



Oriental
UniversityCity
東方大學城

Oriental University City Holdings (H.K.) Limited
東方大學城控股(香港)有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 8067

PLACING

Sole Sponsor, Sole Bookrunner and Sole Lead Manager



BNP PARIBAS
CORPORATE & INVESTMENT BANKING

BNP Paribas Securities (Asia) Limited

IMPORTANT

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



Oriental
UniversityCity
东方大学城

Oriental University City Holdings (H.K.) Limited 東方大學城控股(香港)有限公司 *(Incorporated in Hong Kong with limited liability)*

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING

Number of Placing Shares : 45,000,000 Shares (subject to the Offer Size Adjustment Option)

Placing Price : Not more than HK\$2.68 per Placing Share and expected to be not less than HK\$2.60 (payable in full on subscription plus brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027%, subject to refund)

Stock Code : 8067

Sole Sponsor, Sole Bookrunner and Sole Lead Manager



BNP PARIBAS
CORPORATE & INVESTMENT BANKING

BNP Paribas Securities (Asia) Limited

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss howsoever arising from, or in reliance upon, the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents delivered to the Registrar of Companies and available for inspection" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 38D of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong 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 Placing Price is expected to be determined by agreement between the Sole Lead Manager and our Company on the Price Determination Date, which is expected to be on or around Monday, January 12, 2015 and in any event, not later than Wednesday, January 14, 2015. The Placing Price will not be more than HK\$2.68 per Placing Share and is currently expected to be not less than HK\$2.60 per Placing Share. If, for any reason, the Placing Price is not agreed by Wednesday, January 14, 2015 between the Sole Lead Manager and our Company, the Placing will not proceed and will lapse. In the case of such event, a notice will be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.oriental-university-city.com.

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

Prospective investors of the Placing Shares should note that the Underwriting Agreement is subject to termination by the Sole Lead Manager upon the occurrence of any of the events set forth in the section headed "Underwriting — Underwriting arrangements and expenses — Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of these termination provisions are set out in the section headed "Underwriting" in this prospectus. It is important that you refer to that section for further details.

December 31, 2014

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazette newspaper. Accordingly, prospective investors should note that they need to have access to the Stock Exchange's website at www.hkexnews.hk in order to obtain up-to-date information on GEM-listed issuers.

EXPECTED TIMETABLE

2015⁽¹⁾

Expected Price Determination Date⁽²⁾ on or before Monday, January 12

Announcement of the determination of Placing Price and the level of interests in the Placing to be published (i) on the Stock Exchange's website at www.hkexnews.com; and (ii) our Company's website at (www.oriental-university-city.com)⁽³⁾ on or before Thursday, January 15

Allotment of Placing Shares to placees on or before Thursday, January 15

Deposit of the Share certificates for the Placing Shares into CCASS on or before^(4 and 5) Thursday, January 15

Dealings in the Shares on GEM expected to commence at 9:00 a.m. on Friday, January 16

Notes:

- (1) All times and dates refer to Hong Kong local times and dates, except as otherwise stated. If there is any change to the above expected timetable, we will make an appropriate announcement on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.oriental-university-city.com to inform investors accordingly. Details of the structure of the Placing, including its conditions, are set out in the section headed "Structure and conditions of the Placing" in this prospectus.
- (2) The Price Determination Date, being the date on which the Placing Price is to be determined, is expected to be on or around Monday, January 12, 2015 and in any event, not later than Wednesday, January 14, 2015. If our Company and the Sole Lead Manager are unable to reach an agreement on the Placing Price by that date or such later date as agreed by our Company and the Sole Lead Manager, the Placing will not become unconditional and will not proceed.
- (3) None of our website or any of the information contained in our website forms part of this prospectus.
- (4) Share certificates for the Placing Shares allotted and issued to the placees are expected to be either dispatched to the placees or deposited directly into CCASS on or before Thursday, January 15, 2015 for credit to the respective CCASS Participants' or the CCASS Investor Participants' stock accounts designated by the Sole Lead Manager, the placees or their agents (as the case may be). No temporary documents or evidence of title will be issued.
- (5) All share certificates for the Placing Shares will only become valid certificates of title when the Placing has become unconditional in all respects and the Underwriting Agreement has not been terminated in accordance with its terms at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date.

For details of the structure of the Placing, including the conditions thereof, please refer to the section headed "Structure and conditions of the Placing" in this prospectus.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Placing and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Placing Shares offered by this prospectus. This prospectus may not be used for the purpose of and does not constitute an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances.

You should rely only on the information contained in this prospectus to make your investment decision.

Our Company, the Sole Sponsor, the Sole Bookrunner and the Sole Lead Manager have not authorized any person to provide you with information that is different from what is contained in this prospectus.

Any information or representation not made nor contained in this prospectus must not be relied on by you as having been authorized by our Company, the Sole Sponsor, the Sole Bookrunner and the Sole Lead Manager, any of their respective directors, officers, employees, agents, affiliates or representative of any of them, or any other person or parties involved in the Placing.

The contents on our Company's website at www.oriental-university-city.com do not form part of this prospectus.

	<i>Page</i>
CHARACTERISTICS OF GEM	i
EXPECTED TIMETABLE	ii
CONTENTS	iii
SUMMARY	1
DEFINITIONS	26
FORWARD-LOOKING STATEMENTS	41
RISK FACTORS	43
INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING	70
DIRECTORS AND PARTIES INVOLVED IN THE PLACING	74
CORPORATE INFORMATION	76
INDUSTRY OVERVIEW	78
REGULATIONS	90

CONTENTS

	<i>Page</i>
HISTORY AND DEVELOPMENT	102
BUSINESS	124
STRATEGY AND USE OF PROCEEDS	181
SUBSTANTIAL SHAREHOLDERS	188
RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER	189
DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES	198
SHARE CAPITAL	209
FINANCIAL INFORMATION	212
UNDERWRITING	264
STRUCTURE AND CONDITIONS OF THE PLACING	273
APPENDIX I — ACCOUNTANT’S REPORT	I-1
APPENDIX II — UNAUDITED PRO FORMA FINANCIAL INFORMATION	II-1
APPENDIX III — PROPERTY VALUATION	III-1
APPENDIX IV — SUMMARY OF THE CONSTITUTION OF OUR COMPANY	IV-1
APPENDIX V — STATUTORY AND GENERAL INFORMATION	V-1
APPENDIX VI — DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION	VI-1

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Placing Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Placing 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 Placing Shares.

OVERVIEW

We own and lease education facilities, comprising primarily teaching buildings and dormitories to education institutions in the PRC. All of our existing education facilities are located in our Campus Site. Our Campus Site currently occupies a gross site area of approximately 731 mu (487,270 sq.m.) and is currently located in Oriental University City, Langfang city. Oriental University City was one of the earliest University Cities established in the PRC, according to Euromonitor. Our principal customers are universities, colleges, schools and education training centers. We also lease commercial premises on our Campus Site to vendors who provide supporting facilities to the students and staff of our Contract Colleges.

As of October 31, 2014, we owned teaching facilities with a GFA of approximately 119,453 sq.m. and dormitories with a GFA of approximately 144,490 sq.m., which we leased to Contract Colleges that are mostly offering vocational education.

BUSINESS MODEL

Our business operations mainly comprise education facilities leasing, which is the leasing of teaching buildings and dormitories to Contract Colleges; and to a much lesser extent, commercial leasing for supporting facilities, which is the leasing of a range of supporting facilities including grocery stores, laundry shops, internet cafes and canteens.

The following table sets out the breakdown of our revenue in terms of the two lines of business during the Track Record Period:

	Year ended June 30,			
	2013		2014	
	RMB'000	%	RMB'000	%
Revenue				
Education facilities leasing.....	65,438	95.5	56,854	95.3
Commercial leasing for supporting facilities	<u>3,112</u>	<u>4.5</u>	<u>2,789</u>	<u>4.7</u>
Total	<u>68,550</u>	<u>100.0</u>	<u>59,643</u>	<u>100.0</u>

SUMMARY

CONTRACT COLLEGES

Our principal customers are Contract Colleges. The following is a list of our Contract Colleges for the 2014 to 2015 academic year.

- Beijing Chinese Medicine;
- Civil Aviation;
- Huahang Aviation;
- Peking Founder Technology;
- Beijing City University;
- Beijing Oriental College;
- Oriental Hanxiang College;
- Beauty Art and Creation Training⁽¹⁾;
- Vision Training⁽¹⁾; and
- Zhongaojia Human Resources⁽¹⁾.

We had seven Contract Colleges for each of the year ended June 30, 2013 and 2014, and the resident student population of these Contract Colleges was over 21,000 and 19,000 for the year ended June 30, 2013 and 2014, respectively. Our seven Contract Colleges continued to lease from us for the 2014 to 2015 academic year and the resident student population remains at about 19,000. In addition to our seven Contract Colleges, we have entered into education service agreements and collaborative agreements with three new Contract Colleges for the 2014 to 2015 academic year. These three new Contract Colleges offer short-term courses. To take a conservative approach, resident students of these new Contract Colleges are not counted as part of the resident student population referred to above for the 2014 to 2015 academic year.

Note:

(1) New Contract Colleges for the 2014 to 2015 academic year which provide short-term courses only.

SUMMARY

We enter into four types of agreements with our Contract Colleges: (i) letters of intent, (ii) yearly collaborative agreements, (iii) education service agreements for short-term courses; and (iv) supplemental agreement to the education service agreements. Except for the letters of intent, these agreements are legally binding. Our contractual relationship with Contract Colleges are mainly governed by collaborative agreements which are entered into on a yearly basis. Under the collaborative agreements, the amount of education facilities leasing fee payable by the Contract Colleges is calculated based on their estimated student enrollment for the upcoming academic year.

The pricing structure for collaborative agreements for leasing of teaching buildings generally provides for annual rental rates ranging from RMB1,700 to RMB2,100 per student during the Track Record Period, and annual rental rates ranging from approximately RMB400 to RMB420 per sq.m. for the 2014 to 2015 academic year. For the leasing of dormitories under collaborative agreements, the annual rental rates per bed have ranged from approximately RMB1,200 to RMB2,300 for both the Track Record Period and the 2014 to 2015 academic year. The payment arrangement under the collaborative agreements generally provides for that a deposit equivalent to 20% of the total education facilities leasing fee is payable by the relevant Contract College within three days of signing a collaborative agreement, with the remaining fee to be settled prior to September 20 of that calendar year.

While our contractual relationship with our pre-existing Contract Colleges is governed by the collaborative agreements, our contractual relationship with the three new Contract Colleges that offer short-term courses are governed by the education service agreements and supplemental agreements. The revenue contribution from these three new Contract Colleges is expected to be insignificant for the year ending June 30, 2015.

The pricing structure of the education service agreement and supplemental agreement generally provides for a monthly rental rate of RMB60 per sq.m. for leasing of teaching buildings, and a daily rental rate per bed ranging from RMB8 to RMB16 for leasing of dormitories. The payment arrangement under the education service agreement and supplemental agreement generally provides for that the Contract Colleges should either pay (i) 20% of the total education facilities leasing fee as deposit, with the remaining fee to be settled within certain days after signing of the supplemental agreement, or (ii) an amount equivalent to one month education facilities leasing fee as advance payment within certain days after the signing of the relevant supplemental agreements. Depending on the duration of use, the remaining balance will also be settled on specific dates determined on a case-by-case basis. The exact payment terms will be specified in the supplemental agreements.

For further details, please refer to the section headed “Business — Our Business — Education facilities leasing — Agreements with Contract Colleges” in this prospectus.

SUMMARY

Summary of Agreements with Contract Colleges

The following table summarizes the type of agreements we entered into with our Contract Colleges as of the Latest Practicable Date:

	Letters of intent	Collaborative agreements		Education service agreements	Supplemental agreement to the education service agreements
	July 1, 2014 to June 30, 2017	Track Record Period	2014 to 2015 academic year	July 1, 2014 to June 30, 2017	2014 to 2015 academic year
Name of the Contract Colleges					
Beijing Chinese Medicine	√	√	√	—	—
Civil Aviation	—	√	√	—	—
Huahang Aviation	—	√	√	—	—
Peking Founder Technology	√	√	√	—	—
Beijing City University	√	√	√	—	—
Beijing Oriental College	—	√	√	√ ⁽³⁾	—
Oriental Hanxiang College	—	√	√ ⁽¹⁾	√ ⁽⁴⁾	—
Beauty Art and Creation Training	—	—	√ ⁽⁵⁾	√	√
Vision Training	—	—	√ ⁽²⁾⁽⁵⁾	√	—
Zhongaojia Human Resources	—	—	√ ⁽⁵⁾	√	√

Notes:

- (1) Oriental Hanxiang College entered into a four year collaborative agreement for dormitories with us given they have refurbished the relevant dormitories and requested for longer lease term. Other major terms under such agreement were similar to other collaborative agreements.
- (2) Vision Training entered into a rental agreement with us for teaching building for one year. Major terms under the rental agreement were similar to other collaborative agreements.
- (3) Beijing Oriental College provided full-time courses during the Track Record Period. However, as some of the courses previously provided became less popular with potential students, it changed its operation model to provide short-term courses for the 2014 to 2015 academic year.
- (4) In addition to provision of full-time courses, Oriental Hanxiang College started to provide short-term courses for the 2014 to 2015 academic year.
- (5) Even though these Contract Colleges are engaged in short-term courses, they still entered into the yearly collaborative agreements with us, as they hold multiple short-term courses throughout the year, to secure certain premises prior to the commencement of certain short-term courses to provide such Contract Colleges with some basic venue to operate, and they will enter into further supplemental agreements if additional demand arises for short-term courses.

SUMMARY

As our supplemental agreements are short-term in nature, the following table only sets out the commencement date and expiry date of the letter of intent, collaborative agreement and education service agreement that we have entered into with our Contract Colleges as of the Latest Practicable Date:

Name of the Contract Colleges	Letter of Intent		Collaborative agreements		Education service agreements ⁽³⁾	
	Commencement date	Expiry date	Commencement date	Expiry date	Commencement date	Expiry date
Beijing Chinese Medicine	July 1, 2014	June 30, 2017	July 1, 2014	June 30, 2015	—	—
Civil Aviation	—	—	July 1, 2014	June 30, 2015	—	—
Huahang Aviation	—	—	July 1, 2014	June 30, 2015	—	—
Peking Founder Technology	July 1, 2014	June 30, 2017	July 1, 2014	June 30, 2015	—	—
Beijing City University	July 1, 2014	June 30, 2017	July 1, 2014	June 30, 2015	—	—
Beijing Oriental College	—	—	September 1, 2014	August 31, 2015	July 1, 2014	June 30, 2017
Oriental Hanxiang College	—	—	July 1, 2014	June 30, 2015	July 1, 2014	June 30, 2017
Beauty Art and Creation Training	—	—	September 1, 2014	August 31, 2018 ⁽¹⁾	—	—
Vision Training	—	—	August 1, 2014	July 31, 2015	July 1, 2014	June 30, 2017
Zhonggaojia Human Resources	—	—	November 5, 2014	November 4, 2015 ⁽²⁾	July 1, 2014	June 30, 2017
			December 1, 2014	November 30, 2015	July 1, 2014	June 30, 2017
			November 5, 2014	November 4, 2015	—	—

Notes:

- (1) Oriental Hanxiang College entered into a four year collaborative agreement for dormitories with us given they have refurbished the relevant dormitories and requested for longer lease term. Other major terms under such agreement were similar to other collaborative agreements.
- (2) Vision Training entered into a rental agreement with us for teaching building for one year. Major terms under the rental agreement were similar to other collaborative agreements.
- (3) Education service agreements govern our relationship with Contract Colleges for short-term courses.

For further details, please refer to the section headed “Business — Our Business — Education facilities leasing — Agreements with Contract Colleges” in this prospectus.

SUMMARY

Lease-out rate

The table below sets forth the lease-out rates of teaching buildings and dormitories on our Campus Site as well as the relevant information for calculation of the lease-out rates as of June 30, 2013 and 2014. As all of (i) the Reorganization was completed on September 24, 2012, (ii) the buildings exchange use agreement with Langfang Fenghe was dated October 20, 2012, and (iii) the post-Reorganization subsequent sale and purchase of land with Zhuyun was in June 2013, occurred prior to June 30, 2013, these three events did not have any impact on the total GFA of teaching buildings and dormitories available for education facilities leasing and the lease-out rates of teaching buildings and dormitories on our Campus Site as of June 30, 2013 and June 30, 2014.

	As of June 30,	
	2013	2014
Teaching buildings⁽¹⁾		
Lease-out rate for teaching buildings (by GFA) ⁽²⁾	74.5%	83.1%
GFA		
GFA leased out	110,631.0	99,215.7
Total GFA available for leasing	148,553.0	119,452.6
Dormitories		
Lease-out rate for dormitories ⁽³⁾	91.6%	94.2%
- Self-owned.....	100.0%	96.4%
- Leased from other parties ⁽⁴⁾	82.0%	87.5%
Number of dormitory beds		
Number of beds leased out.....	21,253	19,290
- Self-owned.....	12,356	15,036
- Leased from other parties ⁽⁴⁾	8,897	4,254
Total number of beds available	23,202	20,468
- Self-owned.....	12,356	15,604
- Leased from other parties ⁽⁴⁾	10,846	4,864

Notes:

- (1) All our teaching buildings available for education facilities leasing are self-owned.
- (2) Calculated as the aggregate GFA leased out to our Contract Colleges as of the date indicated based on the collaborative agreements, divided by the total average GFA of our teaching buildings available as of the date indicated multiplied by 100%.
- (3) Calculated as the number of beds leased out to our Contract Colleges as of the date indicated based on the collaborative agreements, divided by the number of beds available in our dormitories as of the date indicated multiplied by 100%.
- (4) This includes the number of beds for dormitories leased from Langfang Fenghe and Taitu, and one dormitory with 832 beds leased from our connected person, Zhuyun as of June 30, 2013.

For details on the total GFA of our education facilities and commercial buildings please refer to the subsection headed “Property interests — Summary of property interests” in this section. For further details on lease-out rate, please refer to the section headed “Business — Our business — Education facilities leasing — Lease-out rate” in this prospectus.

SUMMARY

The table below sets forth the relevant information of our pre-existing Contract Colleges:

Name of our pre-existing Contract Colleges and major courses offered	Type of education	Year of commencing leasing education facilities from the Group ⁽⁶⁾	GFA leased (sq.m.) as of June 30,		“Resident student and staff population for dormitories” and “Number of beds leased” as of June 30,		GFA leased for teaching buildings for the 2014 to 2015 academic year ⁽⁸⁾	Resident student and staff population for the 2014 to 2015 academic year ⁽¹⁰⁾
			2013 ⁽⁷⁾	2014 ⁽⁷⁾	2013	2014		
Beijing Chinese Medicine (founded in 2005) (Chinese medicine, health awareness, and nursing)	Degree education	2008	76,562.7	76,562.7	10,782	10,386	85,241.9	10,386
Civil Aviation ⁽¹⁾ (founded in 1982) (Civil aviation and logistics, aviation services, and aviation safety)	Higher vocational education	2008	28,803.3	19,413.4	5,294	4,620	19,413.4	4,056
Huahang Aviation ⁽¹⁾ (founded in 2008) (English for civil aviation, aviation services, and aviation safety)	Secondary vocational education	2008						
Peking Founder Technology ⁽²⁾ (founded in 2002) (Computer science, electronic information engineering, multimedia and design, and business management)	Higher vocational education	2008	N/A	N/A	3,480	3,024	N/A	3,768
Beijing City University ⁽²⁾ (founded in 1984) (Foreign language and culture, tourism and hotel management, electronic information engineering, and design)	Degree education	2008	N/A	N/A	750	750	N/A	750
Beijing Oriental College (founded in 2002) (Aviation travel, international navigation, bilingual studies, economics and management, and software)	Vocational education training ⁽⁴⁾	2008	2,980.0	2,039.7	596	270	203.9 ⁽⁹⁾	N/A ⁽⁹⁾
LOIA (founded in 2009) ⁽³⁾ (Fashion design and aviation services)	Higher vocational education	2010	2,285.0	N/A	351	N/A	N/A	N/A
Oriental Hanxiang College ⁽⁴⁾ (founded in 2010) (Computer science and English)	Vocational education training ⁽⁵⁾	2013	N/A	1,200.0	N/A	240	294.3	224
Total			<u>110,631</u>	<u>99,215.7</u>	<u>21,253</u>	<u>19,290</u>	<u>105,153.5</u>	<u>19,184⁽¹¹⁾</u>

Notes:

- (1) During the Track Record Period, the revenue contribution from Civil Aviation and Huahang Aviation were combined as our business relationship with these two Contract Colleges were governed under a single collaborative agreement in each academic year.
- (2) Peking Founder Technology and Beijing City University only leased dormitories from us as they are using teaching buildings that are located in Oriental University City but outside of our Campus Site.
- (3) LOIA was owned and operated by REC and thus a connected person to our Company. It did not have any student intake for the 2013 to 2014 academic year and the 2014 to 2015 academic year because REC Group decided to close down LOIA due to strategic reasons.
- (4) Oriental Hanxiang College only became our Contract College in July 2013.
- (5) For students attending this type of training, only a certificate of completion will be provided, no degree or diploma will be accredited.
- (6) Most of the Contract Colleges commenced leasing education facilities from the Group in 2008 as REC acquired the Group in 2008.
- (7) During the Track Record Period, our pre-existing Contract Colleges leased teaching buildings from us based on the student enrollment and not based on GFA.
- (8) The GFA leased for teaching buildings is based on GFA stipulated on the collaborative agreement for the 2014 to 2015 academic year.
- (9) Although Beijing Oriental College will not lease dormitories from us, but they will continue to lease teaching buildings from us for the 2014 to 2015 academic year.
- (10) The resident student and staff population is based on the number of beds stipulated in the collaborative agreements for the 2014 to 2015 academic year.
- (11) We started to lease to Contract Colleges that offer short-term courses in the 2014 to 2015 academic year, to take a conservative approach, resident students attending short-term courses are not counted as part of the resident student population for the 2014 to 2015 academic year.

SUMMARY

For details on the analysis of the above table, please refer to the section headed “Business — Our business — Education facilities leasing — Analysis on the trend” in this prospectus.

The following table sets forth the relevant information of our new Contract Colleges.

New Contract Colleges

<u>Name of our Contract Colleges</u>	<u>Major courses offered</u>	<u>Type of education</u>	<u>Year became our Contract College</u>
Beauty Art and Creation Training ⁽¹⁾ (founded in 2014)	Arts, music and dancing	Vocational education training ⁽²⁾	2014
Vision Training ⁽¹⁾ (founded in 2011)	Foreign language and computer science	Vocational education training ⁽²⁾	2014
Zhongaojia Human Resources Development ⁽¹⁾ (founded in 2006)	Training on human resource	Vocational education training ⁽²⁾	2014

Notes:

- (1) These contract colleges are engaged in the provision of short-term courses, we started to lease our education facilities to them in the 2014 to 2015 academic year.
- (2) Only a certificate of completion will be provided to students studied this type of education and no degree or diploma will be accredited.

SUPPLIERS

We engage Independent Third Party suppliers to provide a range of services associated with the management of our Campus Site, mainly including gardening, cleaning, building maintenance and refurbishing, and campus security during the Track Record Period. We select and evaluate our suppliers based on their pricing, background, industry experience, reputation and ability to deliver quality services. We have set internal compliance guidelines for our suppliers for cleaning, gardening and security services to follow and comply with. Our property management team will conduct random check for the services provided. Typically, we entered into yearly agreement with contractors for supplying such management services.

From the 2014 to 2015 academic year, eight of our Contract Colleges agreed to engage their own suppliers for provision of cleaning and gardening service for the education facilities and the surrounding areas of these education facilities they leased from us. All our Contract Colleges will engage their own contractors for routine building maintenance and refurbishing services and we will only be responsible for major refurbishing work for the building structure. We perform an annual inspection on the building structure of our education facilities, which usually take place in July and August. The purpose of the inspection is to ensure the safety of

SUMMARY

the building structure for educational use. We have not carried out any major refurbishment work for the building structure during the Track Record Period. As at the Latest Practicable Date, we do not foresee that our education facilities will require major refurbishment work in the near future and we do not have any planned refurbishment work. These arrangements do not have impact on our education facilities leasing fee as our Contract Colleges accepted such arrangement after commercial negotiation. These new arrangements are expected to reduce our maintenance costs. We were able to negotiate these new arrangements because we and our Contract Colleges both wanted to more clearly delineate responsibilities in these areas. These new arrangement are reflected in the collaborative agreements with our Contract Colleges for the 2014 to 2015 academic year. We will continue to be responsible for the provision of cleaning and gardening services for the common areas on the Campus Site. We will also continue to engage Independent Third Party security service provider for the campus security services.

COMPETITIVE STRENGTHS

We believe our Group has the following competitive strengths: (i) Our Campus Site is well-positioned to be a leading vocational education training hub in the PRC; (ii) Our Campus Site is strategically located close to well-developed transportation infrastructure and a growing metropolitan region in close proximity to various economic development zones in Beijing and Tianjin; (iii) We were an early mover in the education facilities leasing business in the PRC. For details, please refer to the section headed “Business — Competitive Strengths” in this prospectus.

REGULATIONS AFFECTING STUDENT FEES OF OUR CONTRACT COLLEGES

There are various restrictions set by government authorities in Hebei Province and the PRC in relation to student fees for both private and public HEIs. All of our Contract Colleges are private HEIs and are subject to those restrictions applicable to private HEIs. Those restrictions may limit our ability to increase the education facilities leasing fee that we charge our Contract Colleges.

For details, please refer to the sections headed “Regulation — Regulations relating to private education — Regulations on student fees” and “Risk Factors — Risks relating to our business — The ability of our Contract Colleges to charge their students are subject to restrictions set by relevant government authorities in Hebei and the PRC, which we have no control. As a result, our ability to increase the education facilities leasing fee of our Contract Colleges may also be restricted.” in this prospectus.

BUSINESS OBJECTIVE AND STRATEGY

Our primary objective is to develop our Campus Site into a leading vocational education training hub in the PRC. We will endeavor to achieve this objective by providing additional and upgraded education facilities on our Campus Site.

SUMMARY

To ensure that sufficient dormitories are available for our Contract Colleges and/or new customers, we plan to build new dormitories to house approximately 3,500 students and staff in our Campus Site by utilizing all of the net proceeds from the Placing.

We also plan to replicate our education facilities leasing business in other parts of the PRC when opportunity arises. As of the Latest Practicable Date, we have not identified any acquisition target nor do we have any concrete plan.

SHAREHOLDERS INFORMATION

Immediately after the completion of the Placing (assuming that the Offer Size Adjustment Option is not exercised), our Controlling Shareholder will own 75% of the then enlarged issued share capital of our Company.

To our knowledge, as of the Latest Practicable Date, none of our Controlling Shareholder, our Directors, the directors of any of our subsidiaries or any of their respective close associates was interested in any business (other than our Group) which, directly or indirectly, competes or is likely to compete with our business (save as disclosed in the section headed “History and Development — Post-Reorganization — Excluded Businesses” in this prospectus).

SPIN-OFF FROM REC

The Listing involves a spin-off and separate listing of the education facilities leasing business of REC. As stated in the announcement of REC dated October 8, 2014, the reasons for the spin-off are set out below.

Increase overall financial capacity of the REC Group

The Listing will increase the overall financial capacity of the REC Group. The resources available to REC will then be deployed into growing REC’s core business of provision of education services and its other strategic businesses. Accordingly, the board of directors of REC believes that the Listing will allow REC to allocate resources which were previously reserved for the Group and place the REC Group in a better financial position.

Better management and investor focus

The Listing will allow the Group and the REC Group to cater to their distinct businesses, strategies and growth plans. Investors will also be able to choose to invest separately in each distinct business based on their own assessment of each listed entity and taking into account their own distinct strategies, functional exposure, risks and returns. Differentiation of the two businesses may also attract new investors who are seeking investment opportunities in one or both of the focused business models, thereby creating a wider and more diverse investment base.

SUMMARY

With the Listing, the REC Group can then focus on college development and development of intellectual property and improving the financial and operational performance of the core businesses of the REC Group.

Strengthen the REC Group's financial position

As REC intends to maintain majority control of the Company after the Listing, the accounts of the REC Group will continue to be consolidated with the Group's accounts. Immediately after the Listing, the cash position of the REC Group will increase, and accordingly, REC expects that the current ratio (i.e. current assets to current liabilities) of the REC Group will improve.

APPROVAL OF THE SGX-ST

REC has applied for the relevant approval from the SGX-ST and obtained such approval on December 3, 2014.

USE OF PROCEEDS

Based on the Placing Price of HK\$2.64 per Placing Share (being the mid-point of the Placing Price range and assuming that the Offer Size Adjustment Option is not exercised), we estimate that the Gross Proceeds from the issue of the new Shares pursuant to the Placing is expected to be HK\$118.8 million. Aggregate listing expenses are expected to be approximately HK\$61.4 million (approximately RMB49.1 million), of which approximately HK\$41.8 million (approximately RMB33.4 million) has been incurred up to June 30, 2014 and approximately HK\$19.6 million (approximately RMB15.7 million) is expected to be incurred after June 30, 2014. Immediately after the Listing from the cash flow perspective, the remaining listing expenses to be paid is expected to be approximately HK\$41.0 million (approximately RMB32.8 million), of which approximately HK\$25.0 million (approximately RMB20.0 million) represent amounts due to REC for listing expenses that REC has paid or will pay on our behalf. These remaining listing expenses will be deducted from our Gross Proceeds. Accordingly, our net proceeds is estimated to be approximately HK\$77.8 million. The amounts due to REC for listing expenses that REC has paid or will pay on our behalf to be deducted from and settled using the Gross Proceeds will be settled upon the Listing.

The allocation of the proceeds used for the above will be adjusted in the event that the Placing Price is fixed at a higher or lower level compared to the mid-point of the estimated Placing Price range. If the Placing Price is fixed at HK\$2.68 per Placing Share, being the high end of the Placing Price range, our net proceeds will (i) increase by approximately HK\$1.8 million, assuming the Offer Size Adjustment Option is not exercised; and (ii) increase by approximately HK\$2.1 million, assuming the Offer Size Adjustment Option is exercised in full. In such circumstances, we presently intend to use such additional proceeds for our working capital requirements and general corporate purposes. If the Placing Price is fixed at HK\$2.60 per Placing Share, being the low end of the Placing Price range, our net proceeds will (i) decrease by approximately HK\$1.8 million, assuming the Over Size Adjustment Option is not

SUMMARY

exercised; and (ii) decrease by approximately HK\$2.1 million, assuming the Over Size Adjustment Option is exercised in full. In such circumstances, we presently intend to use our internally generated funds to meet any remaining costs for the construction of new dormitories.

