The Cornerstone Investors (a) will not have any representation on the Board immediately following the completion of the Global Offering; (b) will not subscribe for any Offer Shares pursuant to the Global Offering, other than pursuant to the relevant Cornerstone Investment Agreements; and (c) do not have any preferential rights compared with other public Shareholders in their respective Cornerstone Investment Agreements.

DETAILS OF THE CORNERSTONE INVESTORS

The following information about our Cornerstone Investors was provided to the Company by the Cornerstone Investors.

Nanchang State-owned Venture Capital Management Co., Ltd.* (南昌國資創業投資管理有限公司)

Nanchang State-owned Venture Capital Management Co., Ltd.* (南昌國資創業投資管理有限公司) (“**Nanchang State-owned VC**”) is a limited liability company established under the laws of the PRC, which is wholly-owned by Nanchang Industrial Holdings Group Limited* (南昌工業控股集團有限公司), which is in turn wholly-owned by Nanchang Municipal People’s Government (南昌市人民政府). Nanchang State-owned VC is principally engaged in investments in various sectors, among others, financial services, culture and education, modern agriculture and trade logistics.

For the purpose of this cornerstone investment, Nanchang State-owned VC will subscribe for the Offer Shares through a fund (the “**QDII Fund**”) set up and maintained by PingAn Trust Co. Ltd.* (平安信托有限責任公司) (the “**QDII Manager**”), a qualified domestic institutional investor. The QDII Manager will invest in such Offer Shares on behalf of Nanchang State-owned VC to fulfil the obligations of Nanchang State-owned VC under the cornerstone investment agreement, and hold such Offer Shares on a non-discretionary basis on behalf of Nanchang State-owned VC (i.e. the QDII Manager only takes orders from Nanchang State-owned VC and makes no decisions of its own).

Shanghai Ruihai Chuangfeng Industrial Development Co., Ltd.* (上海睿海創豐實業發展有限公司)

Shanghai Ruihai Chuangfeng Industrial Development Co., Ltd.* (上海睿海創豐實業發展有限公司) ("**Ruihai Chuangfeng**") is a company established under the laws of the PRC with limited liability. It is principally engaged in investments in various sectors including medical, energy, technology and environmental engineering. Ruihai Chuangfeng is wholly-owned by Haier Finance Leasing Corp., Ltd.* (海爾融資租賃股份有限公司) which is principally engaged in the business of financial leasing and related financial services in the PRC. Ruihai Chuangfeng is ultimately controlled by Haier Group Corporation* (海爾集團公司).

For the purpose of this cornerstone investment, Ruihai Chuangfeng will subscribe for the Offer Shares through a fund (the "**QDII Fund**") set up and maintained by PingAn Trust Co. Ltd.* (平安信托有限責任公司) (the "**QDII Manager**"), a qualified domestic institutional investor. The QDII Manager will invest in such Offer Shares on behalf of Ruihai Chuangfeng to fulfil the obligations of Ruihai Chuangfeng under the cornerstone investment agreement, and hold such Offer Shares on a non-discretionary basis on behalf of Ruihai Chuangfeng (i.e. the QDII Manager only takes orders from Ruihai Chuangfeng and makes no decisions of its own).

Zhong Bang International Holdings Limited (中邦國際控股股份有限公司)

Zhong Bang International Holdings Limited (中邦國際控股股份有限公司) ("**Zhong Bang**") is a company incorporated under the laws of Hong Kong with limited liability and it principally engages in investments in business. Zhong Bang's single largest shareholder is Hua Gan Holdings Company Limited (華贛股份有限公司) which is controlled by Jiangxi Financial Holdings Group Co., Ltd.* (江西省金融控股集團有限公司). Jiangxi Financial Holdings Group Co., Ltd. is principally engaged in provision of financial services as well as investment business including sectors, among others, property development, financial leasing and asset management. Jiangxi Financial Holdings Group Co., Ltd. is controlled by the Asset Management Centre of Jiangxi Administrative Institutions* (江西省行政事業單位資產管理中心), which is managed by Jiangxi Provincial Department of Finance* (江西省財政廳).

Sunet Global Limited

Sunet Global Limited ("**Sunet**") is a company established under the laws of the BVI with limited liability. Sunet is an investment holding company with investments in various sectors including property development and financial platforms and is in the process of developing its businesses. It is wholly-owned by Mr. Wong Kim, who has experience over asset management as well as investments in different areas including education, technology and healthcare.

Feifan Electronic Commerce Co., Limited (飛凡電子商務有限公司)

Feifan Electronic Commerce Co., Limited (飛凡電子商務有限公司) ("**Feifan Electronic**") is a company established under the laws of Hong Kong with limited liability. It is principally engaged in the wholesale of mobile phones and mobile phone accessories and is ultimately owned by Mr. Su Shaokun (蘇紹坤), who has diverse business experiences including trading of garment, wholesale of agriculture products as well as financial leasing. In particular, Feifan Electronic's wholly-owned subsidiary, Feifan (China) Financial Leasing Co., Ltd* (飛凡(中國)融資租賃有限公司), managed by Mr. Su Shaokun, is a company established under the laws of the PRC and principally engages in financial leasing and leasing transaction consultation.

The table below sets out the aggregate number of Offer Shares that each of the Cornerstone Investors would subscribe based on the low-end, mid-point and high-end of the Offer Price:

				Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full	
Based on the Offer price of	Investment Amount	Total number of Offer Shares to be subscribed by the Cornerstone Investors	Percentage to the initial number of International Offer Shares assuming the Over-allotment Option is not exercised	Percentage to our total issued share capital immediately upon the completion of Capitalization Issue and the Global Offering (approximate)	Percentage to the total number of Offer Shares (approximate)	Percentage to our total issued share capital immediately upon the completion of Capitalization Issue and the Global Offering (approximate)	Percentage to the total number of Offer Shares (approximate)
HK$2.20 (being the low-end of the Offer Price range)							
Nanchang State-owned VC	RMB50,000,000 (HK$55,383,252) *(Note)*	25,174,000	11.2%	2.5%	10.1%	2.4%	8.8%
Ruihai Chuangfeng	RMB48,555,000 (HK$53,782,676) *(Note)*	24,446,000	10.9%	2.4%	9.8%	2.4%	8.5%
Zhong Bang	HK$50,000,000	22,726,000	10.1%	2.3%	9.1%	2.2%	7.9%
Sunet	HK$30,000,000	13,636,000	6.1%	1.4%	5.5%	1.3%	4.7%
Feifan Electronic	HK$17,000,000	7,726,000	3.4%	0.8%	3.1%	0.7%	2.7%
	HK$206,165,928	93,708,000	41.7%	9.4%	37.6%	9.0%	32.6%
HK$2.86 (being the mid-point of the Offer Price range)							
Nanchang State-owned VC	RMB50,000,000 (HK$55,383,252) *(Note)*	19,364,000	8.6%	1.9%	7.7%	1.9%	6.7%
Ruihai Chuangfeng	RMB48,555,000 (HK$53,782,676) *(Note)*	18,804,000	8.4%	1.9%	7.5%	1.8%	6.5%
Zhong Bang	HK$50,000,000	17,482,000	7.8%	1.7%	7.0%	1.7%	6.1%
Sunet	HK$30,000,000	10,488,000	4.7%	1.0%	4.2%	1.0%	3.6%
Feifan Electronic	HK$17,000,000	5,944,000	2.6%	0.6%	2.4%	0.6%	2.1%
	HK$206,165,928	72,082,000	32.1%	7.1%	28.8%	7.0%	25.0%
HK$3.52 (being the high-end of the Offer Price range)							
Nanchang State-owned VC	RMB50,000,000 (HK$55,383,252) *(Note)*	15,732,000	7.0%	1.6%	6.3%	1.5%	5.5%
Ruihai Chuangfeng	RMB48,555,000 (HK$53,782,676) *(Note)*	15,278,000	6.8%	1.5%	6.1%	1.5%	5.3%
Zhong Bang	HK$50,000,000	14,204,000	6.3%	1.4%	5.7%	1.4%	4.9%
Sunet	HK$30,000,000	8,522,000	3.8%	0.9%	3.4%	0.8%	3.0%
Feifan Electronic	HK$17,000,000	4,828,000	2.1%	0.5%	1.9%	0.5%	1.7%
	HK$206,165,928	58,564,000	26.0%	5.9%	23.4%	5.7%	20.4%

Note: For illustration purpose only, to be converted into Hong Kong dollars calculated at the translations between Renminbi and Hong Kong dollars at the exchange rate of RMB0.9028 to HK$1.00.

CONDITIONS PRECEDENT

The obligation of each of the Cornerstone Investors to subscribe, and the obligation of the Company to issue and deliver, the Offer Shares pursuant to the relevant Cornerstone Investment Agreements is conditional upon the following:

(a) the Hong Kong Underwriting Agreement and International Underwriting Agreement having been entered into and become effective and all of the conditions precedent to completion set forth therein having been satisfied and have become unconditional (or waived by the relevant parties thereto) by no later than the time and date as specified in the aforesaid agreements;

(b) the Hong Kong Underwriting Agreement and the International Underwriting Agreement not having been terminated in accordance with their respective terms;

(c) the Offer Price having been agreed upon between the Company and the Sole Global Coordinator (for themselves and on behalf of the Underwriters);

(d) the Listing Department of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Shares and such approval or permission not having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(e) no laws having been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Hong Kong Public Offering, the International Offering or the subscription of the Offer Shares under the relevant Cornerstone Investment Agreements and there being no order or injunction of a court of competent and relevant jurisdiction in effect which precluding or prohibiting the consummation of such transactions; and

(f) the respective representations, warranties, undertakings, acknowledgements and confirmations of the relevant Cornerstone Investors in the relevant Cornerstone Investment Agreement are (as of the date thereof) and will remain (as of the Listing Date and the delivery date of the Shares to be subscribed by the relevant Cornerstone Investors pursuant to and under the terms of the relevant Cornerstone Investment Agreement) accurate and true in all respects and not misleading and that there is no breach of the relevant cornerstone investment agreement on the part of the relevant Cornerstone Investor.

RESTRICTIONS ON DISPOSAL OF SHARES BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed and undertaken to the Company, the Sole Sponsor and the Sole Global Coordinator that unless it has obtained the prior written consent of the Company and has provided evidence of such consent to the Sole Sponsor to do otherwise, it will not, and will cause its affiliates not to, at any time during the period of 6 months from the Listing Date:

(i) offer, pledge, charge, sell, offer to sell, contract or agree to sell, mortgage, assign, lend, grant, create, transfer or otherwise dispose of any legal or beneficial interest (including by creation of or an agreement to create or sell or grant or agreeing to sell or grant any option or contract to purchase or any warrant or right or subscribe for, or to purchase or purchasing any option or contract to sell) in the relevant Shares or any securities convertible into or exercisable or exchangeable for or represent the right to receive such relevant Shares, or contracting to do so, whether directly or indirectly, conditionally or unconditionally;

(ii) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences or incidents of ownership (including legal or beneficial) of any relevant Shares or securities;

(iii) allow itself to undergo a change of control (as defined in the Takeovers Code) at the level of its ultimate beneficiary owner;

(iv) enter into any transaction with the same economic effect as any transaction described in paragraphs (i), (ii) and (iii) above including in relation to any interest in any company or entity holding any of the relevant Shares; or

(v) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraphs (i), (ii), (iii) and (iv) above;

in each case, whether any of the transactions described in paragraphs (i) to (iv) above is to be settled by delivery of such relevant Shares or any other securities of the Company, or in cash or otherwise.

Each of the Cornerstone Investors may transfer the relevant Shares in certain limited circumstances as set out in the relevant Cornerstone Investment Agreement, such as a transfer to a wholly-owned subsidiary of such Cornerstone Investor, provided that prior to such transfer, such wholly-owned subsidiary gives a written undertaking in favour of the Company, the Sole Global Coordinator and the Sole Sponsor agreeing to be bound by such Cornerstone Investor's obligations under the relevant Cornerstone Investment Agreement (including but not limited to the restrictions on disposal of relevant Shares imposed on such Cornerstone Investor).

FUTURE PLANS

For a detailed description of our future plans, Please refer to the paragraphs headed "Business — Our Business Strategies" in this prospectus.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to our Company from the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering payable by us and assuming that the Over-allotment Option is not exercised and an Offer Price of HK$2.86 per Share, being the mid-point of the indicative Offer Price range stated in this prospectus) will be approximately HK$639.2 million (equivalent to RMB571.8 million). We currently intend to apply such net proceeds for the following purposes:

- approximately 35%, or HK$223.7 million (equivalent to RMB200.1 million), is expected to be used to construct, renovate and upgrade the facilities and infrastructure of our School. By improving our research capacity, education quality and the living conditions on our campus, we believe we will be able to recruit more teachers and students. The costs for construction, renovation and upgrade of facilities and infrastructure are estimated based on market enquiry and our historical experience and will be funded by proceeds from the Global Offering, cash generated from operation and bank borrowings. The following table sets forth the details of our plans:

Projects	Expected Approximate Costs	Expected Commencement Date(1)	Expected Completion Date(1)
Construction of teaching and research buildings	HK$133.0 million (equivalent to RMB119.0 million)	September 2020	September 2021
Construction of new student residence halls			
— *Phase I: Construction of four new student residence halls*	HK$29.1 million (equivalent to RMB26.0 million)	November 2019	May 2020
— *Phase II: Construction of seven new student residence halls*	HK$45.8 million (equivalent to RMB41.0 million)	October 2020	April 2021
Renovation and upgrade of the 18 existing faculty residence halls	HK$24.6 million (equivalent to RMB22.0 million)	June 2020	August 2020

Projects	Expected Approximate Costs	Expected Commencement Date(1)	Expected Completion Date(1)
Construction of swimming pool	HK$11.2 million (equivalent to RMB10.0 million)	October 2020	February 2021
Construction of other education facilities	HK$16.8 million (equivalent to RMB15.0 million)	November 2019	May 2020

Note:

(1) The actual commencement date and the actual completion date are subject to a number of factors, including factors that are beyond our control such as the timeframe to obtain certain permits or approvals for the construction from relevant government authorities. Therefore, the actual commencement date and the actual completion date for each construction, renovation or upgrade project may be different from the expected commencement date and the expected completion date in the table above.

- approximately 30%, or HK$191.8 million (equivalent to RMB171.5 million), is expected to be used to repay certain portion of our bank loans, the details of which are set out as follows:

Lender	Outstanding Principal Amount as of the Latest Practicable Date	Interest Rate Per Annum	Maturity Date
	(RMB)	*(%)*	
China Construction Bank	11.0 million	6.175	July 2020
China Construction Bank	19.0 million	6.175	December 2020
China Construction Bank	10.0 million	6.175	December 2020
China CITIC Bank	50.0 million	6.175	July 2022
Shanghai Pudong Development Bank	27.3 million	6.175	September 2022
Shanghai Pudong Development Bank	36.1 million	6.175	October 2022
Shanghai Pudong Development Bank	34.1 million	6.175	October 2022

- approximately 25%, or HK$159.8 million (equivalent to RMB143.0 million), is expected to be used to acquire private higher education institutions and/or private vocational schools. The MOJ Draft for Comments may have certain implications on our expansion strategy through acquisition. Particularly, we presently do not plan to target non-profit schools and schools that are not permitted to be registered as for-profit schools under applicable PRC laws and regulations (for example compulsory education schools) for our potential acquisitions. Our expansion strategy will initially focus on private higher education institutions and private vocational schools with an aggregate student enrollment of around or above 5,000. As of the Latest Practicable Date, we had yet to identify any specific acquisition target.

- approximately 10%, or HK$63.9 million (equivalent to RMB57.2 million), is expected to be used to fund our working capital and general corporate purposes.

If the Offer Price is determined at the highest point of the stated range, the net proceeds to our Company would be increased by approximately HK$160.9 million. If the Offer Price is determined at the lowest point of the stated range, the net proceeds to our Company would be decreased by approximately HK$160.9 million. The above allocation of the net proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the indicative Offer Price range stated in this prospectus.

If the Over-allotment Option is exercised in full, the net proceeds of the Global Offering would increase to approximately HK$743.8 million (based on the mid-point Offer Price of HK$2.86 per Share). We intend to apply the additional net proceeds to the above uses in the proportions stated above.

To the extent that our net proceeds are not sufficient to fund the purposes set out above, we intend to fund the balance through a variety of means, including cash generated from operations, bank loans and other borrowings.

To the extent that the net proceeds from the Global Offering are not immediately used for the purposes described above and to the extent permitted by the relevant laws and regulations, they will be placed in short-term demand deposits with banks in Hong Kong or the PRC and/or through money market instruments.

We will issue an appropriate announcement if there is any material change to the above proposed use of proceeds.

HONG KONG UNDERWRITERS

First Shanghai Securities Limited
CEB International Capital Corporation Limited
China Galaxy International Securities (Hong Kong) Co., Ltd
ABCI Securities Company Limited
Haitong International Securities Company Limited
First Capital Securities Limited
Zhongtai Financial International Limited
Huineng Securities Limited
ChaoShang Securities Limited
Livermore Holdings Limited
Guoyuan Capital (Hong Kong) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to offer the Hong Kong Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares to be offered as mentioned herein (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers for, their respective applicable proportions of the Hong Kong Public Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed, becoming unconditional and not having been terminated.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Public Offer Shares under the Hong Kong Underwriting Agreement are subject to termination by written notice from the Sole Global Coordinator to the Company, if, at any time prior to 8:00 a.m. on the Listing Date:

(a) there develops, occurs, exists or comes into force any event or series of events, matters or circumstances whether occurring or continuing before, on and/or after the date of the Hong Kong Underwriting Agreement and including an event or change in relation to a development of an existing state of affairs, concerning or relating to:

(i) any new law or regulation or any material change in existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the Cayman Islands, the United States, Canada, any member of the European Union, Japan, Singapore or any other jurisdiction relevant to any member of the Group (each a ***Relevant Jurisdiction***); or

(ii) any local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions (including, without limitation, conditions in stock, equity securities and bond markets, money and foreign exchange markets and inter-bank markets), or any monetary or trading settlement system or matters and/or disaster (including, without limitation a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Hong Kong dollars or an appreciation of the Renminbi against the currency of the United States, the European Union, the United Kingdom) in or affecting any Relevant Jurisdiction; or

(iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, declaration of a national or international emergency of war, epidemic, pandemic, outbreak of disease, economic sanction, strikes, lockouts, fire, explosion, flooding, earthquake, civil commotion, acts of war, acts of terrorism (whether or not responsibility has been claimed), riot, public disorder, economic sanctions or acts of God) in or affecting any Relevant Jurisdiction; or

(iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or any Relevant Jurisdiction or the Global Offering; or

(v) (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the Nasdaq National Market, the London Stock Exchange, the American Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange or (B) a general moratorium on commercial banking activities in New York, London, Cayman Islands, Hong Kong or the PRC declared by the relevant authorities, or a material disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any Relevant Jurisdiction; or

(vi) any adverse change or development involving prospective adverse change in taxation or exchange controls, currency exchange rates or foreign investment regulations in any Relevant Jurisdiction adversely affecting an investment in the Shares; or

(vii) any Director or any director of any subsidiary of the Company being charged with an indictable offense or prohibited by operation of Law (as defined in the Hong Kong Underwriting Agreement) or otherwise disqualified from taking part in the management of a company or the commencement by any governmental, political or regulatory body of any investigation or other action against any Director in his capacity as such or an announcement by any governmental, political or regulatory body that it intends to take any such action; or

(viii) a contravention by any member of the Group of a material provision of the Companies Ordinance or Companies (Winding Up and Miscellaneous Provisions) Ordinance or companies law of Cayman Islands or the Listing Rules or the laws of such member company's own jurisdiction; or

(ix) other than with the approval of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) the issue or requirement to issue by the Company of a supplementary prospectus, Application Form, preliminary or final offering circular or any other documents connection with the contemplated offer and sale of the Offer Shares pursuant to the Companies Ordinance or Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC where the matter to be disclosed is, in the sole opinion of the Sole Global Coordinator, materially adverse to the marketing for or implementation of the Global Offering; or

(x) any adverse change or development involving a reasonably likely adverse change of any of the risks set out in the section headed "Risk Factors" in this prospectus or the occurrence of any such events therein; or

(xi) any demand by creditors for repayment of indebtedness or a petition is presented for the winding-up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or

(xii) any litigation or claim being threatened or instigated against the Company or any member of the Group or any Director; or

(xiii) the chairman and chief executive officer of the Company vacating his or her office for any reason; or

(xiv) an Authority (as defined in the Hong Kong Underwriting Agreement) in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or

(xv) a material breach by any member of the Group of the Listing Rules or applicable Laws (as defined in the Hong Kong Underwriting Agreement); or

(xvi) a prohibition on the Company of any of the Controlling Shareholders from offering, allotting, issuing, selling or delivering the Offer Shares pursuant to the terms of the Global Offering; or

(xvii) non-compliance of this prospectus (or any other documents used in connection with the offer and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable Laws; or

(xviii) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group,

which in any such case, whether individually or in aggregate and in the sole opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters),

(A) is or may or will be or is reasonably likely to be materially adverse to, or prejudicially affect, the general affairs or the business or financial or trading or other condition or prospects of the Company and its subsidiaries taken as a whole; or

(B) has or may have or will have or is reasonably likely to have a material adverse effect on the success of the Global Offering and/or make it impracticable, incapable, inexpedient or inadvisable for any part of the Hong Kong Underwriting Agreement (including underwriting), the International Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged or which prevents the processing of applications and/or payments pursuant to the Global Offering or underwriting thereof; or

(C) makes or will or is reasonably likely to make it impracticable, inexpedient or inadvisable to proceed with or to market the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement), the formal notice relating to the Hong Kong Public Offering or the Final Offering Circular (as defined in the Hong Kong Underwriting Agreement); or

(D) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Sole Global Coordinator or any of the Hong Kong Underwriters:

(i) that any statement contained in the Hong Kong Public Offering Documents, the Formal Notice (as defined in the Hong Kong Underwriting Agreement) and any notices, announcements, advertisements, communications, or other documents in the agreed form issued by the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become untrue, incorrect or incomplete in any material respect or misleading, or that any forecasts, estimates, expression of opinion, intention or expectation expressed in such documents are not in all material aspects, fair and honest and based on reasonable assumptions, when taken as a whole; or

(ii) any matter has arisen or has been discovered which would, had it arisen immediately before the date of the Prospectus, not having been disclosed in the Prospectus, constitutes a material omission therefrom; or

(iii) any of the Warranties given by the Warrantors in the Hong Kong Underwriting Agreement is (or might when repeated be) being untrue or misleading or inaccurate in any respect; or

(iv) any event, act or omission which gives or is reasonably likely to give rise to any material liability of the Company pursuant to the indemnities given by the Company under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

(v) any breach of any of the obligations or undertakings of the Warrantors under the Hong Kong Underwriting Agreement or the International Underwriting Agreement which has or may have or will have or is reasonably likely to have a material adverse effect on the success of the Global Offering or the business or financial conditions or prospects of the Group; or

(vi) any breach of any of the obligations of any party (other than the Sole Global Coordinator or the Underwriters, if applicable) to any of the Operative Documents (as defined in the Hong Kong Underwriting Agreement) which has or may have or will have or is reasonably likely to have a material adverse effect on the success of the Global Offering or the business or financial conditions or prospects of the Group; or

(vii) any material adverse change or development involving prospective material adverse change in the assets, liabilities, conditions, earnings, profits, losses, business, management, prospects, shareholders equity, properties, results of operations, in the financial or trading position or prospects or performance of the Company and its subsidiaries taken as a whole; or

(viii) any expert named in the paragraph headed "Statutory and General Information — E. Other Information — 7. Qualification of Experts" in Appendix V to this prospectus has withdrawn its consent to being named in any of the Hong Kong Public Offering Documents or to the issue of any of the Hong Kong Public Offering Documents; or

(ix) approval by the Listing Committee of the listing of, and permission to deal in, the Shares to be issued or sold under the Global Offering is refused or not granted on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(x) the Company withdraws the Hong Kong Public Offering Documents or the Global Offering;

then the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) may in its sole discretion and upon giving notice to the Company on or prior to 8:00 a.m. on the Listing Date, terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that (except pursuant to the Global Offering, including the Stock Borrowing Agreement and exercise of the Over-allotment Option or any issue of Shares or securities in compliance with Rule 10.08(1) to (4) of the Listing Rules) at any time during the period commencing on the date of this prospectus and ending on the expiry of the six-month period after the Listing Date, the Company will not, without the prior consent of the Stock Exchange and unless in compliance with the requirements of the Listing Rules, allot or issue or agree to allot or issue any Shares or other securities convertible into equity securities of the Company (including warrants or other convertible securities), whether or not of a class already listed, except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), he/it will not and will procure that the registered holder(s) of the Shares controlled by him/it will not:

(a) in the period commencing on the date by reference (the "**Reference Date**") to which disclosure of his/its shareholding is made in this prospectus and ending on the date (the "**End Date**") which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of our Company in respect of which he/it is shown by this prospectus to be the beneficial owner ("**Relevant Securities**"); or

(b) in the period of a further six months commencing on the End Date, dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, that he/it would cease to be a Controlling Shareholder.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to our Company that within the period commencing on the date of this prospectus and ending on the date which is 12 months from the Listing Date, he/it will:

(a) when he/it pledges or charges any Shares beneficially owned by him/it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company and the Stock Exchange in writing of such pledge or charge together with the number of Shares so pledged or charged; and

(b) when he/it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform our Company of such indications.

Our Company will inform the Stock Exchange as soon as we have been informed of matters referred in above by any of the Controlling Shareholders and disclose such matters by way of announcement pursuant to the requirements under the Listing Rules as soon as possible.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, the Company has undertaken to each of the Sole Global Coordinator, the Sole Sponsor and the Hong Kong Underwriters that:

(A) except pursuant to the Global Offering (including pursuant to the Over-allotment Option), it will not, without the prior written consent of the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, at any time from the date of the Hong Kong Underwriting Agreement until the expiry of six months from the Listing Date including the date falling six months after the Listing Date (the "**First Six-Month Period**"):

(i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right, warrant or contract to purchase or subscribe for, lend, purchase any option, right, warrant or contract to sell, or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase any of its share capital or other securities of the Company or any interest therein (including, but not limited to, any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein); or

(ii) enter into any swap, derivative, lending, repurchase, mortgage or other arrangement that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of ownership of such share capital or securities or any interest therein; or

(iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or

(iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in (i), (ii) or (iii) above,

whether any of the foregoing transactions described in sub-paragraphs (i) to (iv) above is to be settled by delivery of share capital or such other securities of the Company or shares or other securities of such other member of the Group, as applicable, or in cash or otherwise (whether or not the issue of shares or such other securities will be completed within the First Six-Month Period).

If the Company enters into any of the foregoing transactions described in sub-paragraphs (i) to (iv) above during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), the Company must take all necessary steps to ensure that it will not create a disorderly or false market in the securities of the Company.

Undertakings by our Controlling Shareholders

Pursuant to the Hong Kong Underwriting Agreement, each of our Controlling Shareholders has undertaken to the Sole Global Coordinator, the Sole Sponsor and the Hong Kong Underwriters that

(A) except pursuant to the Global Offering, the Over-allotment Option or if applicable, the Stock Borrowing Agreement, none of the Controlling Shareholders will, without the prior written consent of the Sole Global Coordinator and unless in compliance with the Listing Rules, at any time during the First Six-Month Period:

(i) offer, pledge, charge, mortgage, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, any of the share or debt capital or other securities of the Company or any interest therein (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein) whether now owned or hereinafter acquired, owned directly by the Controlling Shareholders (including holding as a custodian) or with respect to which any of the Controlling Shareholders has beneficial ownership (collectively the "Lock-up Shares") (the foregoing restriction is expressly agreed to preclude the Controlling Shareholders from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of the Lock-up Shares even if such Shares would be disposed of by someone other than the Controlling Shareholders, respectively. Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of the Lock-up Shares or with respect to any security that includes, relates to, or derives any significant part of its value from such Shares); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of ownership of any such capital or securities or any interest therein; or

(iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or

(iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in (i) to (iii) above,

whether any such transaction described in (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of the Company or shares or other securities of such other member of the Group, as applicable, in cash or otherwise (whether or not the issue of shares or such other securities will be completed within the aforesaid period).

During the Second Six-Month Period, the Controlling Shareholders will not enter into any of the foregoing transactions in sub-clauses (i), (ii) or (iii) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, any of the Controlling Shareholders will cease to be a "controlling shareholder" (as the term is defined in the Listing Rules) of the Company.

Until the expiry of the Second Six-Month period, in the event that any of the Controlling Shareholders enters into any such transactions or agrees or contracts to, or publicly announces an intention to enter into any such transactions, it/he will take all reasonable steps to ensure that it/he will not create a disorderly or false market in the securities of the Company.

(B) at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling 12 months after the Listing Date, he/it shall:

(i) if and when he/it pledges or charges any securities or interests in the securities of the Company beneficially owned by he/it, immediately inform the Company and the Sole Global Coordinator in writing of such pledge or charge together with the number of securities so pledged or charged; and

(ii) if and when he/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of the Company will be disposed of, immediately inform the Company and the Sole Global Coordinator in writing of such indications.

The Company agrees and undertakes that upon receiving such information in writing from any of the Controlling Shareholders, it shall, as soon as practicable and if required pursuant to the Listing Rules, notify the Stock Exchange and make a public disclosure in relation to such information by way of press announcement.

Each of the Company and the Controlling Shareholders has agreed to, jointly and severally, indemnify, amongst others, each of the Sole Global Coordinator, the Sole Sponsor and the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by the Company and the Controlling Shareholders of the Hong Kong Underwriting Agreement.

International Offering

In connection with the International Offering, it is expected that our Company will enter into the International Underwriting Agreement with, inter alia, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will severally agree to subscribe or purchase or procure subscribers for the International Offering Shares being offered pursuant to the International Offering.

Our Company intends to grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Underwriters at any time from within 30 days from the last date for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 37,500,000 additional Shares representing 15% of the Offer Shares initially offered under the Global Offering, at the same price per Share under the International Offering to cover over-allocations in the International Offering, if any.

Commissions and Expenses

The Underwriters will receive underwriting commissions at the rate of 2.5% of the aggregate Offer Price payable for the Offer Shares (including the Shares to be issued pursuant to the Overallotment Option). Furthermore, our Company agrees, at its sole and absolute discretion, to pay to the Underwriters a discretionary incentive fee. For any unsubscribed Hong Kong Public Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the relevant International Underwriters. The aggregate underwriting commissions, documentation fee, listing fees, Stock Exchange trading fee and transaction levy, legal and other professional fees, and printing and other expenses in relation to the Global Offering are estimated to amount to approximately HK$75.1 million in total (based on the Offer Price of HK$2.86 per Share, being the mid-point of the indicative Offer Price range of HK$2.20 to HK$3.52 per Share and assuming the Over-allotment Option is not exercised), and are payable by our Company.

ACTIVITIES BY SYNDICATE MEMBERS

The Underwriters, together referred to as "Syndicate Members", may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or the stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All of these activities may occur both during and after the end of the stabilizing period described in the paragraphs headed "Structure of the Global Offering — Over-allotment Option and Stock Borrowing Arrangement" and "Structure of the Global Offering — Stabilization" in this prospectus. These activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of their share price, and the extent to which this occurs from day to day cannot be estimated.

When engaging in any of these activities, it should be noted that the Syndicate Members are subject to certain restrictions, including the following:

- the Syndicate Members (other than the stabilizing manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

- all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

UNDERWRITERS' INTERESTS IN OUR COMPANY

The Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set out in the paragraph headed "— Underwriting Arrangements and Expenses — Commissions and Expenses" in this section for further information.

Save for their obligations under the Underwriting Agreements, as of the Latest Practicable Date, none of the Underwriters is interested legally or beneficially in any shares of any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Global Offering.

SOLE SPONSOR'S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(a) the Hong Kong Public Offering of 25,000,000 Shares (subject to adjustment as mentioned below) for subscription by the public in Hong Kong as described in the paragraph headed "— The Hong Kong Public Offering" in this section below; and

(b) the International Offering of an aggregate of 225,000,000 Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States (including professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S.

The 250,000,000 Shares initially being offered in the Global Offering will represent approximately 25% of our enlarged total number of issued Shares immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised. The underwriting arrangements, and the respective Underwriting Agreements, are summarized in the section headed "Underwriting" in this prospectus.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not apply under both of these methods for the Offer Shares.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a several basis under the terms of the Hong Kong Underwriting Agreement and is subject to the Company and the Sole Global Coordinator, on behalf of the Underwriters, agreeing on the Offer Price.

The Hong Kong Public Offering and the International Offering are subject to the conditions set forth in the paragraph headed "— Conditions of the Global Offering" in this section. The Hong Kong Underwriting Agreement and the International Underwriting Agreement are expected to be conditional upon each other.

Number of Shares Initially Offered

The Hong Kong Public Offering is a fully underwritten public offer (subject to agreement as to pricing and satisfaction or waiver of the other conditions set forth in the Hong Kong Underwriting Agreement and described in the paragraph headed "— Conditions of the Global Offering" in this section) for the subscription in Hong Kong of, initially 25,000,000 Shares at the Offer Price (representing 10% of the total number of the Offer Shares).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors.

Allocation

Allocation of Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

The total number of Offer Shares available under the Hong Kong Public Offering (after taking into account of any reallocation) is to be divided into two pools for allocation purposes: Pool A and Pool B. Accordingly, the maximum number of Hong Kong Public Offer Shares initially in Pool A and Pool B will be 12,500,000 and 12,500,000, respectively. The Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) or less. The Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK$5 million and up to a total value of Pool B (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable). Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 12,500,000 Hong Kong Public Offer Shares (being 50% of the Hong Kong Public Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached as further described below:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then an additional 50,000,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 75,000,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering prior to the exercise of the Overallotment Option;

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then an additional 75,000,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 100,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering prior to the exercise of the Overallotment Option; and

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then an additional 100,000,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 125,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering prior to the exercise of the Over-allotment Option.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator may in its sole discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Offering in such proportions as the Sole Global Coordinator deems appropriate.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator. If such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, in accordance with Guidance Letter HKEX-GL91-18, the maximum total number of Offer Shares that may be reallocated to the Hong Kong Public Offering will be 50,000,000 Shares, representing double of the initial allocation to the Hong Kong Public Offering, and the final Offer Price shall be fixed at the low-end of the indicative offer price range (that is, HK$2.20 per Offer Share) stated in this prospectus.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$3.52 per Offer Share in addition to the brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "— Pricing and Allocation" in this section below, is less than the maximum price of HK$3.52 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the section headed "How to Apply for the Hong Kong Public Offer Shares" in this prospectus.

References in this prospectus to applications, Application Forms, application or subscription monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

The International Offering is expected to be fully underwritten by the International Underwriters on a several basis. The Company expects to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

Number of Offer Shares Offered

Subject to reallocation as described above, the International Offering will consist of an initial offering of Offer Shares, representing 90% of the total number of Offer Shares initially available under the Global Offering (assuming the Over-allotment Option is not exercised). The International Offering will be offered by us outside of the United States in reliance on Regulation S.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the paragraph headed "— Pricing and Allocation" in this section below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and the Shareholders as a whole.

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION AND STOCK BORROWING ARRANGEMENT

We expect to grant to the International Underwriters, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 37,500,000 Shares, representing no more than 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering, to cover over-allocations in the International Offering, if any.

Pursuant to the Over-allotment Option, the Sole Global Coordinator has the right, exercisable at any time from the date of the International Underwriting Agreement up to the 30th day after the last day for lodging of applications under the Hong Kong Public Offering and from time to time, to require the Company to allot and issue up to an aggregate of 37,500,000 additional Offer Shares, representing 15% of the initial Offer Shares, at the same price per Offer Share at which Offer Shares were initially offered under the International Offering, to cover over-allocations in the International Offering, if any, on the same terms and conditions as the Offer Shares that are subject to the Global Offering. The Sole Global Coordinator may, at its option, also cover such over-allocations by purchasing the Offer Shares in the secondary market or through stock borrowing arrangements from holders of Shares or exercise of Over-allotment Option, or by a combination of these means or otherwise as may be permitted under applicable laws, rules and regulations. If the Sole Global Coordinator exercises the Over-allotment Option in full, the offer shares (including the shares allotted and issued pursuant to the exercise of the over-allotment option) will represent 15% of the total number of issued Shares immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a press announcement will be made.

In order to facilitate settlement of over-allocations in connection with the International Offering, the Stabilizing Manager may choose to borrow up to 37,500,000 shares from Huangyulin Holdings pursuant to the Stock Borrowing Agreement. The stock borrowing arrangement under the Stock Borrowing Agreement will comply with the requirement, set out in Rule 10.07(3) of the Listing Rules.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price is expected to be fixed by agreement between our Company and the Sole Global Coordinator on the Price Determination Date, which is expected to be on or around Wednesday, December 4, 2019 and in any event no later than Friday, December 6, 2019.

The Offer Price will not be more than HK$3.52 per Offer Share and is expected to be not less than HK$2.20 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with our consent, reduce the number of Offer Shares and/or the indicative Offer Price range below as stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause there to be published on the website of our Company (**www.chenlin-edu.com**) and the website of the Stock Exchange (**www.hkexnews.hk**) notices of the reduction. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by our Company and the Sole Global Coordinator, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon between our Company and the Sole Global Coordinator, will under no circumstances be set outside the Offer Price range stated in this prospectus.

In the event of a reduction in the number of Offer Shares, the Sole Global Coordinator may, at its discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Sole Global Coordinator.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of and results of allocations of Offer Shares under the Hong Kong Public Offering are expected to be announced on Thursday, December 12, 2019 on the website of our Company (**www.chenlin-edu.com**) and the website of the Stock Exchange (**www.hkexnews.hk**).

Reduction in Offer Price range and/or number of Offer Shares

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Sole Global Coordinator (on behalf of the Underwriters) considers it appropriate and together with the Group's consent, the indicative Offer Price range may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, the Company will as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering:

(a) issue a supplemental prospectus, as the relevant laws or government authority or regulatory authorities may require as soon as practicable following the decision to make the change, updating investors of the change in the indicative Offer Price together with an update of all financial and other information in connection with such change;

(b) extend the period under which the Global Offering was open for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their existing subscriptions; and

(c) give potential investors who had applied for the Offer Shares the right to withdraw their applications given the change in circumstances.

In the absence of the publication of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus. If the number of Offer Shares and/or the indicative Offer Price range is reduced, applicants who have submitted an application under the Hong Kong Public Offering will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed are received.

Before submitting applications for Hong Kong Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and a number of other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. First Shanghai Securities Limited has been appointed as the Stabilizing Manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilizing) Rules made under the Hong Kong Securities and Futures Ordinance.

Any such stabilizing activity will be made in compliance with all applicable laws, rules and regulations in place in Hong Kong on stabilization including the Securities and Futures (Price Stabilizing) Rules made under the Hong Kong Securities and Futures Ordinance. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for it to do this. Such stabilization, if commenced, will be conducted at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period. Any such stabilization activity is required to be brought to an end within 30 days from the last date for lodging application under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not be greater than the number of Shares which may be sold upon exercise of the Over-allotment Option, being 37,500,000 Shares, which is 15% of the Shares initially available under the Global Offering.

Following any over-allotment of Shares in connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it may take all or any of the following stabilizing actions in Hong Kong during the stabilization period to cover such over-allotment. The possible stabilizing action which may be taken by the Stabilizing Manager, its affiliates or any person acting for it in connection with the Global Offering may involve (i) purchases of Shares, (ii) establishing, hedging and liquidating positions in Shares, (iii) exercising the Over-allotment Option in whole or in part, (iv) stock borrowing and/or (v) offering or attempting to do any of (i), (ii), (iii) or (iv) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it may, in connection with the stabilizing action, maintain a long position in the Shares;

- there is no certainty regarding the extent to which and the time or period for which the Stabilizing Manager, its affiliates or any person acting for it will maintain such a long position;

- liquidation of any such long position by the Stabilizing Manager, its affiliates or any person acting for it may have an adverse impact on the market price of the Shares;

- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date, and is expected to expire on the 30th day after the date of closing of the application lists under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

OVER-ALLOCATION

Following any over-allocation of Shares in connection with the Global Offering, the Sole Global Coordinator, its affiliates or any person acting for them may cover such over-allocation by using Shares purchased by the Stabilizing Manager, its affiliates or any person acting for it in the secondary market, exercising the Over-allotment Option in full or in part, or through the stock borrowing arrangements mentioned below or by a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilization, the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which may be sold pursuant to the exercise in full of the Over-allotment Option, being 37,500,000 Shares, representing no more than 15% of the Offer Shares initially available under the Global Offering.

CONDITIONS OF THE GLOBAL OFFERING

Acceptances of all applications for Offer Shares will be conditional on:

(a) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(b) the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date;

(c) the execution and delivery of the International Underwriting Agreement and the Stock Borrowing Agreement on or before the Price Determination Date; and

(d) the obligations of the Hong Kong Underwriter under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times);

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator on or before Friday, December 6, 2019, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.chenlin-edu.com** on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for the Hong Kong Public Offer Shares" in this prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

We expect to issue share certificates for the Offer Shares on Thursday, December 12, 2019. Share certificates issued in respect of Hong Kong Public Offer Shares will only become valid at 8:00 a.m. on the Listing Date provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the paragraph headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for termination" in this prospectus has not been exercised.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including Shares which may be issued pursuant to the exercise of the Over-allotment Option).

No part of our Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made for the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, December 13, 2019, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, December 13, 2019. The Shares will be traded in board lots of 2,000 Shares each. The stock code of the Shares is 1593.

1. HOW TO APPLY

If you apply for Hong Kong Public Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Public Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering;
- an associate or a close associate (both as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG PUBLIC OFFER SHARES

Which Application Channel to Use

For Hong Kong Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, November 27, 2019 until 12:00 noon on Monday, December 2, 2019 from:

(i) any of the following offices of the Hong Kong Underwriters:

First Shanghai Securities Limited
19/F., Wing On House
71 Des Voeux Road Central
Hong Kong

CEB International Capital Corporation Limited
22/F, AIA Central
1 Connaught Road Central
Hong Kong

China Galaxy International Securities (Hong Kong) Co., Ltd.
20/F Wing On Centre
111 Connaught Road Central
Hong Kong

ABCI Securities Company Limited
10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

Haitong International Securities Company Limited
22/F Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

First Capital Securities Limited
Unit 4512, 45/F., The Center
99 Queen's Road Central
Hong Kong

Zhongtai Financial International Limited
19/F, Li Po Chun Chambers
189 Des Voeux Road Central
Central
Hong Kong

Huineng Securities Limited
Room 6111–6112, 61/F, The Center
99 Queen's Road Central
Hong Kong

ChaoShang Securities Limited
Room 2206–10, China Resources Building
26 Harbour Road
Wan Chai
Hong Kong

Livermore Holdings Limited
Unit 1214A, 12/F, Tower II Cheung Sha Wan Plaza
833 Cheung Sha Wan Road
Kowloon
Hong Kong

Guoyuan Capital (Hong Kong) Limited
22/F, CCB Tower
3 Connaught Road Central
Hong Kong

(ii) any of the branches of Bank of China (Hong Kong) Limited:

District	Branch Name	Address
Hong Kong	Central District (Wing On House) Branch	B/F–2/F, Wing On House, 71 Des Voeux Road Central, Hong Kong
Kowloon	Telford Plaza Branch	Shop Unit P2–P7, Telford Plaza, No. 33 Wai Yip Street, Kowloon Bay, Kowloon
New Territories	City One Sha Tin Branch	Shop Nos. 24–25, G/F, Fortune City One Plus, No. 2 Ngan Shing Street, Sha Tin, New Territories
	Tseung Kwan O Plaza Branch	Shop 112–125, Level 1, Tseung Kwan O Plaza, Tseung Kwan O, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, November 27, 2019 until 12:00 noon on Monday, December 2, 2019 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to BANK OF CHINA (HONG KONG) NOMINEES LIMITED — CHEN LIN EDUCATION GROUP PUBLIC OFFER for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Wednesday, November 27, 2019 — 9:00 a.m. to 5:00 p.m.
- Thursday, November 28, 2019 — 9:00 a.m. to 5:00 p.m.
- Friday, November 29, 2019 — 9:00 a.m. to 5:00 p.m.
- Saturday, November 30, 2019 — 9:00 a.m. to 1:00 p.m.
- Monday, December 2, 2019 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, December 2, 2019, the last application day or such later time as described in the paragraph headed "— 10. Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Sole Global Coordinator(or its agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of the Company, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to the Company, our Hong Kong Share Registrar, receiving bank, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Public Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Public Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in the paragraph headed "— 2. Who can apply" in this section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, November 27, 2019 until 11:30 a.m. on Monday, December 2, 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, December 2, 2019 or such later time under the paragraph headed "— 10. Effect of Bad Weather on the Opening of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Commitment to Sustainability

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 for each "**Chen Lin Education Group Holdings Limited**" **White Form eIPO** application submitted via the website **www.eipo.com.hk** to support sustainability.

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System **https://ip.ccass.com** (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F
One & Two Exchange Square
8 Connaught Place
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Sole Global Coordinator and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Public Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;

- declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;

- confirm that you understand that the Company, the Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of the Company, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving bank, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong

Kong) if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Public Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Public Offer Shares. Instructions for more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions[(1)]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Wednesday, November 27, 2019 — 9:00 a.m. to 8:30 p.m.
- Thursday, November 28, 2019 — 8:00 a.m. to 8:30 p.m.
- Friday, November 29, 2019 — 8:00 a.m. to 8:30 p.m.
- Monday, December 2, 2019 — 8:00 a.m. to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, November 27, 2019 until 12:00 noon on Monday, December 2, 2019 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, December 2, 2019, the last application day or such later time as described in the paragraph headed "— 10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bank, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Public Offer Shares through the **White Form eIPO** service is also only a facility provided by the White Form eIPO Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Monday, December 2, 2019.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 2,000 Hong Kong Public Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the paragraph headed "Structure of the Global Offering — Pricing and Allocation" in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, December 2, 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, December 2, 2019 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offer Shares on Thursday, December 12, 2019 on the Company's website at **www.chenlin-edu.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.chenlin-edu.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Thursday, December 12, 2019;
- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, December 12, 2019 to 12:00 midnight on Wednesday, December 18, 2019;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Thursday, December 12, 2019 to Sunday, December 15, 2019;
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, December 12, 2019 to Saturday, December 14, 2019 at all the designated branches of the receiving bank.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Public Offer Shares is void:

The allotment of Hong Kong Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Public Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Sole Global Coordinator believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$3.52 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Global Offering are not fulfilled in accordance with the paragraph headed "Structure of the Global Offering — Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, December 12, 2019.