We intend to apply all the estimated net proceeds, or approximately HK\$77.8 million, for constructing new dormitories on our Campus Site. For details of the implementation plans of constructing new dormitories on our Campus Site for the period from the Latest Practicable Date to June 30, 2017, please refer to the subsection headed “Strategy and Use of Proceeds — Business strategy — Implementation plans”.

THE MASTER PLAN

The Master Plan is a land use planning scheme promulgated by 廊坊市城鄉規劃局 (the Bureau of Urban and Rural Planning of Langfang city*) in 2011 and it governs land use zoning in Oriental University City.

THE REORGANIZATION

The Reorganization comprised land rationalization and a corporate restructuring. The land rationalization was driven by the Master Plan which was promulgated by the local government to optimize land usage within Oriental University City, and was conducted by our Group and the REC Group in accordance with the Master Plan and in contemplation of the Listing. It consisted of a series of land transfers for the purpose of consolidating all land titles within Oriental University City in accordance with each entity’s line of business. The corporate restructuring included the incorporation of our Company, the transfer of business and assets by Langfang Higher Education to Langfang Education Consultancy, and the transfer of equity interest in Langfang Education Consultancy to our Company.

As a result of the Reorganization (including the land rationalization), our Group in general holds only Education Land in line with our business of education facilities leasing (except for the Education Land that remains with the REC Group, details of which are set out in the section headed “History and Development — Post-reorganization — Excluded Education Land”), and Langfang Education Consultancy became 99%-owned by our Company.

For details of the Reorganization, please refer to the section headed “History and Development — Reorganization” in this prospectus.

LAND TRANSFERS DURING THE TRACK RECORD PERIOD

Land Rationalization During the Reorganization

As of July 1, 2012, the land included in our Listing Business and used to generate revenue was approximately 1,002 mu (668,252 sq.m.).

SUMMARY

- In August 2012, our Group transferred out approximately 168 mu of land (112,197 sq.m.) and properties, which ceased to be used for education facilities leasing to LOIT for the consideration of RMB88.0 million.
- In August 2012, approximately 80 mu of land (53,593 sq.m.) owned by Zhuyun, LOIT and Taitu was no longer used for the purpose of education facilities leasing and was thus excluded from the Listing Business. As a result, investment properties amounting to approximately RMB106.8 million were derecognized from our Group.

As a result of the foregoing land transfers, as of August 30, 2012, the land included in our Listing Business was reduced to approximately 753 mu of land (502,462 sq.m.).

Land Transfers Post-Reorganization

- In June 2013, our Group transferred in approximately 95 mu (63,068 sq.m.) of land and certain investment properties from Zhuyun with total consideration of approximately RMB51.5 million, determined with reference to the fair value of the land and certain investment properties and appraised by DTZ, an independent property valuer. Pursuant to the same contract, our Group transferred out to Zhuyun approximately 117 mu (78,259 sq.m.) of vacant educational land for a consideration of approximately RMB55.3 million, determined with reference to the fair value of the land and appraised by DTZ, an independent property valuer.

As a result of the foregoing, as of June 30, 2014, approximately 731 mu (487,270 sq.m.) of land and buildings, were included in our Listing Business.

The land rationalization was substantially completed prior to June 30, 2012. Our financial information for the year ended June 30, 2013 includes the financial results of the Excluded Businesses during the approximately three-month period before the Reorganization was completed on September 24, 2012. However, from an operating perspective, the only land transferred during the year ended June 30, 2013 (during this approximately three-month period before the Reorganization was completed) that affected the Group's financial performance was a parcel of land of approximately 168 mu (112,197 sq.m.), which was land related to education support facilities. Excluding this land transfer would only have had (i) a revenue impact of nil; (ii) an immaterial positive impact on the Group's net profit for the financial year ended June 30, 2013 of only approximately RMB271,000; and (iii) an immaterial positive impact on the Group's operating cash flow before changes in working capital for the financial year ended June 30, 2013 of only approximately RMB268,000. Investors should take this into consideration when reviewing the financial statements of the Group during the Track Record Period.

For details of the Reorganization which includes land transfers prior to the Track Record Period, please refer to the section headed "History and Development" and for details on changes in the value of investment properties, please also see note 7 set out in the Accountant's Report in Appendix I to this prospectus.

SUMMARY

SUMMARY OF FINANCIAL INFORMATION

The following is a summary of selected information from our Group's consolidated income statements, consolidated balance sheets and consolidated cash flows during the Track Record Period, which are extracted from the Accountant's Report set out in Appendix I to this prospectus. Our financial information for the year ended June 30, 2013 included financial results directly attributable to land and properties originally operated for the Listing Business but designated for the usage of the Excluded Business from July 1, 2012 to September 24, 2012, the completion date of the Reorganization.

The Financial Information of the Group for the year ended June 30, 2013 included an approximately three-month period (from July 1, 2012 to September 24, 2012, the completion date of the Reorganization) of financial results directly attributable to the land and properties which were originally operated for the Listing Business but designated for the usage of the Excluded Business after the Reorganization. Such financial results from July 1, 2012 to September 24, 2012 could not be segregated and separately presented from the financial results of the Group's Listing Business because (i) the transfer of these land and properties were not completed by June 30, 2012 and still formed part of the Listing Business during the year ended June 30, 2013; and (ii) these land and properties were managed together with other land and properties retained by the Group as a single economic entity and financially controlled within the Group prior to the completion date of the Reorganization. Accordingly, our management believes that presenting separate financial information of these land and properties is not appropriate or possible under HKFRS, thus all historical revenues and costs of the Listing Business are reflected in the financial statements. Inter-company transactions, balances and unrealized gains on transactions within the Listing Business have been eliminated.

Selected information from Consolidated Income Statements

	Year ended June 30,	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	68,550	59,643
Government grants	80,619	8,648
Fair value gains on investment properties	13,730	9,561
Operating profit	109,382	42,723
Profit before income tax	109,407	43,958
Profit for the year	114,711	40,825

SUMMARY

The below table sets out the breakdown of our total revenue by category for the years indicated:

	Year ended June 30,			
	2013		2014	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Revenue				
Education facilities leasing				
Teaching buildings leasing	29,222	42.6	24,562	41.2
Dormitories leasing	36,216	52.9	32,292	54.1
	<u>65,438</u>	<u>95.5</u>	<u>56,854</u>	<u>95.3</u>
Commercial leasing for supporting facilities.....	3,112	4.5	2,789	4.7
Total	<u>68,550</u>	<u>100.0</u>	<u>59,643</u>	<u>100.0</u>

The below tables set out the breakdown of our revenue from teaching buildings leasing and dormitories leasing by Contract Colleges for the years indicated:

	Year ended June 30,			
	2013		2014	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Revenue				
Teaching buildings leasing				
Beijing Chinese Medicine.....	17,368	59.4	16,703	68.0
Civil Aviation and Huahang Aviation ⁽¹⁾	9,874	33.8	6,523	26.6
Beijing Oriental College	1,391	4.8	832	3.4
LOIA	589	2.0	—	—
Oriental Hanxiang College	—	—	504	2.0
Total	<u>29,222</u>	<u>100.0</u>	<u>24,562</u>	<u>100.0</u>

	Year ended June 30,			
	2013		2014	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Revenue				
Dormitories leasing				
Beijing Chinese Medicine.....	16,034	44.3	15,432	47.8
Civil Aviation and Huahang Aviation ⁽¹⁾	9,642	26.6	8,572	26.5
Peking Founder Technology	7,503	20.7	5,997	18.6
Beijing City University	1,515	4.2	1,515	4.7
Beijing Oriental College	1,009	2.8	410	1.3
LOIA	513	1.4	—	—
Oriental Hanxiang College	—	—	366	1.1
Total.....	<u>36,216</u>	<u>100.0</u>	<u>32,292</u>	<u>100.0</u>

Note:

- (1) During the Track Record Period, the revenue contribution from Civil Aviation and Huahang Aviation were combined as our business relationship with these two Contract Colleges were governed under a single collaborative agreement.

SUMMARY

Our revenue decreased by approximately RMB9.0 million to approximately RMB59.6 million for the year ended June 30, 2014 from approximately RMB68.6 million for the year ended June 30, 2013. Revenue from teaching buildings leasing decreased by approximately RMB4.6 million during the period mainly due to a decrease in number of students at certain of our Contract Colleges, while revenue from dormitories leasing decreased by approximately RMB3.9 million during the period mainly due to a decrease in number of students and staff that resided in our dormitories.

We have a high customer concentration as our top five customers accounted for a substantial portion of our total revenue during the Track Record Period. Revenue from our top two largest customers leasing our education facilities, all of which were Contract Colleges, accounted for RMB52.9 million and RMB47.2 million, respectively, representing approximately 77.2% and 79.2% of our total revenue for the year ended June 30, 2013 and 2014, respectively.

Our profit for the year decreased by approximately RMB73.9 million to approximately RMB40.8 million for the year ended June 30, 2014 compared to approximately RMB114.7 million for the year ended June 30, 2013. This was mainly due to a decrease in revenue of approximately RMB9.0 million and the reduction of government grants of RMB72.0 million (of which the non-recurring government grants relating to land rationalization as part of the Reorganization amounted to RMB51.3 million and recurring government grants portion relating to property taxes and land use taxes amounted to RMB20.7 million) coupled with a decrease in unrealized fair value gain on investment properties of RMB4.2 million, partly offset by a decrease in operating and other expenses of approximately RMB18.4 million. In addition, we recorded an income tax credit of RMB5.3 million for the year ended June 30, 2013 compared to an income tax expense of RMB3.1 million for the year ended June 30, 2014.

For further details on our results of operations, please see section “Financial Information — Review of Historical Results of Operations — Year ended June 30, 2014 compared to year ended June 30, 2013.”

SUMMARY

Selected information from Consolidated Balance Sheets

	As of June 30,	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Assets		
Non-current assets	761,899	816,979
Current assets	83,123	95,413
Total assets	<u>845,022</u>	<u>912,392</u>
Equity and liabilities		
Equity attributable to owners of the Company	762,859	803,264
Non-controlling interests	6,106	6,526
Total equity	<u>768,965</u>	<u>809,790</u>
Liabilities		
Non-current liabilities	19,024	20,404
Current liabilities	57,033	82,198
Total liabilities	<u>76,057</u>	<u>102,602</u>
Total equity and liabilities	<u>845,022</u>	<u>912,392</u>
Net current assets	<u>26,090</u>	<u>13,215</u>
Total assets less current liabilities	<u>787,989</u>	<u>830,194</u>

Our current liabilities increased from approximately RMB57.0 million as of June 30, 2013 to approximately RMB82.2 million as of June 30, 2014 mainly due to an increase in trade and other payables for the period. The increase in trade and other payables as of June 30, 2014 compared to June 30, 2013 was primarily due to an increase in payables to contractors in relation to the conversion of certain teaching buildings to dormitories and construction of new dormitories, which in turn increased the value of investment properties. For further details, please refer to the section headed “Financial Information — Net Current Assets — June 30, 2014 compared to June 30, 2013”.

Summary Consolidated Cash Flows

The following table provides a summary of our consolidated cash flows for the years indicated:

	Year ended June 30,	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities.....	28,560	31,575
Net cash used in investing activities	(28,839)	(29,802)
Net cash generated from financing activities	41,862	1,427
Net increase in cash and cash equivalents	41,583	3,200
Cash and cash equivalents at beginning of the year.....	5,780	47,363
Cash and cash equivalents at end of the year	<u>47,363</u>	<u>50,563</u>

SUMMARY

KEY FINANCIAL RATIOS

Our key financial ratios for the years indicated are set out below.

	As of June 30,	
	2013	2014
	%	%
Gearing ratio ⁽¹⁾	2.7	2.6
Debt to equity ratio ⁽²⁾	—	—
Current ratio ⁽³⁾	145.7	116.1
	Year ended June 30,	
	2013	2014
	%	%
Return on equity ⁽⁴⁾	14.9	5.0
Return on assets ⁽⁵⁾	13.6	4.5

Notes:

- (1) Calculated as sum of bank borrowings and payables not incurred in the ordinary course of business as of the end of the year divided by total equity for the year and multiplied by 100%.
- (2) Calculated as net debt as of the end of the year, divided by total assets minus total liabilities for the year and multiplied by 100%. Net debts are defined to include all borrowings net of cash and cash equivalents.
- (3) Calculated as current assets as of the end of the year, divided by current liabilities as of the end of the year and multiplied by 100%.
- (4) Calculated as net profit for the year divided by Shareholders' equity and multiplied by 100%.
- (5) Calculated as net profit for the year divided by total assets as of the end of the year and multiplied by 100%.

The gearing ratio decreased slightly from approximately 2.7% as of June 30, 2013 to approximately 2.6% as of June 30, 2014 because (i) we had no bank borrowings as of June 30, 2013 and 2014, (ii) our payables not incurred in the ordinary course of business consisted of tax payables remained the same at approximately RMB21.1 million (corporate income tax payable of approximately RMB19.8 million and stamp duties payable of approximately RMB1.3 million) as a result of the Reorganization as of June 30, 2013 and 2014 and (iii) our equity increased slightly due to our net profit for the year ended June 30, 2014.

The debt to equity ratio remained nil as of June 30, 2013 and 2014 because we had no bank borrowings as of June 30, 2013 and 2014.

The current ratio decreased to approximately 116.1% as of June 30, 2014 from approximately 145.7% as of June 30, 2013 primarily due to an increase in other payable due to third parties as a result of the amounts due to our contractors in relation to the construction of additional dormitories and conversion of certain teaching buildings to dormitories.

SUMMARY

Return on equity decreased to approximately 5.0% for the year ended June 30, 2014 compared to approximately 14.9% for the year ended June 30, 2013, primarily due to a decrease in the net profit for the year ended June 30, 2014 mainly because of the reduction of one-off government grant as the Reorganization completed in September 2012.

Return on assets decreased to approximately 4.5% for the year ended June 30, 2014 compared to approximately 13.6% for the year ended June 30, 2013, primarily due to (i) a decrease in the net profit for the year ended June 30, 2014 mainly because of the reduction of one-off government grant as the Reorganization completed in September 2012, and (ii) an increase in total assets mainly as a result of an increase in investment properties primarily due to construction of additional dormitories and conversion of certain teaching buildings to dormitories for the year ended June 30, 2014.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Our net profit for the six months ending December 31, 2014 and for the year ending June 30, 2015 could be significantly lower than the net profit for the six months ended December 31, 2013 and for the year ended June 30, 2014, respectively. The impact of the listing expenses on the consolidated income statement have posted a material adverse change in the financial or trading position or prospect of our Group since June 30, 2014 (being the date on which our latest audited consolidated financial statements were made up). For risks associated with the impact of the listing expense, please refer to the section headed “Risk Factors — Risks relating to our business — Our financial performance for the six months ending December 31, 2014 and for the year ending June 30, 2015 will be adversely affected due to additional listing expenses.” in this prospectus.

Save as disclosed above, our Directors confirm that there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially and adversely affect the information shown in our consolidated financial statements as set out in the Accountant’s Report in Appendix I to this prospectus since June 30, 2014 and up to the date of this prospectus.

Subsequent to June 30, 2014, all of our ten Contract Colleges entered into the annual collaborative agreements, and we also entered into education service agreements for short-term courses with three new Contract Colleges and two pre-existing Contract Colleges for the 2014 to 2015 academic year. For further details, please refer to the section headed “Business — Our Business — Education facilities leasing — Agreements with Contract Colleges” in this prospectus. The resident student population for the 2014 to 2015 academic year is expected to be over 19,000, which is about the same as in the 2013 to 2014 academic year. Although the resident student population at Peking Founder Technology is expected to increase for the 2014 to 2015 academic year compared to the previous academic year, this was mostly offset by an expected decrease in the resident student population at Beijing Oriental College and Huahang Aviation over the same periods. In addition, students attending short-term courses at the three new Contract Colleges are not counted as part of the resident student population for the 2014 to 2015 academic year.

SUMMARY

Based on our unaudited financial information for the four months ended October 31, 2014 as extracted by us from the unaudited condensed consolidated interim financial information of our Group for the four months ended October 31, 2014, which have been reviewed by our reporting accountant in accordance with the Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA, for the four months ended October 31, 2014, our revenue increased slightly compared to that of the corresponding period in 2013, primarily due to an increase in the average rental rates for teaching buildings that we charge our Contract Colleges. Fair value gains on investment properties slowed to RMB32,000 for the four months ended October 31, 2014 from RMB8.9 million over the same period in 2013. Excluding fair value gains on our investment properties, our operating profit slightly increased for the four months ended October 31, 2014, compared to that of the corresponding period in 2013.

In addition, to better reflect the actual space occupied by our Contract Colleges and ease for internal planning, we have changed the method we charge our education facilities leasing fee for the teaching buildings. As part of our ordinary commercial negotiation with our Contract Colleges, they were able to accept such changes, and we were able to reflect such changes in the collaborative agreements for the 2014 to 2015 academic year. During the Track Record Period, we charged our Contract Colleges based on an annual unit rate per student, which ranged from approximately RMB1,700 to RMB2,100 per student. For the 2014 to 2015 academic year, we charge the Contract Colleges (except for Beijing Chinese Medicine which we intend to enter into such new arrangement in the 2015 to 2016 academic year) based on GFA rented. The annual rental rate we charge our Contract Colleges ranges from approximately RMB400 to RMB420 per sq.m. for the leasing of teaching buildings for the 2014 to 2015 academic year. This is equivalent to approximately RMB2,000 to RMB2,100 per student per annum calculated based on five sq.m. per student. Under this new rental arrangement for teaching buildings, we expect to receive slightly higher income for leasing of teaching buildings as we are effectively charging a higher rental rate than before. For details, please refer to the section headed “Business — Our business — Education facilities leasing — Agreements with Contract Colleges — (b) Collaborative agreements” in this prospectus.

As advised by our PRC Legal Advisors, we have to adopt the accounting book method for PRC corporate income tax purpose after Listing as required under the relevant PRC CIT Law and applicable rules and regulations. The corporate income tax should be levied according to the accounting book method going forward. Accordingly, our income tax expenses may significantly increase upon our switch to use the accounting book method from the deemed profit basis after our Listing, and our business, financial position and results of operations may be materially and adversely affected. Please also see “Risk Factors — Our income tax expenses may materially increase upon our switch to use a different calculation basis after our Listing.”

Pursuant to the 2012 Circular from the People’s Government of Langfang City, the People’s Government of Langfang City agreed to facilitate the Reorganization, and provided us with a special government grant (“**Special Government Grant**”) in respect of tax provisions arising from the transfer of land, buildings and structures as part of the Reorganization, including the Special Tax Provision. Accordingly, we recognized a corresponding receivable for

SUMMARY

the Special Government Grant of RMB21.1 million in relation to corporate income tax of approximately RMB19.8 million and stamp duties of approximately RMB1.3 million as of June 30, 2014. Should our corresponding government grant receivable be deemed uncollectable or impaired under HKFRS for any reason, we will need to record a write-off of the government grants receivable. In the above circumstances, our results of operations, financial position and cash flows may be materially affected.

On November 27, 2014, the State Council issued the “Notice of the State Council on trimming and regulating preferential tax policies (《國務院關於清理規範稅收等優惠政策的通知》)” (“**Notice**”), which provided that preferential policies linked to tax payment and non-tax incomes of enterprises and their investors (or administrators), including Levy First Refund Later (先徵後返), Disbursement in Income and Expenditure (列收列支), fiscal incentives or grants, reduction and exemption of land grant income by way of payment or grants formulated in violation of laws and regulations shall resolutely be abolished. For details on applicable government policies, please refer to the section headed “Regulation — Regulatory Summary” in this prospectus. The Company’s PRC Legal Advisors consider that the Special Government Grant falls within “preferential policies linked to tax payment and non-tax income of enterprises and their investors (or administrators)” as stated in the Notice. As of the Latest Practicable Date, it is unclear whether the Notice will adversely affect us because there has been no further implementation measures for the Notice in Langfang city. However, if the Langfang People’s Government implement measures to abolish such approval in accordance with the Notice in the future, Langfang Education Consultancy will not be able to continue to receive the Special Government Grant. For further risks, please refer to the section headed “Risk Factors — Risks relating to our business — Any change of government policy in relation to our government grants for tax provisions arising from the transfer of land as part of the Reorganization may adversely affect our financial position, cash flow and results of operations, and may result in our Company having a loss position in the future”.

Since 2008, the People’s Government of Langfang city has been providing us with government grants relating to certain property taxes and land use taxes on land used for education purposes (as opposed to commercial purposes). The Written Approval for such government grants is currently set to expire by June 2015 and we will seek the renewal of such approval after its expiry. For the year ended June 30, 2013 and 2014, the recurring government grants amounted to approximately RMB29.3 million and RMB8.6 million, respectively. For further details, please refer to the section headed “Financial Information — Description of selected income statement line items — Government grants” in this prospectus. As of November 30, 2014, there is no receivable for the outstanding recurring government grants as recorded in our financial statements. There is no assurance that we will continue to receive support from the People’s Government of Langfang City. On November 27, 2014, the State Council issued the Notice, which provided that preferential policies linked to tax payment and non-tax incomes of enterprises and their investors (or administrators), including Levy First Refund Later (先徵後返), Disbursement in Income and Expenditure (列收列支), fiscal incentives or grants, reduction and exemption of land grant income by way of payment or grants formulated in violation of laws and regulations shall be abolished. For details on applicable government policies, please refer to the section headed “Regulation — Regulatory Summary — Government grants and subsidies” in this prospectus.

SUMMARY

If Langfang People's Government implement measures to abolish the Written Approval in accordance with the Notice in the future, Langfang Education Consultancy will not be able to continue to receive the recurring government grants. For further details, please refer to the section headed "Risk Factors — Risks relating to our business — Our performance may be affected by change of tax policies in relation to recurring government grants."

Assuming the Special Government Grant of RMB21.1 million and the recurring government grants recorded in our financial statements during the Track Record Period were reversed on June 30, 2014, our last audited balance sheet date, as a result of either the People's Government of Langfang City or the Ministry of Finance of the People's Government of Langfang City implementing measures in relation to the Notice to revoke the 2012 Circular and the Written Approval, our net profit for the year ended June 30, 2014 would have decreased from RMB40.8 million to a net loss of RMB16.7 million and our net cash inflow from operating activities for the year ended June 30, 2014 would have decreased from RMB31.6 million to a net cash outflow of RMB5.4 million. This calculation has been prepared for illustrative purposes only and because of its hypothetical nature, does not give a true picture of our actual net profit and net cash flow from operating activities for the year ended June 30, 2014. Moreover, as confirmed by our PRC Legal Advisors, as of the Latest Practicable Date, neither the People's Government of Langfang City nor the Ministry of Finance of the People's Government of Langfang City has implemented measures to revoke the relevant approvals for the Special Government Grant or the recurring government grants pursuant to the requirements of the Notice and the Notice will not apply retrospectively for us to refund those government grants which have been already received prior to the issuance of the Notice. For further risks, please refer to the section headed "Risk Factors — Risks relating to our business — Any change of government policy in relation to our government grants for tax provisions arising from the transfer of land as part of the Reorganization may adversely affect our financial position, cash flow and results of operations, and may result in our Company having a loss position in the future".

PLACING STATISTICS

	Based on the minimum indicative Placing Price of HK\$2.60	Based on the maximum indicative Placing Price of HK\$2.68
Market capitalization ⁽¹⁾	HK\$468.0 million	HK\$482.4 million
Unaudited pro forma adjusted net tangible assets per Share ⁽²⁾	HK\$6.07	HK\$6.09

Notes:

- (1) The calculation of market capitalization of the Shares is on the basis of 180,000,000 Shares in issue immediately after the completion of the Placing and the Bonus Issue. It does not take into account any options which may be granted under the Share Option Scheme or the Offer Size Adjustment Option or any Shares which may be allotted or issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in the section headed "Share Capital" in this prospectus.
- (2) The unaudited pro forma adjusted net tangible assets per Share are arrived at after the adjustments referred to under the section headed "Unaudited Pro forma Statement of Adjusted Net Tangible Assets" in Appendix II to this prospectus and on the basis of 180,000,000 Shares in issue immediately after the completion of the Placing and the Bonus Issue. It does not take into account any options which may be granted under the Share Option Scheme, or the Offer Size Adjustment Option or any Shares which may be allotted or issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in the section headed "Share Capital" in this prospectus.

SUMMARY

PROPERTY VALUATION

DTZ, an independent property valuer, valued our property interests as of October 31, 2014. The following information is extracted from the property valuation report as set out in Appendix III to the prospectus and summarizes DTZ's valuation of each of the Group's properties and the selected key parameters used by DTZ in arriving at its valuation. You should note that the market values prepared by DTZ were based on certain assumptions which may be subject to changes and such market values may not be realized. For details, please refer to the section headed "Risk Factors — Risks relating to our business — Our property valuation is based on certain assumptions which, by their nature, are subjective and uncertain and may materially differ from actual results." in this prospectus.

Property Group	Market Value in Existing State Attributable to the Group as of October 31, 2014	Valuation Approach and Key Assumptions
	RMB	
Groups I and II - Properties held by the Group for occupation and investment in the PRC	821,361,420	<p>Income approach on the basis of capitalization of net rental income derived from the existing tenancies with due allowance for reversionary income potential of the property or by reference to comparable market transactions.</p> <ul style="list-style-type: none">• Market monthly unit rent for<ul style="list-style-type: none">(1) Commercial use : RMB15 per sq.m.(2) Teaching use : RMB16 to 20 per sq.m.(3) Dormitory use : RMB14 to 19 per sq.m.• Capitalization rate: 8.5%

LISTING EXPENSES

As of June 30, 2014, we incurred aggregate listing expenses of approximately RMB33.4 million, of which approximately RMB7.2 million was recognized as prepayments and approximately RMB26.2 million was charged to the income statement (approximately RMB10.8 million prior to the Track Record Period and RMB15.4 million during Track Record Period). Our listing expenses since June 30, 2014 is expected to be approximately RMB15.7 million, of which approximately RMB2.6 million will be recognized in equity and approximately RMB13.1 million will be recognized as an expense in our consolidated income statement for the six months ending December 31, 2014 (which is the first half of the financial year ending June 30, 2015).

Accordingly, Shareholders and potential investors should be informed that the financial results of our Group for the six months ending December 31, 2014 and for the financial year ending June 30, 2015 will be materially and adversely affected by the expenses in relation to the Listing.

SUMMARY

Our net profit for the six months ending December 31, 2014 and for the year ending June 30, 2015 could be significantly lower than the net profit for the six months ended December 31, 2013 and for the year ended June 30, 2014, respectively. The impact of the listing expenses on the consolidated income statement have posted a material adverse change in the financial or trading position or prospect of our Group since June 30, 2014 (being the date of the latest audited consolidated financial statements were made up). Prospective investors should be aware of the impact of the listing expenses on the financial performance of our Group for the six months ending December 31, 2014 and for the year ending June 30, 2015.

For risks associated with the impact of the listing expense, please refer to the section headed “Risk Factors — Risks relating to our business — Our financial performance for the six months ending December 31, 2014 and for the year ending June 30, 2015 will be adversely affected due to additional listing expenses.” in this prospectus.

DIVIDEND AND DIVIDEND POLICY

We have not previously declared or paid a cash dividend. Future dividend payments will depend upon the availability of dividends we receive from Langfang Education Consultancy, our key operating subsidiary in the PRC. We currently do not have any plans to declare or distribute dividends, although this is subject to change. Our Board may declare dividends in the future taking into account our operations, earnings, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. The payment of dividends may also be limited by legal restrictions and by financing agreements that we may enter into in the future. Under the current PRC laws and regulations, dividends paid by companies incorporated in the PRC to a non-PRC resident enterprise shareholder are subject to a 10% withholding tax unless reduced by a tax treaty or arrangement. Under an arrangement between the PRC and Hong Kong, and subject to approvals from our relevant local tax authorities, we are entitled to a reduced withholding tax rate of 5% on dividends which we received from our subsidiaries in the PRC.

RISK FACTORS

Potential investors of the Placing Shares should, before making any investment decision in relation to our Company, carefully consider all of the information set out in this prospectus and, in particular, the risks and special considerations associated with an investment in our Company as set out in the section headed “Risk Factors” in this prospectus. These risks can be broadly classified to: (i) risks relating to our business; (ii) risks relating to the PRC; and (iii) risks relating to the Placing.

SUMMARY

Among these risk factors, the relatively material risk factors are: (i) Failure to retain existing Contract Colleges and attract new customers may have an adverse impact on our Group; (ii) Our revenue decreased during the Track Record Period, and if our Contract Colleges are not able to continue to attract students, our business and prospects will be adversely affected; (iii) We have a small number of customers in our education facilities leasing business; (iv) Our collaborative agreements with the Contract Colleges are for a limited term; (v) Our financial performance for the six months ending December 31, 2014 and for the year ending June 30, 2015 will be adversely affected due to additional listing expenses; (vi) Any changes in the Master Plan or government policies on land use planning scheme may lead to conversion of Education Land, may adversely affect our results of operations; and (vii) Our income tax expenses may materially increase upon our switch to use a different calculation basis after our Listing.

You should read the entire section headed “Risk Factors” in this prospectus carefully before you decide to invest in the Placing Shares.

DEFINITIONS

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

“2012 Circular”	a circular dated June 28, 2012 issued by the People’s Government of Langfang City, pursuant to which the People’s Government of Langfang City agreed to facilitate the Reorganization and provide us with a special government grant in respect of tax provisions arising from the transfer of land, buildings, and structures as part of the Reorganization
“2013 to 2014 academic year”	the period starting from September 1, 2013 and ending on August 31, 2014
“2014 to 2015 academic year”	the period starting from September 1, 2014 and ending on August 31, 2015
“academic year”	in respect of any calendar year, the period starting from September 1 of that year and ending on August 31 of the next year
“Articles of Association” or “Articles”	the articles of association of our Company conditionally adopted pursuant to resolutions passed by our sole Shareholder in writing on December 17, 2014 and to become effective on the Listing Date
“associate(s)”	has the meaning ascribed to it under Chapter 20 of the GEM Listing Rules
“Audit Committee”	the audit committee of the Board
“Beauty Art and Creation Training”	廊坊美藝同創教育培訓學校 (Beauty Art and Creation Training Schools*), a school established in the PRC in July 2014, an Independent Third Party, being currently one of our Contract Colleges
“Beijing Chinese Medicine”	北京中醫藥大學東方學院 (Beijing University of Medicine Dongfang College*), a college established in the PRC in May 2005, an Independent Third Party, being currently one of our Contract Colleges
“Beijing City University”	北京城市學院 (東方大學城校區) (Beijing City University (Oriental University City Teaching Zone*)) (previously known as 海澱走讀大學 (Haidian Day University*)), a college established in the PRC in April 1984, an Independent Third Party, being currently one of our Contract Colleges

DEFINITIONS

“Beijing Oriental College”	北京東方研修學院 (Beijing Oriental College*), a college established in the PRC in July 2002, an Independent Third Party, being currently one of our Contract Colleges
“BNP Paribas”, “Sole Sponsor”, “Sole Bookrunner” or “Sole Lead Manager”	BNP Paribas Securities (Asia) Limited, acting as the Sole Sponsor, Sole Bookrunner and Sole Lead Manager of the Placing, a corporation licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities under the SFO
“Board”	the board of Directors
“Bonus Issue”	the bonus issue of 134,800,000 Shares without payment and as fully paid Shares issued by the Company as referred to in the section headed “Statutory and General Information” in Appendix V to this prospectus
“Business Day”	any day (other than Saturday and Sunday) on which banks in Hong Kong are generally open for normal banking business
“CAGR”	compound annual growth rate
“Campus Site”	the campus site, owned by our Group, housing the Contract Colleges located in Oriental University City in Langfang Economic and Technology Development Zone in Langfang city, Hebei, PRC
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“chief executive”	the chief executive (as defined in the GEM Listing Rules) of our Company

DEFINITIONS

“City State Tax Bureau”	the state taxation bureau of Langfang city (廊坊市國家稅務局), being the tax authority at the immediate higher level of the Local State Tax Bureau
“Civil Aviation”	中國民航管理幹部學院(東方大學城教學區)(Civil Aviation Management Institute of China (Oriental University City Teaching Zone)*), a college established in the PRC in April 2003, an Independent Third Party, being currently one of our Contract Colleges
“close associate(s)”	has the meaning ascribed to it under Chapter 1 of the GEM Listing Rules
“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”	Oriental University City Holdings (H.K.) Limited (東方大學城控股(香港)有限公司), a company incorporated in Hong Kong with limited liability on June 11, 2012
“connected person(s)”	has the meaning ascribed to it under Chapter 20 of the GEM Listing Rules
“Contract College(s)”	the colleges, universities, schools, education training centers and corporate entities that lease education facilities from us
“Controlling Shareholder”	has the meaning ascribed to it under the GEM Listing Rules and, in the context of this prospectus, refers to REC
“Convertible Land”	land with land title originally classified as educational but zoned for conversion to residential and mixed development use pursuant to the Master Plan
“core connected person(s)”	has the meaning ascribed to it under Chapter 1 of the GEM Listing Rules
“Deed of Non-compete”	the deed of non-competition and call option dated December 22, 2014 entered into between REC and our Company
“Director(s)”	the director(s) of our Company

DEFINITIONS

“DTZ”	DTZ Debenham Tie Leung Limited, an independent property valuer
“Education Consultancy (HK)”	Oriental University City Education Consultancy (H.K.) Limited (東方大學城教育諮詢(香港)有限公司), a company incorporated in Hong Kong with limited liability on December 24, 2007, which is owned as to 90% by OUC Cayman and is our connected person
“Education Development (HK)”	Oriental University City Education Development (H.K.) Limited (東方大學城教育開發(香港)有限公司), a company incorporated in Hong Kong with limited liability on December 24, 2007, which is owned as to 90% by OUC Cayman and is our connected person
“Education Land”	land with land title classified as educational and zoned for educational use pursuant to the Master Plan
“Euromonitor”	Euromonitor International Limited, an independent market research firm commissioned by our Company, an Independent Third Party
“Excluded Businesses”	the businesses which do not form part of our core business and which have been retained by the REC Group
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM (as amended, supplemented or otherwise modified from time to time)
“GFA”	gross floor area
“Gross Proceeds”	the gross proceeds from the issue of the new Shares pursuant to the Placing in an amount expected to be HK\$118.8 million, assuming a Placing Price of HK\$2.64 per Placing Share (being the mid-point of the Placing Price range), and assuming that the Offer Size Adjustment Option is not exercised
“Group” or “our Group”	our Company and its subsidiary, and where the context otherwise requires, in respect of the period before the Reorganization was completed, the Listing Business or (as the case may be) their predecessors
“HEI”	Higher Education Institution

DEFINITIONS

“Higher Education (HK)”	Oriental University City Higher Education (H.K.) Limited (東方大學城高等教育(香港)有限公司), a company incorporated in Hong Kong with limited liability on December 24, 2007, which is owned as to 90% by OUC Cayman and is our connected person
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKFRS”	Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Share Registrar”	Boardroom Share Registrars (HK) Limited
“Huahang Aviation”	廊坊華航航空學校 (Langfang Huahang Aviation School*), a college established in the PRC in November 2007, an Independent Third Party, being currently one of our Contract Colleges
“Independent Third Parties”	persons or companies which, as far as our Directors are aware after having made all reasonable enquiries, are independent of and not connected with any of our Directors, chief executive or the Substantial Shareholder (within the meaning of the GEM Listing Rules) of our Company or its subsidiary or any of their respective associates, and “Independent Third Party” means any of them
“km”	kilometer(s)
“KNB”	Khazanah Nasional Berhad (馬來西亞國庫控股), a public limited company incorporated in Malaysia on September 3, 1993 and the investment holding arm of the Government of Malaysia, an Independent Third Party
“Land Use Rights Certificate”	國有土地使用證, State-owned land use rights certificate issued by a local land and resources bureau or some other relevant government authorities

DEFINITIONS

“Langfang Education Consultancy”	廊坊開發區東方大學城教育諮詢有限公司 (Langfang Development Zone Oriental University City Education Consulting Co., Ltd.*), a company established in the PRC with limited liability on November 14, 2007, which is our direct PRC operating subsidiary owned as to 99% by our Company
“Langfang Education Facilities”	廊坊東方教育設施發展有限公司 (Langfang Oriental Education Facilities Development Co., Ltd.*), a company established in the PRC with limited liability on May 31, 2002, which is owned as to 75% by Langfang Higher Education and as to 25% by Everich Dynamic Investments Limited, and forms part of the Excluded Businesses after the completion of the Reorganization
“Langfang Fenghe”	廊坊鳳河國際高爾夫俱樂部有限公司 (Langfang Fenghe International Golf Club Co., Ltd*), a company established in the PRC with limited liability on February 27, 2009, an Independent Third Party
“Langfang Fenghe Land Agreements”	collectively, the agreement dated December 22, 2011 entered into between Langfang Higher Education and Langfang Fenghe for the sale of 10 mu (6,666.7 sq.m.) of the Sale Land, as supplemented by a variation agreement dated March 25, 2012 entered into between Langfang Higher Education, Zhuyun and Langfang Fenghe, and the agreement dated February 29, 2012 entered into between Zhuyun and Langfang Fenghe for the sale of 635 mu (423,335 sq.m.) of the Sale Land, as supplemented by an agreement dated April 19, 2012 entered into between Zhuyun and Langfang Fenghe
“Langfang He Ying”	廊坊合盈房地產開發有限公司 (Langfang He Ying Property Development Co., Ltd. *), a company established in the PRC with limited liability on October 28, 2013, an Independent Third Party
“Langfang He Ying Transaction”	the proposed sale by Zhuyun to Langfang He Ying of approximately 499 mu of land located in the Langfang Development Zone, Hebei Province, the PRC, including part of the Zhuyun Education Land and the Zhuyun Convertible Land, pursuant to a shareholders’ agreement dated December 6, 2013 entered into between Zhuyun as vendor and Langfang He Ying as purchaser

DEFINITIONS

“Langfang Higher Education”	廊坊開發區東方大學城高等教育有限公司 (Langfang Development Zone Oriental University City Higher Education Co., Ltd.*), a company established in the PRC with limited liability on November 14, 2007, which is owned as to 99% by Higher Education (HK), and forms part of the Excluded Businesses after the completion of the Reorganization
“Langfang Vocational Technology”	廊坊職業技術學院 (Langfang Vocational Technology College*), a college established in the PRC in April 2003, an Independent Third Party, being one of our Contract Colleges for the year ended June 30, 2012
“LAT”	Land Appreciation Tax as defined in 中華人民共和國土地增值稅暫行條例 (Provisional Regulations of the PRC on Land Appreciation Tax*) and 中華人民共和國土地增值稅暫行條例實施細則 (Detailed Implementation Rules on the Provisional Regulations of the PRC on Land Appreciation Tax*)
“Latest Practicable Date”	December 22, 2014, being the latest practicable date for ascertaining certain information in this prospectus before its publication
“Listing”	the listing of our Shares on GEM
“Listing Business”	the business operation of education facilities leasing and commercial leasing for supporting facilities, mainly carried out by the Group during the Track Record Period
“Listing Date”	the date on which dealings in our Shares on GEM first commence
“Local State Tax Bureau”	the state taxation bureau of Langfang Economic and Technology Development Zone (廊坊經濟技術開發區國家稅務局)
“Local Tax Bureau”	the local taxation bureau of Langfang Economic and Technology Development Zone (廊坊經濟技術開發區地方稅務局)
“LOIA”	廊坊東方藝術專修學院 (Langfang Oriental Institute of Arts or Oriental College of Art*) (previously known as 廊坊東方專修學院 (Langfang Oriental Institute*)), a college established in the PRC on January 19, 2009, which is owned by Langfang Higher Education, and forms part of the Excluded Businesses

DEFINITIONS

“LOIT”	廊坊東方職業技術學院 (Langfang Oriental Institute of Technology* or Oriental Institute of Technology*), a college established in the PRC in February 2009, whose economic benefit was accrued to REC via arrangement of variable interest entity, and forms part of the Excluded Businesses
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM
“Master Plan”	東方大學城控制性詳細規劃, the land use planning scheme promulgated by 廊坊市城鄉規劃局 (the Bureau of Urban and Rural Planning of Langfang city*) in 2011 governing land use zoning in Oriental University City
“Ministry of Education”	中華人民共和國教育部 (Ministry of Education of the PRC)
“MOFCOM”	中華人民共和國商務部 (Ministry of Commerce of the PRC)
“mu”	mu (畝), a unit of area commonly used in the PRC. 1 mu equals approximately 666.67 square meters
“National People’s Congress” or “NPC”	中華人民共和國全國人民代表大會 (National People’s Congress of the PRC)
“NDRC”	中華人民共和國國家發展和改革委員會 (National Development and Reform Commission of the PRC)
“Nomination Committee”	the nomination committee of the Board
“Offer Size Adjustment Option”	the option proposed to be granted by our Company to the Underwriter and exercisable by the Sole Lead Manager on behalf of the Underwriter on or before 14 January 2015 to require our Company to allot and issue up to an aggregate of 6,750,000 additional Shares as described in the section headed “Structure and conditions of the Placing — Offer Size Adjustment Option” of this prospectus
“Oriental Hanxiang College”	廊坊東方翰翔培訓學校 (Langfang Oriental Hanxiang Training College*) a college established in the PRC in February 2010, an Independent Third Party, being currently one of our Contract Colleges

DEFINITIONS

“Oriental University City”	a district located in Langfang Economic and Technology Development Zone including our Campus Site and its surrounding area (commonly known as “東方大學城”) which houses a cluster of universities, schools, colleges and education training centers
“Oriental University City Management Committee”	東方大學城管理委員會 (Oriental University City Management Committee*), a government body which is a branch of Langfang Economic & Technical Development Zone Management Committee, which exercises administrative functions to the Oriental University City on behalf of the Langfang City Party Committee, Langfang People’s Government, Langfang Economic and Technology Development Zone Work Committee and Langfang Economic & Technical Development Zone Management Committee according to its official website
“OUC Cayman”	Oriental University City Limited (東方大學城有限公司), a company incorporated in the Cayman Islands with limited liability on November 27, 2007, which is wholly-owned by REC and is our connected person
“OUC Development”	東方大學城開發有限公司 (Oriental University City Development Co., Ltd.*), a company established in the PRC on September 29, 1999. Please refer to the section headed “History and Development — Our History” in this prospectus for further details
“Peking Founder Technology”	北京北大方正軟件技術學院 (Peking University Founder Technology College*), a college established in the PRC in June 2002, an Independent Third Party, being currently one of our Contract Colleges
“Placing”	the conditional placing of the Placing Shares by the Underwriter on behalf of our Company for cash at the Placing Price to professional, institutional and/or other investors in Hong Kong and elsewhere in the world outside the United States as described in the section headed “Structure and conditions of the Placing — The Placing” in this prospectus

DEFINITIONS

“Placing Price”	the final price per Placing Share (excluding the Stock Exchange trading fee, transaction levy imposed by the SFC and brokerage fee payable thereon) at which the Placing Shares are to be offered for subscription pursuant to the Placing, to be determined in the manner further described in the section headed “Structure and conditions of the Placing — Placing Price” in this prospectus
“Placing Share(s)”	45,000,000 new Shares offered by our Company for subscription at the Placing Price under the Placing and any additional Shares that may be issued pursuant to the exercise of the Offer Size Adjustment Option
“PRC” or “China”	the People’s Republic of China, which, for the purposes of this prospectus only (unless otherwise indicated), excludes Hong Kong, Macau Special Administrative Region and Taiwan
“PRC CIT Law”	中華人民共和國企業所得稅法 (PRC Corporate Income Tax Law*), promulgated on March 16, 2007 by the National People’s Congress and effective on January 1, 2008
“PRC Court”	any court of law or arbitral tribunal of the PRC
“PRC government” or “State”	the central government of the PRC including all government subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
“PRC Legal Advisors”	Jingtian & Gongcheng Attorneys at Law, the legal advisors to our Company as to PRC laws
“Price Determination Agreement”	the agreement expected to be entered into between our Company and the Sole Lead Manager on the Price Determination Date to record the agreement on the Placing Price
“Price Determination Date”	the date on which the Placing Price is determined for the purpose of the Placing in accordance with the Underwriting Agreement
“Rawa Investments”	Rawa Investments (Cayman Islands) Ltd., a company incorporated in the Cayman Islands with limited liability on January 10, 2010 and a wholly-owned subsidiary of KNB, an Independent Third Party

DEFINITIONS

“REC”	Raffles Education Corporation Limited, a company incorporated in Singapore with limited liability on January 29, 1994, whose shares are listed on the SGX-ST and being our Controlling Shareholder and is our connected person
“REC Acquisition”	the acquisition by REC of a 99% equity interest in each of Langfang Education Consultancy, Langfang Higher Education and Zhuyun, which held certain assets of OUC Development
“REC Group”	REC and all of its subsidiaries excluding our Group
“Remuneration Committee”	the remuneration committee of the Board
“Reorganization”	the reorganization undergone by our Group in preparation for the Listing as described in the section headed “History and Development — Reorganization” in this prospectus
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to the Directors by the shareholders of our Company, further details of which are contained in the section headed “Statutory and General Information — A. Further information about our Group — 3. Written resolutions of the sole Shareholder” in Appendix V to this prospectus
“Risk Management Committee”	the risk management committee of the Board
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“RSM”	RSM Nelson Wheeler Consulting Limited, an independent internal control consultant commissioned by the Company, an Independent Third Party
“SAFE”	中華人民共和國國家外匯管理局 (State Administration of Foreign Exchange of the PRC), the PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
“Sale Land”	land parcels with a total site area of approximately 645 mu (429,978 sq.m.) located in Langfang Economic and Technology Development Zone in Langfang city and were transferred to Langfang Fenghe pursuant to the Langfang Fenghe Land Agreements
“SFC”	the Securities and Futures Commission of Hong Kong

DEFINITIONS

“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Shanghai Shengxin Consultancy”	上海盛馨商務諮詢有限公司 (Shanghai Shengxin Business Consultancy Co., Ltd.*), a company established in the PRC with limited liability on July 11, 2006, which is wholly-owned by Mr. Han En Ye, and a shareholder that owns 1% of our PRC operating subsidiary, Langfang Education Consultancy, an Independent Third Party
“Share(s)”	ordinary share(s) in our share capital
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on December 17, 2014, the principal terms of which are summarized in the section headed “Statutory and General Information — D. Share Option Scheme” in Appendix V to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“Shenglong Property Management”	廊坊開發區盛隆物業服務有限公司 (Langfang Development Zone Shenglong Property Management Services Co., Ltd.*), a company established in the PRC with limited liability on June 12, 2008, a wholly-owned subsidiary of Zhuyun, and forms part of the Excluded Businesses
“Singapore”	the Republic of Singapore
“sq.m.”	square meter(s)
“State Council”	中華人民共和國國務院 (State Council of the PRC)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it in the Companies Ordinance
“Substantial Shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Taitu”	廊坊泰土地產開發有限公司 (Langfang Taitu Real Estate Development Co., Ltd.*), a company established in the PRC with limited liability on March 21, 2012, which is wholly-owned by Langfang Fenghe, an Independent Third Party

DEFINITIONS

“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Tax Confirmation Letter”	a letter dated July 8, 2014 issued by the Local State Tax Bureau confirming that Langfang Education Consultancy did not have any outstanding corporate income tax payable as of date of the Tax Confirmation Letter
“Track Record Period”	the period comprising the two years ended June 30, 2013 and 2014
“Underwriter”	the underwriter of the Placing named under the section headed “Underwriting — Underwriter” in this prospectus
“Underwriting Agreement”	the conditional underwriting agreement relating to the Placing to be entered into between, among others, our Company, the Controlling Shareholder, the Sole Lead Manager and the Underwriter on December 30, 2014, particulars of which are summarized in the section headed “Underwriting” in this prospectus
“United States”	the United States of America
“University City”, or “University Cities”	a community, where several similar types of education institutions, normally HEI, are centralized in a location and share related facilities and resources
“US dollars” or “US\$”	United States dollars, the lawful currency of the United States
“Vision Training”	廊坊東方大學城遠景培訓學校 (Langfang Oriental University City Vision Training School*), a school established in the PRC in December 2005, an Independent Third Party, being currently one of our Contract Colleges
“Written Approval”	Approval for extension of preferential treatment and fiscal refund policies for Oriental University City Education Consultancy (H.K.) Limited (《關於延長東方大學城教育公司稅收優惠及財政返還政策的批復》) issued by the Ministry of Finance of Langfang Economic Development Zone on October 12, 2012
“we”, “us” or “our”	refers to our Group or, where context so requires, our Company

DEFINITIONS

“Zhongaojia Human Resources”	廊坊中澳嘉人力資源開發有限公司 (Langfang Zhongaojia Human Resources Development Co., Ltd*), a school established in the PRC in June 2006, an Independent Third Party, being currently one of our Contract Colleges
“Zhongtian Water”	廊坊開發區中天供水有限公司 (Langfang Development Zone Zhongtian Water Supply Co., Ltd.*), a company established in the PRC with limited liability on August 13, 2002, a company owned as to 15% by Zhuyun, and owned as to 85% by 廊坊開發區中天投資有限公司 (Langfang Development Zone Water Supply Investment Co., Ltd.*), an Independent Third Party, and forms part of the Excluded Businesses
“Zhongxin Education”	廊坊開發區東方大學城中新教育投資有限公司 (Langfang Development Zone Oriental University City China-Singapore Education Investment Co., Ltd.*), a company established in the PRC with limited liability on July 10, 2008, a company owned by Mr. Liu Yan Wen, an Independent Third Party
“Zhuyun”	河北東方築韻房地產開發有限公司 (Hebei Oriental Zhuyun Property Development Co., Ltd.*) (formerly known as 廊坊開發區東方大學城教育開發有限公司 (Langfang Development Zone Oriental University City Education Development Co., Ltd.*)), a company established in the PRC with limited liability on November 14, 2007, which is owned as to 99% by Education Development (HK), and forms part of the Excluded Businesses
“Zhuyun Convertible Land”	Convertible Land with a total site area of approximately 210 mu (139,969 sq.m.) owned by Zhuyun
“Zhuyun Education Land”	Education Land with a total site area of approximately 418 mu (278,586 sq.m.) owned by Zhuyun which are designated for educational use
“%”	per cent

Unless otherwise expressly stated or the context otherwise requires, all data in this prospectus is as of the date of this prospectus.

The English names of the PRC entities mentioned in this prospectus marked “” are translations from their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese name shall prevail.*

DEFINITIONS

Unless otherwise specified, translations of HK\$ into US\$, RMB into HK\$ and HK\$ into RMB in this prospectus are based on the rates set out below (for the purpose of illustration only):

RMB1.00 : HK\$1.25

HK\$1.00 : RMB0.8

US\$1.00 : HK\$7.8

No representation is made that any amounts in RMB, HK\$ and US\$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

Unless otherwise specified, all references to any of our shareholdings assume no exercise of the Offer Size Adjustment Option.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategy and our various measures to implement such strategy;
- our dividend distribution plans;
- our relationship with our key customers;
- our operations and business prospects, including our development plans for our existing businesses;
- our ability and expected timetable to complete our new dormitories;
- our financial condition;
- our capital expenditure plans;
- the regulatory environment in the PRC; and
- future developments and the competitive environment in our industry and the markets for our business, including primarily the education facilities leasing business.

The words “aim”, “anticipate”, “believe”, “consider”, “continue”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “plan”, “potential”, “predict”, “project”, “propose”, “seek”, “should”, “will”, “would”, “with a view to” and the negatives of these terms and similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect current views of our Directors with respect to future events, operations, liquidity and capital resources, and are not a guarantee of future performance and are subject to risks, uncertainties and assumptions, including the risk factors as disclosed in this prospectus.

Subject to the requirements of applicable laws, rules and regulations and the GEM Listing Rules, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section. In this prospectus, unless otherwise stated, statements of or references to our intentions or those of any of our Directors are made as of the date of this prospectus. Any such intentions may change in light of future developments.

FORWARD-LOOKING STATEMENTS

We believe that the sources of information and assumptions contained in such forward-looking statements are appropriate sources for such statements and have taken reasonable care in extracting and reproducing such information and assumptions. We have no reason to believe that information and assumptions contained in such forward-looking statements are false or misleading or that any fact has been omitted that would render such forward-looking statements false or misleading in any material respect.

RISK FACTORS

Prospective investors should consider carefully all the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Placing Shares. The occurrence of any of the following risks may have a material adverse effect on our business, results of operations, financial conditions and future prospects.

This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations, and intentions which involve risks and uncertainties. Our actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this prospectus. The trading price of the Placing Shares could decline due to any of these risks and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

Failure to retain existing Contract Colleges and attract new customers may have an adverse impact on our Group.

The principal business of our Group is education facilities leasing to our Contract Colleges. The success of our business depends on the number of Contract Colleges leasing our education facilities. Therefore, our ability to continue to retain existing Contract Colleges and attract new customers to lease our education facilities is critical to the continual success and growth of our business.

We derived approximately 95.5% and 95.3% of our revenue for the year ended June 30, 2013 and 2014, respectively, from education facilities leasing to our Contract Colleges. We expect that education facilities leasing will continue to be a substantial source of our revenue in the future. We had seven Contract Colleges for each of the year ended June 30, 2013 and 2014.

Whether we can retain existing Contract Colleges and attract new customers depends on a number of factors, which including, but not limited to, the following:

- internal policies of Contract Colleges and/or new customers about whether to lease education facilities or acquire their own education premises and/or any re-location plans of the Contract Colleges;
- availability of alternative education facilities that satisfy the requirements of the Contract Colleges and/or new customers at better rental rate;
- our ability to meet the requirements of Contract Colleges and/or new customers on commercially acceptable terms; and

RISK FACTORS

- our ability to maintain the existing education facilities to the satisfaction of our Contract Colleges and/or new customers.

Some of the factors above, to a large extent, are beyond our control. If our existing Contract Colleges decide not to renew their collaborative agreements and education service agreements with us for any reason, and we are unable to attract new customers, our business and result of operations may be materially and adversely affected.

Our revenue decreased during the Track Record Period, and if our Contract Colleges are not able to continue to attract students, our business and prospects will be adversely affected.

A significant portion of our revenue comes from education facilities leasing that are charged on an annual basis based on the estimated student enrollment of our Contract Colleges. Our revenue decreased by approximately 13% from approximately RMB68.6 million for the year ended June 30, 2013 to approximately RMB59.6 million for the year ended June 30, 2014. Such decrease was mainly due to the decrease of student enrollment of our Contract Colleges for the same period. We had seven Contract Colleges for each of the year ended June 30, 2013 and 2014. The resident student population of these Contract Colleges was over 21,000 and 19,000 for the year ended June 30, 2013 and 2014, respectively. In particular, there has been a significant decrease in combined student population in Civil Aviation and Huahang Aviation during the Track Record Period, which was mainly due to a lower student population for secondary vocational education (“中專”) at Huahang Aviation as more students are seeking education programs that offer recognized degrees and such education providers have generally been increasing their student intake.

Numerous factors can affect student enrollment for our Contract Colleges, which include the following:

- From the Contract Colleges perspective:
 - the ability of our Contract Colleges to develop new programs and enhance existing programs to respond to changes in market trends and student demands;
 - the way our Contract Colleges structure their programs;
 - ability to establish / maintain its reputation in the field; and
 - competition among education institutions for students.

RISK FACTORS

- From the student perspective:
 - students demographics and population;
 - job opportunities and future prospects of those fields; and
 - preference of student to choose degree and higher vocational education.
- From the overall economy perspective:
 - economic conditions; and
 - government policies.

All of the above factors are beyond our control. If our Contract Colleges are unable to attract or retain students, the student population of our Contract Colleges may decrease, which could have a material adverse impact on the business of the Contract Colleges. As a result, our business, profitability, financial conditions and results of our operations could be adversely affected.

We have a small number of customers in our education facilities leasing business.

We leased education facilities to our Contract Colleges under the collaborative agreements to seven Contract Colleges for each of the year ended June 30, 2013 and 2014. We have a high customer concentration as our top five customers accounted for a substantial portion of our total revenue during the Track Record Period. Our five largest customers for the year ended June 30, 2013 and 2014 accounted for in aggregate approximately 93.8% and 93.9% of our total revenue for the respective period. Beijing Chinese Medicine, has been our largest customer and accounted for approximately 48.7% and 53.9%, of our total revenue for the year ended June 30, 2013 and 2014, respectively. There is no assurance that we will continue to secure revenue from these Contract Colleges in the future, or secure comparable levels of fees, or at all, from any new customers. In the event that any of our top five Contract Colleges ceases to be our customers, our results of operation, financial condition and profitability may be adversely affected.

Our collaborative agreements with the Contract Colleges are for a limited term.

The collaborative agreement that is signed prior to the start of each academic year, which will set out the detailed terms that the Contract Colleges require for the forthcoming academic year. However, the term of all of our collaborative agreement is limited to one year. For the terms of the collaborative agreements and letters of intent, please refer to the section headed “Business — Our business — Education facilities leasing — Agreements with Contract Colleges” in this prospectus.

RISK FACTORS

We negotiate the collaborative agreements with the Contract Colleges on an annual basis. Revenue from our Contract Colleges' or new customers' depends on their student enrollment every year, and the student enrollment can only be accurately determined prior to the start of every academic year, which is a factor beyond our control. There is no assurance that we are always successful in renewing the collaborative agreements with our Contract Colleges. In the event that we fail to secure the collaborative agreements with all our Contract Colleges, or where we are only able to secure collaborative agreements with some of our Contract Colleges, and if we are unable to find a replacement in a timely manner or on similar terms, our results of operation, financial condition and profitability may be adversely affected.

Our financial performance for the six months ending December 31, 2014 and for the year ending June 30, 2015 will be adversely affected due to additional listing expenses.

The financial results of our Group for the six months ending December 31, 2014 and for the year ending June 30, 2015 would be affected by the non-recurring listing expenses. Our listing expenses since June 30, 2014 is expected to be approximately RMB15.7 million, of which approximately RMB2.6 million will be recognized in equity and approximately RMB13.1 million will be recognized as an expense in our consolidated income statement for the six months ended December 31, 2014 (which is the first half of the year ending June 30, 2015). The amount of listing expenses is an estimate amount only and the final amount to be recognized in the consolidated income statement of our Group for the six months ending December 31, 2014 may change. Accordingly, Shareholders and potential investors should be informed that the financial results of our Group for the six months ending December 31, 2014 and for the financial year ending June 30, 2015 will be materially and adversely affected by the expenses in relation to the Listing.

Our net profit for the six months ending December 31, 2014 and for the year ending June 30, 2015 could be significantly lower than the net profit for the six months ended December 31, 2013 and for the year ended June 30, 2014, respectively. The impact of the listing expenses on the consolidated income statement have posted a material adverse change in the financial or trading position or prospect of our Group since June 30, 2014 (being the date of the latest audited consolidated financial statements were made up). Prospective investors should be aware of the impact of the listing expenses on the financial performance of our Group for the six months ending December 31, 2014 and for the year ending June 30, 2015.

Any change of government policy in relation to our government grants for tax provisions arising from the transfer of land as part of the Reorganization may adversely affect our financial position, cash flow and results of operations, and may result in our Company having a loss position in the future.

During the Reorganization, Langfang Education Consultancy and other entities controlled by REC underwent a land rationalization which consisted of a series of land transfers for the purposes of consolidating land titles within our Campus Site and surrounding areas in accordance with each entity's line of business, such that Langfang Education Consultancy would only retain Education Land. For details of the land rationalization, please refer to the section headed "History and Development — Reorganization — Land rationalization" in this prospectus. As part of the Reorganization, Langfang Education Consultancy accrued certain tax expenses in relation to the land rationalization based on the fair value of the land and

RISK FACTORS

buildings transferred in accordance with applicable PRC tax laws (the “**Special Tax Provision**”). Meanwhile, the state taxation bureau of Langfang Economic and Technology Development Zone (廊坊經濟技術開發區國家稅務局) (the “**Local State Tax Bureau**”) issued the Tax Confirmation Letter confirming that Langfang Education Consultancy did not have any outstanding corporate income tax payable as of July 8, 2014. The Tax Confirmation Letter was based on the corporate income tax filing made by Langfang Education Consultancy according to the book value of the land and buildings transferred. Our PRC Legal Advisors have confirmed that the Local State Tax Bureau is the competent authority to issue the Tax Confirmation Letter. As of June 30, 2014, approximately RMB19.8 million of the Special Tax Provision remained outstanding. For further details, please refer to the section headed “Financial Information — Significant factors affecting results of operations of our Group — Change in government policies with respect to subsidizing the education industry — Non-recurring government grants”.