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Public Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Thursday, December 12, 2019. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, December 13, 2019 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, December 12, 2019 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Thursday, December 12, 2019, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Thursday, December 12, 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, December 12, 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

  For Hong Kong Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

  The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in the paragraph headed "— 11. Publication of Results" in this section above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, December 12, 2019, or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, December 12, 2019, or such other date as notified by the Company in the newspapers as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, December 12, 2019 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Public Offer Shares

For the purposes of allocating Hong Kong Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, December 12, 2019, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in the paragraph headed "— 11. Publication of Results" in this section. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, December 12, 2019 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, December 12, 2019. Immediately following the credit of the Hong Kong Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, December 12, 2019.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of 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.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHEN LIN EDUCATION GROUP HOLDINGS LIMITED AND FIRST SHANGHAI CAPITAL LIMITED

Introduction

We report on the historical financial information of Chen Lin Education Group Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-4 to I-63, which comprises the consolidated balance sheets as at 31 December 2016, 2017 and 2018 and 31 May 2019, the balance sheets of the Company as at 31 December 2018 and 31 May 2019, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years or period then ended (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-4 to I-63 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 27 November 2019 (the "**Prospectus**") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

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 presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors 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 accountant's 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**").

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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 accountant's 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 accountant considers internal control relevant to the Group's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 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 Group's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2018 and 31 May 2019, and the consolidated financial position of the Group as at 31 December 2016, 2017 and 2018 and 31 May 2019 and of the Group's consolidated financial performance and consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statements of comprehensive income, changes in equity and cash flows for the five months ended 31 May 2018 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 presentation and preparation set out in Notes 1.3 and 2.1 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 International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the International Auditing and Assurance Standards Board. 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 International 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 accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") 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-4 have been made.

Dividends

We refer to Note 32 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 November 2019

I 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 accountant's report. The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers Zhong Tian LLP in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("**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.

A. Consolidated statements of comprehensive income

		Year ended 31 December			Five months ended 31 May	
		2016	2017	2018	2018	2019
	Note	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	*5*	166,039	182,895	214,962	80,515	92,969
Cost of sales	*8*	(53,811)	(52,778)	(61,659)	(21,234)	(27,569)
Gross profit		112,228	130,117	153,303	59,281	65,400
Other income	*6*	7,373	11,159	25,509	8,322	7,845
Other expenses	*6*	(747)	(702)	(4,079)	(1,148)	(1,009)
Other gains/(losses) — net	*7*	(286)	(1,961)	960	1,356	(933)
Net impairment losses on financial assets	*8*	(2,204)	(2,985)	(3,591)	(1,035)	(2,395)
Selling expenses	*8*	(12,024)	(8,539)	(9,435)	(2,665)	(2,367)
Administrative expenses	*8*	(21,436)	(23,822)	(46,374)	(14,906)	(16,368)
Operating profit		82,904	103,267	116,293	49,205	50,173
Finance income	*10*	1,028	805	107	9	29
Finance costs	*10*	(40,564)	(30,508)	(24,156)	(12,962)	(8,899)
Finance costs — net	*10*	(39,536)	(29,703)	(24,049)	(12,953)	(8,870)
Profit before income tax		43,368	73,564	92,244	36,252	41,303
Income tax expense	*11*	(2,223)	(3,591)	(9,010)	(2,641)	(1,926)
Profit for the year/period		41,145	69,973	83,234	33,611	39,377
Other comprehensive income for the year/period		—	—	—	—	—
Profit and total comprehensive income for the year/period, all attributable to owners of the Company		41,145	69,973	83,234	33,611	39,377
Earnings per share attributable to owners of the Company for the year/period						
Basic and diluted *(Note)*	*12*	1.74	2.96	3.52	1.42	1.66

Note: Earnings per share has not taken into account the proposed share subdivision and capitalisation issue pursuant to the written resolution passed by the shareholders on 18 November 2019 as the proposed share subdivision and capitalisation issue has not become effective as at the date of this report.

B. Consolidated balance sheets

		As at 31 December			As at 31 May
		2016	2017	2018	2019
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Non-current assets					
Right-of-use assets	*13*	44,331	43,217	42,103	41,638
Property, plant and equipment	*14*	649,759	667,995	718,292	740,621
Intangible assets	*15*	858	673	495	440
Prepayments for non-current assets	*16*	991	1,440	37,774	3,445
Restricted bank balances	*20*	—	—	4,000	4,000
		695,939	713,325	802,664	790,144
Current assets					
Trade receivables	*18*	1,751	1,869	11,829	14,579
Other receivables and prepayments	*19*	26,330	9,703	11,069	11,320
Amounts due from related parties	*29(c)*	47,481	68,929	2	2
Cash and cash equivalents	*20*	1,534	26,314	38,508	23,874
		77,096	106,815	61,408	49,775
Total assets		773,035	820,140	864,072	839,919
Equity and liabilities					
Equity attributable to owners of the Company					
Share capital	*21*	—	—	2	2
Capital reserve	*22*	32,000	32,000	30,000	30,000
Statutory surplus reserves	*22*	11,106	28,564	54,230	65,091
Retained earnings		23,821	76,336	135,904	164,420
Total equity		66,927	136,900	220,136	259,513

B. Consolidated balance sheets *(continued)*

		As at 31 December			As at 31 May
		2016	2017	2018	2019
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities					
Non-current liabilities					
Borrowings	*25*	243,500	318,849	353,000	375,500
Deferred revenue	*26*	12,431	11,019	16,400	16,522
Contract liabilities	*5*	7,870	5,056	3,223	3,975
Other non-current liabilities	*24*	—	—	5,294	5,438
		263,801	334,924	377,917	401,435
Current liabilities					
Other payables	*23(a)*	107,912	64,099	73,490	58,623
Amounts due to related parties	*29*	1,350	870	442	883
Borrowings	*25*	237,611	179,464	65,470	68,886
Current income tax liabilities		5,481	9,064	18,074	19,469
Deferred revenue	*26*	1,542	1,590	1,590	736
Contract liabilities	*5*	88,411	93,229	106,953	30,374
		442,307	348,316	266,019	178,971
Total liabilities		706,108	683,240	643,936	580,406
Total equity and liabilities		773,035	820,140	864,072	839,919
Net current liabilities		(365,211)	(241,501)	(204,611)	(129,196)
Total assets less current liabilities		330,728	471,824	598,053	660,948

C. Balance sheets of the Company

	Note	As at 31 December 2018 RMB'000	As at 31 May 2019 RMB'000
Non-current assets			
Investments in subsidiaries	*33*	789,000	789,000
Current assets			
Other receivables and prepayments	*19*	4,579	5,771
Amounts due from related parties	*29*	2	2
Total assets		793,581	794,773
Current liabilities			
Other payables	*23(b)*	5,269	3,967
Amounts due to a subsidiary	*29(c)*	16,802	23,126
Total liabilities		22,071	27,093
Equity			
Share capital	*21*	2	2
Other reserves	*22*	789,000	789,000
Accumulated losses		(17,492)	(21,322)
Total equity		771,510	767,680
Total equity and liabilities		793,581	794,773

D. Consolidated statements of changes in equity

		Equity attributable to owners of the Company				
		Share capital	Capital reserve	Statutory surplus reserves	(Accumulated losses)/ retained earnings	Total
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2016		—	32,000	782	(7,000)	25,782
Profit for the year		—	—	—	41,145	41,145
Profit appropriation to statutory reserves	22	—	—	10,324	(10,324)	—
Balance at 31 December 2016		—	32,000	11,106	23,821	66,927
Balance at 1 January 2017		—	32,000	11,106	23,821	66,927
Profit for the year		—	—	—	69,973	69,973
Profit appropriation to statutory reserves	22	—	—	17,458	(17,458)	—
Balance at 31 December 2017		—	32,000	28,564	76,336	136,900
Balance at 1 January 2018		—	32,000	28,564	76,336	136,900
Profit for the year		—	—	—	83,234	83,234
Completion of reorganisation	21	2	—	—	—	2
Profit appropriation to statutory reserves	22	—	—	26,080	(26,080)	—
Wound up subsidiary *(Note)*		—	(2,000)	(414)	2,414	—
Balance at 31 December 2018		2	30,000	54,230	135,904	220,136

Note: On 21 September 2018, Jiangxi City Technician College, a technician school under the School, was wound up since it had not carried out activities for years.

D. Consolidated statements of changes in equity *(continued)*

		Equity attributable to owners of the Company				
		Share capital	Capital reserve	Statutory surplus reserves	Retained earnings	Total
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2019		2	30,000	54,230	135,904	220,136
Profit for the year		—	—	—	39,377	39,377
Profit appropriation to statutory reserves		—	—	10,861	(10,861)	—
Balance at 31 May 2019		2	30,000	65,091	164,420	259,513
(unaudited)						
Balance at 1 January 2018		—	32,000	28,564	76,336	136,900
Profit for the year		—	—	—	33,611	33,611
Profit appropriation to statutory reserves		—	—	9,584	(9,584)	—
Balance at 31 May 2018		—	32,000	38,148	100,363	170,511

E. Consolidated statements of cash flows

		Year ended 31 December			Five months ended 31 May	
		2016	2017	2018	2018	2019
	Note	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cash flows from operating activities						
Cash generated from/(used in) operations	*27*	112,707	106,390	158,898	(1,074)	(19,906)
Income tax paid		(21)	(8)	—	—	(531)
Net cash generated from/(used in) operating activities		112,686	106,382	158,898	(1,074)	(20,437)
Cash flows from investing activities						
Loan repayments received from/(loans to) related parties		23,590	(16,448)	54,429	18,363	—
Government grants received relating to purchase of property, plant and equipment	*26*	327	182	7,160	—	—
Loan repayments received from third parties		—	19,348	2,000	—	—
Proceeds from disposal of property, plant and equipment	*27(b)*	3,921	82	535	17	248
Interest received		154	1,679	107	9	29
Proceeds from disposal of financial assets at fair value through profit or loss		2,271	—	—	—	—
Loans to third parties		(767)	—	—	—	—
Purchases of intangible assets		(35)	—	—	—	—
Purchases of property, plant and equipment		(33,470)	(73,119)	(93,110)	(13,541)	(10,699)
Others		79	—	—	—	—
Net cash (used in)/generated from investing activities		(3,930)	(68,276)	(28,879)	4,848	(10,422)

E. Consolidated statements of cash flows *(continued)*

		Year ended 31 December			Five months ended 31 May	
		2016	**2017**	**2018**	**2018**	**2019**
	Note	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000 (unaudited)**	**RMB'000**
Cash flows from financing activities						
Borrowings from banks		68,000	142,000	140,000	—	30,000
Borrowings from third parties		6,775	28,044	2,886	—	—
Borrowings/(repayment of borrowings) from related parties		525	(480)	(428)	444	441
Professional expenses paid in connection with the issuance of new shares during the listing process		—	(50)	(3,460)	(1,870)	(1,385)
Increase in restricted bank balances		—	—	(4,000)	—	—
Interest paid		(40,328)	(31,590)	(29,729)	(14,780)	(8,511)
Repayment of borrowings to third parties		(17,052)	(1,800)	(42,714)	(3,273)	(200)
Repayment of borrowings to banks		(173,900)	(149,450)	(180,380)	(2,200)	(4,120)
Net cash (used in)/generated from financing activities		(155,980)	(13,326)	(117,825)	(21,679)	16,225
Net (decrease)/increase in cash and cash equivalents		(47,224)	24,780	12,194	(17,905)	(14,634)
Cash and cash equivalents at the beginning of year/period		48,758	1,534	26,314	26,314	38,508
Cash and cash equivalents at the end of year/period	20	1,534	26,314	38,508	8,409	23,874

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF THE GROUP

1 General information of the Group, reorganisation and basis of presentation

1.1 General information

The Company was incorporated in the Cayman Islands on 25 May 2018 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cayman Corporate Centre 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together "**the Group**") provide private comprehensive educational services in Jiangxi province of the People's Republic of China (the "**PRC**") (the "**Listing Business**").

The ultimate controlling party of the Group is Mr. Huang Yulin, who is an executive director and the chairman of the board of directors (the "**Board**") of the Company (the "**Controlling Shareholder**").

1.2 History and the reorganisation of the Group

Immediately prior to the Reorganisation as defined below and during the Track Record Period, the main operating activities of the Group were carried out by Nanchang Di Guan Education Consultancy Co., Ltd. ("南昌迪冠教育諮詢有限公司", "**Nanchang Di Guan**") and Jiangxi University of Applied Science ("江西應用科技學院", "**the School**") (collectively the "**Consolidated Affiliated Entities**"). Nanchang Di Guan is established in the PRC and ultimately controlled by Mr. Huang Yulin, the Controlling Shareholder of the Company.

In preparation for the initial public offering of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent a reorganisation (the "**Reorganisation**"), pursuant to which the beneficial interests of Nanchang Di Guan, the School and the companies engaged in the Listing Business were transferred to the Company. Details of the Reorganisation are set out below:

Incorporation of the Company and the intermediate holding companies

On 25 May 2018, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK$ 380,000 divided into 3,800,000 ordinary shares with a par value of HK$0.10 each. On the same day, one ordinary share was allotted and issued at par value to the initial subscriber, and was subsequently transferred to Huangyulin Holdings Limited, a company incorporated in the British Virgin Islands ("**BVI**") and wholly-owned by Mr. Huang Yulin, the Controlling Shareholder. On 24 July 2018 the Company then issued and allotted an additional 16,249 shares at par value to Huangyulin Holdings Limited, 2,250 shares at par value to Chen Lin Elite Holdings Limited, a company incorporated in the BVI and wholly-owned by Huang Yulin Holdings, 3,250 shares at par value to Huangyuan Holdings Limited, a company incorporated in the BVI and wholly-owned by Ms. Huang Yuan and 3,250 shares at par value to Huangguandi Holdings Limited, a company incorporated in the BVI and wholly-owned by Mr. Huang Guandi. Ms. Huang Yuan and Mr. Huang Guandi are the daughter and son of Mr. Huang Yulin, respectively. Upon the issuance and allotment of shares, Mr. Huang Yulin, Ms. Huang Yuan and Mr. Huang Guandi effectively own 74%, 13% and 13% equity interest of the Company, respectively.

On 4 June 2018, Chen Lin Education Development Limited ("**Chen Lin BVI**") was incorporated as a limited liability company under the laws of the BVI, one ordinary share was issued and allotted to the Company at US$1 per share on the same day.

On 14 June 2018, Hong Kong Chen Lin Education Development Limited ("**Chen Lin Hong Kong**") was incorporated in Hong Kong as a limited liability company. On the same day, one ordinary share of HK$0.10 per share, represents the entire equity interest of Chen Lin Hong Kong, was issued and allotted to Chen Lin BVI at par value.

On 15 July 2018, as part of Mr. Huang's family arrangement, Mr. Huang Yulin, being the then sole shareholder of Nanchang Di Guan, transferred 13% and 13% of his equity interest in Nanchang Di Guan to Ms. Huang Yuan and Mr. Huang Guandi, respectively, at nil consideration.

From August to September 2018, Nanchang Di Guan underwent a restructuring to dispose of its subsidiary companies and investments that were engaged in businesses other than the Listing Business, through liquidation, winding up and disposal of these companies and investments to independent third parties. These companies and investments were not included in the Group's consolidated financial statements during the Track Record Period.

On 5 September 2018, Chen Lin Education Science (Jiangxi) Co., Ltd. ("辰林教育科技(江西)有限責任公司" "**Chen Lin Education Science**") was established by Chen Lin Hong Kong in the PRC as a wholly-foreign owned enterprise with a registered capital of RMB300,000,000.

On 15 September 2018, Chen Lin Education Science, the Consolidated Affiliated Entities and the equity shareholders including Mr. Huang Yulin, Ms. Huang Yuan and Mr. Huang Guandi, entered into a series of contractual agreements (the "**Contractual Agreements**"), pursuant to which Chen Lin Education Science is able to effectively control the operating and financial decisions of the Consolidated Affiliated Entities and became entitled to the economic benefits generated by these entities. Accordingly, Consolidated Affiliated Entities are regarded as subsidiaries of Chen Lin Education Science. Further details of the Contractual Agreements are set out in Note 2.2 (a) below.

On 21 September 2018, Jiangxi City Technician College, a technician school under the School, was wound up since it had not carried out activities since 2014.

Upon completion of the Reorganisation in September 2018, and as at the date of this report, the Company has direct or indirect interests in the following subsidiaries:

Company name	Date of incorporation	Country/Place of incorporation, legal status	Paid in capital as of 31 December 2018 and 31 May 2019	Effective interest held as at 31 December 2016	Effective interest held as at 31 December 2017	Effective interest held as at 31 December 2018	Effective interest held as at 31 May 2019	Principal activities	Note
Directly hold:									
Chen Lin BVI	4 June 2018	BVI	USD1	N/A	N/A	100%	100%	Investment holding	(i)
Indirectly hold:									
Chen Lin Hong Kong	14 June 2018	Hong Kong, limited liability company	HK$0.10	N/A	N/A	100%	100%	Investment holding	(i)
Chen Lin Education Science	5 September 2018	PRC, limited liability company	RMB300,000,000	N/A	N/A	100%	100%	Investment holding	(i)
Nanchang Di Guan	17 September 2009	PRC, limited liability company	RMB10,000,000	100%	100%	100%	100%	Investment holding	(ii)
Jiangxi University of Applied Science	11 April 2002	PRC, school	RMB20,000,000	100%	100%	100%	100%	College operations	(ii)

Note (i): No audited statutory financial statements were prepared for these subsidiaries as they are newly incorporated or not required to issue audited financial statements under local statutory requirements of their respective places of incorporation.

Note (ii): There are no statutory audit requirements under the applicable law in the place of incorporation of the entity.

Note (iii): These subsidiaries had statutory accounting year end date of 31 December. For the purpose of this financial information, the director of the Company (the "**Directors**") have prepared historical financial information of these subsidiaries as at and for the year ended 31 December 2016, 2017 and 2018 and 31 May 2019 for inclusion of their financial information in the Group's consolidated accounts. The statutory financial statements of the subsidiaries established in the PRC were prepared in accordance with the relevant accounting principles and financial regulations applicable to the PRC enterprises. The financial information of the School were audited by Jiang Xi Daxinchengxin CPA Co., Ltd. ("江西大信誠信會計師事務所有限責任公司") for the year ended 31 December 2016 and 2017 and by Jiangxi Zhengxin CPA Co., Ltd. ("江西正信會計師事務所有限責任公司") for the year ended 31 December 2018.

* The English names of certain subsidiaries referred to above represent the best effort made by management of the Company to directly translate the Chinese names as they have not registered any official English names.

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Listing Business was mainly conducted by the Consolidated Affiliated Entities, and was managed and controlled by the Controlling Shareholder. Pursuant to the Reorganisation, the Consolidated Affiliated Entities and the Listing Business carried out by the Consolidated Affiliated Entities are effectively controlled by Chen Lin Education Science and ultimately the Company through the Contractual Agreements. Further details of the Contractual Agreements are set out in Note 2.2(a) below. The Company had not been involved in any other business prior to the Reorganisation and the Reorganisation does not result in any changes in management, owner and business substance. Accordingly the Group resulting from the Reorganisation is regarded as a continuation of the Listing Business and the Historical Financial Information of the companies now comprising the Group have been prepared on a consolidated basis and is presented using the respective carrying value of the Listing Business for all years and periods presented.

Inter-company transactions, balances and unrealised gains/losses on transactions between the companies within the Group are eliminated on consolidation.

1.4 Going concern

As at 31 December 2016, 2017 and 2018 and 31 May 2019, the Group had net current liabilities of RMB365,211,000, RMB241,501,000, RMB204,611,000 and RMB129,196,000 respectively. Taking into account of the current portion of contract liabilities, which will not result in cash payment in the future, the actual deficit of the net working capital would be RMB276,800,000, RMB148,272,000, RMB97,658,000 and RMB98,822,000 as at 31 December 2016, 2017 and 2018 and 31 May 2019 respectively. Historically, the Group relied principally on both operational sources of cash and non-operational sources of financing from banks, related parties and shareholder to fund its operation and business development. In light of the financial resources of the Group, including the anticipated operating cash inflow of the Group and financing from banks, the Directors are of the view that the Group has sufficient cash flows in the foreseeable future to enable it to continue its operation and meet its liabilities as and when they fall due for at least the next 12 months from the balance sheet dates. Therefore, the Historical Financial Information has been prepared on a going concern basis.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years/periods presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Group has been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**") issued by International Accounting Standards Board ("**IASB**").

The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of Historical Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

New standards and amendments not yet adopted

New standards and amendments that have been issued but not yet effective and not been early adopted by the Group during the Track Record Period are as follows. None of these is expected to have a significant effect on the Historical Financial Information of the Group.

New standards and amendments	**Effective for annual periods beginning on or after**
IFRS 17 'Insurance Contracts'	1 January 2021
Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	To be determined
Conceptual Framework for Financial Reporting	1 January 2020
Amendments to IAS 1 and IAS 8 'Definition of Material'	1 January 2020
Amendments to IFRS 3 'Definition of a Business'	1 January 2020

Based on the Group's current assessment, the Directors do not expect a material impact on the Group's financial position and performance as a result of the adoption of these new standards and amendments when they become effective.

New standards as further illustrated below, amendments to standards and interpretations, which are mandatory for the financial year beginning 1 January 2018 or 1 January 2019, are consistently applied to the Group throughout the Track Record Period.

IFRS 9 "Financial Instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. It applies the guidance in IAS 39 that relates to the classification and measurement of financial instruments. The standard is effective for annual periods beginning 1 January 2018. The Group has applied IFRS 9 consistently throughout the Track Record Period.

IFRS 15 "Revenue from Contracts with Customers" replaces revenue standards IAS 18 "Revenue" and IAS 11 "Construction Contracts" and related interpretations. The standard is effective for annual period beginning 1 January 2018. The Group had applied IFRS 15 consistently throughout the Track Record Period.

IFRS 16 "Leases" is mandatorily effective for annual periods beginning on or after 1 January 2019. IFRS 16 has resulted in almost all leases being recognised in the consolidated statements of financial position by lessees, as the distinction between operating and financial leases is removed. Under this standard, an asset (the right-to-use the leased item) and a financial liability to pay rentals is recognised. The only exceptions are short-term and low-value leases. The Group had applied IFRS 16 consistently throughout the Track Record Period.