Pursuant to the “Law on Organization of Local People’s Congresses at Different Levels and Local People’s Governments at Different Levels of the People’s Republic of China (《中華人民共和國地方各級人民代表大會和地方各級人民政府組織法》)”, local people’s governments above county level shall have the right to formulate administrative measures and issue decisions and orders. According to “Certain Requirements of the People’s Government of Langfang City on the Encouragement of Enterprises Listing (《廊坊市人民政府關於鼓勵企業上市融資的若干規定》)” issued by the People’s Government of Langfang City in April 2010 (“**Certain Requirements**”), the municipal government and provincial ministry of finance supervised municipal government shall establish a enterprises listing support fund, which is specifically used for the purpose of providing support for the listing of corporations. Accordingly, the Company’s PRC Legal Advisors are of the view that the People’s Government of Langfang City, as a people’s government above county level, shall have the right to promulgate Certain Requirements. As such, the People’s Government of Langfang City issued the 2012 Circular, and the People’s Government of Langfang City agreed to facilitate the Reorganization, and provided us with a special government grant (“**Special Government Grant**”) in respect of tax provisions arising from the transfer of land, buildings and structures as part of the Reorganization, including the Special Tax Provision. Accordingly, we recognized a corresponding receivable for the Special Government Grant of RMB21.1 million in relation to corporate income tax of approximately RMB19.8 million and stamp duties of approximately RMB1.3 million as of June 30, 2014. The 2012 Circular operates in such a way that the actual government grant will be received after our actual cash payment of applicable taxes payable under the Reorganization, including the Special Tax Provision. If we are required to actually pay the Special Tax Provision, we will need to settle the Special Tax Provision in cash first and then apply to obtain payment of the Special Government Grant. We will be subject to the risk that we may not be able to collect the Special Government Grant if there is any change in government policies, or if there are specific rules or regulations implemented in the future which prohibits government grants such as the Special Government Grant. For further details, please refer to the section headed “Financial Information — Significant factors affecting results of operations of our Group — Change in government policies with respect to subsidizing the education industry — Non-recurring government grants”.

Should our corresponding government grant receivable be deemed uncollectable or impaired under HKFRS for any reason, we will need to record a write-off of the government grants receivable. In the above circumstances, our results of operations, financial position and cash flows may be materially affected and may result in our Company having a loss position in the future.

RISK FACTORS

On November 27, 2014, the State Council issued the “Notice of the State Council on trimming and regulating preferential tax policies (《國務院關於清理規範稅收等優惠政策的通知》)” (“**Notice**”), which provided that preferential policies linked to tax payment and non-tax incomes of enterprises and their investors (or administrators), including Levy First Refund Later (先徵後返), Disbursement in Income and Expenditure (列收列支), fiscal incentives or grants, reduction and exemption of land grant income by way of payment or grants formulated in violation of laws and regulations shall be abolished. For details on applicable government policies, please refer to the section headed “Regulation — Regulatory Summary” in this prospectus.

The Company’s PRC Legal Advisors provided the following opinion:

- The 2012 Circular does not violate the mandatory requirements of the relevant laws and regulations from the date of its issuance to the date of the issuance of the Notice.
- The Special Government Grant falls within “preferential policies linked to tax payment and non-tax income of enterprises and their investors (or administrators)” as stated in the Notice. As of the date of this prospectus, neither the People’s Government of Langfang City nor the Ministry of Finance of the People’s Government of Langfang City has implemented any measures in relation to the Notice to revoke the 2012 Circular for the Special Government Grant pursuant to the requirements of the Notice. If Langfang People’s Government implement measures to abolish the 2012 Circular, Langfang Education Consultancy will not be able to receive the Special Government Grant.
- The Notice will not apply retrospectively in the sense that there is no requirement in the Notice for corporations to refund those government grants which were already received prior to the issuance of the Notice.

If Langfang People’s Government implement measures to abolish such Special Government Grant in accordance with the Notice in the future, Langfang Education Consultancy will not be able to continue to receive the Special Government Grant.

Please refer to the section headed “Financial Information — Recent Developments and No Material Adverse Change” for the hypothetical financial impact on us if certain of our government grants for the Track Record Period were reversed, including those relating to the Special Government Grant.

Any changes in the Master Plan or government policies on land use planning scheme may lead to conversion of Education Land, may adversely affect our results of operations.

To optimize land usage within Oriental University City in accordance with the Master Plan, certain land originally zoned and designated for educational use had been converted to residential and mixed development use during the Reorganization. As of October 31, 2014, our Group retained 731 mu (487,270 sq.m.) of Education Land, where our Campus Site is located. Zhuyun currently owns approximately 418 mu (278,586 sq.m.) of land, which includes 55 mu (36,399 sq.m.) of land that is currently Education Land but which is being converted to Convertible Land under the Master Plan. The Group had been granted a call option and first right of refusal to acquire such Education Land when and if needed.

RISK FACTORS

Any future implementation of new government land use planning scheme or change in government policies on land use planning scheme in the Langfang city, Hebei Province or in the PRC that may result in conversion of Education Land to Convertible Land may lead to less land for educational use available for our education facilities leasing business. There is no guarantee that the government will not implement any new land use planning scheme for conversion of Education Land to other uses in Langfang city involving our Campus Site or any other government policies or measures that may affect our land use right in relation to Education Land. In such event, our business, financial conditions and results of operations could be adversely affected.

Our income tax expenses may materially increase upon our switch to use a different calculation basis after our Listing.

In 2009, Langfang Higher Education, Langfang Education Consultancy and Langfang Education Facilities (the “**Relevant Companies**”) were requested by the state taxation bureau of Langfang Economic and Technology Development Zone (廊坊經濟技術開發區國家稅務局) (the “**Local State Tax Bureau**”) to assess the PRC corporate income tax on a deemed profit basis (“**deemed profit basis**”) (“核定徵收”) because at that time, the Relevant Companies’ costs and expenses in their accounting record were not classified in a way for the PRC corporate income tax to be readily assessed by the Local State Tax Bureau using an accounting book method (the “**accounting book method**”) (“查賬徵收”).

Under the deemed profit basis, the profit rate from revenue is deemed as 10%. The PRC corporate income tax in turn is calculated using this deemed profit on the taxable income of the Relevant Companies multiplied by the 25% statutory income tax rate in accordance with relevant PRC tax rules and regulations. Please see Note 20 to the Accountant’s Report in Appendix I of this prospectus for the calculation of the Group’s income taxes under the deemed profit basis over the Track Record Period. Whereas under the accounting book method, the PRC corporate income tax is calculated using the normal statutory income tax rate of 25% on assessable income (which is derived from the PRC audited profit with relevant tax adjustments).

Our PRC Legal Advisors have advised that, as required under the relevant PRC CIT Law and applicable rules and regulations, we have to adopt the accounting book method for PRC corporate income tax purpose after Listing. The corporate income tax should be levied according to the accounting book method going forward. Assuming the accounting book method was used to calculate our corporate income taxes instead of the deemed profit basis, our income tax expenses would have increased by approximately RMB27.8 million to RMB22.5 million for the year ended June 30, 2013, and our income tax expenses would have increased by approximately RMB9.1 million to RMB12.3 million for the year ended June 30, 2014. This calculation for corporate income taxes, which is based on the accounting book method, has been prepared for illustrative purposes only and because of its hypothetical nature, does not give a true picture of our actual corporate income tax expenses for the year ended June 30, 2013 and 2014, respectively. In addition, based on an interview conducted on October 28, 2014 with the state taxation bureau of Langfang city (廊坊市國家稅務局) (the “**City State Tax Bureau**”), being the tax authority at the immediate higher level of the Local State Tax Bureau,

RISK FACTORS

the Company's PRC Legal Advisors view that in the event that the Relevant Companies are requested in the future to use the accounting book method for PRC corporate income tax assessment, the relevant tax authorities would not make retrospective adjustments on the historical corporate income taxes paid by the Relevant Companies that were based on the deemed profit basis. For details, please refer to the section headed "Financial Information — Description of selected income statement line items — Income tax expenses/credit — PRC corporate income tax" in this prospectus. Our income tax expenses may significantly increase upon our switch to use the "accounting book method" from the "deemed profit basis" after our Listing, and our business, financial position and results of operations may be materially and adversely affected.

Our performance may be affected by change of tax policies in relation to recurring government grants.

Pursuant to the "Law on Organization of Local People's Congresses at Different Levels and Local People's Governments at Different Levels of the People's Republic of China (《中華人民共和國地方各級人民代表大會和地方各級人民政府組織法》)", local people's governments above county level shall have the right to formulate administrative measures and issue decisions and orders. Accordingly, the Company's PRC Legal Advisors is of the view that the People's Government of Langfang City, as a people's government above county level, shall have the right to issue relevant approval that provide relevant government grants. Since 2008, the People's Government of Langfang city has been providing us with government grants relating to certain property taxes and land use taxes on land used for education purposes (as opposed to commercial purposes). To receive such government grants, we need to first pay the tax amount due to the relevant tax authorities, and the same amount from the People's Government of Langfang city can in turn be received usually within three months of our application for the government grant. There are no other criteria for obtaining the government grant. The Written Approval for such government grants is currently set to expire by June 2015 and we will seek the renewal of such approval after its expiry. For the year ended June 30, 2013 and 2014, the recurring government grants amounted to approximately RMB29.3 million and RMB8.6 million, respectively. For further details, please refer to the section headed "Financial Information — Description of selected income statement line items — Government grants" in this prospectus. As of November 30, 2014, there was no outstanding receivable for the recurring government grants as recorded in our financial statements. There is no assurance that we will continue to receive recurring government grants from the People's Government of Langfang City. On November 27, 2014, the State Council issued the Notice, which provided that preferential policies linked to tax payment and non-tax incomes of enterprises and their investors (or administrators), including Levy First Refund Later (先徵後返), Disbursement in Income and Expenditure (列收列支), fiscal incentives or grants, reduction and exemption of land grant income by way of payment or grants formulated in violation of laws and regulations shall be abolished. For details on applicable government policies, please refer to the section headed "Regulation — Regulatory Summary — Government grants and subsidies" in this prospectus.

RISK FACTORS

The Company's PRC Legal Advisors provided the following opinion:

- The above mentioned Written Approval does not violate the mandatory requirements of the relevant laws and regulations from the date of its issuance to the date of the issuance of the Notice.
- The above mentioned recurring government grants falls within “preferential policies linked to tax payment and non-tax incomes of enterprises and their investors (or administrators)” as provided in the Notice. As of the date of the prospectus, neither the People's Government of Langfang City nor the Ministry of Finance of the People's Government of Langfang City has implemented any measures to revoke the Written Approval for the recurring government grants pursuant to the requirements of the Notice. If Langfang People's Government implement measures to abolish the Written Approval, Langfang Education Consultancy will not be able to receive the recurring government grants.
- The Notice will not apply retrospectively in the sense that there is no requirement in the Notice for corporations to refund those government grants which were already received prior to the issuance of the Notice, and accordingly that there is no obligation for Langfang Education Consultancy to refund recurring government grants it had already received.

If Langfang People's Government implement measures to abolish the Written Approval in accordance with the Notice in the future, Langfang Education Consultancy will not be able to continue to receive the recurring government grants.

If this tax policy is revised to our disadvantage or cancelled, our results of operations and financial condition could be materially and adversely affected. Please refer to the section headed “Financial Information — Recent Developments and No Material Adverse Change” for the hypothetical financial impact on us if certain of our government grants for the Track Record Period were reversed, including those relating to the aforesaid recurring government grants.

We may face difficulties in collecting our education facilities leasing fee and rent.

We may face difficulties in collecting education facilities leasing fee under collaborative agreements or the education facilities leasing fee under our education service agreements with our Contract Colleges and rent in respect of the commercial leases. The collaborative agreements we entered into with our Contract Colleges are typically for one year. We generally require our Contract Colleges to pay, within three days of signing a collaborative agreement in any year, a deposit equivalent to 20% of the education facilities leasing fee and with the remaining 80% balance to be settled prior to September 20 of that calendar year. We have made provisions for impairment on education facilities leasing fee for one of our former Contract Colleges which amounted to approximately RMB1.0 million in the income statement for the year ended June 30, 2013 (of which approximately RMB0.6 million of such provision

RISK FACTORS

was written off against the trade receivables and the remaining approximately RMB0.4 million was collected as of June 30, 2014). For details, please refer to the section headed “Financial Information — Critical accounting policies and estimates — Trade and other receivables” in this prospectus.

Any difficulties in the payment by customers may adversely affect our operations and financial position. We may have to sustain legal costs in pursuing unsettled invoices, a process which is time-consuming and may be affected by a variety of factors including any counter-claim from the non-paying customers. Even if we obtain favorable judgments, enforcement of such judgments may take time and may not always result in full recovery. We may be unable to re-lease the property at the same rent as we have previously received. The occurrence of any of the above events could adversely affect our results of operations.

If a tenant declares bankruptcy, we may be unable to collect balances due under the relevant leases. If the PRC Enterprise Bankruptcy Law (中華人民共和國企業破產法), effective on June 1, 2007, becomes applicable to our commercial tenants, and a tenant declares bankrupt before the rent is paid, the rent will become an ordinary, unsecured bankruptcy claim that will be paid only after certain priority claims are paid. As a result, our claims for unpaid rent against a bankrupt tenant may not be received in full. In addition, we would incur time and expenses relating to any eviction proceedings and may be unable to collect rents during such proceedings. A tenant’s or lease guarantor’s bankruptcy could delay efforts to collect past due balances under the relevant leases, and could ultimately preclude full collection of these sums.

Such an event could cause a decrease or cessation of rental payments that result in a reduction in our cash flow which may materially and adversely affect our business and financial condition. In the event of a bankruptcy, we cannot assure you that the relevant tenant or its trustee will assume such a lease. In such event, our cash flow and our results of operations may be adversely affected.

The education and education facilities leasing sectors are subject to extensive and changing regulations in China, and our ability to conduct business is highly dependent on our compliance with this regulatory framework.

Education sector in the PRC is highly regulated. The PRC laws and regulations applicable to the education sector may be vague and uncertain in some aspects. These laws and regulations are also subject to change, and new laws and regulations may be adopted. If such changes adversely affect our operations and have retroactive application, it may have a negative impact on our business. Moreover, there is an ongoing scrutiny on the education sector and its participants by the authorities in the PRC. If the relevant Chinese authorities decide to impose more restrictions on the education sector, there is no guarantee that our Contract Colleges may not be precluded from conducting some or all of their current businesses and as a result, our financial conditions, results of operations and business strategy may be materially and adversely affected.

RISK FACTORS

Our commercial lease agreements may not be renewed on the same terms or at all upon expiry.

We also lease some of our properties to commercial tenants. For more information, please refer to the section headed “Business — Our Business — Commercial leasing for supporting facilities” in this prospectus. The revenue generated from commercial leasing for supporting facilities accounted for approximately 4.5% and 4.7%, respectively, of our total revenue for the year ended June 30, 2013 and 2014. These leases are typically for one year. Following the expiry of a lease agreement, we may not be able to relet the property on similar terms or to relet the property at all. The rental rates or terms of renewal or re-lease (including the cost of required renovations and/or concessions to tenants) may be significantly lower than expected or less favorable to us than prior leases.

We may face competition from other education facilities provider or university city that are nearby.

According to Euromonitor, there are currently approximately 50 University Cities across 21 provinces and municipalities in China, which mostly are located in developed regions, such as Beijing & Hebei Region, Yangtze River Delta Region and the Pearl River Delta Region. University Cities are geographically fragmented and attract HEIs based on its geographical coverage. University Cities operate independently from each other based on their specific region. Oriental University City is the only University City in Langfang city. We believe it is unlikely that additional University Cities will open near us. However, should competition increase from alternative accommodation providers for students of Contract Colleges and competition increase from other University Cities nearby for potential Contract Colleges, our business, results of operation and profitability may be adversely affected.

Our current insurance coverage may not be adequate to cover all risks related to our operations.

We engaged third party contractors for the construction of an additional five blocks of dormitories and conversion of three blocks of teaching buildings into dormitories for the year ended June 30, 2013. We will continue to engage third party contractors for the construction of new dormitories which involves the use of Listing proceeds. For details, please refer to the section headed “Strategy and Use of Proceeds” in this prospectus. Under PRC laws, construction companies bear the primary civil liability for personal injuries arising out of their construction work. The owner of a property under construction may also bear liability supplementary to the liability of the construction company if the latter is not able to fully compensate the injured. The owner of the property may also bear civil liability for personal injuries, accidents and death if such personal injuries, accidents or death are caused by the fault of such owner.

In respect of the properties we hold, some of our properties are covered by property all-risk and public liability insurance. In case if any personal injuries arise during the course of the construction work, if the construction companies are unable to fully compensate the injuries, or the construction companies declare bankruptcy, we may be liable to pay

RISK FACTORS

compensation for the injured. In this case, the level of insurance coverage acquired for each of the properties we own may not be adequate to cover all the potential losses. In addition, there are certain types of losses, such as losses due to war and civil disorder, for which insurance is not available on what we believe to be commercially reasonable terms in China. As a result, we have not purchased insurance to cover any such losses.

In general, the Contract Colleges maintained personal injuries insurance for their staff and students under applicable PRC laws. We also have public liabilities insurance which cover insurance claims for any third party injuries on the Campus Site. However, we may not have insurance policy which may adequately cover all the claims or losses arising from such accidents or injuries suffered by the students.

If we suffer any losses, damages or liabilities in the course of our business operations, we may not have adequate insurance coverage for such losses, damages or liabilities or to replace any property that has been destroyed. Therefore, we may sustain losses, damages and liabilities because of our lack of insurance coverage, which may in turn materially adversely affect our financial condition and results of operations.

Accidents or injuries suffered by students or others in our Campus Site may adversely affect our reputation, subject us to liability and cause us to incur substantial costs.

We could face claims in the event of any accidents or injuries suffered by students or other people in the Campus Site due to inadequate safety measures or otherwise. If our facilities are perceived to be unsafe, it may discourage Contract Colleges from leasing our premises. A liability claim against us could adversely affect our reputation, student enrollment and in turn, our revenue. Even if these claims may be unsuccessful, such a claim could create unfavorable publicity, causing us to incur substantial legal expenses and divert the time and attention of our management.

Our profitability may be affected by fluctuations in value of our investment properties, and unrealized capital gains or losses on our investment properties do not generate any actual cash inflow or outflow.

The values of our investment properties will be affected by those factors affect the rental yield: (i) changes in the Master Plan; (ii) changes in the general economic climate unfavorable to our operations; (iii) governmental regulations; (iv) changes in applicable tax laws; (v) interest rate levels; (vi) availability of financing; and (vii) potential liability under applicable environmental laws.

In addition, our profitability may be affected by the annual revaluation of our investment properties required by HKFRS. In accordance with HKFRS, we must recognize changes to the fair value of our investment properties as a gain or loss (as applicable) in our consolidated income statements. The recognition of any such gain or loss reflects unrealized capital gains or losses on our investment properties on the relevant balance sheet dates and does not generate any actual cash inflow or outflow until such investment properties are disposed of. For the year ended June 30, 2013 and 2014, we recorded fair value gains on investment

RISK FACTORS

properties in the amounts of approximately RMB13.7 million and RMB9.6 million, respectively, representing approximately 12.0% and 23.4%, respectively, of our net profit for the respective period. The fair value gain of approximately RMB13.7 million for the year ended June 30, 2013 was mainly due to the overall increase in the investment properties with GFA of 3,821 sq. m. for the year ended June 30, 2013 due to the process of land rationalization. The fair value gain of approximately RMB9.6 million for the year ended June 30, 2014 was mainly as a result of the fair value gain of approximately RMB14.5 million which was partly off-set by a fair value loss on pre-existing investment properties of approximately RMB4.9 million. The fair value gain of RMB14.5 million in investment properties was mainly attributable to the addition of five blocks of dormitories under construction as investment properties for the year ended June 30, 2014. For details, please refer to the section headed “Property Valuation — Group II — Property held by the Group for investment in the PRC” in Appendix III to this prospectus. The fair value loss of approximately RMB4.9 million for the year ended June 30, 2014 was mainly due to the decrease in the fair value of a commercial property by RMB10.8 million (as the estimated annual market rental fee per sq.m. for property valuation purpose has been decreased from RMB240 to RMB192 after taking into account of the then surrounding market rental rates of comparable properties), which was partly offset by the fair value gain of RMB5.9 million for other pre-existing investment properties, including all the education leasing facilities.

For more information on the changes in fair value of our properties, please refer to the section headed “Financial Information — Significant factors affecting results of operations of our Group — Fluctuations in investment property value” in this prospectus. The amount of revaluation adjustments have been, and may continue to be, significantly affected by the prevailing property market conditions and may be subject to market fluctuations. We cannot guarantee that we will continue to record fair value gains on investment properties in the future or the fair value of our investment properties will not decrease in the future. Any decrease in the fair value of our investment properties will have an adverse effect on our profits.

Our property valuation is based on certain assumptions which, by their nature, are subjective and uncertain and may materially differ from actual results.

Valuations of our property interests as of October 31, 2014 prepared by DTZ, an independent property valuer are set out in property valuation report in Appendix III to this prospectus. The valuations are based on certain assumptions which, by their nature, are subjective and uncertain and may differ from actual results. Accordingly, these valuations are not a prediction of the actual value expected to be achieved by us. Unanticipated results of, or changes in, general or local economic conditions or other relevant factors, could affect such values.

Our long-term financial results largely depend on the economic growth of the municipalities of Beijing and Tianjin, and Hebei Province.

All of our education facilities and our education facilities business are currently located in Langfang city. The future economic growth of the municipalities of Beijing and Tianjin, and Hebei Province may be supported by, among others, investments in the regions, such as

RISK FACTORS

infrastructure improvements in construction of the second international airport of Beijing, the Tongzhou central business district and the South Beijing District Development Plan. The future economic growth of the municipalities of Beijing and Tianjin and Hebei Province and the growth of our financial results may be adversely affected if no further infrastructure project is undertaken in these regions as these economic development will affect the number of enterprises that will be located in the regions. There can be no assurance that new improvements will be made or that existing projects will be completed.

Should other education institutions near our Campus Site offer courses similar to those of our Contract Colleges, the student population of our Contract Colleges may decrease.

Besides our Contract Colleges, there are three other major education institutions near our Campus Site, namely Langfang Vocational Technology, Langfang Health Vocation School and LOIT. These other education institutions currently offer courses that mostly differ from those offered by our Contract Colleges. Please see “Business — Our Business — Other Education Institutions near our Campus Site” for certain information regarding the type of courses offered, type of education and student population by these education institutions. However, we cannot assure you that neither these education institutions nor our Contract Colleges will offer similar courses in the future leading to increased competition for students. Should our Contract Colleges fail to successfully compete, their student intake may decrease, which in turn may adversely affect our business, results of operations and financial condition.

We may be affected by any events that could adversely affect Oriental University City

All of our education facilities and our education business are currently located in Oriental University City, Langfang city. Oriental University City commenced operation in 2000 and hosted more than 10 education institutions and a student population of approximately 40,000 for the 2013 to 2014 academic year. Besides our Contract Colleges, there are three other major education institutions near our Campus Site, namely Langfang Vocational Technology, Langfang Health Vocation School and LOIT. As such, any negative publicity or unfavorable developments that occur in Oriental University City and the colleges therein, may adversely impact the reputation and popularity of Oriental University City as a whole, which may in turn indirectly adversely affect our Campus Site, our business, results of operations and financial condition.

We may be affected by any events that could adversely affect Langfang city.

Our business could be materially and adversely affected by natural disasters or widespread epidemics affecting Langfang city. If disaster were to occur in the future affecting Langfang city or its surrounding cities or areas, our business could be materially and adversely affected. In April 2009, a new strain of influenza A virus subtype H1N1, commonly known as “swine flu,” was first discovered in North America and quickly spread to other parts of the world, including China. In early June 2009, the World Health Organization declared the outbreak to be a pandemic. In early 2014, World Health Organization also declared the outbreak of Ebola virus disease, which is a severe, often fatal illness in humans. Any outbreak

RISK FACTORS

of similar epidemics in China, including severe acute respiratory syndrome or Ebola virus disease, could require temporary closure of our Campus Site or our Contract Colleges and may have a material and adverse effect on our business operations in case where such epidemics cannot be controlled quickly.

A lack of valid business license of our commercial tenants may affect our operation.

Our commercial tenants are required to have valid business licenses for their operation under the relevant PRC laws. As stipulated in our commercial leasing agreements, our commercial tenants are required to operate with valid business license. However, we have no control over the extent to which our commercial tenants would comply with the requirement to have valid business licenses. As advised by our PRC Legal Advisors, the relevant authorities may impose penalty on landlord who knows or ought to know that their tenants operate without valid business licenses, and the maximum penalty may up to RMB500,000, and we may be liable for such penalty for leasing to commercial tenants that operate without valid business licenses. If any commercial tenants continue to operate without valid business licenses despite the requirement under the relevant PRC law, while we have no control over the renewal process of their business licenses, the relevant government authorities may impose penalty on us, which may adversely affect our commercial leasing business. In this case, we may not be able to continue the business relationship with such commercial tenants and may need to find alternative commercial tenants, which may not be available on a timely basis or at all for the same premises, which in turn will adversely affect the operation and profitability of our commercial leasing business.

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

Our future success depends heavily upon the continuing services of the members of our executive Directors and senior management team, in particular Mr. Chew Hua Seng, our chairman and executive Director and Mr. Liu Ying Chun, our chief executive officer and executive Director, both of whom are responsible for overseeing the overall operations of our business. If any of our executive Directors or members of our senior management team leaves us and we fail to effectively manage a transition to new personnel, or if we fail to attract and retain qualified and experienced professionals with similar expertise and experience on acceptable terms, our business, financial conditions and results of operations could be adversely affected. Competition for experienced management personnel in the education industry is intense, and we may not be able to retain the services of our senior executives or key personnel, or to attract and retain high quality senior executives or key personnel in the future.

Our success also depends on our finance, human resources, sales and marketing and management personnel. We expect to hire additional personnel as our business grows. A shortage in the supply of personnel with requisite skills or our failure to recruit them could impede our ability to expand our operations, and would have an adverse effect on our business and financial results.

RISK FACTORS

We may not be able to complete our construction of new dormitories on time.

We plan to use all of our net proceeds from the Placing on the construction of new dormitories. For details, please refer to the section headed “Strategy and Use of Proceeds” in this prospectus. Our construction schedules for new dormitories may be charged due to a number of factors, including:

- the performance and efficiency of our third party contractors;
- natural catastrophes and adverse weather conditions;
- construction accidents;
- failure to obtain, or material delays in obtaining, necessary government approvals in carrying out our construction;
- changes in relevant regulations and government policies or action;
- shortages of materials, equipment, contractors and skilled labor; and
- labor disputes.

We will engage third party contractors for the construction of new dormitories. However, any such third party contractors may fail to provide satisfactory services at the level of quality or within the timeline required by us. In addition, completion of construction of new dormitories may be delayed, and we may incur additional costs due to the delay. If the performance of any third party contractor is not satisfactory, we will use our best efforts to replace such contractor or project management company or take other remedial actions. However, we cannot guarantee that such remedial actions will be effective or our cost structure and development schedule as well as our reputation, credibility, financial position and business operations will not be adversely affected.

In general, construction delays or failure to complete the new dormitories according to its planned specifications, schedule and budget may harm our reputation as an operator of education facilities leasing business, lead to loss of or delay in providing education facilities to our Contract Colleges, and our Contract Colleges may become dissatisfied with our education facilities and may choose to terminate their business relationship with us. This will impact on the operation of our education facilities business and overall business performance adversely.

The ability of our Contract Colleges to charge their students are subject to restrictions set by relevant government authorities in Hebei and the PRC, which we have no control. As a result, our ability to increase the education facilities leasing fee of our Contract Colleges may also be restricted.

There are restrictions set by government authorities in the PRC in relation to student fees for both private and public. All of our Contract Colleges are private HEIs and are subject to

RISK FACTORS

those restrictions applicable to private HEIs. Accordingly, the ability of our Contract Colleges to charge their students are limited by such restrictions in the PRC. For details, please refer to the section headed “Regulations — Regulations relating to private education — Regulations on student fees” in this prospectus. We negotiate the rental rate with each Contract College, there is limited scope for our Contract Colleges or potential new customers to charge their students, thereby limiting our ability to increase education facilities leasing fee. Further, there can be no assurance that the regulations on student fees applicable to our Contract Colleges will not become more restrictive on the level of student fees that our Contract Colleges can charge. However, the continued maintenance of the Campus Site and our education facilities, including but not limited to, depends on (i) the price to which our suppliers will charge us for providing cleaning, security services, gardening services and building maintenance and refurbishing; and (ii) the maintenance requirements set by our Contract Colleges.

There is no guarantee that there will not be any significant increase in the above cost affecting our operation in the future. As the potential revenue of our Contract Colleges or potential customers may be limited by aforementioned restrictions, there is no guarantee we will be able to increase our education facilities leasing fee to adequately cover potential increase to our operational costs. Should our operating costs become more expensive in the future and we are not able to pass on such increases to our customers, our financial conditions, cash flows and profitability may be adversely affected.

If our forecasted demand for the new dormitories do not materialize, the fair value of our investment properties may be adversely affected.

We plan to use all of our net proceeds from the Placing for the construction of new dormitories. The new dormitories are expected to house approximately 3,500 additional students and staff, and we expect the dormitories will be ready for use in the 2016 to 2017 academic year. For details, please refer to the section headed “Strategy and Use of Proceeds” in this prospectus.

Assuming completion at such time, the new dormitories are expected to increase our total dormitory capacity by 17.9% from 19,504 beds as of November 30, 2014 to approximately 23,004 beds. Our resident student and staff population for dormitories for the 2014 to 2015 academic year is approximately 19,000. For the 2016 to 2017 academic year, based on the estimated demand for bed space for the resident students and staff, the existing and new dormitories will remain to operate at near full capacity. However, there is no assurance that demand for bed spaces will increase as we forecasted. Should our forecast in increase of resident student and staff population be significantly less than what we estimate, our lease-out rate may significantly decrease, which may in turn require us to lower our rental rates thereby lowering the fair-value of our investment properties and may have a material and adverse impact on our financial position.

Failure to protect our intellectual property rights and our brand image could have a negative impact on our business.

Any negative incident, unauthorized use of our brand name or image, or any negative publicity concerning us or our Contract Colleges could adversely affect our reputation and

RISK FACTORS

business prospects. As of the Latest Practicable Date, we have obtained registration of two trademarks in Hong Kong. We are currently applying for the registration of three trademarks in the PRC. Our intellectual property including our brand name may be misused by third parties and we may have to incur expenses in protecting our brand. If we are unable to adequately protect our trademarks and other intellectual property rights in the future from inappropriate or unauthorized use by third parties in ways that adversely affect our corporate image, brand name, and our reputation could suffer damage, which in turn may have a material adverse effect on our business, financial conditions and results of operations and harm our brand name. Furthermore, we may be required to enter into costly litigation to protect our proprietary rights against any infringement or violation and our management's attention may be diverted by violations of our intellectual property rights.

RISKS RELATING TO THE PRC

Our operations may be adversely affected by changes in PRC's economic, political and regulatory environment.

Our current operations are located in the PRC. Accordingly, our results of operations, financial conditions, and future prospects are linked to the economic, political and social conditions in the PRC to a significant degree. The PRC economy differs from the economies of most developed countries in many respects including:

- a higher level of government involvement;
- the on-going development of a market-oriented economy;
- a different legal system;
- a higher level of control over capital flows; and
- a higher level of control over foreign exchange.

The PRC economy has been transitioning from a centrally planned economy to a more market-oriented economy. In the past, the PRC government has implemented economic reform measures to utilize market forces for the development of the PRC economy. The PRC government continues to play a significant role in regulating industries and the economy through policy measures. We cannot predict whether changes in PRC economic, political or social conditions and in PRC laws, regulations and policies will have any adverse effects on our current or future business, financial conditions or results of operations. In addition, many of the economic reforms carried out by the PRC government are unprecedented or experimental which may not be smooth or successful and are expected to be refined and improved over time. Other political, economic and social factors may also lead to further adjustments of the reform measures. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. These

RISK FACTORS

actions, as well as future actions and policies of the PRC government, could cause a decrease in the overall level of economic activity or have an unforeseeable impact on the education and leasing industry for education facilities, which may in turn have a material and adverse impact on our business and financial conditions.

High inflation in the PRC could affect our business, financial conditions, results of operations and prospects.

The political, economic and social conditions in the PRC differ from those in more developed countries in many respects, including but not limited to economic structure, level of government involvement, level of development, growth rate, control of foreign exchange, capital reinvestment and allocation of resources. Although the PRC has been one of the fastest growing economies in the world as measured by growth in gross domestic product in recent years, its economic growth has been uneven, both geographically and across various sectors of the economy. Concerned that such growth rate is not sustainable and that economic growth in the PRC has been accompanied by periods of high inflation, the PRC government has in recent years implemented a series of measures to forestall threatening inflation and to stabilize the economy of the PRC, including tightening control over investments and bank loans in certain sectors, and raising the deposit-reserve ratio for financial institutions. Rising inflation or relevant government mitigating measures in the PRC may affect our ability to obtain external financing and reduce our ability to implement our expansion strategy and may materially and adversely affect our business operations, financial position and growth prospects. In addition, in the case that inflation in the PRC remains high despite the measures implemented by the PRC government, the costs of our operations may also increase, which is beyond our control. Any significant increase in the remuneration payable by us to our employees will increase our costs and may adversely affect our results of operations and financial position if we are not able to pass the increased costs onto our customers.

Our business, financial conditions and results of operations could be adversely affected by the uncertainty of and changes to the PRC legal system.

Our business and operations in the PRC are governed by the legal system of the PRC. The PRC legal system is based on the PRC constitution and is made up of written laws, regulations, rules and directives. In the event of a breach of any of the foregoing due to an act or omission by our PRC subsidiary, they will be subject to prescribed penalties. The PRC legal system is a civil law system based on written statutes, and prior court decisions have little if any precedent value and can only be used as a reference. Additionally, PRC written laws are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. The PRC government is still in the process of developing its legal system. As a result, some degree of uncertainty exists in connection with whether and how existing laws and regulations will apply to certain events or circumstances. Some of the laws and regulations and the interpretation, implementation and enforcement thereof, are still at an experimental stage and are, therefore, subject to change. Depending on the governmental agency or how an application or case is presented to such an agency, we may receive less favorable interpretations of laws and regulations than our competitors. Furthermore, precedents on the interpretation, implementation and enforcement of the PRC

RISK FACTORS

laws and regulations are limited, and court decisions in the PRC do not have any binding effect. Accordingly, the outcome of dispute resolutions may not be as consistent or predictable as in other more developed jurisdictions and it may be difficult to obtain swift enforcement of the laws in the PRC, or to obtain enforcement of a judgment by a court of another jurisdiction.

We may be deemed as a PRC resident enterprise under the PRC CIT Law and be subject to PRC taxation on our worldwide income.

Under the PRC CIT Law, enterprises established outside the PRC whose “de facto management bodies” are located in the PRC are considered as “resident enterprises” and will generally be subject to the uniform 25% corporate income tax rate on their worldwide income. The State Council has promulgated implementation rules of this tax law which defines “de facto management body” as an organization that exercises substantial and overall management and control over an enterprise’s manufacturing or business operations, employees, finance and property. While substantially all our senior management is currently based in the PRC, and we expect it to continue to be located in the PRC in the foreseeable future, it is unclear when PRC tax authorities will start the determination process. In the event that we are treated as a “resident enterprise” for corporate income tax purposes, our worldwide income, excluding dividends received from our subsidiary in the PRC, will be subject to PRC corporate income tax. For details, please refer to the subsection headed “Dividends payable by us to our foreign investors and gains on the sale of the Shares may be subject to withholding taxes under PRC tax laws” in this section.

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

Under the PRC CIT Law and implementation regulations issued by the State Council, except for the application of any relevant income tax treaty that the PRC has entered into, PRC corporate income tax at the rate of 10% is applicable to dividends payable by a PRC “resident enterprise” to investors that are “non-resident enterprises” (enterprises that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business) to the extent such dividends have their sources within the PRC. It is unclear whether the dividends we pay with respect to our Shares, or the gain you may realize from the transfer of our Shares, will be treated as income derived from sources within the PRC and be subject to PRC income tax. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC CIT Law and the implementation rules. One example of a limitation on the 10% withholding tax is that, pursuant to a tax treaty between the PRC and Hong Kong, which became effective on December 8, 2006, a company incorporated in Hong Kong is subject to withholding tax at the rate of 5% on dividends it receives from a company incorporated in the PRC if it holds a 25% or greater interest in the PRC company, or 10% if it holds an interest of less than 25% in the PRC company. If we are required under the PRC CIT Law to withhold PRC income tax on our dividends payable to our foreign Shareholders, or if you are required to pay PRC income tax on the transfer of your Shares, the value of your investment in our Shares may be materially and adversely affected.

RISK FACTORS

Our expansion plan may be affected by PRC regulations relating to acquisitions of domestic companies by foreign entities.

Effective as of September 8, 2006 and revised on July 22, 2009, foreign investors must comply with the Provisions on the Acquisition of Domestic Enterprises by Foreign Investors (2009 Revision) (《關於外國投資者併購境內企業的規定》), or M&A Provisions, should they seek to purchase the equity of a domestic non-foreign invested company and thus change our Company into a foreign-invested enterprise. According to the M&A Provisions, which provide the procedures for the approval of foreign investment projects in China, the business scope of such foreign-invested enterprise must conform to the Foreign Investment Industrial Guidance Catalog (外商投資產業指導目錄), or Foreign Investment Catalog. According to the Regulations on Chinese-Foreign Cooperative Education (《中外合作辦學條例》), a foreign company, organization or individual shall not by itself establish any school within China which mainly enroll Chinese citizens. Consequently, our Company, as a foreign enterprise, shall not acquire any universities or colleges in the PRC and become a sponsor. We do not have any concrete plan to acquire any universities or colleges in the future, however, both of our Company's establishment of cooperative school and acquisition of any interest in schools shall conform with the Foreign Investment Industrial Guidance Catalog.

In any event, if we or the owners of any foreign enterprise want to purchase equity interest that are subject to the M&A Provisions, we may not be successful in obtaining all necessary approvals and completing all the relevant procedures under the M&A Provisions.

We are a holding company and rely on dividend payments from our operating subsidiary.

We are a holding company and conduct all of our business through our operating subsidiary in the PRC. As a result, our ability to pay dividends depends on dividends and other distributions received from our operating subsidiary. If our subsidiary incurs debts or losses, it may impair its abilities to pay dividends or other distributions to us, which could adversely affect our ability to pay dividends to the Shareholders. Under the current PRC laws, dividends of the PRC companies can be paid only out of the after-tax profits calculated according to the PRC accounting principles, which differ in many respects from generally accepted accounting principles in other jurisdictions. Furthermore, PRC laws require foreign invested enterprises, such as our operating subsidiary in the PRC, to set aside part of their net profit as statutory reserves. Our PRC subsidiary is required to set aside each year at least 10% of its after-tax profits for such year, as reported in its PRC statutory financial statements, to the statutory surplus reserve of such PRC subsidiary. Such reserve may not be discontinued until the accumulated amount has reached 50% of the registered capital of the PRC subsidiary. These statutory reserves are not available for distribution to us, except in liquidation. The calculation of distributable profits under the PRC accounting standards and regulations differs in certain aspects from the calculation under HKFRS. As a result, our subsidiary in the PRC may not be able to pay any dividends to us in a given year if it does not have any distributable profits as determined under the PRC accounting standards and regulations, even if it has profits for that year as determined under HKFRS. Limitations on the ability of our PRC subsidiary to remit its entire after-tax profits to us in the form of dividends or other distributions could adversely

RISK FACTORS

affect our ability to grow and make investments that could be beneficial to our business, pay dividends and otherwise fund and conduct our business. We cannot assure that our subsidiary will generate sufficient earnings and cash flow to pay dividends or otherwise distribute sufficient funds to us to enable us to pay dividends to the Shareholders.

It may be difficult to effect service of process, enforce foreign judgments or bring original actions in China against us, our officers or Directors.

We are a company incorporated under the laws of Hong Kong, but all of our operations are located in the PRC. Substantially all of our senior management reside in the PRC, and substantially all of our assets are located in the PRC. As a result, it may be difficult or impossible for an investor to effect service of process upon us. Moreover, the PRC does not have treaties with most other jurisdictions that provide for the reciprocal recognition and enforcement of judicial rulings and awards. As a result, recognition and enforcement of the judgment of a non-PRC Court in the PRC in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

Governmental control of currency conversion and fluctuations in the value of RMB may affect the value of your investment.

The PRC government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of PRC. Substantially all of our revenues and expenditures are denominated in RMB. Under the current corporate structure, all of our income is derived from dividend payments from the PRC subsidiary. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiary to remit sufficient foreign currency to pay dividends or other payments to our Company, or otherwise satisfy their foreign currency denominated obligations. Under the 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. However, approval from appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also, at its discretion, restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, our Company may not be able to pay dividends in foreign currencies to the Shareholders.

While any dividends we pay on our Shares will be in Hong Kong dollars, fluctuations in the exchange rate between the RMB and the Hong Kong dollar or US dollar will affect the relative purchasing power in RMB. In addition, appreciation or depreciation in the value of the RMB relative to the Hong Kong dollar or US dollar would affect our financial results in Hong Kong dollar or US dollar terms without giving effect to any underlying change in our business or results of operations.

RISK FACTORS

Movements in RMB exchange rates are affected by, among other things, changes in political and economic conditions and China's foreign exchange regime and policy. The RMB has been unpegged from the US dollar since July 21, 2005 and, although the People's Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in RMB exchange rate, the RMB may appreciate or depreciate significantly in value against the US dollar. The People's Bank of China allows the RMB to rise or fall 2% from a mid-point every day, effective on March 17, 2014, compared with its previous 1% limit.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the RMB and other currencies. The cost of such hedging instruments may fluctuate significantly over time and can outweigh the potential benefit from the reduced currency volatility. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risks. The availability and effectiveness of these hedges may be limited and we may not be able to hedge our exposure successfully.

RISKS RELATING TO THE PLACING

There has been no prior public market for the Shares and an active trading market may not be developed.

Prior to the Placing, no public market for the Shares existed. The Placing Price disclosed in this prospectus was the result of negotiations among our Company and the Sole Lead Manager, and the Placing Price may differ significantly from the market price of the Shares following the Placing. We have made an application to the Stock Exchange for the Listing. There is no assurance that the Listing will result in the development of an active, liquid public trading market for the Shares after the Placing. In addition, the price and trading volumes of the Shares may be volatile since factors such as variations in our revenue, earnings and cash flows or any other developments may affect the volume and price at which the Shares will be traded.

The trading price of the Shares may also be subject to significant volatility in response to, among others, the following factors:

- variations in our operating results;
- changes in the analysis and recommendations of securities analysts;
- announcements made by us or our competitors;
- changes in investors' perception of us and the investment environment generally;
- changes in pricing made by us or our competitors;
- the liquidity of the market for the Shares; and
- general economic and other factors.

RISK FACTORS

The trading volume and share price of the Shares may fluctuate.

The price and trading volume of the Shares may be highly volatile. Factors such as variations in our revenue, earnings and cash flow, announcements of new technologies, strategic alliances or acquisitions, industrial or environmental accidents suffered by us, loss of key personnel, changes in ratings by financial analysts and credit rating agencies, litigation or fluctuations in the market prices could cause large and sudden changes in the volume and price at which the Shares will trade. In addition, GEM and other securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the market price of the Shares.

Future sales of substantial amounts of our Shares in the public market could adversely affect the prevailing market price of the Shares.

Except pursuant to the Placing and the exercise of options under the Share Option Scheme or with the prior written consent of the Sole Lead Manager and unless in compliance with the requirements of the GEM Listing Rules, our Company agreed with the Sole Lead Manager not to issue any new Shares or other securities convertible into or exchangeable for Shares during the period of six months immediately following the Listing Date. Please refer to the section headed “Underwriting — Underwriting Arrangements and Expenses — Undertakings” in this prospectus for a more detailed discussion of restrictions that may apply to future sales of the Shares. After these restrictions lapse, the market price of the Shares could decline as a result of any future sales of substantial amounts of our Shares or other securities relating to our Shares in the public market, the issuance of new Shares or other securities relating to our Shares, or the perception that such sales or issuances may occur. This could also materially and adversely affect our ability to raise capital in the future at a time or at a price we deem appropriate.

Our Controlling Shareholder may exert substantial influence over us and may not act in the best interests of our public Shareholders.

Upon completion of the Placing, our Controlling Shareholder will own in total 75% of our issued share capital (without taking into account any Shares that may be issued upon exercise of any option which may be granted under the Share Option Scheme). This ownership interest will enable our Controlling Shareholder to elect our entire Board without the concurrence of any of our Company’s other Shareholders. Our Controlling Shareholder will be in a position to exert significant influence over our business and corporate affairs, will be able to significantly influence the outcome of any Shareholders’ resolution, and determine the outcome of most corporate actions, including the decision regarding the use of educational land of the Group irrespective of how other Shareholders may vote. The interests of our Controlling Shareholder may not necessarily be aligned with those of our independent Shareholders. Our Controlling Shareholder may cause us to take actions that are not in our interest or those of our public Shareholders. In the event that the interests of our Controlling Shareholder conflict with those

RISK FACTORS

of our other Shareholders, or if our Controlling Shareholder chooses to cause us to pursue objectives that would conflict with the interests of our other Shareholders, such other Shareholders could be left in a disadvantageous position by such actions caused by our Controlling Shareholder.

Shareholders' interests in our Company may be diluted in the future.

Our Company may issue additional Shares pursuant to the Share Option Scheme. In addition, we may need to raise additional funds in the future to finance business expansion, whether related to existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company, other than on a pro rata basis to existing Shareholders, then (i) the percentage ownership of those existing Shareholders may be reduced, and they may experience subsequent dilution, and/or (ii) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of the existing Shareholders.

Forward-looking information included in this prospectus may not be accurate.

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategy and our various measures to implement such strategy;
- our dividend distribution plans;
- our relationship with our key customers;
- our operations and business prospects, including our development plans for our existing businesses;
- our ability and expected timetable to complete our new dormitories;
- our financial condition;
- our capital expenditure plans;
- the regulatory environment in the PRC; and
- future developments and the competitive environment in our industry and the markets for our business, including primarily the education facilities leasing business.

RISK FACTORS

The words “aim”, “anticipate”, “believe”, “consider”, “continue”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “potential”, “predict”, “project”, “propose”, “seek”, “should”, “will”, “would”, “with a view to”, and similar expressions and the negative of these words, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect the current views of our Directors with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. Purchasers of our Placing Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties. The uncertainties in this regard include, but are not limited to, those identified in the section headed “Risk Factors” in this prospectus, many of which are not within our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by us or our Directors that their plans or objectives will be achieved. If any or all of these risks or uncertainty materializes, or the underlying assumptions are proven to be incorrect, our financial conditions may be materially and adversely affected and actual outcomes may differ materially from those described in this prospectus as anticipated, believed, estimated or expected.

Subject to the requirements of the GEM Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of any new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

There can be no guarantee as to the accuracy of facts and other statistics with respect to the economies and the industry in which we operate contained in this prospectus.

Certain facts and other statistics in this prospectus relating to the PRC, their respective economies and the industry in which we operate have been derived from various official government publications and unofficial publications. We believe that the sources of such facts and statistics are appropriate sources for such information and our Directors have exercised reasonable care to ensure that such facts and statistics presented are accurately reproduced from their respective sources. We have no reason to believe that the sources of the information contained in this prospectus are not appropriate sources for such information and we 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. The information has not been independently verified by us, the Sole Sponsor, the Underwriter or any other party involved in the Placing and no representation is given as to its accuracy. There is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such facts or statistics.

RISK FACTORS

Investors should not rely on any information in the press articles or other media regarding our Group and the Placing not contained in this prospectus.

There might be certain press coverage in certain news publications regarding our Group and the Placing which included certain financial information, financial projections and other information about the Group that do not appear in this prospectus. There are certain news articles regarding Oriental University City in general such as the news article dated July 2, 2014 on www.chinanews.com regarding certain incidents in Oriental University City and news article dated April 14, 2014 on news.sina.com.cn regarding decrease in schools and colleges in Oriental University City, both of which relates to incident or events prior to the REC Acquisition. Our Group wishes to emphasize to potential investors that our Group does not accept any responsibility for the accuracy or completeness of any information disseminated in the press articles or media and that such information was not sourced from or authorized by our Group. Our Group makes no representation as to the appropriateness, accuracy, completeness or reliability of any of the information and underlying assumptions. To the extent that any of such information is inconsistent with, or conflicts with, the information contained in this prospectus, our Group disclaims it. 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.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the 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 Law of Hong Kong) and the GEM Listing Rules for the purpose of giving information to the public with regard to our Group. The 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 herein or in this prospectus misleading.

INFORMATION ON THE PLACING

This prospectus is published solely in connection with the Placing and the listing of the Placing Shares on GEM, which is solely sponsored by the Sole Sponsor and managed by the Sole Lead Manager.

The Placing Shares are offered for subscription solely on the basis of the information contained and representations made in this prospectus. No person is authorized in connection with the Placing to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorized by our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriter, any of their respective directors, officers, agents, employees or any other persons or parties involved in the Placing.

DETERMINATION OF THE PLACING PRICE

The Placing Shares are being offered at the Placing Price, which is expected to be fixed by the Price Determination Agreement between our Company and the Sole Lead Manager on the Price Determination Date, which is expected to be on or around Monday, January 12, 2015 and, in any event, not later than Wednesday, January 14, 2015.

If, for any reason, the Placing Price is not agreed between our Company and the Sole Lead Manager by Wednesday, January 14, 2015, the Placing will not become unconditional and will lapse.

RESTRICTIONS ON OFFER AND SALE OF PLACING SHARES

Each person acquiring the Placing Shares will be required to confirm, or be deemed by his acquisition of Placing Shares to confirm, that he is aware of the restrictions on the Placing of the Placing Shares described in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

No action has been taken in any jurisdiction other than Hong Kong to permit the offering of the Placing Shares or the general distribution of this prospectus. Accordingly, this prospectus may not be used for the purposes 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 of the Placing Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws or any applicable rules and regulations of such jurisdictions pursuant to registration with or authorization by the relevant regulatory authorities as an exemption therefrom.

Prospective investors for Placing Shares should consult their financial advisors and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective investors for the Placing Shares should inform themselves as to the relevant legal requirements of applying for the Placing Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

APPLICATION FOR LISTING ON GEM

Application has been made to the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Placing and the Bonus Issue and upon the exercise of the options which may be granted under the Share Option Scheme.

No part of our Shares or loan capital of our Company is listed, traded or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for our Shares offered under this prospectus to be listed on GEM has been refused before the expiration of three weeks from the date of the closing of the Placing or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company for permission by or on behalf of the Stock Exchange, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of the issued share capital of our Company in the hands of the public. A total of 45,000,000 Placing Shares for subscription, which represent 25% of our Company’s enlarged issued share capital will be in the hands of the public immediately following the completion of the Placing, the Bonus Issue and upon Listing (assuming the options that may be granted under the Share Option Scheme are not exercised).

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

APPROVAL OF THE SGX-ST

As the Listing will involve a spin-off and separate listing of our Group by REC, REC has applied for the relevant approval from the SGX-ST and obtained such approval on December 3, 2014.

HONG KONG REGISTER AND STAMP DUTY

All Shares issued pursuant to applications made in the Placing will be registered on our Company's share register of members to be maintained in Hong Kong. Our Company's register of members will be maintained by our registrar, Boardroom Share Registrars (HK) Limited, in Hong Kong. Dealings in our Shares will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to the Shareholders listed on the Hong Kong share register of our Company, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, our Shares in issue and to be issued on GEM and the compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or, under contingent situation, any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for our Shares to be admitted into CCASS. If investors are unsure about the details of CCASS settlement arrangement and how such arrangements will affect their rights and interests, they should seek the advice of their stock broker or other professional advisors.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Placing are recommended to consult their own professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal, and dealing in our Shares (exercising rights attached to them). None of us, the Sole Lead Manager, the Underwriter, any of their respective directors or any other person or party involved in the Placing accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

STRUCTURE AND CONDITIONS OF THE PLACING

Details of the structure of the Placing, including its conditions, are set out in the section headed “Structure and conditions of the Placing” in this prospectus.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed herein are due to rounding.

COMMENCEMENT OF DEALINGS IN OUR SHARES

Dealings in our Shares on GEM are expected to commence at 9:00 a.m. on Friday, January 16, 2015. Shares will be traded in board lots of 1,000 Shares each. The stock code for our Shares is 8067. We will not issue temporary documents of title.

SETTLEMENT

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. Only certificates for Shares registered on the branch share register of our Company will be valid for delivery in respect of transactions effected on GEM.

If you are unsure about the procedures for dealings and settlement arrangement on GEM on which the Shares are listed and how such arrangements will affect your rights and interests, you should consult your stockbroker or other professional advisors.

EXCHANGE RATE CONVERSION

Unless otherwise specified, translations of HK\$ into US\$, RMB into HK\$ and HK\$ into RMB in this prospectus are based on the rates set out below (for the purpose of illustration only):

RMB1.00 : HK\$1.25

HK\$1.00 : RMB0.8

US\$1.00 : HK\$7.8

No representation is made that any amounts in RMB, HK\$ and US\$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

Unless otherwise specified, all references to any of our shareholdings assume no exercise of the Offer Size Adjustment Option.

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Chew Hua Seng (周華盛)	32K Nassim Road, Singapore 258417	Singaporean
Mr. Liu Ying Chun (劉迎春)	Room 101, Unit 1, Block 2, Xingsheng Garden, Qunxing Area, Qunan Road, Guangyang District, Langfang City, Hebei Province, PRC	Chinese
<i>Non-executive Directors</i>		
Mr. He Jun (何軍)	971 Bukit Timah Road, #07 - 23 Singapore 589647	Singaporean
<i>Independent non-executive Directors</i>		
Mr. Lam Bing Lun, Philip (林炳麟)	Flat D, 9/F, Alpine Court, 12 Kotewall Rd, Mid-levels, Hong Kong	Canadian
Mr. Tan Yeow Hiang, Kenneth (陳耀鄉)	361 Bukit Timah Road, #14 - 01, Singapore 259725	Singaporean
Mr. Wilson Teh Boon Piaw (鄭文鏢)	27 Lentor Lane, Lentor View, Singapore 789147	Singaporean

Further details of our Directors are set out in the section headed “Directors, Senior Management and Employees” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

PARTIES INVOLVED IN THE PLACING

Sole Sponsor, Sole Bookrunner and Sole Lead Manager	BNP Paribas Securities (Asia) Limited 59/F-63/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong
Underwriter	BNP Paribas Securities (Asia) Limited 59/F-63/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong
Legal advisors to our Company	<i>As to Hong Kong law</i> Morrison & Foerster 33/F, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong <i>As to PRC law</i> Jingtian & Gongcheng Attorneys at Law 34/F, Tower 3, China Central Place, 77 Jianguo Road, Chaoyang District, Beijing 100025, PRC
Legal advisors to the Sole Sponsor and the Underwriter	<i>As to Hong Kong law</i> Norton Rose Fulbright Hong Kong 38/F Jardine House, 1 Connaught Place, Central, Hong Kong <i>As to PRC law</i> Jun He Law Offices 20th Floor, China Resources Building, Beijing 100005, PRC
Reporting accountant and auditor	PricewaterhouseCoopers <i>Certified Public Accountants</i> 22/F, Prince's Building, Central, Hong Kong
Property valuer	DTZ Debenham Tie Leung Limited <i>Registered Professional Surveyors (General Practice)</i> 16/F, Jardine House, 1 Connaught Place, Central, Hong Kong
Compliance advisor	BNP Paribas Securities (Asia) Limited 59/F-63/F, Two International Finance Centre 8 Finance Street, Central, Hong Kong

CORPORATE INFORMATION

Registered office	31st Floor, 148 Electric Road, North Point, Hong Kong
Head office and principal place of business in the PRC	Levels 1 and 2 100 Zhangheng Road, Oriental University City, Langfang Economic & Technical Development Zone Hebei Province 065001, PRC
Company secretary	Mr. Kwok Siu Man (郭兆文) <i>(Fellow Member of the Institute of Chartered Secretaries and Administrators in England Fellow Member of the Institute of Financial Accountants in England Fellow Member of The Hong Kong Institute of Chartered Secretaries)</i> 31st Floor, 148 Electric Road, North Point, Hong Kong
Compliance officer	Mr. Liu Ying Chun (劉迎春)
Authorized representatives	Mr. Chew Hua Seng (周華盛) 32K Nassim Road, Singapore 258417 Mr. Liu Ying Chun (劉迎春) Room 101, Unit 1, Block 2, Xingsheng Garden, Qunxing Area, Qunan Road, Guangyang District, Langfang City, Hebei Province, PRC
Audit Committee	Mr. Lam Bing Lun, Philip (林炳麟) (<i>Chairman</i>) Mr. Tan Yeow Hiang, Kenneth (陳耀鄉) Mr. Wilson Teh Boon Piaw (鄭文鏢)
Nomination Committee	Mr. Tan Yeow Hiang, Kenneth (陳耀鄉) (<i>Chairman</i>) Mr. Chew Hua Seng (周華盛) Mr. Lam Bing Lun, Philip (林炳麟) Mr. Wilson Teh Boon Piaw (鄭文鏢)
Remuneration Committee	Mr. Wilson Teh Boon Piaw (鄭文鏢) (<i>Chairman</i>) Mr. Chew Hua Seng (周華盛) Mr. Tan Yeow Hiang, Kenneth (陳耀鄉)

CORPORATE INFORMATION

Risk Management Committee	Mr. He Jun (何軍) (<i>Chairman</i>) Mr. Lam Bing Lun, Philip (林炳麟) Mr. Wilson Teh Boon Piaw (鄭文鏢)
Hong Kong Share Registrar and transfer office	Boardroom Share Registrars (HK) Limited 31st Floor, 148 Electric Road, North Point, Hong Kong
Principal bankers	Bank of Langfang Development Zone Sub-branch 77 Zhangheng Road, Oriental University City, Langfang Economic and Technology Development Zone, Hebei Province, the PRC Industrial and Commercial Bank of China Langfang Chaoyang Sub-branch 78 Heping Road, Langfang City, Hebei Province, the PRC Langfang City Suburban Rural Credit Cooperatives Tongbai Credit Union 254 Yunpeng Road, Langfang Economic and Technology Development Zone, Hebei Province, the PRC
Company website	www.oriental-university-city.com <i>(information contained in this website does not form part of this prospectus)</i>

INDUSTRY OVERVIEW

The information that appears in this Industry Overview has been prepared by Euromonitor International Limited and reflects estimates of market conditions based publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to Euromonitor International Limited should not be considered as the opinion of Euromonitor International Limited as to the value of any security or the advisability of investing in the Company. The Directors believe that the sources of information contained in this Industry Overview are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. The Directors have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information prepared by Euromonitor International Limited and set out in this Industry Overview has not been independently verified by the Group, the Sole Sponsor, the Underwriter or any other party involved in the placing and neither they nor Euromonitor International Limited give any representations as to its accuracy.

SOURCE OF INFORMATION

Euromonitor report & the research methodology

Euromonitor is a global research organization and provider of international market intelligence. Our Company commissioned Euromonitor in June 2014 to produce the Euromonitor report for privately-funded University Cities in China at a fee of US\$40,000.

This “Industry Overview” section contains information extracted from the Euromonitor report and reflects estimates of the enrollment and performance of each of the key selected University Cities from publicly available secondary sources and trade survey analysis of the opinions and perspectives of the contracting universities within the reviewed University Cities, and is prepared primarily as a market research tool. The selected University Cities are identified as the representative University Cities in terms of funding type, geographic coverage, as well as among China’s large-scaled and long history universities. This industry overview is published with the consent of Euromonitor.