2.2 *Principles of consolidation and equity accounting*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Subsidiaries controlled through Contractual Arrangements

As part of the Reorganisation described in Note 1.2, a wholly-owned subsidiary of the Company, Chen Lin Education Science, has entered into a series of Contractual Agreements with Nanchang Di Guan, the School and the equity shareholders including Mr. Huang Yulin, Ms. Huang Yuan and Mr. Huang Guandi. The Contractual Agreements enable Chen Lin Education Science and the Group to:

- exercise effective financial and operational control over the Consolidated Affiliated Entities;
- exercise equity voting rights of the Consolidated Affiliated Entities;
- receive substantially all of the economic interest returns generated by the Consolidated Affiliated Entities in consideration for the corporate management and educational management consultancy services, as well as technical and business support services provided by Chen Lin Education Science. Such services include development, design, upgrade and ordinary maintenance on educational software and website; design on college course and major; compilation and selection and/or recommendation on college course materials; recruitment and training supporting on teachers and other employees; admission and enrollment supporting services; public relation services; market research and development services; management and marketing consulting and related services; and other additional services as the parties may mutually agree from time to time;
- obtain an irrevocable and exclusive right to purchase all of equity interests in the Consolidated Affiliated Entities from the respective equity holders at nil consideration or a minimum purchase price permitted under PRC laws and regulations. Chen Lin Education Science may exercise such options at any time until it has acquired all equity interests in and/or all assets of the Consolidated Affiliated Entities permitted under the PRC laws and regulations. In addition, the Consolidated Affiliated Entities are not allowed to sell, transfer, or dispose any assets, or make any distributions to their equity holders without prior consent of Chen Lin Education Science; and
- obtain a pledge over the entire equity interest of the Consolidated Affiliated Entities from their equity holders to secure performance of the obligations of the Consolidated Affiliated Entities under the Contractual Agreements.

The Group does not have any equity interest in the Consolidated Affiliated Entities. However, as a result of the Contractual Agreements, the Group has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities and is considered to control the Consolidated Affiliated Entities. Accordingly, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries under IFRSs. The Group has consolidated the financial position and financial results of the Consolidated Affiliated Entities in the Historical Financial Information of the Group during the Track Record Period. Please refer to Note 1.3 for details of the related presentation basis.

Nevertheless, the Contractual Agreements may not be as effective as direct legal ownership in providing the Group direct control over the Consolidated Affiliated Entities, due to the uncertainties presented by the PRC legal system to impede the Group's beneficiary rights of the results, assets and liabilities of the Consolidated Affiliated Entities. The Directors, based on the advice of the Company's legal counsel, consider that the Contractual Agreements with the Consolidated Affiliated Entities and their equity shareholders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

(b) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised as a gain directly in the consolidated statements of comprehensive income.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

(c) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(d) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill. Investments in subsidiaries are also assessed for impairment and written down to their recoverable amounts in accordance with note 2.9.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("**CODM**"). CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Company's Board that makes strategic decisions.

2.5 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("**the functional currency**"). The Historical Financial Information are presented in Renminbi ("**RMB**"), which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end/period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised as profit or loss in the consolidated statements of comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equity instrument measured at fair value through other comprehensive income (FVOCI) are recognised in other comprehensive income. The Group does not have non-monetary items measured at fair value in a foreign currency during the Track Record Period.

2.6 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate are initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and

- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Group's right-of-use assets consist of up-front payments to acquire long-term interest in the usage of land, which are stated at cost less accumulated amortisation and accumulated impairment losses. Cost represents consideration paid for the rights to use the land and other direct related costs from the date when the respective rights were granted. Amortisation of prepaid land lease payments is calculated on a straight-line basis over the lease terms as stated in the relevant land use right certificates granted for usage by the Group in the PRC or the best estimate based on the normal terms in the PRC and is charged to profit or loss in the consolidated statements of comprehensive income.

2.7 Property, plant and equipment

Property, plant and equipment (other than construction in progress) are stated at historical cost less depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting year/period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs, net of their residual values, over their estimated useful lives as follows:

Buildings and building improvements	5–50 years
Electronic equipment	3–12 years
Office furniture and fixtures	6–20 years
Vehicles	12 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Building improvements are mainly costs for painting the walls of buildings with new environmental protection materials. The useful life of building improvements is estimated to be 5 years.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Construction in progress represents properties under construction and is stated at cost less accumulated impairment losses. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time as the assets are completed and are ready for operational use.

2.8 Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring the specific software into usage. These costs are amortised using the straight-line method over their estimated useful lives varying from 8 to 12 years. Costs associated with maintaining computer software programmes are recognised as expense as incurred. The length of useful life of an intangible asset is determined based on (i) estimated period during which such assets can bring economic benefits to the Group; and (ii) the useful life estimated on software of similar nature and functions. The Group reviews the length of useful life at each year end.

2.9 Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in profit or loss of the consolidated statements of comprehensive income.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in "other gains/(losses) — net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "other gains/(losses) — net" and impairment losses are presented as a separate line item in profit or loss of the consolidated statements of comprehensive income.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within "other gains/(losses) — net" in the period in which it arises.

(iii) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment on other receivables and amounts due from related parties is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheets where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the relevant company or the counterparty.

2.12 Trade and other receivables and amounts due from related parties

Trade receivables are amounts due from students of university and customers for services provided in the ordinary course of business. Amounts due from related parties are loans provided to related parties with no interest, and they are unsecured and repayable on demand. If collection of trade and other receivables and amounts due from related parties are expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables and amounts due from related parties are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.13 Contract assets and liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining conditional rights to consideration exceeds the satisfied performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

2.14 Cash and cash equivalents

Cash is cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. In the consolidated statements of cash flows, cash and cash equivalents includes cash at bank and on hand and short-term bank deposits with original maturities of three months or less.

2.15 Share capital

Ordinary shares are classified as equity (Note 21).

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Other payables and amounts due to related parties

Other payables and amounts due to related parties are classified as current liabilities if payment is due within one year or less (or within the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Other payables and amounts due to related parties are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated balance sheets when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting year/period.

2.18 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the year/period in which they are incurred.

2.19 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

According to the Enterprise Income Tax law, distribution of profits earned by PRC companies is generally subject to withholding tax of 10%, depending on the country of incorporation of the foreign investors, upon the distribution of profits to overseas-incorporated immediate holding companies. During the Track Record Period, the Group did not distribute dividends. The management considered that such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to a foreign investor in the foreseeable future based on management's estimation of overseas funding requirements.

2.20 Employee benefits

(i) Pension obligations

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceilings. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in an independent fund managed by the PRC government. The Group's contributions to these plans are expensed as incurred.

(ii) Housing funds, medical insurances and other social insurances

The PRC employees of the Group are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceilings. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(iii) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(iv) Employee leave entitlement

Employee entitlement to annual leave are recognised when they have accrued to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employees entitlement to sick leave and maternity leave are not recognised until the time of leave.

(v) Bonus plan

The expected cost of bonus is recognised as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

2.21 Revenue recognition

(i) Tuition and boarding fees

Tuition and boarding fees of the School are generally received in advance prior to the beginning of each academic year. Tuition and boarding fees are recognised proportionately over the relevant period in which the services are rendered. The portion of tuition and boarding 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 which will be earned beyond one year is reflected as a non-current liability.

(ii) Revenue from internship management services

The Group introduces qualified students from the School and other schools to participate in the Group's cooperative enterprises' internship programs and receives management fees from the enterprises with respect to each student the Group introduced. The fee is recognised as revenue over the period of the relevant programmes.

(iii) Revenue from tutoring and program management services

The Group recognises revenue based on the provision of tutoring services to students from the School and other schools. These include provision of tutoring or career development related courses. The fee is recognised as revenue over the period of the relevant tutoring programmes.

The Group also receive the revenue from providing program orientation and student referral services for enterprises. The revenue is recognised at a point in time when the service obligations are fulfilled and the fee is calculated based on the number of students participating in the programs.

(iv) Revenue from other education related services

The Group provides several kinds of education related services to students and other parties. Revenue is measured at the consideration received or receivable for the service provided. The Group recognises revenue when it transfers services to a customer.

(v) Other income

Other income consists of government grants, sub-contracting income, commission income, income related to an interest free loan and others.

The Group receives income from sub-contracting the canteen catering operations and the campus stores in the School's campus to other parties. Income from sub-contracting is recognised evenly over the period of the respective agreements.

The Group receives commission income from education equipment supplying companies for referral of middle and primary schools to be customers of the suppliers. The commission income is based on a portion of the purchase price of the equipment payable by the schools. The commission income is recognised when sales contract was signed between the education equipment supplying companies and the middle and primary school. The Group also receives fee from other institutions for referral of students to the institutions. The referral fee is generally based on the number of students referred.

2.22 Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2.23 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred revenue and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

Interest rate risk

The Group's interest rate risk arises from bank deposits and borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash at bank with variable interest rates. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. During the Track Record Period, the Group's borrowings bore interest both at variable rates and fixed rates.

Bank deposits carried at prevailing market interest rate expose the Group to cash flow interest rate risk. The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure to ensure it is within an acceptable level. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

As at 31 December 2016, 2017 and 2018 and 31 May 2019, if interest rate on borrowings had been higher/lower by 50 basis points of current interest rate, with other variables held constant, profit for the years/period ended 31 December 2016, 2017 and 2018 and the five months ended 31 May 2019 would have been approximately RMB1,579,000, RMB1,563,000, RMB1,595,000 and RMB647,000 lower/higher, respectively.

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations.

The credit risk of the Group's financial assets, which mainly comprise cash and cash equivalents, trade and other receivables and amounts due from related parties, arises from potential default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

All of the Group's trade receivables, other receivables and amounts due from related parties have no collateral. The Group assessed the credit quality of the counterparties by taking into account their financial position, credit history, forward looking information and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any.

(i) Cash and cash equivalents

As at 31 December 2016, 2017 and 2018 and 31 May 2019, substantially all of the Group's bank deposits were deposited with major financial institutions incorporated in the PRC, which management believes are of high-credit-quality without significant credit risk.

(ii) Trade receivables

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The Group trade receivables mainly represents the trade receivables from students for tuition and boarding fee, third parties and related parties for other services.

For the trade receivables from third parties and related parties, the counterparties are primarily large corporations and have strong financial position and management considers the credit risk is not high. The Group maintains frequent communications with the counterparties. Management has closely monitored the credit qualities and the collectability of these receivables and consider that the expected credit risks of them are minimal in view of the history of cooperation with them and forward looking information.

For the trade receivables from students, the loss allowance was determined as follows:

Track Record Period	Less than 1 year	1 year to 2 years	More than 2 years
Expected loss rate	60%	90%	100%

The management writes off trade receivables when there is no reasonable expectations of recovering the trade receivable from students. The management assesses the expected loss rate every year and considers no need to change it during the Track Record Period.

The loss allowance provision for trade receivables during the Track Record Period was set out in Note 18.

(iii) Other receivables and non-trade receivables due from related parties

Other receivables at the end of each reporting period were mainly receivables due from the government. The Directors consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the Track Record Period. To assess whether there is a significant increase in credit risk the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations;

- actual or expected significant changes in the operating results of the counterparty;

- significant changes in the expected performance and behaviour of the counterparty, including changes in the payment status of the counterparty.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment/repayment demanded.

A default on a financial asset is when the counterparty fails to make contractual payments/ repayment demanded within 90 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categories a loan or receivable for write off when a debtor fails to make contractual payments/repayment demanded greater than 365 days past due. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. Over the term of the financial assets, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of debtors, and adjusts for forward looking macroeconomic data.

As at 31 December 2016, 2017 and 2018 and 31 May 2019, management consider other receivables and amounts due from related parties as low credit risk as counterparties have a strong capacity to meet its contractual cash flow obligations in the near term. The Group has assessed that the expected credit losses for these receivables are immaterial under the 12 months expected losses method. Thus, the loss allowance provision recognised during the Track Record Period for these balances is close to zero.

(c) Liquidity risk

To manage 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 expects to fund its future cash flow needs through internally generated cash flows from operations and borrowings from financial institutions. Management believes that there is no significant liquidity risk in view of the expected cash flows from operations and continuous support from banks in the coming twelve months.

The tables below analyse the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2016					
Borrowings and interests	265,380	64,156	99,618	125,776	554,930
Amounts due to related parties	1,350	—	—	—	1,350
Other payables (excluding non-financial liabilities and interest payables)	89,025	—	—	—	89,025
	355,755	64,156	99,618	125,776	645,305

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2017					
Borrowings and interests	207,832	116,007	154,158	92,211	570,208
Amounts due to related parties	870	—	—	—	870
Other payables (excluding non-financial liabilities and interest payables)	43,782	—	—	—	43,782
	252,484	116,007	154,158	92,211	614,860
As at 31 December 2018					
Borrowings and interests	86,565	114,638	223,913	56,826	481,942
Amounts due to related parties	442	—	—	—	442
Other non-current liabilities	—	1,825	3,469	—	5,294
Other payables (excluding non-financial liabilities and interest payables)	59,481	—	—	—	59,481
	146,488	116,463	227,382	56,826	547,159
As at 31 May 2019					
Borrowings and interests	90,736	124,247	241,817	47,249	504,049
Amounts due to related parties	883	—	—	—	883
Other non-current liabilities	—	1,874	3,564	—	5,438
Other payables (excluding non-financial liabilities and interest payables)	44,967	—	—	—	44,967
	136,586	126,121	245,381	47,249	555,337

3.2 Capital management

The Group's objectives when managing capital are to

- safeguard the Group's ability to continue as a going concern, so that the Group can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the following gearing ratio: total debt divided by total equity (as shown in the consolidated balance sheets).

The gearing ratios during the Track Record Period were as follows:

	As at 31 December			As at 31 May
	2016	**2017**	**2018**	**2019**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Total debt *(i)*	482,461	499,183	418,912	445,269
Total equity	66,927	136,900	220,136	259,513
Gearing ratio	721%	365%	190%	172%

(i) Total debt includes borrowings and amounts due to related parties

The fluctuation of gearing ratios during the Track Record Period is a result of increase in equity due to profits for the periods.

4 Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Contractual Arrangements

The Group conducts a substantial portion of the business through the Consolidated Affiliated Entities in the PRC due to regulatory restrictions on the foreign ownership in the Group's school in the PRC. The Group does not have any equity interest in the Consolidated Affiliated Entities. The Directors assessed whether or not the Group has control over the Consolidated Affiliated Entities by assessing whether it has power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities. After assessment, the Directors concluded that the Group has control over the Consolidated Affiliated Entities as a result of the Contractual Agreements and accordingly the financial position and the operating results of the Consolidated Affiliated Entities are included in the Group's consolidated financial statements throughout the Track Record Period or since the respective dates of incorporation/establishment, whichever is the shorter period.

Nevertheless, the Contractual Agreements may not be as effective as direct legal ownership in providing the Group with direct control over the Consolidated Affiliated Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Consolidated Affiliated Entities. The Directors, based on the advice of the Company's legal counsel, consider that the Contractual Agreements with the Consolidated Affiliated Entities and their equity shareholders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

(b) Estimated useful lives and residual values of property, plant and equipment

The Group's management determines the estimated useful lives and residual values and consequently the related depreciation charges for its property, plant and equipment, and reviews the useful lives and residual values periodically to ensure that the method and rates of depreciation are consistent with the expected pattern of realisation of economic benefits from property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. If there are significant changes from previously estimated useful lives and residual values, the amount of depreciation expenses may change.

(c) Useful life and impairment of right-of-use assets

The Group's management determines the estimated useful lives and the amortisation method in determining the related amortisation charges for its right-of-use assets. This estimate is based on the management's experience of the actual practice of similar nature and functions and normal terms in the PRC. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of right-of-use assets may not be recoverable. Management will increase the amortisation charge where useful lives are estimated to be shorter than previously estimated, or will write off or write down obsolete assets that have been abandoned or impaired.

(d) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the Note 3.1(b).

(e) Income taxes

According to the Implementation Rules for the Law for Promoting Private Education ("**Implementing Rules**"), private schools, whether requiring reasonable returns or not, may enjoy preferential tax treatment. The Implementing Rules provide that the private schools for which the sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools, and relevant authorities under the State Council may introduce preferential tax treatments and related policies applicable to private schools requiring reasonable returns. However, as of the date of this report, no separate policies, regulations or rules have been introduced by the authorities in this regard. Based on the historical tax returns filed to the relevant tax authorities, Jiangxi University of Applied Science has historically enjoyed preferential tax treatment since its establishment.

Significant judgement is required in interpreting the relevant tax rules and regulation so as to determine whether the Group is subject to enterprise income tax. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of the tax liabilities. Such changes to tax liabilities will impact tax expense in the period that such determination is made.

5 Segment information

(a) Description of segment and principal activities

The Group is principally engaged in the provision of private tertiary education services in the PRC. The Group's CODM has been identified as the chairman and executive directors of the Board who considers the business from the service perspective.

For the purpose of resource allocation and performance assessment, the CODM reviews the overall results and financial position of the Group as a whole prepared based on the same accounting policies set out in Note 2. Accordingly, their segment information is aggregated as a single reportable segment. Management of the Group assesses the performance of the reportable segment based on the revenue and gross profit for the year/period of the Group as presented in the consolidated statements of comprehensive income.

(b) Segment revenue

Revenue during the Track Record Period are as follows:

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Tuition fees	128,805	141,121	156,619	65,289	74,318
Boarding fees	16,710	16,766	16,374	6,728	7,009
Internship management fees	6,849	8,083	10,682	3,362	2,929
Tutoring and program management services	3,431	6,911	22,178	2,574	6,031
Others	10,244	10,014	9,109	2,562	2,682
	166,039	182,895	214,962	80,515	92,969

The analysis of revenue recognised over time and at a point in time as required by IFRS15 is set out below:

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Recognised over time					
Tuition fees	128,805	141,121	156,619	65,289	74,318
Boarding fees	16,710	16,766	16,374	6,728	7,009
Internship management fees	6,849	8,083	10,682	3,362	2,929
Tutoring and program management services	3,431	6,258	15,941	2,124	4,930
Others	5,090	4,670	4,298	1,269	926
Recognised at a point in time					
Tutoring and program management services	—	653	6,237	450	1,101
Others	5,154	5,344	4,811	1,293	1,756
	166,039	182,895	214,962	80,515	92,969

Please refer to Note 2.21 for more details about the revenue recognised by the Group.

The Group's revenue is subject to seasonal fluctuations. Where students are required to pay tuition fees at the beginning of that school year in September, recognition of tuition fees may be affected by regular school term breaks and vacation periods.

The Group's principal market is Jiangxi province of the PRC, most of the Group's revenue and operating profit are derived within Jiangxi province of the PRC, and all of the Group's operations and non-current assets are located in Jiangxi province of the PRC. Due to the similar risks and returns, the Group's CODM considers the Listing Business as one geographic location. Accordingly, no geographical segment information is presented.

The Group has a large number of customers, no single customer accounted for more than 10% of the Group's revenue during the Track Record Period.

(c) Contract liabilities

The Group has recognised the following contract liabilities:

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities related to tuition fees	80,269	81,438	88,940	24,167
Contract liabilities related to boarding fees	11,031	10,568	10,696	4,014
Contract liabilities related to tutoring and program management services	581	2,279	3,008	193
Contract liabilities related to other revenue	—	—	3,425	2,493
Contract liabilities related to other income	4,400	4,000	4,107	3,482
	96,281	98,285	110,176	34,349

The following table shows how much of the revenue and other income recognised in the current reporting period relates to carried-forward contract liabilities:

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year/period					
Tuition fees	67,269	76,401	79,986	64,193	71,136
Boarding fees	10,638	11,029	10,564	6,602	6,683
Tutoring and program management services	1,611	581	2,279	2,279	2,815
Other revenue	—	—	—	—	926
Other income recognised that was included in the balance of contract liabilities at the beginning of the year/period					
Sub-contracting income	400	400	400	167	167
	79,918	88,411	93,229	73,241	81,727

(d) Unsatisfied contracts:

The following table shows unsatisfied performance obligations resulting from contracts with students or companies:

	As at 31 December			As at 31 May
	2016	**2017**	**2018**	**2019**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Expected to be recognised within one year				
Tuition fees	76,401	79,986	88,918	23,461
Boarding fees	11,029	10,564	10,695	4,013
Tutoring and program management services	581	2,279	3,008	193
Other revenue	—	—	3,425	2,493
Other income	400	400	908	448
Expected to be recognised within one to two years				
Tuition fees	3,868	1,452	21	707
Boarding fees	2	4	1	1
Sub-contracting income	400	400	400	400
Expected to be recognised more than two years				
Sub-contracting income	3,600	3,200	2,800	2,633
	96,281	98,285	110,176	34,349

6 Other income and other expenses

(a) Other income

	Year ended 31 December			Five months ended 31 May	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Government grants *(i)*					
— Received and recognised during the year/period	270	720	649	—	61
— Recognised from deferred revenue *(Note 26)*	1,366	1,546	1,779	663	732
Sub-contracting income *(ii)*	5,303	5,335	6,225	2,589	2,594
Commission income *(iii)*	—	—	9,125	2,809	1,704
Income related to an interest free loan *(Note 25(b))*	—	1,592	—	—	—
Others	434	1,966	7,731	2,261	2,754
	7,373	11,159	25,509	8,322	7,845

(i) The government grants mainly represent unconditional subsidies from government for school operations.

(ii) The Group receives income mainly from sub-contracting the canteen catering operations and the campus stores in the School's campus to other parties.

(iii) The Group receives commission income from education equipment supplying companies for referral of middle and primary schools to be customers of the suppliers. The commission income is based on a portion of the purchase price of the equipment payable by the schools. The Group also receives fee from an institution for referral of students to the institution. The referral fee is generally based on the number of students referred.