For the market data and information disclosed in this prospectus, Euromonitor offered a combination of primary and secondary research with a view to present the overview of China’s University Cities market. The following research methodologies were utilized to interpret the reasonable ground.

For the national admission from the national higher education entrance examination (高 考入學人數), Euromonitor leveraged existing official statistics and reports sources such as China Statistics Yearbook, Ministry of Education, etc. Meanwhile, publically available sources from provincial and municipal education departments as well as published enrollment information by universities are used to generate the final estimates of enrollment (by tier) within each of the reviewed University Cities.

INDUSTRY OVERVIEW

Euromonitor has also conducted independent trade interviews with the regional education bureaus, industry experts, and the different departments (e.g. enrollment offices, asset management departments, and logistics departments) across over 30 contracting universities within the four target University Cities to build a complete picture of the market, and thus present a better understanding on the development and outlook for each University City.

For the trade interviews conducted by Euromonitor, these were not identified by numbers of survey samples, but were based on the assessment of the quality of answers received, which were analyzed intelligently and transparently.

It is noted that quantitative and qualitative forecasts are mainly based on an in-depth review over the historic market development trend, and a cross-check through established government/industry figures, i.e. the Outline of the National Plan for Medium and Long-term Education Reform and Development (《國家中長期教育改革和發展規劃綱要》) (“**Outline of Reform and Development**”).

Both secondary and primary sources are crosschecked and leveraged to build Euromonitor’s analysis and industry estimates or information with no reliance on any single source. A test of each respondent’s viewpoints against those of others is employed to eliminate possible bias from various sources.

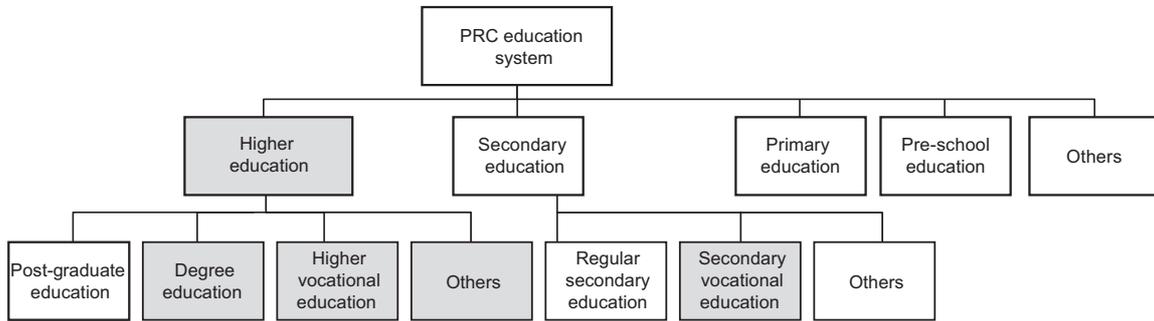
OVERVIEW OF CHINA EDUCATION MARKET

The PRC education system is generally divided into formal or non-formal education: the key difference between the formal and non-formal education system is that the formal system is usually organized by education entity enables students to obtain official certificates from the PRC government, whereas the non-formal system, which includes different types of training and learning courses, merely enables students to obtain knowledge or skills, which may not be officially recognized.

The PRC formal education is classified by grades and is divided into five categories, namely pre-school education, primary education, secondary education, higher education and others. The diagram below sets forth the composition of the PRC education system.

INDUSTRY OVERVIEW

PRC formal education system



Related to the business of the Company

Source: Euromonitor compiled from Ministry of Education

Since 1990s, the PRC government proposed the national strategy of developing the country through science and education, putting scientific research and education in a more significant role in boosting China's economic and social development. As of 2013, China had a total educational population of around 394 million according to the National Bureau of Statistics of China, representing approximately 29.0% of its total population.

Higher education in China

Higher education plays a substantial role in the national strategy of boosting China's economic and social development via science & technology and education. HEI includes regular HEI providing post graduate education, degree education, higher vocational education, and others.

Followed by the government's strategy to promote the higher education and the increasing government spending on education, the number of HEI in China increased from 4,297 in 2009 to 4,420 in 2013, including 1,520 private institutions and 2,900 public institutions. Total enrollment in HEI reached 34.6 million in 2013, increasing from 29.8 million in 2009, representing a CAGR of 3.8% over the period. Such increase is primarily driven by the

INDUSTRY OVERVIEW

rising admission rate in HEIs, and the increasing skills requirements for higher-end jobs. The table below sets forth information in relation to the total student enrollment of HEI from 2009 to 2013:

Total Student Enrollment of HEI, 2009 to 2013

	2009	2010	2011	2012	2013	2009-2013 CAGR
	<i>million persons</i>					<i>%</i>
HEI student enrollment	29.8	31.1	31.7	33.3	34.6	3.8
Degree education enrollment ...	14.1	14.9	15.8	16.7	17.6	5.7
Higher vocational education enrollment	12.8	12.8	12.7	13.0	13.3	1.0

Source: Ministry of Education

The student enrollment in degree education and higher vocational education grew at CAGR of 5.7% and 1.0% between 2009 and 2013, respectively. The higher CAGR of the student enrollment in degree education is primarily due to the increasing number of students to choose the degree education which the society generally considers it as a higher quality program.

According to the Outline of Reform and Development, total student enrollment in HEI is expected to grow from 2009's level of 29.8 million, to 33.5 million in 2015 and 35.5 million by 2020.

Secondary vocational education in China

The enrollment in secondary vocational education stayed at a stable level and kept over 19 million from 2009 to 2013, and decreased from 22.0 million in 2009 to 19.6 million in 2013. The decrease is primarily due to the expansion of higher education, some of secondary vocational education population will choose to degree program of higher education, or higher vocational education.

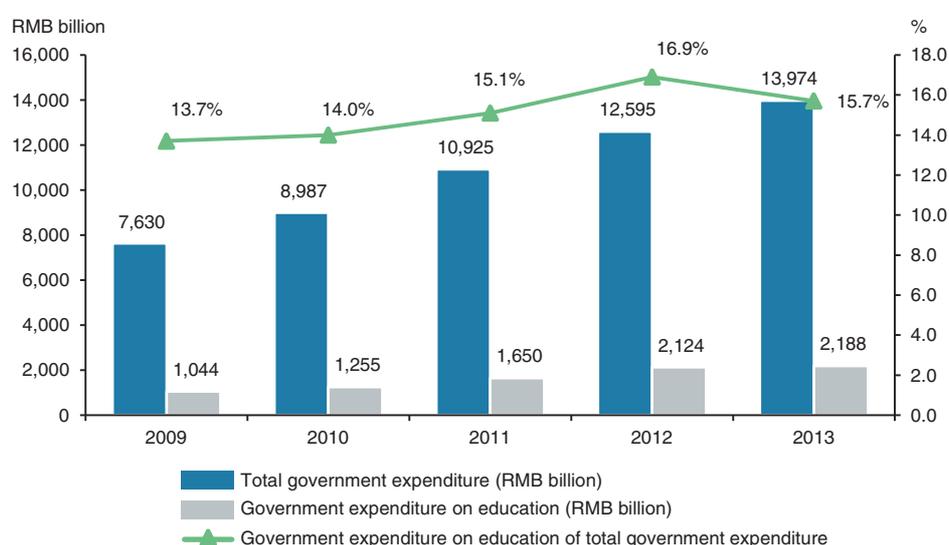
According to the Outline of Reform and Development, the enrollment in secondary vocational education is expected to reach 22.5 million in 2015 and 23.5 million by 2020.

INDUSTRY OVERVIEW

Growing government expenditure on education

China's annual spending on education grew from 1,044 million in 2009 to 2,188 million in 2013, representing a CAGR of 20.3% over the period, according to National Bureau of Statistics of China. The China's annual spending on education, as a percentage of total government expenditures, stayed above 13% during over the period from of 2009 to 2013, and climbed steadily from 13.7% in 2009 to 15.7% in 2013. Growing government education spending is in line with China's strategic development objective to become a learning-driven society and a national with established human resources by 2020. The diagram below sets forth information about government expenditure on education of total government expenditure from 2009 to 2013.

Government expenditure on education of total government expenditure, 2009 to 2013



Source: National Bureau of Statistics of China

UNIVERSITY CITIES IN CHINA

Overview of University Cities in China

University City is a community, where several similar types of education institutions, normally HEI, are centralized in a location and share related facilities and resources. The initiative of University Cities is to achieve efficient use and allocation of educational resources, promote economic and urbanization development of the relevant region, as well as to support the growth of the education sector.

INDUSTRY OVERVIEW

The China's second overall reform of the higher education system in the 1990s and the rapidly growing economy have led to increasing need for high caliber talent, and hence promoted higher demand for higher education. According to Euromonitor, China's HEI started to expand admission size in 1999 and has since become a more common choice for students. With the increasing popularity of HEI, University Cities were therefore started to establish through joined forces by the PRC government, private enterprise and HEI.

In terms of funding type, University Cities can be divided into "privately-funded model", "land exchange model" and "branch campus model". The "privately-funded model" refers to the private companies providing funding for the construction of the University Cities and provide logistic services and operations management. University Cities built based on this model usually have an administrative committee composed of investors, operators and colleges, each performing its own functions through coordination and supervision. Oriental University City in Langfang and Songjiang University City in Shanghai adopt this model. The "Land exchange model" refers to the universities that exchange land of their existing campus (normally located in downtown city areas with insufficient room to grow) to new campus area in suburban areas designated by the government for education purpose. The examples are the five higher education zones in Zhejiang Province (three in Hangzhou city, one each in Ningbo and Wenzhou). "Branch campus model" refers to the University Cities that local governments entice HEI to build new campuses in their cities by providing a series of favorable policies and incentives. Zhuhai University City is one of the examples.

Role and importance of the University Cities

University Cities can facilitate the development of the local economy.

University Cities are usually built under the initiative to improve the overall development of the local economy. Not only the infrastructure planning can be more effective, University Cities can gather relevant resources and talents to better promote the quality of education culture within the local economy.

Opportunity for universities to make better use of facilities and resources.

Each university has its own strengths in academic, curriculum and resources. The concentration of multiple colleges together in a University city enables them to share not only the facilities but also other educational resources.

- The gathering of several HEI offers more opportunities for common facilities sharing (such as buildings, laboratories and cafeterias). Commercial operation of logistical services within the University City can also help universities to cut back on costs.
- In terms of other educational resources, a University city can facilitate the sharing of high-quality courses among several universities. Students in one university may also apply for or study courses of another university within the University city. This arrangement offers more choices for the students.

INDUSTRY OVERVIEW

Increasing enrollment in universities has posted challenges for universities' education facilities.

To address the needs of economic activity and employment, China started education reform in 1999 by expanding the size of admission in HEIs. According to the Ministry of Education's action plan for raising the admission rate at the higher education level, the number of admissions from the national college entrance exam increased from 1.6 million in 1999 to 7.00 million in 2013 with the higher education acceptance rate growing from 55.6% to 76.8%, respectively. HEIs admissions rose at a CAGR of 11.1% between 1999 to 2013. The wave of HEIs expansion, coupled with the rapid increase in student population, put pressure to increase school facilities and supporting facilities like dormitories, buildings and cafeterias.

Total admission from the national entrance examination

Year	Number of examinee	Number of HEI admissions ⁽¹⁾	Annual growth rate	HEI acceptance rate
	<i>million persons</i>	<i>million persons</i>	%	%
1996	2.41	0.97	4.3	40.2
1997	2.78	1.00	3.1	36.0
1998	3.20	1.08	8.0	33.8
1999	2.88	1.60	48.1	55.6
2000	3.75	2.21	38.1	58.9
2001	4.54	2.68	21.3	59.0
2002	5.10	3.20	19.4	62.7
2003	6.13	3.82	19.4	62.3
2004	7.29	4.47	17.0	61.3
2005	8.77	5.04	12.8	57.5
2006	9.50	5.46	8.3	57.5
2007	10.10	5.66	3.7	56.0
2008	10.50	5.99	5.8	57.0
2009	10.20	6.29	5.0	61.7
2010	9.57	6.57	4.5	68.7
2011	9.33	6.75	2.7	72.3
2012	9.15	6.85	1.5	74.9
2013	9.12	7.00	0.2	76.8

Source: Ministry of Education

Note:

(1) Numbers of Admissions here refers to the number of students who are enrolled from the national entrance examination to HEI each year.

INDUSTRY OVERVIEW

After the rapid growth of HEI enrollment number in the period of 1999 to 2005, the number of examinees in national entrance exam decreased from the peak of 10.5 million in 2008 to 9.1 million in 2013. The decrease is primarily due to the decreasing of secondary education population in China resulted from the decreasing birth rate since 1987 and an increasing number of senior secondary school graduates to study abroad.

KEY UNIVERSITY CITIES IN CHINA

According to Euromonitor, the following sets forth some of the key University Cities in China:

- Shanghai Songjiang University City is located at the northwest end of Songjiang district's new development zone in Shanghai. Started operation since 2003, Shanghai Songjiang University City hosts seven universities/colleges and approximately 72,234 students in 2013. According to Euromonitor, certain schools in Songjiang are expected to expand their campuses on its existing land.
- Fuzhou University City is located in Fuzhou city, Fujian Province. Started operation since 2003, Fuzhou University City hosts 11 universities/colleges and approximately 166,174 students in 2013. According to Euromonitor, the premises, including both education and supporting facilities, in the city are expanding and are expected to continue to expand in the next few years.
- Ningbo University City is located in Ningbo city, Zhejiang Province. Started operation since 2002, Ningbo University City hosts 10 universities/colleges and approximately 157,367 students in 2013. According to Euromonitor, around three out of ten colleges have expansion plans in the near future.
- Zhuhai University City is located in Zhuhai city, Guangdong Province. Started operation since 2000, Zhuhai University City hosts eight universities/colleges and approximately 125,290 students in 2013. As most institutions in the city are independent colleges with large campuses and newly built student dormitories, they have the capacity to recruit more students. According to Euromonitor, Zhuhai University City is expected to see enrollment increases in the next few years.

KEY TREND OF PRIVATELY-FUNDED UNIVERSITY CITIES IN CHINA

Continue development of higher education will impose higher demand on education facilities leasing business in China

According to the Outline of Reform and Development, total student enrollment in HEI is expected to grow from 2009's level of 29.8 million, to 33.5 million in 2015, and 35.5 million by 2020. In addition, it is noted that universities generally have to add beds, laboratory rooms,

INDUSTRY OVERVIEW

seats and apparatus for additional new students, one more dormitory room for seven new enrollment additions and one new classroom for additional 30 new students. Hence, the expansion of universities places higher demand on educational facilities and will create more business opportunities for educational facilities leasing business.

Besides, vocational education will also play a key role in supporting economic development. Universities or colleges, whether private or public, are encouraged to increase their enrollment in vocational education of different types. The increasing enrollment will consequently create more demand for education facilities.

Educational facilities leasing business benefits from national plan of pushing sharing of education resources

The Outline of Reform and Development indicated one of the objectives is to strengthen the development and application of high-quality educational resources and promoting the popularity and sharing of high-quality educational resources. The sharing of educational resources includes sharing of educational facilities, courses and faculties, etc.

The sharing of educational facilities is the foremost form of educational resource sharing in University Cities, followed by the sharing of faculties and courses. University Cities often build a sound platform for different schools to share educational facilities like buildings, library and sport facilities, etc. Sharing educational facilities is an effective method to help prevent redundant investment and low utilization rates. In recent years, there have been more than 50 University Cities planned or built across China. The University Cities make the sharing and leasing of educational facilities a more common practice in China.

The model of “University Cities plus industrial parks” will keep facilitating the integrated development of education, research and production

Companies have a tendency to cooperate with HEIs and research institutions to seek for innovation. While there are many ways that they can cooperate, one of the more prevalent ways is the University City plus industrial park model. Chongqing University City, Songjiang University City in Shanghai, Oriental University City in Langfang as well as Zunyi University City are all designed based on this model. It is noted that some local governments have intentionally built industrial parks around their University Cities aiming to drive the process of business-education-research integration.

Favorable regulatory policies to further promote the development of privately funded education and vocational education

In June 2012, the Ministry of Education published the Opinions on Encouraging and Guiding Private-Sector Funding for Education and Promoting the Healthy Development of Privately-Funded Education (《關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》), which stressed the need for leveraging private sector funding in education and opened up channels of private funding for education. While continuing to increase State funding for education, the government encouraged private-sector investment into education

INDUSTRY OVERVIEW

and called for the development of privately funded education. The Ministry of Education also opened doors for private investment to part-time educational training and continuing education, such as on-the-job career training, rural labor training, job transfer training and other non-degree-granting education programs. It is predicted that the number of students receiving non-degree career education and training will increase once the regulator's plan is put in motion, creating greater demand for educational facilities.

In May 2014, the State Council issued the "Decision on accelerating the Development of Modern Vocational Education" (國務院關於加快發展現代職業教育的決定), which stated the objective of building up the vocation education system to an international level with Chinese characteristics by 2020. The decision included optimizing vocational education system structure and total scale, also put emphasize on the development of vocational education of all types and at all levels, and to promote the coordinated development of the public and private vocational education, etc.

Vocational Education fuels market growth of the University Cities

Demand for skilled workers increases as China's economy continues to grow. Vocational education in China has made great progression since the start of China's economic reform and particularly by comparison to the 1990s. The Outline of Reform and Development indicates that enrollment in secondary and higher vocational education was 21.8 million and 12.8 million, respectively, in 2009. These enrollment figures are expected to increase to 22.5 million and 13.9 million, respectively, by 2015. Total student enrollment in all types of vocational schools is estimated to reach 38.3 million by 2020, with 23.5 million in secondary vocational schools and 14.8 million in advanced vocational schools.

The development of vocational education provides a constant stream of skilled workers for China's economic growth, and creates more opportunities for the private college and University City's industry.

DEMOGRAPHICS OF LANGFANG CITY

According to the Annual Statistical Bulletin of Langfang city, Langfang city had a total population of approximately 4.4 million as of 2013 as compared to approximately 4.1 million in 2009. The birth rate of Langfang city increased slightly from 1.45% of the total population in 2009 to 1.95% of the total population in 2013. In 2013, the total student population in Langfang city in HEI and secondary vocational education reached approximately 34,000 and 41,000 respectively. The GDP of Langfang city reached RMB194.3 billion in 2013 compared to RMB114.7 billion in 2009, representing a CAGR of 14.1% over the period. In addition, there are 97 high technology enterprises in Langfang City in 2013, compared to 36 high technology enterprises in 2009.

According to Euromonitor, it is expected that the science and technology industry will require a significant number of talented and skilled workers to work in the Langfang city. The continuous GDP growth, the growing number of population and the need for skilled workers are expected to further drive the demand of higher education and vocational education in Langfang city.

INDUSTRY OVERVIEW

COMPETITIVE LANDSCAPE

Followed by the education reform and rapid expansion of HEI in China since 1999, University Cities, who are jointly built by Chinese government and private business and HEI, emerged and grew fast during that period. The Oriental University City where our Campus Site is currently located, was one of the earliest University Cities established in PRC, according to Euromonitor.

There are currently approximately 50 University Cities across 21 provinces and municipalities in China, mostly are located in the area of developed regions, such as Beijing & Hebei Region, Yangtze River Delta Region and the Pearl River Delta Region, according to Euromonitor.

The table below sets forth the top 10 university cities in China in terms of student enrolment in 2013:

<u>Name of University Cities</u>	<u>2013 Student enrolment number</u>	<u>Number of colleges</u>	<u>Location</u>
Nanjing Jiangning University City	233,720	15	Nanjing, Jiangsu province
Xi'an University City	229,140	15	Xi'an, Shaanxi province
Hangzhou Xiasha University City	195,310	15	Hangzhou, Zhejiang province
Fuzhou University City	166,174	11	Fuzhou, Fujian province
Ningbo University City	157,367	10	Ningbo, Zhejiang province
Guangzhou University City	151,620	12	Guangzhou, Guangdong province
Chongqing University City	149,000	14	Chongqing
Zhengzhou Longzihu University City	148,240	11	Zhengzhou, Henan province
Jinan Changqing University City	138,000	11	Jinan, Shandong province
Henan Xinxiang University City	126,000	6	Xinxiang, Henan province

Source: Euromonitor

University Cities are geographically fragmented and attract HEIs based on its geographical coverage. University Cities generally operate independently in its specific region. While our Campus Site has a relatively smaller scale than the top 10 university cities in China, our primarily focus is to attract colleges in the vocational education. Oriental University City is the only University City in Langfang city, thus our Directors believe that we do not face direct competition from University Cities in other regions which operate independently in its own location.

INDUSTRY OVERVIEW

There are three University Cities in Beijing and Hebei Region. The other two University Cities are Beijing Liangxiang University City and Beijing Shahe University City. These two University Cities in Beijing do not focus on vocational education and the education institutions located in these two University Cities mainly provide degree education and post-graduate education, thus our Directors believe that we do not face direct competition from these two University Cities. For further details please refer to the section headed “Business — Competition”.

There are currently over 60 higher vocational education institutions in Hebei province. According to Euromonitor, the top 10 advanced vocational education institutions in Hebei province in terms of student enrolment number in 2013 (in brackets) are: Hebei Political & Law Vocational College (13,150), Xingtai Polytechnic College (13,000), Shijiazhuang Vocational College (11,820), Hebei College of Industry and Technology (11,440), Hebei Chemical & Pharmaceutical College (10,270), Hebei Jiaotong Vocational & Technical College (9,870), Chengde Petroleum College (9,370), Baoding Vocational and Technical College (9,190), Hebei Vocational & Technical College of Building Materials (9,160) and Hebei Software Institute (8,500).

REGULATIONS

REGULATORY SUMMARY

Set forth below are summaries of major PRC laws and regulations applicable to our business operation, that is, to lease education facilities comprising primarily teaching buildings and dormitories to universities and colleges within our Campus Site.

Regulations on foreign investment

Guidance on the foreign investment industry in the PRC can be found in the Foreign Investment Industrial Guidance Catalog (《外商投資產業指導目錄》) as promulgated and implemented from time to time. Pursuant to the Foreign Investment Industrial Guidance Catalog which was jointly issued by the NDRC and MOFCOM on December 24, 2011, and which became effective on January 30, 2012, foreign investments in various industries are classified into four categories: encouraged, permitted, restricted and prohibited. Foreign investment in the encouraged category is entitled to certain preferential treatment and incentives extended by the government, while foreign investment in the restricted category is permitted but subject to certain restrictions under PRC law. Foreign investment in the prohibited category is not allowed. As confirmed by our PRC Legal Advisors, the leasing out of education facilities is permitted under the current foreign investment framework.

Regulations on rental services

The Contract Law of PRC (《中華人民共和國合同法》) was promulgated on March 15, 1999 and became effective on October 1, 1999. This law governs the conclusion of contracts, effectiveness of contracts, performance of contracts, modification and assignment of contracts, liabilities for breach of contract and some specific kinds of contracts such as lease contracts. A lease contract refers to a contract whereby the lessor shall deliver the leased property to the lessee for the latter's use and the lessee agrees to pay rent. It is notable that the term of a lease may not exceed 20 years, in the case of a term exceeding 20 years, the exceeding part shall be invalid.

Lease registration

In December 1, 2010, the Ministry of Housing and Urban-rural Development of the PRC issued the Administrative Measures for Leasing of Commercial Property (《商品房屋租賃管理辦法》), which became effective on February 1, 2011. According to this regulation, the parties to a commercial property lease shall register the lease at the competent local branch of the administrative department of construction in the area where the leased property is located within 30 days after the signing of the lease agreement. Any individual or entity that fails to undertake such lease registration shall be ordered to remedy the non-compliance within a specified time limit and, if it fails to do so within such time period, the entity shall be subject to a monetary fine between RMB1,000 and RMB10,000 for each unregistered leased property and the individual shall be subject to a monetary fine no more than RMB1,000 for each unregistered leased property.

REGULATIONS

Law on urban and rural planning

Pursuant to the Law of Urban and Rural Planning of the PRC (《中華人民共和國城鄉規劃法》) promulgated on October 28, 2007, which became effective on January 1, 2008, any construction within areas subject to urban or rural planning shall be carried out in compliance with such plans. As such, setting up of university cities and construction of teaching facilities for the purpose of any university city shall be conducted according to the urban or rural planning.

Law on administration of land

General

Pursuant to the Law of Land Administration of the PRC (Revised in 2004) (《中華人民共和國土地管理法<2004年修正>》) promulgated on August 28, 2004, which became effective on August 28, 2004 (the “**Land Administration Law**”), any land user shall strictly adhere to the permitted land uses prescribed under the master government land use planning scheme. The Land Administration Law also provides that any State-owned land shall be utilized in accordance with the terms of the relevant land use rights transfer agreement (which is subject to payment of consideration) or the government approval for allocation of land use rights. As such, a university city shall be set up and operated in compliance with the master government land use planning schemes, and any land forming part of a university city shall be legally acquired in the aforesaid manner specified in the Land Administration Law.

Conversion of land use

Pursuant to the Land Administration Law, the land administrative departments of the relevant people’s government may recover the land use rights of a state-owned land with the approval of the people’s government that originally granted the land use rights or the people’s government authorized to grant such rights under the following circumstances:

- the relevant land is required to be used for the sake of public interest;
- the relevant land is required for re-construction of old urban districts or implementation of urban planning;
- the term of the original land-use rights of the relevant land expired and was not renewed;
- suspension in the use of the relevant allotted land due to reasons such as relocation or removal of entities; and
- roads, railways, airports and mining sites on the relevant land have been approved to be abandoned.

REGULATIONS

In cases where the land use rights of a State-owned land are recovered for public interest or as a result of urban planning, appropriate compensation will be provided.

Pursuant to the Law of the PRC on Urban Real Estate Administration (Revised in 2007) (《中華人民共和國城市房地產管理法<2007年修正>》) promulgated on August 30, 2007, which became effective on August 30, 2007, consents from the relevant land administrative department and urban planning department of the people's government at city or State level must be obtained in order to convert or change any land use. After conversion of land use, a new transfer agreement in respect of the converted land use rights shall be signed or the original transfer agreement shall be amended to adjust the consideration for obtaining the land use rights of the relevant land with new land use.

Pursuant to the Regulations on Transfer of Land Use Rights of the State-owned Construction Land through Bidding Invitation, Auction or Listing (《招標拍賣掛牌出讓國有建設用地使用權規定》) promulgated on September 28, 2007, which became effective on November 1, 2007, transfer of land use rights of State-owned land for commercial or residential use shall be conducted through the process of bidding invitation, auction or listing.

To summarize, the steps involved in conversion of education land to non-education land involve recovery of land by the land administrative departments of the relevant people's government for authorized purposes, which in turn shall obtain consents of the relevant land administrative department and urban planning department of the people's government at city or State level in respect of such conversion. State-owned education land proposed to be converted to commercial or residential uses must be transferred through the process of bidding invitation, auction or listing, and a new land use rights transfer agreement shall be signed, or the old transfer agreement shall be amended to reflect the adjusted consideration following the conversion in land use.

Regulations on personal injury

In December 26, 2003, the Supreme People's Court of the PRC issued Interpretation of the Supreme People's Court on Several Issues Concerning the Law Applicable in Hearing Cases of Compensation for Personal Injury (《最高人民法院關於審理人身損害賠償案件適用法律若干問題的解釋》) (“**Personal Injury Compensation Judicial Interpretation**”), which became effective on May 1, 2004 in order to correctly try the cases on compensation for personal injury and lawfully protect the legitimate rights and interests of the parties in accordance with the General Principles of Civil Law of the PRC (《中華人民共和國民法通則》) and the Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) and other relevant laws.

Personal Injury Compensation Judicial Interpretation provides that where a natural person, legal person or any other organization who engages in the business of hotel, catering or entertainment, etc. or carries out other social activities, fails to perform the safety guaranty within a reasonable scope, and thus causes any other person to suffer from a personal injury, and the obligee to compensation claims against the obligor for bearing corresponding compensation liabilities, the people's court shall support such claim. Where a third person's

REGULATIONS

tort results in an injury, he shall bear the compensation liabilities. If the obligor for safety guaranty has any fault, he shall bear corresponding supplementary compensation liabilities within the scope of his capacity to prevent or stop such injury. The obligor for safety guaranty may, after bearing the liabilities, claim compensation from the third person. If the obligee to compensation brings a lawsuit against the obligor for safety guaranty, he shall regard the third person as a joint defendant, unless the third person is unable to be determined.

Regulations on labor and safety

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》) effective in 1995 and the Labor Contract Law of the PRC (《中華人民共和國勞動合同法<2012年修正>》) promulgated on December 28, 2012, which became effective on July 1, 2013, if an employment relationship is established between an entity and its employees, written labor contracts shall be signed. The above laws also provide the maximum number of working hours per day and per week, respectively. The employers shall establish and develop systems for occupational safety and sanitation, implement the rules and standards of the State on occupational safety and sanitation, educate employees on occupational safety and sanitation, prevent accidents at work and reduce occupational hazards. If an employer fails to sign a written labor contract with its employee within one month after the date on which that employee is hired, the employer will be liable to pay double the salary to that employee every month. If such failure continues for more than one year after the date on which the employee is hired, an open-ended labor contract (無固定期限勞動合同) shall be deemed to be signed with such employee.

Pursuant to the Regulations on Occupational Injury Insurance (《工傷保險條例》) effective in 2004 and amended in 2010 and the Interim Measures concerning the Maternity Insurance for Enterprise Employees (《企業職工生育保險試行辦法》) effective in 1995, PRC companies shall pay occupational injury insurance premiums and maternity insurance premiums for their employees. If an employer fails to pay occupational injury insurance premiums for an employee, the labor administrative authority may order the employer to, within certain time limit, make up the occupational injury insurance premiums and pay the overdue fine in the amount of 0.05% of the overdue premium on a daily basis accrued between the date on which such premium becomes due and the date on which such premium is fully paid; if the employer fails to make up the premium within such time limit, it shall be subject to penalty in the amount from one to three times the overdue premium. If the employee suffers from any occupational injury during the period in which the employer has not participated in occupational injury insurance, the employer shall make compensation to the extent of the occupational injury insurance benefits which the employee would have been entitled to, had the relevant premiums been paid.

Pursuant to the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) effective in 1999, the Interim Measures concerning the Administration of the Registration of Social Insurance (《社會保險登記管理暫行辦法》) effective in 1999 and the Social Insurance Law of the PRC (《社會保險法》) effective on July 1, 2011, basic pension insurance, basic medical insurance and unemployment insurance are collectively referred to as social insurance. Both PRC companies and their employees are required to contribute to the social insurance plan. Furthermore, it is a mandatory requirement

REGULATIONS

for an employer to make social insurances registration with the local labor administrative authority. If the employer fails to conduct the social insurance registration, the local social insurance authority shall order it to rectify such non-compliance within a certain time limit. If the employer fails to make the rectification within such time limit, it may be subject to a fine in the amount from one time to three times the social insurance premium which it fails to pay, and the persons in charge of the employer may be subject to a fine in the amount between RMB500 and RMB3,000. Furthermore, if an employer fails to duly make social insurance contributions for its employees, the social insurance authority shall order it to make up the social insurance premium overdue within certain time limit and the employer shall also be subject to a delay penalty at the rate of 0.05% on a daily basis from the date on which its employment relationship with its employees was established. If such employer fails to make up the social insurance premium within such time limit, it may be subject to a fine in the amount from one time to three times of the overdue amount of the social insurance premium.

Pursuant to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) effective in 1999, as amended in 2002, PRC companies shall register with the competent housing fund management center and establish a special housing provident fund account in an entrusted bank. Both PRC companies and their employees are required to contribute to the housing provident fund and their respective deposits shall not be less than five percent of an individual employee's monthly average salary during the preceding year. If an employer fails to make housing provident fund contributions for its employees, the labor administrative authority may order rectification, and a fine of between RMB10,000 and RMB50,000 shall be imposed.

Trademark law

The PRC Trademark Law (《中華人民共和國商標法》), issued by the Standing Committee of NPC of the PRC initially in 1982, and later amended in 1993, 2001 and 2013 respectively, aims to improve the administration of trademarks, protect the right to exclusive use of trademarks and encourage producers and operators to guarantee the quality of their goods and services and maintain the reputation of their trademarks, so as to protect the interests of consumers and of producers and operators.

Under the PRC Trademark Law (2013 Amendment) (《中華人民共和國商標法》), any of the following acts is an infringement on the exclusive right to use a registered trademark: (i) using a trademark identical with or similar to the registered trademark on the same kind of commodities or similar commodities without a license from the registrant of that trademark; (ii) using a trademark similar to a registered trademark on the same goods, or using a trademark identical with or similar to a registered trademark on similar goods, which may be easily confusing, without the licensing of the trademark registrant; (iii) selling the commodities that infringe upon the right to exclusive use of a registered trademark; (iv) forging, manufacturing without authorization the marks of a registered trademark of others, or selling the marks of a registered trademark forged or manufactured without authorization; (v) changing a registered trademark and putting the commodities with the changed trademark into the market without the consent of the registrant of that trademark; (vi) providing convenience for or help others to

REGULATIONS

infringe the exclusive rights to use a registered trademark on purpose and (vii) causing other damage to the right to exclusively use a registered trademark of another person. In the event of any of the foregoing acts, the infringer would be imposed a fine, ordered to stop the infringement acts immediately and give the infringed party compensation.

Taxation law

On January 1, 2008, the PRC CIT Law took effect. The PRC CIT Law applies a uniform 25% corporate income tax rate to both foreign-invested enterprises and domestic enterprises, unless where tax incentives are granted to special industries and projects.

Pursuant to the Procedures for Verification and Collection of Enterprise Income Tax (Trial Implementation) (《企業所得稅核定徵收辦法(試行)》) which became effective on January 1, 2008, taxpayers that fall under any of the following circumstances are subject to the verification and collection of enterprise income tax: (i) accounting books may not be set up in accordance with laws and administrative regulations; (ii) accounting books that shall have been set up in accordance with laws and administrative regulations but have not yet been so; (iii) unauthorized damage of accounting books or refusal to provide tax payment information; (iv) accounting books have been set up but entries are messy or costing information, receipt of income or proof of expenditure are incomplete and it is difficult to verify such accounts; (v) the tax obligation is incurred but no filing of tax return is made within the prescribed time limit in accordance with provisions. After order for rectification by the taxation authority within the prescribed time limit, no filing has been made by that time; and (vi) the tax calculation basis filed is obviously lower without proper reasons.

On October 18, 2010, the State Council issued Notice 35, effective on December 1, 2010, which unifies the urban maintenance and construction tax and educational surcharges on domestic enterprises and foreign investment enterprises in the PRC. The urban maintenance and construction tax and educational surcharges are calculated based on the total amount of business tax, value-added tax and consumption tax paid by each taxpayer. The urban maintenance and construction tax rates for enterprises in cities, counties and other areas are 7%, 5% and 1%, respectively. The educational surcharges rate is 3%.

Government grants and subsidies

On November 27, 2014, the State Council issued the “Notice of the State Council on trimming and regulating preferential tax policies (《國務院關於清理規範稅收等優惠政策的通知》)” (“**Notice**”), which provided for strict management of financial expenditures and that all local governments and authorities shall not impose fiscal preferential policies on enterprises without approval of the State Council. Preferential policies linked to tax payment or non-tax incomes of enterprises and their investors (or administrators), including Levy First Refund Later (先徵後返), Disbursement in Income and Expenditure (列收列支), fiscal incentives or grants, reduction and exemption of land grant income by way of payment or grants formulated in violation of laws and regulations shall be abolished.

REGULATIONS

Dividend distribution

Under applicable PRC laws and regulations, domestic enterprises and foreign-invested enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. In addition, Sino-foreign equity joint ventures shall contribute a percentage of their after-tax profits each year, determined in the discretion of their boards of directors, to reserve funds, staff incentive and welfare funds, and development funds. These reserves are not distributable as cash dividends. Therefore, our PRC subsidiary, is restricted from distributing any dividends to us until it has met these requirements set out in the regulations.

According to the PRC CIT Law and its implementation rules, both of which became effective on January 1, 2008, dividends payable by a foreign-invested enterprise to its foreign investors will be subject to a 10% withholding tax if the foreign investors are considered as non-resident enterprises that are without any establishment or premise of business within China or if the dividends payable to such foreign investors do not have any connection with the establishment or premises of business of the foreign investors within China, to the extent that the dividends are deemed to be income sourced from China, unless such foreign investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding arrangement.

Foreign Exchange

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations (《中華人民共和國外匯管理條例》), most recently amended on August 5, 2008. Under these regulations, the RMB is freely convertible for current account items, including the distribution of dividends, interest payments, and trade and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments, and investments in securities outside of China, unless the prior approval of SAFE is obtained and prior registration with SAFE is completed.

On August 29, 2008, SAFE issued Circular 142, which regulates the conversion of foreign currency into RMB by a foreign-invested company by restricting how the converted RMB may be used. Circular 142 requires that the registered capital of a foreign-invested enterprise settled in RMB that is converted from foreign currencies may only be used for purposes within the business scope approved by the applicable governmental authority and may not be used for equity investments within the PRC. In addition, SAFE strengthened its oversight of the flow and use of the registered capital of foreign-invested enterprises settled in RMB converted from foreign currencies. The use of such RMB capital may not be changed without SAFE's approval, and may not in any case be used to repay RMB loans if the proceeds of such loans have not been used. Violations may result in severe penalties, such as heavy fines.

REGULATIONS

In addition, under the Regulations of Settlement, Sale and Payment of Foreign Exchange 《結匯、售匯及付匯管理規定》, foreign-invested enterprises may only buy, sell and remit foreign currencies at authorized banks and must comply with certain procedural requirements, such as providing valid commercial documents and, in the case of capital account item transactions, obtaining approval from SAFE or its local branches.

REGULATIONS RELATING TO PRIVATE EDUCATION

Law on the Promotion of Privately-run Schools

The Law on the Promotion of Privately-run Schools of the PRC (《中華人民共和國國民辦教育促進法(2013修正)》) was promulgated on June 29, 2013, which became effective on June 29, 2013. The Law on the Promotion of Privately-run Schools the PRC is applicable to activities conducted by social organizations or individuals, other than State authorities, to establish schools and other institutions of education with non-governmental financial funds, which are geared towards the need of society. Social organizations that establish non-public schools shall possess the qualification of a legal person. Individuals that establish privately-run schools shall possess political rights and full capacity for civil conduct. Privately-run schools shall possess the qualification of a legal person.

The establishment of privately-run schools that provide education for academic credentials, pre-school education, training for preparing self-study examinations and other cultural education shall be subject to examination and approval by the administrative departments for education under the people's government at or above the county level within the limit of their powers defined by the State. The examination and approval authority shall issue a license for establishment of a school to the privately-run school, the official establishment of which is approved by it. Where a privately-run school obtains the license for establishment and, in accordance with the provisions of relevant laws and administrative regulations, registers with the registration authority, the latter shall immediately handle the matter in accordance with the relevant regulations.

After the cost of a privately-run school is deducted, the funds for its development are withheld and the sum of money for other necessary expenses is drawn in accordance with the relevant regulations of the State, the investor may obtain a reasonable amount of return from the cash surplus of the school.

The items and rates of fees to be collected by privately-run schools from students who receive education of academic credential shall be formulated by the schools, submitted to relevant department for approval and announced to the public. The items and rates of fees to be collected from other students shall be formulated by the schools, submitted to relevant departments for filing and announced to the public.

REGULATIONS

The general regulations and advertisement for student enrollment of non-public schools shall be submitted to the examination and approval authority for filing.

Implementation Rules for the Law on Promotion of Privately-run Schools

The Implementation Rules for the Law on Promotion of Privately-run Schools (《中華人民共和國民辦教育促進法實施條例》) was promulgated by the State Council of the PRC and came into effective on April 1, 2004. The Implementation Rules provide that social organizations or individuals, other than State authorities, may establish non-public schools of different levels and different types with non-governmental financial fund, provided that such privately-run schools are not for military, police, political or other special purposes. Where a privately-run school is sponsored jointly, the parties thereto shall enter into a joint sponsorship agreement that specifies the educational objective, amount to be contributed and method of capital contributions, rights and obligations. The school sponsors of privately-run schools shall timely and fully perform their obligations in capital contributions. During the term of subsistence of privately-run school, the school sponsor shall not withdraw the capital contributions. The schools sponsors of the privately-run schools shall not raise funds from the students or the parents of the students for sponsoring non-public schools, and shall not raise funds from the public for sponsoring privately-run schools.

The school sponsor of a privately-run school shall formulate the constitution of the school according to the provisions, and establish an executive council, a board of directors or other forms of decision-making bodies of the school. The meeting of executive council, board of directors or other forms of decision-making bodies of a privately-run school shall be convened at least once every year. The principal of a privately-run school shall exercise the right of teaching and administration independently pursuant to the laws. A privately-run school may engage teachers and staff at its own discretion. Teachers engaged by privately-run schools shall have the qualification of a teacher and the condition of appointment as provided in the Teachers' Law of the PRC (《中華人民共和國教師法》) and relevant administrative regulations. A privately-run school shall provide the premise and the facilities and equipment for teaching that comply with the required standards. The examination and approval authority shall issue the license of sponsorship for the formal establishment of a privately-run school, and the establishment of the privately-run school shall be announced to the public together with its constitution.

The sponsors may obtain a reasonable amount of return from the cash surplus of the non-public school at a certain ratio according to the constitution of the school at the end of each financial year. A privately-run school shall determine the proportion of return to the sponsors from the cash surplus according to the following factors: (1) its chargeable items and chargeable standards; (2) the proportion of expense applied in teaching activities and improving school facilities to the fees collected; (3) school-running competence and the quality of education. Prior to determining the proportion of return for the sponsors, a privately-run school shall announce to the public the materials and financial condition relating to its school running competence and the quality of education. The executive council, the board of directors or other forms of decision-making bodies of the school shall make the decision relating to the

REGULATIONS

proportion of return to the contributors. Within 15 days upon making such decision, such privately-run school shall submit to the examination and approval authority its decision and the materials and financial condition relating to its school-running competence and the quality of education that are announced to the public for filing.

At the close of each financial year, any privately-run school sponsored by donated funds or the contributor or contributors of which does not require any reasonable return shall withdraw from the annual net asset increase at the rate of no less than 25% thereof a development fund used for the construction and maintenance of the school and the purchase and replacement of teaching equipment and other matters. At the close of each financial year, any privately-run school the contributor or contributors of which requests a reasonable return shall withdraw from the annual net profits at the rate of no less than 25% thereof a development fund used for the construction and maintenance of the school and the purchase and replacement of teaching equipment and other matters.

A privately-run school shall complete taxation registration pursuant to the laws, and shall complete the procedures for canceling that taxation registration pursuant to the laws upon its termination.

Law on Promotion of Private-run Education

Based on the Implementation Opinion of the Ministry of Education on Encouragement and Guidance of Private Fundings to the Education Sector and Healthy Development of Privately-run 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 Ministry of Education (“**Implementation Opinion**”) which was promulgated and became effective on June 18, 2012, private fundings are encouraged to enter into the education sector including but not limited to academic education, secondary schools, training programs and continuing education in various ways. Additionally, private fundings are encouraged to cooperate with domestic schools to introduce foreign high-quality educational resources and organize high-level Sino-foreign cooperative education institution. The Implementation Opinion formulates comprehensive methods to promote the development of private education, including but not limited to the perfection of private school licensing system, abolishment and correction of all kinds of discriminatory policies towards private schools, implementation of private schools’ independent establishment and independent student admissions, and formulation of comprehensive policies for the tax and fees for private schools.

Pricing Law

Pursuant to the Pricing Law of the PRC (《中華人民共和國價格法》), or the Pricing Law, issued by the NPC on December 29, 1997, the determination of prices must be in line with the law of value, prices of most commodities and services shall be determined by the market, and prices of an extremely small number of commodities and services shall be government-guided prices or government-set prices.

REGULATIONS

Regulations on student fees

There are regulations on student fees applicable to both public HEIs and private HEIs. The regulation on private HEIs require the private HEIs to submit their standard tuition fees and accommodation fees for dormitories for approval and filing, while the regulations on public HEIs set certain price limit on student fees.

Private HEIs

According to the requirements of Article 4 of the Provisional Measures for the Administration of Private Education Institution Fees (《民辦教育收費管理暫行辦法》) jointly promulgated by the National Development and Reform Commission, Ministry of Education and Ministry of Labor and Social Security and became effective on April 2, 2005, the determination or adjustment of the standard of tuition fees and accommodation fees for dormitories to be charged on persons receiving academic education from private schools shall be applied in writing by the private school and submitted to the education administration authority or the labor and social security administration authority according to the classification of school and affiliation relationship for review and verification, and then reported to the price authority by the education administration authority or labor and social security administration authority for approval. The standard of tuition fees and accommodation fees for dormitories to be charged on persons receiving non-academic education from private schools shall be self-determined by the private school and reported to the price authority for filing.

According to the requirements of Article 6 of the Provisional Measures for the Administration of Private Education Institution Fees, the standard of tuition fees for academic education in private schools shall be determined according to the principle of compensating the cost of education and after taking into account the factor of a reasonable rate of return. Cost of education includes usual expenses for school education and management, such as personnel expenses, official duty expenses, business expenses, repair expenses, depreciation charges for fixed assets, and excludes unusual costs and expenses such as losses from disasters and adverse incidents and cost of school properties and operating expenses. Standard of accommodate fees for dormitories for academic education in private schools shall be determined on the basis of actual costs.

Public HEIs

According to the requirements of the Notice on Further Regulating the Administration of Higher Education College Fees (《關於進一步規範高校收費管理的通知》) jointly promulgated by the Price Bureau of Hebei Province, Finance Department of Hebei Province and Education Department of Hebei Province and implemented in September 2008, the standard of tuition fees for general degree course and professional teachers' training course of specialized subjects offered by an ordinary higher education college shall be RMB3,500 per academic year per student; the standard of tuition fees for popular professional degree course shall be RMB4,500 per academic year per student. The standard of tuition fees for an ordinary professional degree course offered by an independent school organized by an ordinary higher education college shall be RMB10,000 per academic year per student. The standard of tuition

REGULATIONS

fees for an ordinary professional course offered by a tertiary vocational technical institute is RMB5,000 per academic year per student. As advised by our PRC Legal Advisors, the above standard on the tuition fees only apply to public HEIs, and there is no similar standard on tuitions fees and accommodation fees for dormitories for private HEIs under the relevant laws or regulations in the Hebei Province. Privately-run education institutions in Hebei Province are indirectly restricted as they are required either to obtain approval or to file their tuition fees or accommodation fees proposal to relevant government authorities. The Directors confirm that based on their understanding, all of our Contract Colleges are private HEIs, as such there is no standard on tuitions fees and accommodation fees for dormitories, and our Contract Colleges are not subject to any direct price restrictions on accommodation fees for dormitories.

For a higher education college which provides accommodation for students of various courses of education on its campus, it may collect accommodation fees from students. The standard of accommodation fees of student dormitories not constructed out of financial budget of the State, shall be reviewed and determined by the provincial price bureau and education department. Accommodation fees shall be collected on the basis of each academic year (semester), no advanced payments covering different academic years (semesters) shall be collected.

Other Regulations in China

We are subject to evolving regulations under many other laws and regulations administered by government authorities at the national, provincial and city levels, some of which are, or may be, applicable to our business.

Laws regulating rental services cover a broad array of subjects. We must comply with numerous additional State and local laws relating to matters such as property leasing, safe working conditions, land usage and planning control and environmental protection control.

Unanticipated changes in existing regulatory requirements or adoption of new requirements could have a material adverse effect on our business, financial condition and results of operations.

HISTORY AND DEVELOPMENT

OUR HISTORY

Oriental University City (where our Campus Site is currently located) was one of the earliest University Cities established in the PRC, according to Euromonitor. Its history commenced in September 1999 when OUC Development was established.

In January 2008, REC, our Controlling Shareholder acquired the assets and business of OUC Development and its subsidiaries by purchasing a 99% equity interest in each of Langfang Education Consultancy, Langfang Higher Education and Zhuyun (the “**Acquired Entities**”), for a consideration of RMB2 billion. The assets and business being acquired, including approximately 2,708 mu (1,806,823 sq.m.) of land situated in Langfang, Hebei Province, the PRC, were subsequently injected into and vested in the Acquired Entities, who were mainly engaged in the provision of education-related services to colleges and universities situated in Oriental University City, as part of the restructuring of OUC Development. For further details please refer to the subsection headed “the REC Acquisition” in this section.

The following sets forth the key milestones in our history.

September 2000	OUC Development commenced its business and founded Oriental University City in Langfang city.
September 2003	OUC Development’s education-related services extended to more than 20 education institutions, including, among others, China University of Geosciences, Beijing University of Technology, Beijing Technology and Business University, Beijing Union University and Beihang University, all of which are located in or near Oriental University City with an aggregate student population of more than 40,000 students.
June 2005	Beijing Chinese Medicine, our largest customer, started to lease education facilities in Oriental University City.
January 2008	OUC Development’s assets and business (including our Listing Business and our Campus Site) underwent various ownership changes in connection with the REC Acquisition. Our Controlling Shareholder subsequently started two new colleges, LOIT (through a variable interest entity structure) and LOIA, at Oriental University City. LOIT and LOIA were previously two of our Contract Colleges. For further details please refer to the subsection headed “the REC Acquisition” in this section.
June 2012	Our Company was incorporated.
September 2012	The Reorganization was completed.

HISTORY AND DEVELOPMENT

January 2014	The conversion of three blocks of teaching buildings into dormitories was completed.
October 2014	An additional five blocks of dormitories commenced commercial use.

THE REC ACQUISITION

OUC Development was established in the PRC on September 29, 1999 with a registered capital of RMB50 million. Upon its establishment, it was owned as to 80% by 廊坊愛心日語培訓學校 (Langfang Aixin Japanese Training School*), and as to 20% by 北京市外國企業服務總公司 (Beijing Foreign Enterprise Service Company*), both being Independent Third Parties.

On October 10, 2007, REC, OUC Development and the then shareholders of OUC Development (namely 廊坊開發區建設發展有限公司 (Oriental University City Construction & Development Co., Ltd.*), 廊坊愛心日語培訓學校 (Langfang Aixin Japanese Training School*), 榮盛控股股份有限公司 (Rongsheng Enterprise Holding Limited*), 北京外企服務集團有限責任公司 (Beijing Foreign Enterprise Service Group Co., Ltd*) and 廊坊新奧房地產開發有限公司 (Langfang Xin'ao Property Development Company Limited*)), each an Independent Third Party (the “**Vendors**”) entered into a framework agreement (the “**Framework Agreement**”) pursuant to which the Vendors agreed to transfer the Acquired Entities, and certain assets of OUC Development (including the Listing Business and our Campus Site) that were subsequently injected into the Acquired Entities as part of the restructuring of OUC Development, to REC for RMB2 billion, comprising cash and debt assumed from OUC Development. Such payment consideration was determined based on arms’ length negotiations between the parties to the Framework Agreement and the valuation reports prepared by an independent valuer in the PRC, and funded through a combination of external financing and internal resources. For further details on the payment settlement arrangements, please refer to the subsection headed “Lease of properties with Langfang Fenghe, an Independent Third Party” in this section.

Establishment of the Acquired Entities (Langfang Education Consultancy, Langfang Higher Education and Zhuyun)

In preparation for the REC Acquisition, OUC Development underwent a restructuring pursuant to the Framework Agreement whereby the Acquired Entities were established.

Langfang Education Consultancy, our operating subsidiary, was one of the Acquired Entities. It was established in the PRC with limited liability and commenced business on November 14, 2007 with a registered capital of RMB250 million. Upon its establishment, it was owned as to 99% by OUC Development and as to 1% by Jin Sheng Zhan, an employee of our Group. The 1% interest was subsequently transferred to Shanghai Shengxin Consultancy, an Independent Third Party. Shanghai Shengxin Consultancy became a shareholder of Langfang Education Consultancy on January 30, 2008, when the aforesaid equity transfer was completed. The scope of operation of Langfang Education Consultancy was not yet finalized when REC acquired Langfang Education Consultancy. As Langfang Education Consultancy might engage in the development of colleges for the provision of higher education, Shanghai

HISTORY AND DEVELOPMENT

Shengxin Consultancy was introduced as the Chinese investor when Langfang Education Consultancy was converted into a Chinese-foreign equity joint venture so as to maintain flexibility to be able to engage in businesses from which wholly foreign owned enterprises are barred pursuant to relevant PRC laws and regulations. Shanghai Shengxin Consultancy is independent of the Company and its Shareholders, and is not involved in the management of operations of the Group or the Excluded Business.

Langfang Education Consultancy is principally engaged in the education facilities leasing business.

For details relating to the other Acquired Entities, Langfang Higher Education and Zhuyun, please refer to the subsection headed “Post-reorganization — Excluded Businesses” in this section.

Transfer of equity interest in the Acquired Entities to REC

As part of the REC Acquisition and pursuant to the arrangements under the Framework Agreement, REC acquired the Acquired Entities.

Pursuant to the equity transfer agreements all dated December 30, 2007 entered into between OUC Development, an Independent Third Party, and each of Education Consultancy (HK), Education Development (HK) and Higher Education (HK) (the “**HK Entities**”), each part of the REC Group, OUC Development agreed to transfer its 99% interest in each of the Acquired Entities, namely Langfang Education Consultancy, Langfang Higher Education and Zhuyun at a consideration of approximately RMB148 million, RMB145 million and RMB137 million, respectively. The said consideration was determined by reference to the respective net asset value of each of these entities as of November 30, 2007. On January 21, 2008, OUC Development and each of the HK Entities entered into supplemental agreements which adjusted the respective net asset value of Langfang Education Consultancy, Langfang Higher Education and Zhuyun as of November 30, 2007 to approximately RMB193 million, RMB189 million and RMB178 million, respectively. The said equity transfers were completed on January 30, 2008.

Our PRC Legal Advisors have confirmed that the REC Acquisition in respect of the interest of Langfang Education Consultancy has been properly and legally completed and settled, all approvals from the relevant PRC authorities in respect of the REC Acquisition in respect of the interest of Langfang Education Consultancy have been obtained, and the REC Acquisition in respect of the interest of Langfang Education Consultancy complies with the relevant PRC laws and regulations.

Issue of shares in HK Entities to Mr. Liu Yan Wen

Pursuant to the consultancy agreement dated November 14, 2008 entered into between REC and Mr. Liu Yan Wen, as supplemented by a variation and amendment agreement dated December 12, 2008 (the “**Consultancy Agreement**”) whereby REC engaged Mr. Liu Yan Wen, an Independent Third Party, as its consultant in connection with the REC Acquisition and the

HISTORY AND DEVELOPMENT

restructuring of OUC Cayman, shares in each of the HK Entities, representing 10% of their respective enlarged issued share capital, were issued to Mr. Liu Yan Wen. The said issuance of shares in the HK Entities to Mr. Liu Yan Wen was to, among other things, recognize his role and efforts in the completion of the REC Acquisition.

Under the Consultancy Agreement, REC also undertook to purchase from Mr. Liu Yan Wen all of his shares in the HK Entities upon the receipt of the eligibility-to-list letter or its equivalent in connection with the listing of any company that directly or indirectly owns the assets of Oriental University City, for an interest in such listing vehicle determined based on his effective share of the net asset value in each of the HK Entities in proportion to the total net asset value of the HK Entities at that time multiplied by REC's effective shareholding interest in such listing vehicle.

On October 12, 2012, Zhuyun, Mr. Liu Yan Wen and 廊坊開發區中新企業管理有限公司 (Langfang Development Zone Sino-Singapore Enterprise Management Co., Ltd.,*), a company wholly-owned by Mr. Liu Yan Wen and an Independent Third Party ("**Langfang Management**") entered into an equity transfer agreement pursuant to which Mr. Liu Yan Wen agreed to transfer his 10% shareholding in each of the HK Entities to OUC Cayman, in consideration for the transfer by Zhuyun of a 49% interest in Zhongxin Education to Langfang Management. Subject to the valuation of the 49% interest in Zhongxin Education, the said share swap arrangement may be subject to approval by REC's shareholders. Upon the completion of the share transfers, Mr. Liu Yan Wen will cease to have any interest in the HK Entities. Mr. Liu Yan Wen has irrevocably undertaken to our Company to waive any and all of his rights under the Consultancy Agreement that may entitle him to any shareholding interest in our Company or any company which acts as a listing vehicle that directly or indirectly owns the assets of Oriental University City or any of its subsidiaries.

INVESTMENT BY KNB

KNB is the investment holding arm of the government of Malaysia entrusted to hold and manage the commercial assets of the government of Malaysia and to undertake strategic investments.

Pursuant to the sale and purchase agreement dated February 9, 2010 entered into between REC and Rawa Investments in relation to Rawa Investments' investment in OUC Cayman (the "**KNB Sale and Purchase Agreement**"), Rawa Investments agreed to acquire a 10% interest in OUC Cayman from REC, at a cash consideration of RMB300 million. As of the date of the KNB Sale and Purchase Agreement, OUC Cayman had an issued capital of one share which was held by REC. On February 22, 2010, a shareholder's loan of approximately RMB731.7 million granted by REC to OUC Cayman was capitalized into 104,996,189 fully paid ordinary shares in OUC Cayman allotted and issued to REC. On March 31, 2010, 10,499,619 shares in OUC Cayman, representing 10% of the enlarged share capital of OUC Cayman, were transferred by REC to Rawa Investments.

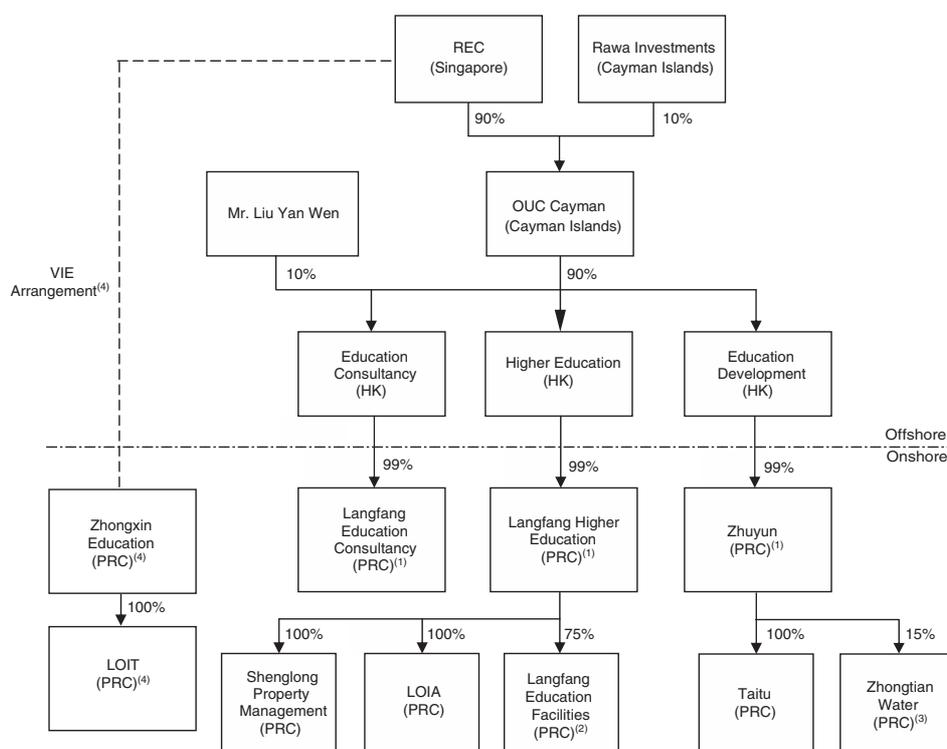
HISTORY AND DEVELOPMENT

Under the KNB Sale and Purchase Agreement, it was intended that REC and Rawa Investments would procure the initial public offering of the shares or other securities of OUC Cayman on a recognized stock exchange. It was further agreed between the parties that if the said initial public offering does not occur by August 31, 2013, or the value of the shares of OUC Cayman held by Rawa Investments as of August 31, 2013 is less than RMB400 million, Rawa Investments may exercise the option granted to Rawa Investments by REC under the KNB Sale and Purchase Agreement to sell its OUC Cayman shares back to REC for a consideration of either (i) RMB300 million after deducting dividends and any other distributions Rawa Investments may have received from OUC Cayman up to such exercise plus a break fee of RMB100 million, or (ii) such number of new REC shares determined by dividing RMB400 million with the weighted average price of REC shares in the last five trading days prior to the date of such exercise (the “**Put Option**”).