The analysis of other income recognised over time and at a point in time as required by IFRS15 is set out below:

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Recognised over time					
Sub-contracting income	5,303	5,335	6,225	2,589	2,594
Others	—	1,133	4,986	1,604	1,984
Recognised at a point in time					
Commission income	—	—	9,125	2,809	1,704
Others	434	833	2,745	657	770
	5,737	7,301	23,081	7,659	7,052

(b) *Breakdown of other expenses by nature*

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Employee benefit expenses *(Note 9)*	—	—	428	83	175
Depreciation expenses *(Note 14)*	624	568	618	270	283
Amortisation expenses *(Notes 13 and 15)*	6	5	5	2	1
Repair and maintenance fees	74	58	46	16	40
Promotion expenses	—	—	2,798	723	439
Travelling expenses	—	—	13	—	7
Office expenses	—	—	7	2	3
Electricity and water expenses	43	47	56	26	22
Others	—	24	108	26	39
Total	747	702	4,079	1,148	1,009

7 Other gains/(losses) — net

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Net losses on disposal of property, plant and equipment	—	(54)	(229)	(1)	(954)
Net gains on disposal of financial assets at fair value through profit or loss	1	—	—	—	—
Others	(287)	(1,907)	1,189	1,357	21
	(286)	(1,961)	960	1,356	(933)

8 Expenses by nature

The detailed analysis of cost of sales, selling expenses, administrative expenses and net impairment losses on financial assets is as follows:

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Employee benefit expenses *(Note 9)*	34,688	36,155	42,250	15,765	19,210
Depreciation expenses *(Note 14)*	20,731	20,457	21,520	8,758	10,714
Amortisation expenses *(Notes 13 and 15)*	1,297	1,294	1,287	538	519
Repair and maintenance fees	4,636	5,485	6,538	1,551	3,578
Net impairment losses on financial assets *(Note 18)*	2,204	2,985	3,591	1,035	2,395
Promotion expenses	9,510	6,376	7,742	1,453	1,798
Students activities expenses	3,327	3,259	5,591	1,522	1,454
Educational supplies and consumables	3,476	1,306	2,802	—	—
Travelling expenses	3,194	2,625	3,296	828	1,060
Office expenses	1,530	1,701	2,547	999	672
Electricity and water expenses	1,300	1,548	1,765	764	742
Professional service fees	1,622	1,268	109	—	—
Auditor's remuneration — audit services	22	48	16	—	—
Listing expenses	—	804	16,688	4,726	3,830
Others	1,938	2,813	5,317	1,901	2,727
Total	89,475	88,124	121,059	39,840	48,699

9 Employee benefit expenses

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries, wages and bonuses	29,138	31,326	35,488	13,545	16,202
Contributions to pension plan *(a)*	2,262	2,139	3,506	1,073	1,242
Housing fund, medical insurance and other social insurance	3,288	2,690	3,684	1,230	1,941
Total employee benefit expenses	34,688	36,155	42,678	15,848	19,385

(a) Contributions to pension plan

The employees of the Group in the PRC are members of a state-managed pension obligations 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 pension obligations to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 3, 3, 3, 2 and 3 Directors for the years ended 31 December 2016, 2017 and 2018 and the five months ended 31 May 2018 and 2019. Their emoluments are reflected in the analysis presented in Note 29. Details of the remunerations of the remaining highest paid non-Director individuals during the Track Record Period are as follows:

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries, wages and bonuses	96	252	420	257	175
Contributions to pension plan, housing fund, medical insurance and other social benefits	—	—	—	—	—
	96	252	420	257	175

The highest paid non-Director individuals are experienced teachers employed after their retirement. Therefore, it is not required by the social security law for the Group to pay pension, housing fund, medical insurance and other benefits for them.

The number of highest paid non-Director individuals whose remuneration for the Track Record Period fell within the following band are as follows:

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
Emolument band (Nil to HKD$1,000,000)	2	2	2	3	2

During the Track Record Period, none of the five highest paid individuals waived or has agreed to waive any emoluments, and none of the five highest paid individuals received emoluments from the Group as inducement to join or upon joining the Group, or as compensation for loss of office.

10 Finance income and costs

	Year ended 31 December			Five months ended 31 May	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Finance income					
— Interest income derived from cash and cash equivalents	154	79	107	9	29
— Interest income derived from loans to third parties	874	726	—	—	—
	1,028	805	107	9	29
Finance costs					
— Interest expenses on bank borrowings	(28,320)	(24,371)	(22,692)	(10,716)	(9,361)
— Interest expenses on other borrowings	(15,030)	(9,664)	(4,898)	(3,831)	(899)
Less: borrowing costs capitalised in property, plant and equipment *(Note 14)*	2,786	3,527	3,434	1,585	1,361
	(40,564)	(30,508)	(24,156)	(12,962)	(8,899)
Finance costs — net	(39,536)	(29,703)	(24,049)	(12,953)	(8,870)

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the interest rate applicable to the Group's borrowings for construction in progress during the year or period, in this case 7.44%, 6.60%, 6.10% and 6.95%, 5.37% for the years ended 31 December 2016, 2017 and 2018 and the five months ended 31 May 2018 and 2019, respectively.

11 Income tax expense

The amounts of income tax expense charged to profit or loss in the consolidated statements of comprehensive income represent:

	Year ended 31 December			Five months ended 31 May	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Current tax					
Enterprise income tax on profits for the year/period	2,223	3,591	9,010	2,641	1,926

The Group's principal applicable taxes and tax rates are as follows:

(a) Cayman Islands

The 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 exempted from Cayman Islands income tax.

(b) British Virgin Islands

The Company's direct subsidiary in the British Virgin Islands was incorporated under the BVI Companies Act, 2004 and accordingly, is exempted from British Virgin Islands income tax.

(c) Hong Kong

No provision for Hong Kong profit tax was provided as the Group did not have assessable profits derived from Hong Kong during the Track Record Period.

(d) Enterprise Income Tax

EIT is provided on assessable profits of entities incorporated in the PRC at the rate of 25% during the Track Record Period.

According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. As a result, private schools providing academic qualification education are eligible to enjoy income tax exemption treatment if the sponsors of such schools do not require reasonable returns. The School has been granted enterprise income tax exemption for the tuition and boarding income from relevant local tax authorities.

For other profits that were not related to providing academic qualification education, the applicable tax rate was 25% during the Track Record Period.

(e) The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to profit of the consolidated entities as follows:

	Year ended 31 December			Five months ended 31 May	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Profit before income tax	43,368	73,564	92,244	36,252	41,303
Tax calculated at the domestic EIT rate of 25%	10,842	18,391	23,061	9,063	10,326
Tax effects of:					
— Net profit from the School not subject to tax	(9,234)	(15,070)	(21,058)	(7,742)	(9,576)
— Expenses not deductible for tax purpose	577	270	7,007	1,320	1,116
— Tax losses not recognised *(i)*	38	—	—	—	60
Tax charge	2,223	3,591	9,010	2,641	1,926

(i) The expiration dates of unused tax losses for which no deferred tax asset has been recognised are as follows:

	As at 31 December			As at 31 May	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Year of expiration					
2021	152	152	152	152	152
2024	—	—	—	—	240
	152	152	152	152	392

The unused tax losses were incurred by dormant subsidiaries that are not likely to generate taxable income in the foreseeable future.

12 Earnings per share

(a) Basic

The basic earnings per share is calculated on the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue. In determining the weighted average number of ordinary shares in issue during the Track Record Period, 25,000 shares issued during the Reorganisation, adjusted by the number of ordinary shares held on trust under the Restricted Share Units ("**RSU**") Scheme (Note 34), were deemed to have been in issue since 1 January 2016.

Earnings per share has not taken into account the proposed share subdivision and capitalisation issue pursuant to the written resolution passed by the shareholders on 18 November 2019 as the proposed share subdivision and capitalisation issue has not become effective as at the date of this report.

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit attributable to owners of the Company (RMB'000)	41,145	69,973	83,234	33,611	39,377
Weighted average number of ordinary shares in issue *(Notes 21 and 34)*	23,666	23,666	23,666	23,666	23,666
Basic earnings per share (expressed in RMB per share)	1.74	2.96	3.52	1.42	1.66

(b) Diluted

Diluted earnings per share presented is the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued during the Track Record Period.

13 Right-of-use assets

	Year ended 31 December			Five months ended 31 May	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
As at the beginning of the year/period					
Cost	55,711	55,711	55,711	55,711	55,711
Accumulated amortisation	(10,266)	(11,380)	(12,494)	(12,494)	(13,608)
Net book amount	45,445	44,331	43,217	43,217	42,103
Opening net book amount	45,445	44,331	43,217	43,217	42,103
Amortisation *(Notes 6(b) and 8)*	(1,114)	(1,114)	(1,114)	(465)	(465)
Closing net book amount	44,331	43,217	42,103	42,752	41,638
As at the end of the year/period					
Cost	55,711	55,711	55,711	55,711	55,711
Accumulated amortisation	(11,380)	(12,494)	(13,608)	(12,959)	(14,073)
Net book amount	44,331	43,217	42,103	42,752	41,638

The land for the current campus is allocated land grant by the government free of charge for land use rights. The Group incurred reclamation and other costs amounting to RMB55,711,000. The allocated land use rights have no definite life of use stated in the relevant land use right certificates, and according to the PRC laws, without the relevant administrative authorities' permission, the School cannot transfer, lease or mortgage such allocated land.

The estimated useful life of the Group's right-of-use assets for the purpose of calculating the amortisation of prepayments for land use rights is determined to be 50 years which is the best estimate of the useful life based on the normal terms of land use right leases in the PRC.

Amortisation of right-of-use assets has been charged to profit or loss in the consolidated statements of comprehensive income (Note 8) as follows:

	Year ended 31 December			Five months ended 31 May	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Administrative expenses	1,114	1,114	1,114	465	465

14 Property, plant and equipment

	Buildings and building improvements	Vehicles	Office furniture and fixtures	Electronic equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2016						
Cost	596,635	8,839	70,767	82,299	65,631	824,171
Accumulated depreciation	(61,384)	(3,759)	(43,644)	(55,601)	—	(164,388)
Net book amount	535,251	5,080	27,123	26,698	65,631	659,783
Year ended 31 December 2016						
Opening net book amount	535,251	5,080	27,123	26,698	65,631	659,783
Additions	—	461	535	4,786	5,549	11,331
Transfers	3,550	—	—	—	(3,550)	—
Depreciation charge *(Notes 6 and 8)*	(12,384)	(669)	(4,074)	(4,228)	—	(21,355)
Closing net book amount	526,417	4,872	23,584	27,256	67,630	649,759
As at 31 December 2016						
Cost	600,185	9,300	71,302	87,085	67,630	835,502
Accumulated depreciation	(73,768)	(4,428)	(47,718)	(59,829)	—	(185,743)
Net book amount	526,417	4,872	23,584	27,256	67,630	649,759
Year ended 31 December 2017						
Opening net book amount	526,417	4,872	23,584	27,256	67,630	649,759
Additions	—	—	1,882	6,646	30,869	39,397
Transfers	3,585	—	—	—	(3,585)	—
Disposals	—	(109)	(19)	(8)	—	(136)
Depreciation charge *(Notes 6 and 8)*	(12,511)	(599)	(3,653)	(4,262)	—	(21,025)
Closing net book amount	517,491	4,164	21,794	29,632	94,914	667,995

14 Property, plant and equipment *(continued)*

	Buildings and building improvements	Vehicles	Office furniture and fixtures	Electronic equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2017						
Cost	603,770	7,126	72,806	93,712	94,914	872,328
Accumulated depreciation	(86,279)	(2,962)	(51,012)	(64,080)	—	(204,333)
Net book amount	517,491	4,164	21,794	29,632	94,914	667,995
Year ended 31 December 2018						
Opening net book amount	517,491	4,164	21,794	29,632	94,914	667,995
Additions	—	680	9,155	9,528	53,836	73,199
Transfers	90,082	—	—	—	(90,082)	—
Disposals	—	(325)	(269)	(170)	—	(764)
Depreciation charge *(Notes 6 and 8)*	(13,903)	(536)	(3,425)	(4,274)	—	(22,138)
Closing net book amount	593,670	3,983	27,255	34,716	58,668	718,292
As at 31 December 2018						
Cost	693,852	7,392	78,245	99,848	58,668	938,005
Accumulated depreciation	(100,182)	(3,409)	(50,990)	(65,132)	—	(219,713)
Net book amount	593,670	3,983	27,255	34,716	58,668	718,292

14 Property, plant and equipment *(continued)*

	Buildings and building improvements	Vehicles	Office furniture and fixtures	Electronic equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Five months ended 31 May 2019						
Opening net book amount	593,670	3,983	27,255	34,716	58,668	718,292
Additions	—	8	456	1,202	32,862	34,528
Transfers	3,367	—	—	9,654	(13,021)	—
Disposals	—	(1,023)	(16)	(163)	—	(1,202)
Depreciation charge *(Notes 6 and 8)*	(6,722)	(223)	(1,603)	(2,449)	—	(10,997)
Closing net book amount	590,315	2,745	26,092	42,960	78,509	740,621
As at 31 May 2019						
Cost	697,219	5,875	78,389	107,436	78,509	967,428
Accumulated depreciation	(106,904)	(3,130)	(52,297)	(64,476)	—	(226,807)
Net book amount	590,315	2,745	26,092	42,960	78,509	740,621
(unaudited)						
Five months ended 31 May 2018						
Opening net book amount	517,491	4,164	21,794	29,632	94,914	667,995
Additions	—	1	3,215	248	7,677	11,141
Disposals	—	—	(18)	—	—	(18)
Depreciation charge *(Notes 6(b) and 8)*	(5,496)	(240)	(1,382)	(1,910)	—	(9,028)
Closing net book amount	511,995	3,925	23,609	27,970	102,591	670,090
As at 31 May 2018						
Cost	603,769	7,127	75,797	93,959	102,591	883,243
Accumulated depreciation	(91,774)	(3,202)	(52,188)	(65,989)	—	(213,153)
Net book amount	511,995	3,925	23,609	27,970	102,591	670,090

14 Property, plant and equipment *(continued)*

Depreciation of property, plant and equipment was included in the following categories in the consolidated statements of comprehensive income:

	Year ended 31 December			Five months ended 31 May	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Cost of sales	18,736	18,610	19,341	7,919	9,641
Administrative expenses	1,995	1,847	2,179	839	1,073
Other expenses	624	568	618	270	283
Total	21,355	21,025	22,138	9,028	10,997

During the years ended 31 December 2016, 2017 and 2018 and the five months ended 31 May 2018 and 2019, the Group capitalised interest on borrowings amounting to approximately RMB2,786,000, RMB3,527,000, RMB3,434,000 and RMB1,585,000, RMB1,361,000 on qualifying assets, respectively (Note 10).

Construction-in-progress mainly comprises buildings under construction in the PRC.

15 Intangible assets

	Year ended 31 December			Five months ended 31 May	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (unaudited)**	**RMB'000**
Software:					
As at the beginning of the year/period					
Cost	6,596	6,629	6,629	6,629	6,629
Accumulated amortisation	(5,582)	(5,771)	(5,956)	(5,956)	(6,134)
Net book amount	1,014	858	673	673	495
Opening net book amount	1,014	858	673	673	495
Additions	33	—	—	—	—
Amortisation *(Notes 6 and 8)*	(189)	(185)	(178)	(75)	(55)
Closing net book amount	858	673	495	598	440
As at the end of the year/period					
Cost	6,629	6,629	6,629	6,629	6,629
Accumulated amortisation	(5,771)	(5,956)	(6,134)	(6,031)	(6,189)
Net book amount	858	673	495	598	440

Amortisation of the intangible assets was included in the following categories in the consolidated statements of comprehensive income:

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cost of sales	170	170	165	69	51
Administrative expenses	13	10	8	4	3
Other expenses	6	5	5	2	1
Total	189	185	178	75	55

16 Prepayments for non-current assets

The Group made prepayments for purchase of property, plant and equipment.

17 Financial instruments by category

The Group holds the following financial instruments:

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Assets at amortised cost				
Cash and cash equivalents *(Note 20)*	1,534	26,314	38,508	23,874
Trade and other receivables excluding prepayments *(Notes 18 and 19)*	28,059	11,176	17,511	19,837
Restricted bank balances *(Note 20)*	—	—	4,000	4,000
Amounts due from related parties *(Note 29(c))*	47,481	68,929	2	2
	77,074	106,419	60,021	47,713
Liabilities at amortised cost				
Borrowings *(Note 25)*	481,111	498,313	418,470	444,386
Other payables excluding non-financial liabilities *(Note 23)*	97,244	50,919	60,129	45,624
Amounts due to related parties *(Note 29(c))*	1,350	870	442	883
Other non-current liabilities	—	—	5,294	5,438
	579,705	550,102	484,335	496,331

18 Trade receivables

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables *(i)*				
— related to students fees	5,754	7,631	7,170	10,433
— related to other services	—	125	9,655	11,537
	5,754	7,756	16,825	21,970
Provision for impairment	(4,003)	(5,887)	(4,996)	(7,391)
	1,751	1,869	11,829	14,579

(i) Ageing analysis of the trade receivables

Students of the School are required to pay tuition fees and boarding fees in advance for the upcoming school years, which normally commences in September of the year. The trade receivables represent tuition and boarding fees receivable from students who have not settled the fees on time. There is no significant concentration of credit risk.

As at 31 December 2016, 2017 and 2018 and 31 May 2019, the ageing analysis of the trade receivables based on the transaction date is as follows:

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Up to 1 year	3,771	3,597	14,310	18,562
1 to 2 years	1,762	3,079	1,514	1,930
2 to 3 years	215	1,056	683	997
Over 3 years	6	24	318	481
	5,754	7,756	16,825	21,970

Ageing for trade receivables related to other services is less than 1 year.

(ii) Impairment of trade receivables

Movements in the provision for impairment of trade receivables are as follows:

	Year ended 31 December			Five months ended 31 May
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
As at the beginning of the year/period	2,954	4,003	5,887	4,996
Provision for receivables impairment *(Note 8)*	2,204	2,985	3,591	2,395
Written-off of uncollectible receivables	(1,155)	(1,101)	(4,482)	—
As at the end of the year/period	4,003	5,887	4,996	7,391

(iii) Fair values of trade receivables

Due to the short-term nature of the trade receivables, their carrying amounts approximated their fair values as at the balance sheet dates and were denominated in RMB.

19 Other receivables and prepayments

(a) The Group

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Current:				
Loans and interest due from third parties *(i)*	22,322	2,100	100	100
Prepaid listing expenses	—	248	4,579	5,771
Other receivables	3,986	7,207	5,582	5,158
Prepayments to suppliers	22	148	808	291
	26,330	9,703	11,069	11,320

(i) A loan of RMB19.4 million was lent to an independent third party in 2015 with an interest rate of 4.59% which was repaid in 2017. Apart from that, other loans to third parties during the Track Record Period were unsecured, interest free and without fixed repayment terms.

The carrying values of other receivables and prepayments approximated their fair values as at the balance sheet dates and were denominated in RMB.

(b) The Company

	As at 31 December	As at 31 May
	2018	2019
	RMB'000	RMB'000
Prepaid listing expenses	4,579	5,771

20 Cash and cash equivalents, Restricted bank balances

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets				
Cash in hand and at bank	1,534	26,314	38,508	23,874
Non-current assets				
Restricted bank balances *(i)*	—	—	4,000	4,000
	1,534	26,314	42,508	27,874

(i) As at 31 May 2019, restricted bank balances were the School's long-term borrowing deposits with the amount of RMB4,000,000, as the School need to pledge 10% of the loan principal as security for the long-term loan of RMB40,000,000 from China Construction Bank.

As at 31 December 2016, 2017 and 2018 and 31 May 2019, cash and cash equivalents and restricted bank balances of the Group are denominated in RMB.

21 Share capital — Group and Company

	Number of shares	Nominal value
		HK$
Authorised:		
As at 25 May 2018 (date of incorporation)	3,800,000	380,000

	Number of shares	Equivalent nominal value
		RMB
Issued:		
Ordinary shares issued upon incorporation on 25 May 2018	1	—
As at 31 May 2018	1	—
Issuance of shares	24,999	2
As at 31 May 2019 and 31 December 2018	25,000	2

The Company was incorporated on 25 May 2018 with an authorised share capital of HK$380,000 divided into 3,800,000 ordinary shares of HK$0.1 each. On the same day, one ordinary share was allotted and issued at par value to the initial subscriber, and was subsequently transferred to Huangyulin Holdings Limited. On 24 July 2018, the Company then issued and allotted an additional 24,999 shares at par value, being 16,249, 2,250, 3,250, and 3,250 shares at par value to Huangyulin Holdings Limited, Chen Lin Elite Holdings Limited, Huangyuan Holdings Limited and Huangguandi Holdings Limited, respectively (Note 1.2). As of 31 May 2019, all issued ordinary shares had not been paid.

Pursuant to shareholders' meeting held on 18 November 2019, conditional on the listing, all the above-mentioned issued and unissued ordinary shares of the Company with a par value of HK$0.1 each will be subdivided into 3,800,000,000 ordinary shares with a par value of HK$0.0001 each. Also, Directors shall be authorised to allot and issue a total of 725,000,000 ordinary shares credited as fully paid at par value to the shareholders of the Company by way of capitalisation of the sum of HK$72,500 standing to the credit of the share premium account of the Company upon listing.

22 Reserves

(a) Capital reserve

Capital reserve represents the aggregate paid-in capital of the subsidiaries acquired, offset by investment costs in subsidiaries of the Company during the Reorganisation.

(b) Statutory surplus reserves

Pursuant to the relevant laws and regulations in the PRC, the Company's subsidiaries in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the boards of directors of the relevant PRC subsidiaries. These reserves include:

(i) statutory reserve fund of the limited liability companies;

(ii) general reserve fund of foreign invested enterprise; and

(iii) the development fund of the School.

In accordance with the relevant laws and regulations in the PRC and Articles of Association of the companies incorporated in the PRC now comprising the Group (the "**PRC Subsidiaries**"), it is required to appropriate 10% of the annual statutory net profits of the PRC Subsidiaries, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory reserve fund before distributing the net profit. When the balance of the statutory reserve fund reaches 50% of the registered capital of the PRC Subsidiaries, any further appropriation is at the discretion of shareholders. The statutory reserve fund can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding, provided that the remaining balance of the statutory reserve fund after such issue is not less than 25% of registered capital.

Pursuant to the laws applicable to China's Foreign Investment Enterprises, the Company's subsidiary that is a foreign investment enterprise in China has to make appropriations from its after-tax profit (as determined under PRC accounting standards) to reserve funds including (1) general reserve fund, (2) enterprise expansion fund and (3) staff bonus and welfare fund. The appropriation to the general reserve fund must be at least 10% of the after-tax profits calculated in accordance with PRC accounting standards. Appropriation is not required if the reserve fund has reached 50% of the registered capital of the respective company. Appropriations to the other two reserve funds are at the subsidiary's discretion.

According to the relevant PRC laws and regulations, for a private school that does not require reasonable return, it is required to appropriate to development fund of not less than 25% of the annual increase of net assets of the relevant school as determined in accordance with PRC accounting standards. The development fund is for the construction or maintenance of the school or procurement or upgrading of educational equipment.

The Company

Other reserves

	Capital reserve	Total
	RMB'000	RMB'000
As at 1 January 2018 and 31 May 2018	—	—
Completion of Reorganisation	789,000	789,000
As at 31 December 2018 and 31 May 2019	789,000	789,000

Capital reserve represents the fair values of the subsidiaries acquired by the Company pursuant to the Reorganisation.

23 Other payables

(a) The Group

	As at 31 December			As at 31 May
	2016	**2017**	**2018**	**2019**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Employee benefit payables	8,592	10,049	8,385	7,402
Payables for purchases of property, plant and equipment	45,453	12,173	22,409	12,495
Payables to suppliers on behalf of students	8,580	7,930	5,804	5,102
Payables to students				
— Prepayments received from students *(a)*	4,068	1,324	1,346	969
— Government subsidies and other payables to students *(b)*	8,763	3,089	3,127	9,910
— Insurance fund from government *(c)*	2,953	4,084	3,726	5,011
Interest payables	8,219	7,137	648	657
Retention money payables for campus constructions	519	528	1,422	834
Other taxes payable	2,076	3,131	4,976	5,597
Payables for listing expenses	—	840	5,269	3,967
Admission fees payable	10,780	6,930	7,501	—
Other payables and accruals	7,909	6,884	8,877	6,679
	107,912	64,099	73,490	58,623

(a) The Group purchases books and other materials from suppliers on behalf of students and receives prepayments from students.

(b) The Group receives subsidies from government for distribution to students as scholarship, subsidies or other forms of incentives to students.

(c) The Group receives medical insurance funds from government for payment to students when they apply with related reimbursement supportings.

(b) The Company

	As at 31 December	As at 31 May
	2018	**2019**
	RMB'000	**RMB'000**
Payables for listing expenses	5,269	3,967

The carrying amounts of other payables approximated their fair values as at the balance sheet dates and were denominated in RMB.

24 Other non-current liabilities

The non-current liabilities are mainly for the purchase of teaching instruments and equipment, which will be paid RMB2,040,000 annually between 2020 and 2022.

25 Borrowings

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current:				
Bank borrowings, secured *(a)*	243,500	300,000	353,000	375,500
Loans from other third parties, unsecured *(b)*	—	18,849	—	—
	243,500	318,849	353,000	375,500
Current:				
Bank borrowings, secured *(a)*	199,950	136,000	42,620	46,000
Loans from other third parties, unsecured *(b)*	37,661	43,464	22,850	22,886
	237,611	179,464	65,470	68,886
Total borrowings	481,111	498,313	418,470	444,386

(a) Bank borrowings

The non-current and current bank loans of the Group are secured by tuition and boarding fee collection rights. The loans as at 31 December 2016 and 2017 were supported by guarantees from Mr. Huang Yulin, his spouse and a related party and third party companies and were secured by Mr. Huang Yulin and his spouse's personal properties. The loans as at 31 December 2018 and 31 May 2019 were secured by Mr. Huang Yulin's spouse with her personal property.

Of the non-current bank loans of the Group, loans of RMB40 million need to pledge RMB4 million as security, there are no assets of the Group pledged to secure the remaining bank loans of Group.

For years ended 31 December 2016, 2017 and 2018 and the five months ended 31 May 2018 and 2019, the weighted average effective interest rates on bank borrowings were 5.63%, 5.24%, 5.34%, 5.28% and 5.37%, respectively.

(b) Loans from other third parties

The Group used to obtain finance from loans provided by teachers of the School, employees of the Group and others. During the Track Record Period, the loans from other third parties were unsecured, carried interest at rates ranging from 12% to 18% per annum and without fixed repayment terms, except for an interest free loan as detailed below.

The Group obtained an interest free loan of RMB20 million from a third party company for a period from June 2017 to March 2019. The third party company previously agreed to make an equity investment in Nanchang Di Guan and injected investment fund of RMB20 million in 2017. The investment did not proceed as planned in the investor's own reason, and the RMB20 million already received by Nanchang Di Guan was converted to an interest free loan to Nanchang Di Guan. The loan was recognised initially at its fair value which was determined with reference to the present value by discounting back using the market interest in June 2017 and was subsequently stated at amortised cost. The difference between the carrying value of the loan of RMB18,408,000 and the face value of the loan of RMB20 million is recognised as finance cost over the period of the loan using the effective interest rate method. The loan was repaid in July 2019.

(c) Other disclosures

(i) Fair values

The carrying amounts for the majority of the borrowings approximated their fair values as they were carried at floating interest rates.

(ii) Risk exposures

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in Note 3.1.

(iii) Repayment periods

The Group's borrowings as at the balance sheet dates during the Track Record Period were repayable as follows:

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	237,611	179,464	65,470	68,886
Between 1 and 2 years	52,500	100,849	97,000	107,500
Between 2 and 5 years	75,500	131,000	200,500	221,000
Over 5 years	115,500	87,000	55,500	47,000
Total	481,111	498,313	418,470	444,386

26 Deferred revenue

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Government grants				
Non-current	12,431	11,019	16,400	16,522
Current	1,542	1,590	1,590	736
Total	13,973	12,609	17,990	17,258

The government grants were received from the local government as subsidies to the Group's purchase of property, plant and equipment. They are amortised to the profit or loss on a straight-line basis over the expected useful lives of the related assets.

The movements of the above deferred revenue during the Track Record Period were as follows:

	Year ended 31 December			Five months ended 31 May
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	15,013	13,973	12,609	17,990
Additions	326	182	7,160	—
Released to other income *(Note 6)*	(1,366)	(1,546)	(1,779)	(732)
Closing net book amount	13,973	12,609	17,990	17,258

27 Cash flow information

(a) Cash generated from/(used in) operations

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit before income tax	43,368	73,564	92,244	36,252	41,303
Adjustments for					
— Finance costs-net *(Note 10)*	39,536	29,703	24,049	12,953	8,870
— Depreciation of property, plant and equipment *(Note 14)*	21,355	21,025	22,138	9,028	10,997
— Net impairment losses on financial assets *(Note 18)*	2,204	2,985	3,591	1,035	2,395
— Amortisation of right-of-use assets *(Note 13)*	1,114	1,114	1,114	465	465
— Losses on disposal of property, plant and equipment *(Note 7)*	—	54	229	1	954
— Amortisation of intangible assets *(Note 15)*	189	185	178	75	55
— Investment income of financial assets at fair value through profit or loss *(Note 7)*	(1)	—	—	—	—
— Amortisation of deferred revenue *(Note 26)*	(1,366)	(1,546)	(1,779)	(663)	(732)
Changes in working capital:					
— Contract liabilities	7,005	2,004	11,891	(65,667)	(75,828)
— Amounts due from a related party *(Note 29(c))*	(5,000)	(5,000)	14,500	14,500	—
— Other payables	7,167	(11,248)	3,879	(3,338)	(4,184)
— Trade and other receivables and prepayments	(2,864)	(6,450)	(13,136)	(5,715)	(4,201)
Net cash generated from/(used in) operating activities	112,707	106,390	158,898	(1,074)	(19,906)

(b) *Proceeds from disposal of properties, plant and equipment:*

	Year ended 31 December			Five months ended 31 May
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Net book value *(Note 14)*	—	136	764	1,202
Losses on disposal of property, plant and equipment *(Note 7)*	—	(54)	(229)	(954)
Movement in other receivables	3,921	—	—	—
Proceeds from the disposal	3,921	82	535	248

(c) *Reconciliation of liabilities arising from financing activities*

	Bank borrowings	Loans from other parties	Loans from related parties	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Total debt as at 1 January 2016	549,350	47,938	825	598,113
Cash flows	(105,900)	(10,277)	525	(115,652)
Total debt as at 31 December 2016	443,450	37,661	1,350	482,461
Cash flows	(7,450)	26,244	(480)	18,314
Other non-cash movements	—	(1,592)	—	(1,592)
Total debt as at 31 December 2017	436,000	62,313	870	499,183
Cash flows	(40,380)	(39,828)	(428)	(80,636)
Other non-cash movements	—	365	—	365
Total debt as at 31 December 2018	395,620	22,850	442	418,912
Total debt as at 1 January 2019	395,620	22,850	442	418,912
Cash flows	25,880	(200)	441	26,121
Other non-cash movements	—	236	—	236
Total debt as at 31 May 2019	421,500	22,886	883	445,269
(unaudited)				
Total debt as at 1 January 2018	436,000	62,313	870	499,183
Cash flows	(2,200)	(3,621)	444	(5,377)
Other non-cash movements	—	174	—	174
Total debt as at 31 May 2018	433,800	58,866	1,314	493,980

28 Commitments

(a) *Capital commitments*

Significant capital expenditure commitments are set out below:

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted but not recognised as liabilities				
— Commitments for acquisition of property, plant and equipment	41,491	14,149	5,432	15,601

29 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, common significant influence or joint control. The owners, members of key management and their close family members of the Group are also considered as related parties. In the opinion of the Directors, the related party transactions were carried out in normal course of business and at terms negotiated between the Group and the respective related parties.

(a) ***Related parties of the Company and the Group***

Name of related parties	Relationship
Jiangxi Yiqun Industry Co., Ltd.	A company controlled by the Controlling Shareholder
Mr. Huang Yulin	Controlling Shareholder, chairman and executive director
Ms. Gan Tian	Executive director
Mr. Li Cunyi	Executive director

In addition to the above, the Group also had transactions with the relatives and affiliated persons of the Controlling Shareholder.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the Track Record Period, and balances arising from related party transactions as at the respective balance sheet dates.

(b) Transactions with related parties

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
(i) Sub-contracting income:					
Jiangxi Yiqun Industry Co., Ltd.	5,000	5,000	—	—	—

The School received fixed fees from sub-contracting the operations of canteen catering services and the campus stores in the School's campus to Jiangxi Yiqun Industry Co., Ltd. The fees were determined based on mutual agreement.

	2016	2017	2018	2018	2019
(ii) Loans to related parties					
Jiangxi Yiqun Industry Co., Ltd.	41,389	62,270	3,251	2,519	—
Mr. Huang Yulin	6,092	6,659	2	—	—
	47,481	68,929	3,253	2,519	—
(iii) Loans from related parties					
Jiangxi Yiqun Industry Co., Ltd.	350	350	352	352	—
Mr. Huang Yulin	—	520	442	200	883
Mr. Li Cunyi	800	—	—	—	—
Ms. Gan Tian	200	—	—	—	—
	1,350	870	794	552	883
(iv) Guarantees/security provided by related parties to the Group's bank borrowings:					
Mr. Huang Yulin and his spouse, Jiangxi Yiqun Industry Co., Ltd. *(Note 1)*	443,450	436,000	—	433,800	—
Mr. Huang Yulin's spouse *(Note 2)*	—	—	194,000	—	192,500

During the Track Record Period, the guarantees and security provided by Mr. Huang Yulin and his spouse and Jiangxi Yiqun Industry Co., Ltd. were free of charge.

Note 1: As at 31 December 2016 and 2017, the loans were supported by guarantees from Mr. Huang Yulin, his spouse and a related party and third party companies and secured by Mr. Huang Yulin and his spouse's personal properties.

Note 2: As at 31 December 2018 and 31 May 2019, the loans were secured by Mr. Huang Yulin's spouse with her personal property.

(c) Balances with related parties

(i) Amounts due from related parties

The Group:

	As at 31 December			As at 31 May
	2016	**2017**	**2018**	**2019**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Jiangxi Yiqun Industry Co., Ltd.				
— Trade	9,500	14,500	—	—
— Non-trade	31,889	47,770	—	—
Mr. Huang Yulin				
— Non-trade	6,092	6,659	2	2
Total	47,481	68,929	2	2

The Company:

	2018	2019
Mr. Huang Yulin	2	2

The amounts due from related parties are unsecured, non-interest bearing and repayable on demand.

(ii) Amounts due to related parties

The Group:

	As at 31 December			As at 31 May
	2016	**2017**	**2018**	**2019**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Non-trade				
Jiangxi Yiqun Industry Co., Ltd.	350	350	—	—
Mr. Huang Yulin	—	520	442	883
Mr. Li Cunyi	800	—	—	—
Mr. Gan Tian	200	—	—	—
Total	1,350	870	442	883

The Company:

	As at 31 December	As at 31 May
	2018	**2019**
	RMB'000	**RMB'000**
Nanchang Di Guan	16,802	23,126

The amounts due to related parties are unsecured, non-interest bearing and payable on demand.

(iii) Key management compensation

Key management includes Directors (executive and non-executive), executive officers, and the Company Secretary. The compensation paid or payable to key management for employee services is as follows:

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
— Salaries and bonuses	1,047	2,014	2,817	1,159	1,996
— Other benefits	169	201	228	92	143
	1,216	2,215	3,045	1,251	2,139

30 Benefits and interests of Directors

(a) Benefits and interests of Directors

The remuneration of each director of the Company paid/payable by the Group for the year ended 31 December 2016, 2017 and 2018 and the five months ended 31 May 2018 and 2019 are set out as follows:

Name of Directors	Basic salaries	Bonuses	Welfare, medical and other expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2016				
Chairman				
Mr. Huang Yulin	155	—	27	182
Executive directors				
Mr. Zheng Junhui	156	—	27	183
Mr. Li Cunyi	104	100	—	204
Ms. Gan Tian	91	3	21	115
Mr. Wang Li	81	3	22	106
	587	106	97	790
Year ended 31 December 2017				
Chairman				
Mr. Huang Yulin	801	—	33	834
Executive directors				
Mr. Zheng Junhui	156	—	27	183
Mr. Li Cunyi	240	30	—	270
Ms. Gan Tian	108	30	20	158
Mr. Wang Li	120	30	19	169
	1,425	90	99	1,614

Name of Directors	Basic salaries	Bonuses	Welfare, medical and other expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2018				
Chairman				
Mr. Huang Yulin	817	—	55	872
Executive directors				
Mr. Zheng Junhui	156	—	24	180
Mr. Li Cunyi	72	—	—	72
Ms. Gan Tian	116	—	25	141
Mr. Wang Li	123	—	27	150
Mr. Bau Siu Fung	853	—	—	853
	2,137	—	131	2,268
Five months ended 31 May 2019				
Chairman				
Mr. Huang Yulin	305	—	29	334
Executive directors				
Mr. Zheng Junhui	65	—	15	80
Mr. Li Cunyi	30	—	—	30
Ms. Gan Tian	69	—	21	90
Mr. Wang Li	65	—	18	83
Mr. Bau Siu Fung	441	—	—	441
	975	—	83	1,058
(unaudited) **Five months ended 31 May 2018**				
Chairman				
Mr. Huang Yulin	334	—	26	360
Executive directors				
Mr. Zheng Junhui	65	—	11	76
Mr. Li Cunyi	30	—	—	30
Ms. Gan Tian	46	—	9	55
Mr. Wang Li	50	—	9	59
Mr. Bau Siu Fung	356	—	—	356
	881	—	55	936

(b) Directors' retirement benefits

There were no retirement benefits paid to or receivable by any Director in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries during the Track Record Period.

(c) Directors' termination benefits

There were no termination benefits paid to or receivable by any Director during the Track Record Period.

(d) Consideration provided to third parties for making available Directors' services

No payment was made to the Directors for making available the services of them as a Director of the Company during the Track Record Period.

(e) Information about loans, quasi-loans and other dealings in favour of Directors

Other than those disclosed in Note 29(b), there were no loans, quasi-loans and other dealings entered into between the Group and the Directors and in favour of the Directors during the Track Record Period.

(f) Directors' material interests in transactions, arrangements or contracts

Other than those as disclosed in Note 25 and Note 29(b), there are no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year/period or at any time during the Track Record Period.

31 Contingencies

As at 31 December 2016, 2017 and 2018 and 31 May 2019 there were no significant contingency items for the Group and the Company.

32 Dividend

No dividend has been paid or declared by the Company or the companies now comprising the Group during each of the years ended 31 December 2016, 2017 and 2018 and the five months ended 31 May 2019.

33 Investments in subsidiaries

It represented the aggregate fair value of the subsidiaries acquired pursuant to the Reorganisation, which was recorded as deemed investment costs.

34 Subsequent events

On 20 August 2019, the Company set up a RSU Scheme to incentivize the eligible employees, including certain directors, senior management members and employees of the Group, in exchange for their services for the Group. Pursuant to the RSU Scheme on 20 August 2019, an aggregate of 1,334 ordinary shares, approximately 4.00% of the total issued share capital of the Company held by Chen Lin Elite Holdings Limited are held on trust for the purpose of the RSU Scheme, in which the Board of directors of the Company selects the RSU eligible persons to receive RSUs under the RSU Scheme at its discretion. On 18 November 2019, RSUs in respect of underlying Shares representing approximately 4.00% of the total issued share capital of the Company immediately following the completion of the listing had been granted to 53 RSU Participants pursuant to the RSU Scheme.

The Group acquired a company named Yunnan Chen Lin Human Resources Management Co., Ltd. ("**Yunnan Chen Lin**"), an independent third party in June 2019 with a total consideration of RMB2 million. It is a business combination and the acquisition is insignificant to the Group since the assets, profit and revenue of Yunnan Chen Lin are all less than 1% of the Group.

Save as disclosed in note 34 of this report, there are no other material subsequent events undertaken by the Company or by the Group after 31 May 2019.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company and its subsidiaries now comprising the Group in respect of any period subsequent to 31 May 2019 and save as disclosed in this report, no dividend or distribution has been declared, made or paid by the Company or any companies now comprising the Group in respect of any period subsequent to 31 May 2019.

The information set out in this Appendix does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I in this prospectus, 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 prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to the owners of the Company as of 31 May 2019 as if the Global Offering had taken place on that date.

The unaudited pro forma adjusted 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 consolidated net tangible assets of the Group had the Global Offering been completed as at 31 May 2019 or at any future dates.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 May 2019 *(Note 1)*	**Estimated net proceeds from the Global Offering** *(Note 2)*	**Unaudited pro forma adjusted net tangible assets of the Group attributable to owners of the Company**	**Unaudited pro forma adjusted net tangible assets per Share** *(Note 3)*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an Offer Price of HK$3.52 per Share	259,073	737,061	996,134	1.00	1.11
Based on an Offer Price of HK$2.20 per Share	259,073	449,223	708,296	0.71	0.79

Notes:

(1) The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 May 2019 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as at 31 May 2019 of RMB259,513,000 with adjustments for the intangible assets as at 31 May 2019 of RMB440,000.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$3.52 and HK$2.20 per Share, respectively, after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately RMB21,322,000 which have been accounted for during the Track Record Period) payable by the Company and takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be granted and issued or repurchased by the Company pursuant to the General Mandate and the Repurchase Mandate.

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,000,000,000 Shares were in issue assuming that the Global Offering, Capitalization Issue and Share Subdivision have been completed on 31 May 2019 but takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be granted and issued or repurchased by the Company pursuant to the General Mandate and the Repurchase Mandate.

(4) Except as disclosed above, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 May 2019.

(5) For the purpose of this unaudited pro forma adjusted net tangible assets, the amounts stated in Renminbi are converted into Hong Kong dollars at the rate of HK$1.00 to RMB0.8946.

羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Chen Lin Education Group Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Chen Lin Education Group Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma adjusted net tangible assets of the Group as at 31 May 2019, and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages II-1 to II-2 of the Company's prospectus dated 27 November 2019, in connection with the proposed initial public offering of shares (the "**Listing**") of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Listing on the Group's financial position as at 31 May 2019 as if the Listing had taken place at 31 May 2019. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the five months ended 31 May 2019, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Listing at 31 May 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 November 2019

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this prospectus received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of value of the property held by the Group in the PRC as at September 30, 2019

16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

November 27, 2019

The Directors
Chen Lin Education Group Holdings Limited
No. 1 Lianfu Road, Xinjian County,
Nanchang City, Jiangxi Province, the PRC

Dear Sirs,

Instructions, Purpose & Valuation Date

We refer to the instruction of Chen Lin Education Group Holdings Limited (the "**Company**") for Cushman & Wakefield Limited ("**C&W**") to prepare market valuation of the property in which the Company and/or its subsidiaries (together referred to as the "**Group**") have interests in the People's Republic of China (the "**PRC**"). We confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the Company with our opinion of the value of the property as at September 30, 2019 (the "**valuation date**").

Valuation Basis

Our valuation of property represents its market value which in accordance with The HKIS Valuation Standards 2017 Edition issued by The Hong Kong Institute of Surveyors 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".

We confirm that the valuation is undertaken in accordance with The HKIS Valuation Standards 2017 Edition issued by The Hong Kong Institute of Surveyors.

In valuing the property, 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.

Our valuation of property is on an entirety interest basis.

Valuation Assumptions

Our valuation of the property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In the course of our valuation of the property, we have assumed that transferable land use rights in respect of the property for its term at nominal annual land use fee has been granted and that any premium payable has already been fully paid.

In valuing the property, we have assumed that the owner of the property has enforceable title to the property and has free and uninterrupted rights to use, occupy or assign the property for the whole of the unexpired term as granted. We have assumed that all consents, approvals and licences from relevant government authorities for the developments have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the development are in compliance with the local planning and other relevant regulations and have been approved by the relevant authorities.

No allowances have been made in our valuations for any charges, mortgages or amounts owing on the property nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

Method of Valuation

Due to the specific nature and restricted use of the property and absence of relevant market evidence, we have valued the Depreciated Replacement Costs ("**DRC**") Method. The DRC Method is based on an estimate of the market value of the land in its existing use, plus the current cost of replacement of the improvements, less allowance for physical deterioration and all relevant forms of obsolescence and optimisation. The DRC Method is subject to service potential of the entity from the use of assets as a whole paying due regard to the total assets employed. The market value arrived using the DRC Method applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

Source of Information

In the course of our valuation, we have relied to a very considerable extent on the information given to us by the Group and its legal adviser, Jingtian & Gongcheng Attorneys At Law (競天公誠律師事務所) regarding the title to the property and the interests of the Group in the property. We have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, particulars of occupancy, site and floor areas, site and floor plans, completion date of buildings, interest attributable to the Group and all other relevant matters.

Dimensions, measurements and areas are based on the copies of documents or other information provided to us by the Company and are therefore only approximations. No on-site measurement has been carried out. We have had no reason to doubt the truth and accuracy of the information provided by the Company which is material to the valuation. We were also advised that no material facts have been omitted from the information provided to us.

Title Investigation

We have been provided with copies of the title documents relating to the property but have not carried out any land title searches. Moreover, we have not inspected the original documents to verify ownership or to ascertain any amendments which may not appear on the copies handed to us. We are also unable to ascertain the title of the property in the PRC and we have therefore relied on the advice given by the Company regarding its interests in the property.

In the course of our valuation, we have relied to a considerable extent on the information given by the Group and its legal adviser, Jingtian & Gongcheng Attorneys At Law (競天公誠律師事務所), in respect of the title to the property in the PRC.

Site Inspection

Mr. Li Lizheng (Senior Manager, 6 years of experience) of our Shenzhen Office, inspected the exterior and, where possible, the interior of the property on 31 July 2019. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are, however, not able to report that the property is free of not, infestation or other structural defects. No test was carried out on any of the services. Our valuation is prepared on the assumption that these aspects are satisfactory.

Unless otherwise stated, we have not carried out detailed on-site measurements to verify the site and floor areas of the property and we have assumed that the areas shown on the documents handed to us are correct.

Currency

Unless otherwise stated, all monetary amounts stated in our valuation report are in Renminbi ("**RMB**"), the official currency of the PRC.

Confirmation of Independence

We hereby confirm that C&W and the undersigned have no pecuniary or other interests that could conflict with the proper valuation of the property or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion.

We also confirm that we are an independent qualified valuer, as referred to Rule 5.08 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

Intended use and user of Report

This valuation report is issued only for the use of the Company for inclusion into its prospectus.

We enclose herewith our valuation report for your attention.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Andrew K. F. Chan
MSc, MRICS, FHKIS,MCIREA, RPS(GP)
Managing Director
Valuation & Advisory Services, Greater China

Note: Andrew K.F. Chan is a member of the Royal Institution of Chartered Surveyors, a fellow member of the Hong Kong Institute of Surveyor, a Registered Professional Surveyor (General Practice) and a Registered China Real Estate Appraiser, Mr. Chan has over 30 years of experience in the professional property valuation and advisory services in the Greater China region and various overseas countries. Mr. Chan has sufficient current national knowledge of the market, and skills and understanding to undertake the valuation competently.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2019
Jiangxi University of Applied Science, No. 1 Lianfu Road, Xinjian County, Nanchang City, Jiangxi Province, the PRC (中國江西省南昌市新建縣聯福大道1號江西應用科技學院)	Jiangxi University of Applied Science is a university campus erected upon various parcels of adjoining land with a total site area of 1,105,564.00 sq m.	As at the valuation date, the property was operated as a university.	No commercial value (see Note (1))

The campus comprises various 1 to 14 storey buildings completed in the period between 2009 and 2019.

The property comprises various teaching buildings, dormitories, library buildings, laboratory buildings, office buildings and ancillary facilities with a total gross floor area of 351,729.76 sq m.

For portions of the property with a total gross floor area of approximately 333,903.60 sq m, relevant certificates and approvals in respect of the construction issued by the government have been obtained with details as follows:

Use	Gross floor area
	(sq m)
Teaching buildings	111,023.45
Dormitories	118,108.51
Library, laboratory and office buildings	74,716.73
Ancillary facilities	30,054.91
Total	333,903.60

Building Ownership Certificate for the water treatment plant with a total gross floor area of approximately 454.00 sq m had not been obtained.

In addition, construction of 4 student dormitories with a total proposed gross floor area of 17,372.16 sq m is planned to commence in the fourth quarter of 2019 after obtaining all the necessary permits and approvals for the construction.

The property is located in Xinjian County, Nanchang. Developments nearby are mainly residential and college in nature. According to the information provided by the Group, the property is for educational use.

The property is held with land use rights for education use for no specific term. (For details, please see Note (2)).

Notes:

(1) In the valuation of the property, we have attributed no commercial value to the property due to the allocated land nature of the property. However, for reference purpose, we are of opinion that the depreciated replacement cost of the buildings and structures would be in the sum of RMB732,000,000 (Renminbi Seven Hundred Thirty Two Million) as at the valuation date.

(2) According to five State-owned Land Use Rights Certificates issued by 新建縣人民政府 (the People's Government of Xinjian County), the land use rights of the property with a total site area of 653,024.00 sq m have been allocated to 江西應用科技學院 (Jiangxi University of Applied Science) with details as follows:

Certificate No.	Use	Expiry date of land use term	Site area (sq m)
(2008)06004	Education	No specific term	320,189.00
(2012)06008	Education	No specific term	164,107.00
(2012)06009	Education	No specific term	132,219.00
(2012)06010	Education	No specific term	28,331.00
(2012)06011	Education	No specific term	8,178.00
		Total:	653,024.00

The remaining land with a total site area of approximately 452,540.00 sq m has been leased from third parties for ancillary and education use.

(3) According to 60 Building Ownership Certificates issued by 南昌市房地產管理局 (the Real Estate Property Management Bureau of Nanchang City) on between August 1, 2014 and December 7, 2015 and 3 Real Estate Certificates issued by 南昌市新建區不動產發登記局 (the Real Estate Registration Bureau of Xinjian District Nanchang City) on March 5, 2019, the building ownership of the property with a total gross floor area of 333,903.60 sq m has been vested in 江西應用科技學院 (Jiangxi University of Applied Science) with details as follows:

Certificate No.	Use	Gross floor area (sq m)
201404685	Teaching Building	1,390.10
201404686	Teaching Building	3,207.00
201404688	Activity Center	8,621.64
201404689	Teaching Building	7,637.63
201404698	Teaching Building	17,484.54
201404703	Student Dormitory	4,513.25
201404707	Student Dormitory	4,108.05
201404708	Student Dormitory	4,577.61
201404709	Teaching Building	3,207.00
201404710	Teaching Building	6,736.51
201404711	Teaching Building	1,390.10
201404712	Teaching Building	3,207.00
201404716	Garage Building	1,148.90
201404721	Student Dormitory	4,577.61
201404722	Student Dormitory	4,108.05
201404735	Business Training Center	2,205.79
201404736	Business Training Center	2,353.91
201404737	Business Training Center	2,807.85
201404738	Business Training Center	2,752.49
201404741	Business Training Center	1,454.58
201404742	Security Office	1,344.68
201404743	Admission and Employment Office	2,245.05

Certificate No.	Use	Gross floor area
		(sq m)
201404744	IT Building	4,512.77
201404745	IT Building	6,768.08
201508280	Office Building	15,167.63
201404691	Library	24,302.49
201404692	Student Dormitory	4,108.05
201404693	Student Dormitory	4,577.61
201404694	Student Canteen	5,877.64
201404699	Student Canteen	4,847.51
201404713	Student Dormitory	4,577.61
201404714	Student Dormitory	4,108.05
201404715	Laboratory Building	4,871.52
201404717	Student Dormitory	4,577.61
201404718	Student Dormitory	4,108.05
201404719	Student Dormitory	4,577.61
201404720	Student Dormitory	4,108.05
201404723	Laboratory Building	5,510.36
201404729	Student Dormitory	4,108.05
201404732	Student Dormitory	4,577.61
201404734	Student Auditorium	6,317.62
201404695	Student Canteen	3,411.48
201404696	Office Building	4,513.25
201404697	Office Building	4,513.25
201404700	Student Dormitory	4,513.25
201404701	Student Dormitory	4,513.25
201404702	Student Dormitory	4,513.25
201404704	Student Dormitory	4,513.25
201404705	Student Dormitory	4,108.05
201404706	Student Dormitory	4,577.61
201404724	Student Dormitory	4,577.61
201404725	Student Dormitory	4,108.05
201404726	Student Dormitory	4,108.05
201404727	Student Dormitory	4,577.61
201404728	Student Dormitory	4,577.61
201404730	Student Dormitory	4,108.05
201404733	Activity Center	5,514.44
201404739	Architecture Training Building	2,880.00
201404690	Professor Building	22,322.42
201404740	International Academic Exchange Center	14,090.21
0002156	Gymnasium	10,514.30
0002157	Sewage Treatment Plant	450.67
0002158	Gate	214.68
	Total:	333,903.60

As advised by the Group, Building Ownership Certificate of the water treatment plant with a total gross floor area of approximately 454.00 sq m had not been obtained.

(4) According to Notification of Enterprise Investment Projects in Jiangxi Province issued by 南昌市新建區發展和改革委員會 (the Development and Reform Commission of Nanchang City Xinjian District) on June 17, 2019, the planned construction project with a total proposed gross floor area of 17,372.16 sq m has been approved. It has also obtained the Construction Land Planning Permit issued by 新建縣城鄉規劃建設局 (the Xinjian Urban-Rural Planning Development Bureau) on January 10, 2007.

(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:

(a) The State-owned Land Use Rights Certificates of the property are legal, valid and enforceable under the PRC laws;

(b) 江西應用科技學院 (Jiangxi University of Applied Science) is the legal land user of the property and has obtained Building Ownership Certificates or Real Estate Certificates for the existing buildings and structures (except the water treatment plant);

(c) 江西應用科技學院 (Jiangxi University of Applied Science) has the right to freely occupy and use of the land use rights and building ownership of the property; and

(d) The construction permits and completion acceptance records for some buildings have not been obtained. But the risk of being punished by the relevant authorities is low.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on May 25, 2018 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association ("**Memorandum**") and its Amended and Restated Articles of Association ("**Articles**").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on November 18, 2019. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(iv) Transfer of shares

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the ''retirement by rotation'' provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(aa) resign;

(bb) dies;

(cc) is declared to be of unsound mind and the Board resolves that his office be vacated;

(dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) he is prohibited from being or ceases to be a director by operation of law;

(ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(c) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(d) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(e) Meetings of member

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

(A) at least two members;

(B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

Extraordinary general meetings shall also be convened on the requisition of one or more members 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.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(f) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The members may, at any general meeting convened and held in accordance with the Articles of the Company, remove the auditors by special resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in its place for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(h) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Companies Ordinance.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed pari passu among such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(k) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on May 25, 2018 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) any manner provided in section 37 of the Cayman Companies Law;

(iv) writing-off the preliminary expenses of the company; and

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss v. Harbottle and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities. Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2017 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

(i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(ii) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The undertaking for the Company is for a period of 30 years from August 22, 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was incorporated on May 25, 2018 in the Cayman Islands as an exempted company with limited liability with the registered company number WC-337699. Accordingly, our Company's corporate structure and Articles are subject to relevant laws of the Cayman Islands. A summary of our Memorandum and Articles of Association is set out in Appendix IV of this prospectus. Our registered office is at Walkers Corporate Limited, Cayman Corporate Center, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.

Our principal place of business in Hong Kong is at 40/F, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong. Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on August 21, 2018. Mr. Wong Yu Kit, of 40/F, Sunlight Tower, 258 Queen's Road East, Wanchai, Hong Kong, has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong at the above address.

2. Changes in authorized and issued share capital of our Company

As at the date of incorporation, our Company had an authorized share capital of HK$380,000 divided into 3,800,000 shares of HK$0.1 each.

The following sets out the changes in our Company's share capital since its incorporation:

(a) On May 25, 2018, our Company issued 1 ordinary share with a par value of HK$0.10 each to Walkers Nominees Limited, the initial subscriber, which was subsequently transferred to Huangyulin Holdings on the same day.

(b) On July 24, 2018 our Company issued ordinary shares, with a par value of HK$0.1 each in the following manner:

   (i) 16,249 ordinary shares to Huangyulin Holdings;

   (ii) 3,250 ordinary shares to Huangyuan Holdings;

   (iii) 3,250 ordinary shares to Huangguandi Holdings; and

   (iv) 2,250 ordinary shares to Chen Lin Elite Holdings.

Share Subdivision

On November 18, 2019, our Shareholders resolved, among other things that, all the issued and unissued ordinary shares of our Company with a par value of HK$0.1 each be subdivided into 1,000 Shares with a par value of HK$0.0001 each such that the authorized share capital of our Company shall be HK$380,000 divided into 3,800,000,000 ordinary shares with a par value of HK$0.0001 each.

Save as disclosed herein and in the paragraph headed "— A. Further information about our Group — 4. Written resolutions of the shareholders passed on November 18, 2019" in this section, there has been no alteration in our share capital of our Company since its incorporation.

3. Changes in share capital of our subsidiaries and Consolidated Affiliated Entities

Our Company's subsidiaries and Consolidated Affiliated Entities are set out in the Accountant's Report in Appendix I to this prospectus. In addition to those disclosed in the paragraph headed "— A. Further information about our Group — 2. Changes in authorized and issued share capital of our Company" in this section, and the section headed "History and Reorganization" in this prospectus, there has been no alteration in the share capital or registered capital of any of the subsidiaries of our Company and the PRC Operating Entities within the two years immediately preceding the date of this prospectus.

4. Written resolutions of the shareholders passed on November 18, 2019

Written resolutions of the shareholders were passed on November 18, 2019 approving, among others, the following:

(a) all the issued and unissued ordinary shares of our Company with a par value of HK$0.1 each be subdivided into 1,000 Shares with a par value of HK$0.0001 each such that the authorized share capital of our Company shall be HK$380,000 divided into 3,800,000,000 ordinary shares with a par value of HK$0.0001 each in each case to be effective on the Listing Date;

(b) subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the Offer Shares pursuant to the Global Offering, our Directors shall be authorized to allot and issue a total of 725,000,000 Shares credited as fully paid at par value to the Shareholders on the register of members of our Company at the close of business on the date immediately preceding the date on which the Global Offering becomes unconditional (or as they may direct) in proportion to their respective shareholdings in the Company (as nearly as possible without fractions) by way of capitalization of the sum of HK$72,500 standing to the credit of the share premium account of our Company. The Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares;

(c) our Company approved and adopted the Memorandum and Articles of Association, which will come into effect upon Listing;

(d) subject to the conditions of the Global Offering as set out in this prospectus being fulfilled and the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as result of the waiver of any condition(s) thereunder the Sole Global Coordinator for itself and on behalf of the

Underwriters) and such obligations not having been terminated in accordance with their respective terms:

(i) the Listing, the Global Offering and the Over-allotment Option was approved, subject to such modifications as our Directors (or any committee established by the Board) may in their sole discretion determine, and our Directors or any committee established by the Board were authorized to do all such things as they consider necessary to give effect to the Listing, the Global Offering and the Over-allotment Option;

(ii) a general unconditional mandate was granted to our Directors to allot, issue and deal with Shares or securities convertible into Shares or options, warranties or similar rights to subscribe for Shares or such convertible securities and to make or grant general offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value nominal value of Shares allotted or agreed to be allotted by the Directors other than pursuant to (a) a rights issue, (b) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles; (c) a specific authority granted by the shareholders in general meeting, shall not exceed the aggregate of (i) 20% of the total nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering (excluding any Shares to be issued upon the Over-allotment Option); and (ii) the total nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in paragraph (iii) below, such mandate to main effect during the period from the passing of the resolution until the earliest of the conclusion of our earliest annual general meeting, the expiration of the period within which we are required by any applicable law or Articles to hold our next annual general meeting or the date on which the resolution is varied or revoked by any ordinary resolution of the shareholders in the general meeting (the "**Applicable Period**");

(iii) a general unconditional mandate was granted to our Directors to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the total nominal value of the share capital of our Company in issue immediately following completion of the Global Offering (excluding any Shares to be issued upon the Over-allotment Option), such mandate to remain effect during the Applicable Period; and

(iv) the general unconditional mandate mentioned in paragraph (ii) above to be extended by the addition to the aggregate nominal amount 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 to repurchase Shares referred to in paragraph (iii) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of our Company's share capital in issue immediately following the completion of the Global offering (excluding any Shares to be issued upon the Over-allotment Option).

5. Corporate Reorganization

For details of the Reorganization which was effected for the Listing, please refer to the section headed "History and Reorganization" in this prospectus.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or any member of our Group within two years preceding the date of this prospectus and are or may be material:

(a) the Exclusive Business Cooperation Agreement dated September 15, 2018, entered into among Chen Lin Education Science, Mr. Huang, Ms. Huang Yuan, Mr. Huang Guandi, Nanchang Di Guan and the School, as further described in the section headed "Contractual Arrangements";

(b) the Exclusive Call Option Agreement dated September 15, 2018, entered into among Chen Lin Education Science, Mr. Huang, Ms. Huang Yuan, Mr. Huang Guandi, Nanchang Di Guan and the School, as further described in the section headed "Contractual Arrangements";

(c) the Equity Pledge Agreement dated September 15, 2018, entered into among Chen Lin Education Science, Nanchang Di Guan, Mr. Huang, Ms. Huang Yuan and Mr. Huang Guandi, as further described in the section headed "Contractual Arrangements";

(d) the Shareholders' Voting Rights Entrustment Agreement dated September 15, 2018, entered into among Chen Lin Education Science, Nanchang Di Guan, Mr. Huang, Ms. Huang Yuan and Mr. Huang Guandi, as further described in the section headed "Contractual Arrangements";

(e) the School Sponsor's and Directors' Rights Entrustment Agreement dated September 15, 2018, entered into among Chen Lin Education Science, Nanchang Di Guan, Mr. Huang, Ms. Wang Yuhua, Mr. Yu Shenghuai, Mr. Wang Yuqi, Mr. Lin Jiaqi, Mr. Chen Xin, Mr. Zhao Ming, Ms. Gan Tian, Mr. Wang Li and the School, as further described in the section headed "Contractual Arrangements";

(f) the School Sponsor's Power of Attorney dated September 15, 2018 executed by Nanchang Di Guan in favour of Chen Lin Education Science, as further described in the section headed "Contractual Arrangements";

(g) the equity transfer agreement dated June 2, 2019 entered into between Chen Lin Education Science and Mr. Yu Chuanhua, an Independent Third Party, pursuant to which Mr. Yu Chuanhua agreed to transfer RMB2.0 million registered capital of Yunnan Chen Lin to Chen Lin Education Science, at a consideration of RMB2.0 million;

(h) the cornerstone investment agreement dated November 20, 2019 entered into among our Company, Nanchang State-owned Venture Capital Management Co., Ltd.* (南昌國資創業投資管理有限公司), the Sole Global Coordinator and the Sole Sponsor, as further described under the section headed "Cornerstone Investors" of this prospectus;

(i) the cornerstone investment agreement dated November 15, 2019 entered into among our Company, Shanghai Ruihai Chuangfeng Industrial Development Co., Ltd.* (上海睿海創豐實業發展有限公司), the Sole Global Coordinator and the Sole Sponsor, as further described under the section headed "Cornerstone Investors" of this prospectus;

(j) the cornerstone investment agreement dated November 21, 2019 entered into among our Company, Zhong Bang International Holdings Limited (中邦國際控股股份有限公司), the Sole Global Coordinator and the Sole Sponsor, as further described under the section headed "Cornerstone Investors" of this prospectus;

(k) the cornerstone investment agreement dated November 20, 2019 entered into among our Company, Sunet Global Limited, the Sole Global Coordinator and the Sole Sponsor, as further described under the section headed "Cornerstone Investors" of this prospectus;

(l) the cornerstone investment agreement dated November 16, 2019 entered into among our Company, Feifan Electronic Commerce Co., Limited (飛凡電子商務有限公司), the Sole Global Coordinator and the Sole Sponsor, as further described under the section headed "Cornerstone Investors" of this prospectus; and

(m) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights

(a) Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be material to our business:

No.	Trademark	Class	Register owner	Place of registration	Registration number	Expiry date (yyyy/mm/dd)
1.		9, 35, 41	Chen Lin Education Science	Hong Kong	304508406	2028/04/26
2.		9, 35, 41	Chen Lin Education Science	Hong Kong	304508415	2028/04/26
3.		9, 35, 41	Chen Lin Education Science	Hong Kong	304508424	2028/04/26

(b) Patents

As of the Latest Practicable Date, we had not registered any patents which we consider to be material to our business.

(c) Domain Names

As of the Latest Practicable Date, we have registered the following domain names which we consider to be material to our business:

No.	Domain Name	Registered Owner	Date of Registration (yyyy/mm/dd)	Expiry Date (yyyy/mm/dd)
1.	jxcsedu.com	the School	2005/06/07	2020/06/07
2.	jxuas.com	the School	2014/06/18	2020/06/18
3.	jxcsedu.com.cn	the School	2005/06/07	2020/07/07
4.	jxcsedu.cn	the School	2005/06/07	2020/07/07
5.	jxcsedu.net	the School	2005/06/07	2020/06/07
6.	jxuas.cn	the School	2014/06/26	2020/06/26
7.	jxuas.com.cn	the School	2014/06/26	2020/06/26
8.	jxuas.net	the School	2014/06/18	2020/06/18
9.	chenlin-edu.com	Chen Lin Education Science	2019/02/21	2020/02/21

(d) Copyrights

As at the Latest Practicable Date, we had not registered any copyrights which we consider to be or may be material to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests and short positions of the Directors and the chief executive

Immediately following completion of the Global Offering (assuming that the Over-Allotment Option is not exercised), so far as our Directors are aware, the interests or short positions of the Directors and chief executive of our Company in the Shares, underlying Shares and debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code of

Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed, will be as follows:

Name of Director	Capacity/Nature of interest	Number of Shares held[(1)]	Approximate percentage of issued share capital[(2)]
Mr. Huang [(3)] [(4)]	Interest in a controlled corporation	555,000,000	55.50%
Ms. Gan Tian [(5)]	Beneficial owner	3,753,000	0.38%
Mr. Li Cunyi [(6)]	Beneficial owner	3,188,000	0.32%
Mr. Wang Li [(7)] [(8)]	Beneficial owner	2,391,000	0.24%
	Interest of spouse	99,871,000	9.99%
Mr. Bau Siu Fung [(9)]	Beneficial owner	358,000	0.04%

Notes:

(1) All interest stated are long positions.

(2) The calculation is based on the total number of 1,000,000,000 Shares in issue immediately after the completion of the Global Offering (assuming that the Over-Allotment Option is not exercised).

(3) 487,500,000 Shares are registered under the name of Huangyulin Holdings, the issued share capital of which is owned as to 100% by Mr. Huang. Accordingly, Mr. Huang is deemed to be interested in such number of Shares held by Huangyulin Holdings for the purpose of Part XV of the SFO.

(4) 67,500,000 Shares are registered under the name of Chen Lin Elite Holdings, the issued share capital of which is owned as to 100% by Huangyulin Holdings. Accordingly, Huangyulin Holdings is deemed to be interested in such number of Shares held by Chen Lin Elite Holdings for the purpose of Part XV of the SFO.

(5) Ms. Gan Tian is interested in the RSUs granted to her under the RSU Scheme entitling her to receive 3,753,000 Shares subject to vesting.

(6) Mr. Li Cunyi is interested in the RSUs granted to him under the RSU Scheme entitling him to receive 3,188,000 Shares subject to vesting.

(7) Mr. Wang Li is interested in the RSUs granted to him under the RSU Scheme entitling him to receive 2,391,000 Shares subject to vesting.

(8) Mr. Wang Li is the spouse of Ms. Huang Yuan. Accordingly, Mr. Wang Li is deemed to be interested in the Shares in which Ms. Huang Yuan is interested.

(9) Mr. Bau Siu Fung is interested in the RSUs granted to him under the RSU Scheme entitling him to receive 358,000 Shares subject to vesting.

(b) Interests of the Substantial Shareholders

Save as disclosed in the section headed "Substantial Shareholders" in this prospectus, our Directors or chief executive are not aware of any other person, not being a Director or chief executive of our Company, who has an interest or short position in the Shares or the underlying Shares which, once the Shares are listed, would fall to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, 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.

2. Particulars of Service Contracts

Each of Mr. Huang, Mr. Huang Boqi, Mr. Zheng Junhui, Mr. Li Cunyi, Mr. Bau Siu Fung, Mr. Wang Li and Ms. Gan Tian, all being our executive Directors, will enter into a service agreement with our Company with an initial term of three years commencing from the Listing Date, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Each of our independent non-executive Directors will enter into a letter of appointment with our Company. The terms and conditions of each of such letters of appointment are similar in all material respects. Each of our non-executive Directors and independent non-executive Directors is appointed with an initial term of three years commencing from the Listing Date subject to termination in certain circumstances as stipulated in the relevant letters of appointment.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any members of our Group (other than contracts expiring or determinate by the employer within one year without the payment of compensation (other than statutory compensation)).

3. Director's Remuneration

The aggregate Director's remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, share-based compensations, other social security costs and other employee benefits) incurred for the years ended December 31, 2016, 2017 and 2018, and the five months ended May 31, 2019 was approximately RMB0.8 million, RMB1.6 million, RMB2.3 million and RMB1.2 million respectively.

Save as the disclosed in this prospectus, no other amounts have been paid or are payable by any member of our Group to our Directors for the years ended December 31, 2016, 2017 and 2018, and the five months ended May 31, 2019.

Pursuant to the existing arrangements that currently in force as of the date of this prospectus, the amount of remuneration (including benefits in kind but excluding discretionary bonuses) payable to our Directors by our Company for the year ending December 31, 2019 is estimated to be approximately RMB3.0 million in aggregate.

4. Agent fees or commissions received

Save in connection the Underwriting Agreements, none of our Directors nor any of the parties listed in the paragraph headed "E. Other Information — 7. Qualification of Experts" in this Appendix had received any commissions, discounts, agency fees, brokerages or other special terms in connection with the issue of sale of any share or loan capital of our Company or any member of our Group within the two years preceding the date of this prospectus.

5. Disclaimers

Save as disclosed in this prospectus:

(a) There are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation) between the Directors and member of our Group);

(b) none of our Directors nor any of the parties listed in the paragraph headed "7. Qualification of Experts" in this Appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed by or leased to our Company or any member of our Group, or are proposed to be acquired or disposed of by or leased to our Company or any member of our Group;

(c) none of our Directors or chief executive of our Company has any interests and short position in the shares, underlying shares and debentures of our Company or our associated incorporation (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 SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors and Listed Companies to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange;

(d) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interest in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstance at general meetings of any other member of our Group;

(e) save as disclosed in this prospectus or in connection with the Underwriting Agreements, none of our Directors nor any of the parties listed in the paragraph headed "7. Qualification of Experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business in our Group;

(f) save in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed "7. Qualification of Experts" in this Appendix: (i) is interested legally or beneficially in any of our Shares or any shares in any member of our Group; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(g) none of our Directors or their respective associates (as defined under the Listing Rules) or any Shareholders of our Company (who to the knowledge of our Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or our five largest revenue payment collection channels.

D. RSU SCHEME

The following is a summary of the principal terms of the RSU Scheme approved and adopted by our Company on August 20, 2019. The RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the RSU Scheme does not involve the grant of options by our Company to subscribe for new Shares.

1. Purpose of the RSU Scheme

The purpose of the RSU Scheme is to incentivize Directors, senior management and employees for their contribution to our Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of our Group by providing them with the opportunity to own equity interests in our Company.

2. RSUs

A RSU gives a participant in the RSU Scheme (the "**RSU Participant**") a conditional right when the RSU vests to obtain Shares, less any tax, stamp duty and other charges applicable, as determined by our Board in its absolute discretion. Each RSU represents one underlying Share (assuming the Global Offering is completed). A RSU may include, if so specified by our Board in its entire discretion, cash and non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares.

3. Participants in the RSU Scheme

Persons eligible to receive RSUs under the RSU Scheme include Directors, senior management and employees of our Company or any member of our Group (the "**RSU Eligible Persons**"). Our Board selects the RSU Eligible Persons to receive RSUs under the RSU Scheme at its discretion.

4. Terms of the RSU Scheme

The RSU Scheme will be valid and effective for a period of ten (10) years, commencing from the adoption date of the RSU Scheme, being August 20, 2019 (unless it is terminated earlier in accordance with its terms) (the "**RSU Scheme Period**") after which period no further RSUs will be granted, but the provisions of this RSU Scheme shall in all other respects remain in full force and effect and RSUs that are granted during the RSU Scheme Period may continue to be exercisable in accordance with their terms of issue.

5. Grant and Acceptance

(a) Making an offer

An offer to grant a RSU will be made to a RSU Eligible Person selected by our Board (the "**RSU Selected Person**") by a letter, in such form as our Board may determine (the "**RSU Grant Letter**"). The RSU Grant Letter will specify the RSU Selected Person's name, the manner of acceptance of the RSU, the number of RSUs granted and the number of underlying Shares represented by the RSUs, the vesting criteria and conditions, the vesting schedule, the exercise price of the RSUs (where applicable) and such other details as our Board considers necessary and are not inconsistent with the RSU Scheme, and will require the RSU Selected Person to undertake to hold the RSU on the terms on which it is granted and to be bound by the provisions of the RSU Scheme.

(b) Acceptance of an offer

A RSU Selected Person may accept an offer of the grant of RSUs in such manner as set out in the RSU Grant Letter. Once accepted, the RSUs are deemed granted from the date of the RSU Grant Letter (the "**RSU Grant Date**").

(c) Restrictions on Grants

Our Board may not grant any RSUs to any RSU Selected Persons in any of the following circumstances:

- the requisite approvals for the grant from any applicable regulatory authorities have not been obtained;
- the securities laws or regulations require that a prospectus or other offering documents be issued in respect of the grant of the RSUs or in respect of the RSU Scheme, unless our Board determines otherwise;
- where granting the RSUs would result in a breach by our Company, any member of our Group or any of their directors of any applicable laws, rules or regulations; or
- where such grant of any RSUs would result in a breach of the limits of the RSU Scheme (as set out in paragraph 6 below).

6. Maximum number of Shares pursuant to RSUs

The maximum number of RSUs that may be granted under the RSU Scheme in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the rules of the RSU Scheme) shall be such number of Shares held or to be held by the RSU Trustee (as defined in paragraph 11 below) for the purpose of the RSU Scheme from time to time.

7. Rights attached to RSUs

A RSU Participant does not have any contingent interest in any Shares underlying the RSUs unless and until such Shares are actually transferred to the RSU Participant. Further, a RSU Participant may not exercise voting rights in respect of the Shares underlying the RSUs prior to their exercise and, unless otherwise specified by our Board in its entire discretion in the RSU Grant Letter to the RSU Participant, nor do they have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying the RSUs.

8. Rights attached to Shares

Any Shares transferred to a RSU Participant in respect of any RSUs will be subject to all the provisions of the Articles and will rank *pari passu* with the fully paid Shares in issue on the date of the transfer or, if that date falls on a day when the register of members of our Company is closed, the first day of the reopening of the register of members, and accordingly will entitle the holder to participate in all dividends or other distributions paid or made on or after the date of the transfer or, if that date falls on a day when the register of members of our Company is closed, the first day of the reopening of the register of members.

9. Assignment of RSUs

The RSUs granted pursuant to the RSU Scheme are personal to each RSU Participant, and are not assignable. RSU Participants are prohibited from selling, transferring, assigning, charging, mortgaging, encumbering, hedging or creating any interest in favor of any other person over or in relation to any property held by the RSU Trustee (as defined in paragraph 11 below) on trust for the RSU Participants, the RSUs, or any interest or benefits therein.

10. Vesting of RSUs

Our Board can determine the vesting criteria, conditions and the time schedule when the RSUs will vest and such criteria, conditions and time schedule shall be stated in the RSU Grant Letter.

Within a reasonable time after the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, our Board will send a vesting notice (the "**Vesting Notice**") to each of the relevant RSU Participants. The Vesting Notice will confirm the extent to which the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, and the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) involved.

If the vesting conditions are not satisfied and no waiver of such condition is granted, the RSU shall be cancelled according to conditions as determined by the Board in its absolute discretion.

11. Appointment of the RSU Trustee

Our Company has appointed Mr. Huang (the "**RSU Trustee**") as the trustee to assist in the administration of the RSU Scheme. Our Company may (i) allot and issue Shares to the RSU Trustee to be held by the RSU Trustee and which will be used to satisfy the Shares underlying the RSUs upon exercise and/or (ii) direct and procure the RSU Trustee to receive existing Shares from any Shareholder or purchase existing Shares (either on-market or off-market) to satisfy the Shares underlying the RSUs upon exercise.

Our Company shall procure that sufficient funds are provided to the RSU Trustee by whatever means as our Board may in its absolute discretion determine to enable the RSU Trustee to satisfy its obligations in connection with the administration of the RSU Scheme. All the Shares underlying the RSUs granted and to be granted under the RSU Scheme will be transferred, allotted or issued to the RSU Trustee.

The maximum number of Shares underlying all grants of the RSU Scheme shall not exceed the aggregate of 1,334 ordinary Shares as of the date of adoption of the RSU Scheme initially held by the RSU Trustee, representing approximately 5.34% of the total issued share capital of the Company at the time. Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), the number of Shares held by the RSU Trustee will be 40,020,000, representing approximately 4.0% of the total issued share capital of the Company at the time.

12. Exercise of RSUs

RSUs held by a RSU Participant that are vested as evidenced by the Vesting Notice may be exercised (in whole or in part) by the RSU Participant serving an exercise notice in writing on the RSU Trustee and copied to our Company. Any exercise of RSUs must be in respect of a board lot of 2,000 Shares each or an integral multiple thereof (except where the number of RSUs which remains unexercised is less than one board lot).

In an exercise notice, the RSU Participant shall request the RSU Trustee to, and the Board shall direct and procure the RSU Trustee to, within five (5) business days, transfer the Shares underlying the RSUs exercised (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) to the RSU Participant which our Company has allotted and issued to the RSU Trustee as fully paid up Shares or which the RSU Trustee has either acquired by purchasing existing Shares or by receiving existing Shares from any Shareholder, subject to the RSU Participant paying the exercise price (where applicable) and all tax, stamp duty, levies and charges applicable to such transfer to the RSU Trustee or as the RSU Trustee directs.

Notwithstanding the foregoing, if the Participant would or might be prohibited from dealing in the Shares by the Listing Rules or by any other applicable laws, regulations or rules within the period specified above, the date on which the relevant Shares shall be allotted and issued or transferred (as the case may be) to such RSU Participant shall occur as soon as possible after the date when such dealing is permitted by the Listing Rules or by any other applicable laws, regulations or rules.

The Participant shall serve the exercise notice within three (3) months after receiving the Vesting Notice. The Trustee will not hold the Shares underlying the RSUs vested for the RSU Participant after this three (3) months period. If the exercise notice is not served during this three (3) months period or the Shares underlying the RSUs exercised cannot be transferred to the RSU Participant pursuant to the preceding paragraph due to the RSU Participant not being able to provide sufficient information to affect the transfer, the RSUs vested or exercised (as the case may be) shall lapse unless otherwise agreed by the Board at its absolute discretion.

13. Rights on a takeover

If a general offer to acquire the Shares (whether by takeover offer, merger, or otherwise in a like manner) is made to all of our Shareholders (or Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and the general offer to acquire the Shares is approved and the offer becomes or is declared unconditional in all respects, a RSU Participant's RSUs will vest immediately, even if the vesting period has not yet commenced.

14. Rights on a compromise or arrangement

If a compromise or arrangement between our Company and our Shareholders or creditors is proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies and a notice is given by our Company to our Shareholders to convene a general meeting to consider and if thought fit approve such compromise or arrangement and such Shareholders' approval is obtained, a RSU Participant's RSUs will vest immediately, even if the vesting period has not yet commenced.

15. Rights on voluntary winding-up

If an effective resolution is passed during the RSU Scheme Period for the voluntary winding-up of the Company (other than for the purposes of a reconstruction, amalgamation or scheme of arrangement), all outstanding RSUs shall be treated as having vested immediately. No Shares will be transferred, and no cash alternative will be paid, to the RSU Participant, but the RSU Participant will be entitled to receive out of the assets available in liquidation on an equal basis with the Company's shareholders such sum as they would have received in respect of the RSUs.

16. Lapse of RSUs

(a) Full lapse of RSU

Any unvested RSU will automatically lapse immediately where:

- such RSU Participant's employment or service terminates for any reason; or
- the RSU Participant makes any attempt or takes any action to sell, transfer, assign, charge, mortgage, encumber, hedge or create any interest in favour of any other person over or in relation to any RSUs or any interests or benefits pursuant to the RSUs.

(b) *If at any time, a RSU Participant:*

- ceases to be an employee;
- fails, during the course of his employment, to devote the whole of his time and attention to the business of our Group or to use his best endeavours to develop the business and interests of our Group;
- is concerned during the course of his employment with our Group (without the prior written consent of our Company) with any (competitive or other) business other than that of our Group; and/or
- is in breach of his contract of employment with or any other obligation to our Group (including without limitation certain restrictive covenants),

then all vested and unvested RSUs shall automatically lapse and such RSU Participant shall have no claim whatsoever in respect of the RSUs or the underlying Shares.

If the RSU Participant's employment or service with the Company or any member of the Group is terminated by reason of retirement, death or disability, the Board shall determine at its absolute discretion and shall notify the RSU Participant whether any unvested RSU granted to such RSU Participant shall vest and the period within which such RSU shall vest. If the Board determines that such RSU shall not vest, such RSU shall be cancelled automatically with effect from the date on which the RSU Participant's employment or service is terminated.

17. Cancellation of RSUs

Our Board may at its discretion cancel any RSU that has not vested or lapsed, provided that:

(a) our Company or our subsidiaries pay to the RSU Participant an amount equal to the fair value of the RSU at the date of the cancellation as determined by the Board, after consultation with our auditors or an independent financial adviser appointed by our Board;

(b) our Company or our relevant subsidiary provides to the RSU Participant a replacement award (or a grant of option under any other restricted share unit scheme, share option scheme or share-related incentive scheme) of equivalent value to the RSUs to be cancelled; or

(c) our Board makes any arrangement as the RSU Participant may agree in order to compensate him/her for the cancellation of the RSUs.

18. Reorganization of capital structure

In the event of any capitalization issue, rights issue, consolidation, sub-division or reduction of the share capital of our Company, our Board may make such equitable adjustments, designed to protect the RSU Participants' interests, to the number of Shares underlying the outstanding RSUs or to the amount of the equivalent value, as it may deem appropriate at its absolute discretion.

19. Amendment of the RSU Scheme

Save as provided in the RSU Scheme, our Board may alter any of the terms of the RSU Scheme at any time. Written notice of any amendment to the RSU Scheme shall be given to all RSU Participants. Any alterations to the terms and conditions of the RSU Scheme which are of a material nature or any changes to the terms of the RSUs granted which shall operate to affect materially adversely any subsisting rights of any RSU Participant shall be subject to the consent of the RSU Participants amounting to three-fourths in nominal value of all underlying RSUs so held by the RSU Participants on the date of the relevant resolution passed by our Board in approving the amendment of the RSU Scheme or the terms of the RSUs granted (as the case may be), except where the alterations or changes take effect automatically under the existing terms of the RSU Scheme. Our Board's determination as to whether any proposed alteration to the terms and conditions of the RSU Scheme or the terms of the RSUs granted (as the case may be) is material shall be conclusive.

20. Termination of the RSU Scheme

Our Board may terminate the RSU Scheme at any time before the expiry of the RSU Scheme Period. The provisions of the RSU Scheme shall remain in full force and effect in respect of RSUs which are granted pursuant to the rules of the RSU Scheme prior to the termination of the operation of the RSU Scheme. Our Company or our relevant subsidiary shall notify the RSU Trustee and all RSU Participants of such termination and of how any property held by the RSU Trustee on trust for the RSU Participants (including, but not limited to, any Shares held) and the outstanding RSUs shall be dealt with.

21. Administration of the RSU Scheme

Our Board has the power to administer the RSU Scheme, including the power to construe and interpret the rules of the RSU Scheme and the terms of the RSUs granted under it. Our Board may delegate the authority to administer the RSU Scheme to a committee of our Board. Our Board may also appoint one or more independent third-party contractors to assist in the administration of the RSU Scheme and delegate such powers and/or functions relating to the administration of the RSU Scheme as our Board thinks fit.

Our Board's determinations under the RSU Scheme need not be uniform and may be made by it selectively with respect to persons who are granted, or are eligible to be granted, RSUs under it. If a Director is a RSU Participant he may, notwithstanding his own interest and subject to our Articles, vote on any Board resolution concerning the RSU Scheme (other than in respect of his own participation in it), and may retain RSUs under it.

Each RSU Participant waives any right to contest, amongst other things, the value and number of RSUs or Shares or equivalent value of cash underlying the RSUs or Shares and our Board's administration of the RSU Scheme.

22. General

As at the Latest Practicable Date, RSUs in respect of underlying Shares representing approximately 4.0% of the total issued share capital of our Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised) had been granted to 53 RSU Participants pursuant to the RSU Scheme. Assuming the total number of Shares in issue on the Listing Date will be 1,000,000,000, the RSUs granted to the RSU Participants as of the Latest Practicable Date will represent 40,000,000 underlying Shares. Four of the RSU Participants are our Directors and five of the RSU Participants are members of our senior management (excluding those who are also Directors of our Company).

Details of the RSUs granted under the RSU Scheme as at the date of this document and details of the vesting period are set out in the paragraph headed "— 23. Details of the RSUs granted under the RSU Scheme" below.

23. Details of the RSUs granted under the RSU Scheme

Name of the grantees	Position held within our Group	Address	Number of Shares represented by the RSUs	Date of grant	Approximately percentage of shareholding immediately following the completion of the Global Offering[1]
Directors of our Company					
Gan Tian	Executive Director	Room 1332, Unit 2, Block 5 Hong Gu Zhong Avenue Honggutan New District Nanchang Jiangxi, PRC	3,753,000	November 18, 2019	0.38%
Li Cunyi	Executive Director	Room 401, Unit 2, Block 1 No. 267, Tao Yuan Street Xihu District Nanchang Jiangxi, PRC	3,188,000	November 18, 2019	0.32%
Wang Li	Executive Director	Room 401, Unit 1, Block 9 No. 2, Jun Cai Road Honggutan New District Nanchang Jiangxi, PRC	2,391,000	November 18, 2019	0.24%
Bau Siu Fung	Executive Director, chief financial officer and company secretary	Flat B, 17/F 102 Broadway Mei Foo Sun Chuen, Mei Foo Kowloon Hong Kong	358,000	November 18, 2019	0.04%

Name of the grantees	Position held within our Group	Address	Number of Shares represented by the RSUs	Date of grant	Approximately percentage of shareholding immediately following the completion of the Global Offering[(1)]
Senior management members of our Company (excluding those who are also Directors of our Company)					
Fang Xiaozhen	Chief operating officer	Room 502, Unit 1, Block 1, No. 81 Cui Yan Road, Wanli District, Nanchang, Jiangxi, PRC	3,268,000	November 18, 2019	0.33%
Liu Chunbin	Vice president	Room 603, Unit 2, Block 4, No. 899, Yi Yuan Road, Honggutan New District, Nanchang, Jiangxi, PRC	1,395,000	November 18, 2019	0.14%
Lin Jiaqi	Vice president	Room 2603, Block 4, No. 81, Cui Lin Road, Honggutan New District, Nanchang, Jiangxi, PRC	1,196,000	November 18, 2019	0.12%
Lu Dong	Vice president	Room 601, Unit 3, Block 1, Jiuzhou Hua Yi Ju, No. 20, Gongnong Road, Wanli District, Nanchang, Jiangxi, PRC	558,000	November 18, 2019	0.06%
Zhang Min	Vice president	Room 2311, Unit 3, Block 2, No. 668, Shi Mao Road, Honggutan New District, Nanchang, Jiangxi, PRC	518,000	November 18, 2019	0.05%

Rank/position held with our Group	Number of Shares represented by the RSUs	Date of grant	Approximately percentage of shareholding immediately following the completion of the Global Offering[(1)]
44 management staff and employees of our Group	23,375,000	November 18, 2019	2.34%

Note:

(1) Assuming the total number of Shares in issue immediately following the completion of the Global Offering will be 1,000,000,000 and without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option.

The grantees of the RSUs granted under the RSU Scheme as referred to in the table above are not required to pay for the grant of any RSU under the RSU Scheme.

For the RSUs granted on November 18, 2019 to the named individual grantees of the RSUs set out in the table above, they shall (unless our Company shall otherwise determine and so notify the RSU Participant in writing and subject to our Company's date of Listing) vest as follows:

(i) as to 50% of the RSUs on November 18, 2020;

(ii) as to 30% of the RSUs on November 18, 2021; and

(iii) as to 20% of the RSUs on November 18, 2022.

E. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any member of our Group.

2. Litigation

Save as disclosed in the paragraph headed "Business — Legal Proceedings and Compliance" in this prospectus, as of the Latest Practicable Date, we were not 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 our results of operations or financial conditions.

3. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Listing Committee for the listing of, and the permission to deal in, the Shares in issue and to be issued or sold as mentioned in this prospectus (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option). First Shanghai Capital Limited satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The fees payable to the Sole Sponsor in respect of their services as sponsor for the Listing are HK$5.0 million and are payable by us.

4. Preliminary Expenses

Save as disclosed in the paragraph headed "Financial Information — Listing Expenses" in this prospectus, we have not incurred any material preliminary expenses.

5. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

6. Binding Effect

This prospectus shall have effect, if an application is made pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

7. Qualification of Experts

The following are the qualifications of the experts (as defined under the Listing Rules and the Companies Ordinance) who gave opinions or advice which are contained in this prospectus:

Name	Qualifications
First Shanghai Capital Limited	Licensed to conduct Type 6 (advising on corporate finance) of the regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants
Jingtian & Gongcheng Attorneys At Law	PRC legal advisor
Walkers (Hong Kong)	Cayman Islands legal advisor
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
Cushman & Wakefield Limited	Property valuer

8. Consent of Experts

Each of the experts as referred to in the paragraph headed "7. Qualification of Experts" in this Appendix has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or legal opinion (as the case may be) and references to their names included in the form and context in which it respectively appears.

None of experts named above has any shareholders' interests in our Company or any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for interests in our Company or any member of our Group.

9. Promoters

Our Company has no promoter.

10. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since May 31, 2019 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

11. Miscellaneous

(a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

(i) neither our Company, nor any member of our Group has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) 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 the Group;

(iv) no commission has been paid or payable (except commission to sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;

(v) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued; and

(vi) there is no arrangement under which future dividends are waived or agreed to be waived.

(b) Our Directors confirm that:

(i) since May 31, 2019 (being the date on which the latest audited consolidated financial statements of the Group were made up), there has been no material adverse change in our financial or trading position or prospects;

(ii) there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this prospectus; and

(iii) our Company has no outstanding convertible debt securities or debentures.

(c) No company within our Group is presently listed on any stock exchange or traded on any trading system.

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this Prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) copies of the **WHITE, YELLOW** and **GREEN** Application Forms;

(b) particulars of the material contracts referred to in the section headed "Appendix V — Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts" in this prospectus; and

(c) the written consents referred to in the section headed "Appendix V — Statutory and General Information — E. Other Information — 8. Consent of Experts" in this prospectus.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of William Ji & Co. LLP (in Association with Tian Yuan Law Firm Hong Kong Office) at Suite 702, 7/F, Two Chinachem Central, 26 Des Voeux Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum of Association and Articles of Association;

(b) the Accountant's Report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;

(c) the audited consolidated financial statements of our Group for each of the three years ended December 31, 2018 and the five months ended May 31, 2019;

(d) the report from PricewaterhouseCoopers in respect of the unaudited pro forma financial information, the text of which is set out in the section headed "Appendix II — Unaudited Pro Forma Financial Information" to this prospectus;

(e) the letter of advice prepared by Walkers (Hong Kong) summarizing certain aspects of the Companies Law as referred to in the section headed "Appendix IV — Summary of the Constitution of the Company and Cayman Islands Company Law" in this prospectus;

(f) the Companies Law;

(g) the material contracts referred to in the section headed "Appendix V — Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts" in this prospectus;

(h) the service contracts with directors, referred to in the section headed "Appendix V — Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 2. Particulars of Services Contracts" in this prospectus;

(i) the F&S Report;

(j) the letter and valuation report relating to the property interests of our Group prepared by Cushman & Wakefield, the texts of which are set out in Appendix III to this prospectus;

(k) the written consents referred to in the section headed "Appendix V — Statutory and General Information — E. Other Information — 8. Consent of Experts" in this prospectus; and

(l) the legal opinion prepared by Jingtian & Gongcheng Attorneys At Law, our legal advisor as to PRC law, in respect of certain aspects of our Group and our property interests in the PRC.

Chen Lin Education Group Holdings Limited
辰林教育集團控股有限公司