On September 1, 2013, Rawa Investments issued to REC a notice of its exercise of the Put Option to sell to REC its entire 10% interest in OUC Cayman at a consideration of RMB400 million, comprising a cash consideration of RMB300 million and a break fee of RMB100 million as mentioned above. Rawa Investments’ sale of its 10% interest in OUC Cayman was completed on October 7, 2013, and OUC Cayman became a wholly-owned subsidiary of REC.

CORPORATE STRUCTURE PRIOR TO THE REORGANIZATION

The following chart sets out the corporate entities of our Group and the REC Group after the REC Acquisition and KNB’s investment but prior to the Reorganization.



HISTORY AND DEVELOPMENT

Notes:

- (1) The remaining 1% equity interest in each of Langfang Education Consultancy, Langfang Higher Education and Zhuyun was held by Shanghai Shengxin Consultancy, an Independent Third Party.
- (2) The remaining 25% equity interest in Langfang Education Facilities was held by Everich Dynamic Investments Limited, an Independent Third Party.
- (3) The remaining 85% equity interest in Zhongtian Water was held by Langfang Development Zone Water Supply Investment Co., Ltd., an Independent Third Party.
- (4)
 - (i) The economic benefit of Zhongxin Education and LOIT are accrued to REC through a variable interest entity arrangement (the “**VIE Arrangement**”) pursuant to an overall cooperation agreement (the “**Overall Cooperation Agreement**”) dated July 1, 2012 entered into among Zhuyun, Zhongxin Education and Mr. Liu Yan Wen, which supersedes an overall cooperation agreement for running schools dated December 1, 2009 among the same parties.
 - (ii) On July 1, 2012, LOIT and Langfang Education Consultancy entered into a consultancy and management agreement (the “**Consultancy and Management Agreement**”), pursuant to which LOIT agreed to engage Langfang Education Consultancy to perform consultancy and management services. The Consultancy and Management Agreement is incidental to the Overall Cooperation Agreement, forming part of its schedules.
 - (iii) On October 12, 2012, Zhuyun, Zhongxin Education and Mr. Liu Yan Wen entered into a termination agreement (the “**Termination Agreement**”) to terminate the VIE Arrangement. Completion of the Termination Agreement is subject to certain conditions precedent, including completion of the transfer by Mr. Liu Yan Wen of his 10% shareholding in each of the HK Entities to OUC Cayman in consideration for the transfer by Zhuyun of a 49% interest in Zhongxin Education to Langfang Management, further details of which are set out in the subsection headed “Issue of shares in HK Entities to Mr. Liu Yan Wen” in this section. As of the Latest Practicable Date, the termination of the VIE Arrangement is not yet completed as the conditions precedent under the Termination Agreement have not yet been satisfied.
 - (iv) The terms of the Consultancy and Management Agreement have not been performed or enforced, and pursuant to a confirmation dated September 2, 2014 between Zhuyun, Zhongxin Education, LOIT, Langfang Education Consultancy and Mr. Liu Yan Wen (the “**Confirmation**”), Zhuyun, Zhongxin Education and Mr. Liu Yan Wen have unconditionally and irrevocably undertaken to waive their rights to claim against Langfang Education Consultancy under the Overall Cooperation Agreement, and the provisions under the Overall Cooperation Agreement (except for the Consultancy and Management Agreement) involving Langfang Education Consultancy are unconditionally terminated and cease to be effective. In addition, pursuant to the Confirmation, LOIT and Langfang Education Consultancy confirmed that neither party is required to perform their respective obligations and shall not be entitled to any rights under the Consultancy and Management Agreement prior to the termination of the VIE Arrangement, and both parties have unconditionally and irrevocably undertaken to waive their rights to claim against the other for any breach or in respect of any liability or indemnity under the Consultancy and Management Agreement.
 - (v) Our PRC Legal Advisors have confirmed that the Confirmation is legally binding and enforceable under PRC laws, and as Langfang Education Consultancy is not a party to the Overall Cooperation Agreement and other agreements under the VIE Arrangement, no party is entitled to exercise any rights against Langfang Education Consultancy pursuant to the VIE Arrangement prior to its termination, and according to the Confirmation the VIE Arrangement does not have any effect on Langfang Education Consultancy. Under the Overall Cooperation Agreement, before the VIE Arrangement is terminated, Zhongxin Education shall be entitled to procure Langfang Education Consultancy to enter into consultancy and management agreements with any school jointly established by Zhuyun and Zhongxin Education. However, Langfang Education Consultancy does not have the obligation to enter into any such additional consultancy and management agreements with newly established schools even if it is so procured, and

HISTORY AND DEVELOPMENT

pursuant to the Confirmation, Zhongxin Education has unconditionally and irrevocably undertaken that it shall not procure Langfang Education Consultancy to enter into consultancy and management agreements with any school jointly established by Zhuyun and Zhongxin Education. Therefore, Langfang Education Consultancy is not under any contractual obligation pursuant to the VIE Arrangement.

- (vi) Our Controlling Shareholder has undertaken to indemnify our Group for any losses we may suffer or incur arising out of or in connection with the VIE Arrangement.

As part of the payment consideration in the REC Acquisition, REC assumed certain debt owed by Langfang Education Consultancy, Langfang Higher Education and Zhuyun to OUC Development in an aggregate sum of RMB1.5 billion, of which a net debt of approximately RMB644.6 million was subsequently transferred to Langfang Fenghe, an Independent Third Party, as described below.

Pursuant to an asset and debt transfer agreement dated March 29, 2012 entered into between Zhuyun, Langfang Education Consultancy, Langfang Higher Education, OUC Development and REC, Langfang Education Consultancy and Langfang Higher Education transferred their respective portion of the above debt to Zhuyun.

Pursuant to a debt transfer agreement dated March 29, 2012 as amended by a supplemental agreement dated December 10, 2012 entered into between Zhuyun, Langfang Fenghe, an Independent Third Party, and OUC Development, Langfang Fenghe agreed, in connection with its acquisition of the Sale Land to assume the debt owed to OUC Development by Zhuyun in the aggregate sum of approximately RMB644.6 million (including the payment obligations of Langfang Higher Education and Langfang Education Consultancy of approximately RMB491 million which were transferred to Zhuyun as mentioned in the paragraph above) arising from the REC Acquisition (the “**Zhuyun Payment Obligations**”). Further details of Langfang Fenghe’s acquisition of the Sale Land are set out in the subsection headed “Lease of properties with Langfang Fenghe, an Independent Third Party” in this section.

The consideration in respect of the REC Acquisition was settled on March 29, 2012 upon the transfer of the Zhuyun Payment Obligations by Zhuyun to Langfang Fenghe.

REORGANIZATION

Land rationalization

The Master Plan was promulgated by the local government to optimize land usage within Oriental University City. In accordance with the Master Plan and in contemplation of the Listing, we and the REC Group underwent a land rationalization which consisted of a series of land transfers for the purpose of consolidating all land titles within Oriental University City in accordance with each entity’s line of business such that our Group will in general hold only Education Land in line with our business of education facilities leasing (except for the Education Land that remains with the REC Group, details of which are set out in the subsection headed “Post-reorganization — Excluded Education Land” in this section).

HISTORY AND DEVELOPMENT

Transfer of land and buildings between Langfang Education Consultancy and the REC Group

Prior to the land rationalization, Langfang Education Consultancy, Langfang Higher Education, LOIT and Zhuyun each held different parcels of land which together amounted to approximately 2,708 mu (1,806,823 sq.m.) of land situated in Langfang, Hebei Province, the PRC (the “**Land**”), which comprised our Campus Site. As of July 1, 2012, namely the beginning of the Track Record Period, the land included in our Listing Business was approximately 1,002 mu (668,252 sq.m.). Our PRC Legal Advisors have confirmed that Langfang Education Consultancy has obtained all necessary approvals for the transfer of land use rights from the relevant PRC land administrative authorities, namely Land Use Rights Certificates in relation to land acquired during the land rationalization, and that Langfang Education Consultancy’s transfer of land use rights in the land rationalization has been properly and legally completed and settled and complies with the relevant PRC land administration laws and regulations.

Before the land rationalization

Prior to the land rationalization, the Land was distributed to the following parties:

(a) Langfang Education Consultancy

Langfang Education Consultancy held a total of approximately 810 mu of land, comprising approximately 410 mu of land in phase 1 of Oriental University City (out of which approximately 138 mu was Convertible Land and approximately 272 mu was Education Land) and approximately 400 mu of land in phase 2 (out of which approximately 307 mu was Convertible Land, approximately 66 mu was Education Land and approximately 27 mu comprised roads).

(b) Langfang Higher Education

Langfang Higher Education held approximately 765 mu of land in phase 1 (out of which approximately 75 mu was Convertible Land and approximately 690 mu was Education Land).

(c) LOIT

LOIT held approximately 283 mu of land in phase 2 (out of which approximately 151 mu was Convertible Land, approximately 111 mu was Education Land and approximately 21 mu comprised roads).

(d) Zhuyun

Zhuyun held a total of approximately 851 mu of land, comprising approximately 296 mu of land in phase 1 (out of which approximately 75 mu was Convertible Land and approximately 221 mu was Education Land) and approximately 555 mu of land in phase 2 (out of which approximately 170 mu was Convertible Land, approximately 378 mu was Education Land and approximately 7 mu comprised roads).

HISTORY AND DEVELOPMENT

After the land rationalization

A series of land transfers have been carried out during the land rationalization. After completion of the land rationalization, the Land was distributed as follow:

(a) *Langfang Education Consultancy*

Langfang Education Consultancy held a total of approximately 753 mu of land, comprising approximately 636 mu of land in phase 1 of Oriental University City and approximately 117 mu of land in phase 2 (comprising Education Land only).

(b) *Langfang Higher Education*

Langfang Higher Education does not hold any land after the land rationalization.

(c) *LOIT*

LOIT held a total of approximately 524 mu of land, comprising approximately 444 mu of land in phase 1 (comprising Education Land only) and approximately 80 mu of land in phase 2 (out of which approximately 67 mu was Education Land and approximately 13 mu comprised roads).

(d) *Zhuyun*

Zhuyun held a total of approximately 601 mu of land, comprising approximately 159 mu of land in phase 1 (out of which approximately 99 mu was Convertible Land and approximately 60 mu was Education Land) and approximately 442 mu of land in phase 2 (out of which approximately 162 mu was Convertible Land, approximately 262 mu was Education Land and approximately 18 mu comprised roads).

(e) *Langfang Xiangju Real Estate Development Co., Ltd. (廊坊祥居房地產開發有限公司)*
("Xiangju")

Xiangju held approximately 116 mu of land in phase 1 (comprising Convertible Land only).

(f) *OUC Development*

OUC Development held approximately 11 mu of land in phase 1 (comprising Convertible Land only).

HISTORY AND DEVELOPMENT

(g) Taitu

Taitu held a total of approximately 594 mu of land, comprising approximately 105 mu of land in phase 1 (out of which approximately 62 mu was Convertible Land and approximately 43 mu was Education Land) and approximately 489 mu of land in phase 2 (out of which approximately 465 mu was Convertible Land and approximately 24 mu comprised roads).

(h) Langfang Vocational Technology

Langfang Vocational Technology held approximately 109 mu of land in phase 2 (comprising Education Land only).

The following table shows the distribution of the Land before and after the land rationalization:

Ownership before land rationalization	Location (1)	Site Area before land rationalization (5)	Land usage before land rationalization		Site Area after land rationalization (5)	Ownership immediately after land rationalization	Land usage as of the Latest Practicable Date
Langfang Education Consultancy	Phase 1	92,237 sq.m./138mu	Car parks, activities center and vacant land	→	7,105 sq.m./11mu	OUC Development	Vacant land
					7,558 sq.m./11mu	Zhuyun	Retail shops
					77,575 sq.m./116mu	Xiangju	Vacant land
	Phase 1	181,165 sq.m./272mu	Teaching buildings, dormitories, heat utility buildings and electricity supply room	→	7,483 sq.m./11mu	Langfang Education Consultancy	Education facilities for leasing business
					1,957 sq.m./3mu	Zhuyun	Heating utility building
					171,727 sq.m./258mu	LOIT	Education and education support facilities for the exclusive use of LOIT
	Phase 2	204,440 sq.m./307mu	Teaching buildings, dormitories, commercial buildings and vacant land	→	29,575 sq.m./44mu	Zhuyun	Teaching block and dormitory blocks will likely be demolished
					174,865 sq.m./262mu (2)	Taitu	Residential and commercial development under construction
	Phase 2	44,045 sq.m./66mu	Teaching buildings and canteen	→	1,051 sq.m./2mu	Langfang Vocational Technology	Education facilities - office blocks used by Langfang Vocational Technology
					42,994 sq.m./64mu	LOIT	For the exclusive use of LOIT
	Phase 2	18,045 sq.m./27mu	Roads	→	8,284 sq.m./12mu	Taitu	Roads
					1,269 sq.m./2mu	Zhuyun	Roads
8,492 sq.m./13mu					LOIT	Roads	

Legend

	Residential and Convertible Land		Education Land		Road		Land owned by our Group
--	----------------------------------	--	----------------	--	------	--	-------------------------

HISTORY AND DEVELOPMENT

Ownership before land rationalization	Location (1)	Site Area before land rationalization (5)	Land usage before land rationalization		Site Area after land rationalization (5)	Ownership immediately after land rationalization	Land usage as of the Latest Practicable Date
Langfang Higher Education	Phase 1	50,244 sq.m./ 75mu	Teaching buildings, dormitories, canteen and security room	→	8,893 sq.m./ 13mu	Zhuyun	Retail outlets
					41,351 sq.m./ 62mu	Taitu	Residential and commercial development under construction
		460,311 sq.m./ 690mu	Teaching buildings, dormitories, library, utility buildings	→	28,647 sq.m./ 43mu	Taitu	Residential and commercial development under construction
					306,116 sq.m./ 459mu	Langfang Education Consultancy	Education facilities for leasing business & construction of replacement dormitories
					124,004 sq.m./ 186mu	LOIT	Education support facilities for the exclusive use of LOIT
					1,547 sq.m./ 2mu	Zhuyun	Utility building
LOIT	Phase 2	100,907 sq.m./ 151mu	Teaching buildings, dormitories, commercial buildings, utility buildings and vacant land	→	22,036 sq.m./ 33mu	Taitu	Residential and commercial development under construction
					78,871 sq.m./ 118mu	Zhuyun	Vacant land and open sports grounds with retail outlets
		74,239 sq.m./ 111mu	Teaching buildings, utility buildings and vacant land	→	39,597 sq.m./ 59mu	Langfang Vocational Technology	Education facilities used by Langfang Vocational Technology
					32,912 sq.m./ 49mu	Zhuyun	Vacant land with disused buildings
					1,729 sq.m./ 3mu	LOIT	Education facilities for the exclusive use of LOIT
		14,002 sq.m./ 21mu	Roads	→	10,789 sq.m./ 16mu	Zhuyun	Roads
					3,213 sq.m./ 5mu	Taitu	Roads
		Zhuyun	Phase 1	50,037 sq.m./ 75mu	Car park and vacant land	→	50,037 sq.m./ 75mu
Phase 1	147,052 sq.m./ 221mu		Commercial building, education support facilities (cultural center) and vacant land	→	36,448 sq.m./ 55mu	Zhuyun	Ancillary commercial use (hotel and office)
					110,604 sq.m./ 166mu	Langfang Education Consultancy	Education support facilities and site earmarked for future expansion
Phase 2	113,450 sq.m./ 170mu		Dormitories	→	113,450 sq.m./ 170mu	Taitu	Residential and commercial development under construction
Phase 2	4,889 sq.m./ 7mu		Roads	→	4,889 sq.m./ 7mu	Taitu	Roads
Phase 2	251,760 sq.m./ 378mu		Sports ground, education facilities leased to Langfang Vocational Technology, utility buildings, canteen and vacant land	→	78,259 sq.m./ 117mu	Langfang Education Consultancy	Sports grounds
					31,748 sq.m./ 48mu	Langfang Vocational Technology	Educational facilities used by Langfang Vocational Technology
					141,756 sq.m./ 213mu	Zhuyun	Vacant land with utility buildings and canteen
Total: (3) (4)		1,806,823 sq.m./ 2,708mu			1,806,831 sq.m./ 2,708mu		
Total amount of land owned by Langfang Education Consultancy after land rationalization:					502,462 sq.m./ 753mu		

Legend

	Residential and Convertible Land		Education Land		Road		Land owned by our Group
--	----------------------------------	--	----------------	--	------	--	-------------------------

HISTORY AND DEVELOPMENT

Notes:

- (1) Phase 1 is situated in the southern part of Oriental University City whilst phase 2 is situated in the northern part of Oriental University City.
- (2) Approximately 25 mu of this land is designated for road development in the Master Plan. Pursuant to an agreement dated April 19, 2012 entered into between Langfang Fenghe and Zhuyun relating to the transfer of 100% equity interest in Taitu to Langfang Fenghe, such land was injected into Taitu, and it was agreed that Taitu will subsequently transfer such land to the relevant Langfang government authorities for road construction purposes. It was also agreed that the compensation fee to be paid by the Langfang government authorities for the purchase of such land shall belong to Zhuyun.
- (3) Upon receipt of new title deeds there is a net increase of approximately 8 sq.m. in the overall site area after the land rationalization.
- (4) Apart from the Land, certain parcels of land were held by Independent Third Parties prior to the land rationalization, but were transferred to members of the REC Group or Taitu as follows: (i) approximately 5,252 sq.m./8 mu of Convertible Land held by OUC Development was ultimately transferred to Taitu; (ii) approximately 1,753 sq.m./3 mu of Convertible Land held by OUC Development was ultimately transferred to Zhuyun; (iii) approximately 44,901 sq.m./67 mu of Convertible Land held by Langfang Vocational Technology was ultimately transferred to Taitu; and (iv) approximately 10,284 sq.m./15 mu of Education Land held by Langfang Vocational Technology was ultimately transferred to LOIT.
- (5) The figures in the table above contain rounding effect.

Corporate restructuring

Incorporation of our Company

Our Company was incorporated in Hong Kong with limited liability on June 11, 2012 with an authorized share capital of HK\$10,000 divided into 10,000 shares with a par value of HK\$1 each. As of the date of incorporation, our Company was wholly-owned by REC. It became the offshore holding company of our Group as a result of the Reorganization.

Transfer of business and assets by Langfang Higher Education to Langfang Education Consultancy

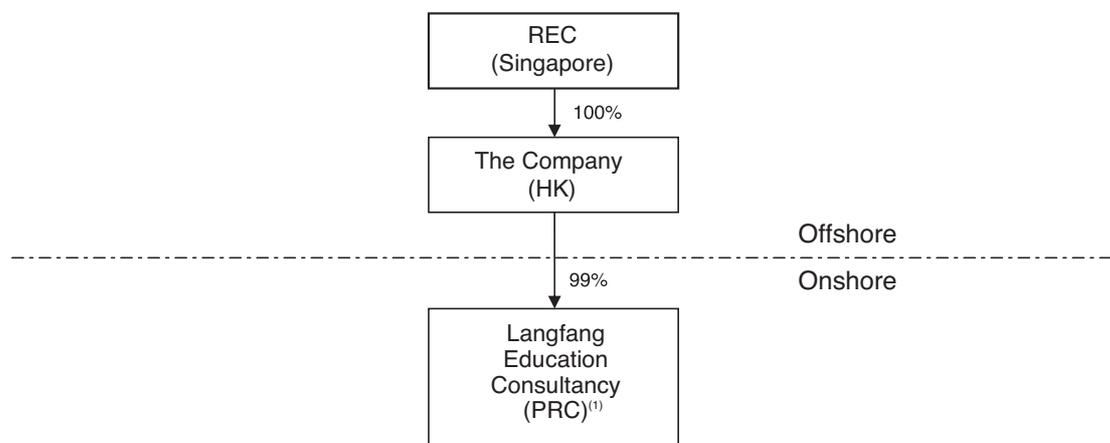
In order to consolidate our core education facilities leasing business under Langfang Education Consultancy, certain businesses, assets and employees of Langfang Higher Education, which is part of the REC Group, were transferred to Langfang Education Consultancy pursuant to various novation agreements, under which contracts entered into between Langfang Higher Education and various colleges and universities for lease of education related facilities were novated to Langfang Education Consultancy. Our PRC Legal Advisors have confirmed that all approvals from the relevant PRC authorities in respect of the transfer of business and assets have been obtained, have been properly and legally completed and settled, and such transfers comply with the relevant PRC laws and regulations.

HISTORY AND DEVELOPMENT

Transfer of equity interest in Langfang Education Consultancy to our Company

Following the transfer of the education facilities leasing business to Langfang Education Consultancy and the rationalization of land titles described under the paragraphs headed “Land rationalization”, “Land-rationalization — Transfer of land and buildings between Langfang Education Consultancy and the REC Group” and “Corporate Restructuring — Transfer of business and assets by Langfang Higher Education to Langfang Education Consultancy” in this section, pursuant to an equity transfer agreement dated August 10, 2012 entered into between our Company and Education Consultancy (HK), which is part of the REC Group, Education Consultancy (HK) agreed to transfer its 99% equity interest in Langfang Education Consultancy to our Company at a consideration of approximately RMB331.9 million, which represented Education Consultancy (HK)’s cost of investment in Langfang Education Consultancy. Our PRC Legal Advisors have confirmed that all approvals from the relevant PRC authorities in respect of the said equity transfer have been obtained and the said equity transfer has been properly and legally completed and settled and complies with the relevant PRC laws and regulations. The said equity transfer was completed on September 24, 2012, being the date the Reorganization was completed.

The shareholding and corporate structure of our Group upon the completion of the Reorganization is set out below.



Note:

- (1) The remaining 1% equity interest in Langfang Education Consultancy is held by Shanghai Shengxin Consultancy, an Independent Third Party.

HISTORY AND DEVELOPMENT

LEASE OF PROPERTIES FROM CONNECTED PERSON AND INDEPENDENT THIRD PARTIES

During the Track Record Period, we leased dormitories from Zhuyun, Langfang Fenghe and Taitu. Zhuyun is part of the REC Group and is our connected person. Langfang Fenghe is an Independent Third Party. Taitu was established as a wholly-owned subsidiary of Zhuyun to hold all land titles relating to the Sale Land, and its entire equity interest was subsequently sold by Zhuyun to Langfang Fenghe. Taitu is therefore an Independent Third Party. For details regarding such lease of properties, please refer to the subsections headed “Lease of Properties from Zhuyun, our Connected Person” and “Lease of Properties with Langfang Fenghe, an Independent Third Party” in this section.

LEASE OF PROPERTIES FROM ZHUYUN, OUR CONNECTED PERSON

During the Track Record Period, we leased one block of dormitories from our connected person, Zhuyun commencing on July 1, 2012 at nil consideration. Such arrangement was transitional in nature, as students and staff who used such dormitories before the completion of the Reorganization continued to use such premises to minimize interruption to them before our Group has completed the construction of replacement dormitories on our Campus Site. This arrangement was terminated on July 1, 2013.

LEASE OF PROPERTIES WITH LANGFANG FENGHE, AN INDEPENDENT THIRD PARTY

In order to consolidate our core business of education facilities leasing, we retained only Education Land. Accordingly, all Convertible Land was excluded from our Group in order to clearly delineate our Group’s business from the business of our Controlling Shareholder.

Zhuyun, which is part of the REC Group, and Langfang Fenghe, an Independent Third Party, entered into the Langfang Fenghe Land Agreements in respect of the sale by Zhuyun to Langfang Fenghe of the Sale Land, together with certain properties located thereon, for an aggregate consideration of approximately RMB1,058 million, representing the total asset value of the Sale Land and the properties located thereon. The Sale Land comprised approximately 645 mu (429,978 sq.m.) of Convertible Land. The Sale Land was previously held by various entities, namely Zhuyun, LOIT, Langfang Education Consultancy, Langfang Higher Education, Langfang Vocational Technology and OUC Development. All land titles relating to the Sale Land were then consolidated under Taitu, a wholly-owned subsidiary of Zhuyun, in order to reduce the number of parties under the Langfang Fenghe Land Agreements, and to facilitate the ease of transfer of multiple parcels of land to Langfang Fenghe. For further details regarding the transfer of land to Taitu, please refer to the subsection headed “Transfer of land and buildings between Langfang Education Consultancy and the REC Group” in this section. The aggregate consideration paid by Langfang Fenghe to Zhuyun for 100% of the equity interest of Taitu, which held all of the Sale Land, amounted to approximately RMB1,058 million, of which approximately RMB413.4 million was paid in cash and the balance of approximately RMB644.6 million was settled by Langfang Fenghe’s assumption of the Zhuyun Payment Obligations.

HISTORY AND DEVELOPMENT

Lease of properties from Langfang Fenghe and Taitu

At the time when the Langfang Fenghe Land Agreements were entered into, it was envisaged that we would require a period of time to construct our own additional dormitories to replace the dormitories on the Sale Land, and therefore it was agreed in the Langfang Fenghe Land Agreements that Zhuyun would be granted the right to continue to use the dormitories on the Sale Land for a transitional period. Pursuant to the Langfang Fenghe Land Agreements, Langfang Fenghe agreed to a transitional arrangement whereby Langfang Fenghe and Taitu (which held the land titles relating to the Sale Land, and the entire equity interest of which was then transferred by Zhuyun to Langfang Fenghe) would lease certain dormitories situated on the Sale Land (which are currently leased to some of our Contract Colleges), at nil rent, to Langfang Education Consultancy. During this transitional period, our Group would construct our own additional dormitories, and upon completion of these new dormitories, we would cease to use the dormitories leased to us by Langfang Fenghe and Taitu. The construction of an additional five blocks of dormitories have commenced commercial use in October 2014, and our Group re-located students and staff who previously used the dormitories leased to us by Langfang Fenghe and Taitu to such additional dormitories in November 2014.

By a letter to Langfang Education Consultancy dated October 20, 2012, Zhuyun agreed to waive its right to use the dormitories under the terms of the Langfang Fenghe Land Agreements, and by an agreement dated October 20, 2012 as supplemented by a supplemental agreement dated August 7, 2013 between Taitu, Langfang Fenghe and Langfang Education Consultancy and further supplemental agreements dated December 27, 2013 and November 5, 2014, respectively between Langfang Fenghe and Langfang Education Consultancy, the arrangements under the Langfang Fenghe Land Agreements were amended such that we are entitled to use five blocks of dormitories until March 15, 2014 and seven blocks of dormitories until November 30, 2014, both of which have been returned to Langfang Fenghe).

Langfang Fenghe is engaged in the golf course development business and related management services and is focused on the development of commercial and private residential property. We understand from Langfang Fenghe that it plans to demolish the above dormitories after the transitional period, and to build residential villas and commercial shopping facilities on the Sale Land. Pursuant to a deed of undertaking dated January 6, 2013, Langfang Fenghe has undertaken to us that it will not lease out such dormitories by way of education facilities leasing to any other third parties pending demolition of such dormitories.

Buildings exchange use

On October 20, 2012, Langfang Education Consultancy and Langfang Fenghe entered into a buildings exchange use agreement, pursuant to which Langfang Education Consultancy and Langfang Fenghe will each make available one block of dormitories for the other's use for a period of two years ending October 31, 2014 as a transitional arrangement. The dormitories that are used by Langfang Education Consultancy under such arrangement are situated on land that was transferred to Taitu during the Reorganization, and such dormitories are currently occupied by students and staff of our Contract Colleges. Such arrangement will

HISTORY AND DEVELOPMENT

minimize interruption to the students and staff currently using such dormitories. Langfang Fenghe will use the dormitories as office premises. As Langfang Fenghe would like to continue to use such premises for an additional period and has requested an extension of such arrangement, by an agreement dated September 3, 2014 and a further supplemental agreement dated November 5, 2014 between Langfang Education Consultancy and Langfang Fenghe, the aforesaid arrangement was extended to October 31, 2015.

POST-REORGANIZATION

Subsequent sale and purchase of land

In order to further optimize land use in Oriental University City in accordance with the Master Plan, we were requested by 東方大學城管理委員會發展規劃處 (Oriental University City Management Committee Development Department*) to submit details of our land use plan in response to the Master Plan for their review. In consultation with the said authority, we agreed to convert current land usage of certain parcels of land held by Langfang Education Consultancy and Zhuyun, and to undertake certain land exchanges between Langfang Education Consultancy and Zhuyun, which is part of the REC Group. In June 2013, in order to further consolidate our Campus Site in the southern part (phase 1) of Oriental University City, the above authorities approved our applications for such land conversion and exchanges, which comprised the following: (1) transfer of Education Land and Convertible Land by Zhuyun to Langfang Education Consultancy of approximately 95 mu (63,068 sq.m.) for a contracted consideration of RMB40.6 million pursuant to a state-owned land use right transfer agreement dated June 28, 2013 entered into between Zhuyun and Langfang Education Consultancy; and (2) transfer of Education Land by Langfang Education Consultancy to Zhuyun of approximately 117 mu (78,259 sq.m.), in the northern part (phase 2) of Oriental University City, for a consideration of approximately RMB55.3 million pursuant to a state-owned land use right transfer agreement dated June 28, 2013 entered into between Zhuyun and Langfang Education Consultancy. The consideration for the aforesaid land transfers are with reference to the fair value of the land and was settled by way of set-off in June 2013. Our PRC Legal Advisors have confirmed that the said transfers of land have been properly and legally completed and settled, all approvals from the relevant PRC authorities in respect of such transfers have been obtained, and such transfers comply with the relevant PRC laws and regulations. Completion of the said land usage conversion is subject to approval from higher level government authorities. The said land usage conversion is expected to be completed after the Listing.

As a result of the aforesaid land transfers, our Group currently owns approximately 731 mu (480,270 sq.m.) of Education Land (as compared with approximately 753 mu (502,462 sq.m.) immediately after completion of the land rationalization as part of the Reorganization), together with the buildings situated on such land (including approximately 55 mu (36,399 sq.m.) of land which is currently Convertible Land under the Master Plan, but which is in the process of being converted to Education Land under the Master Plan). All of this approximately 731 mu (480,270 sq.m.) of land is located in the southern part (phase 1) of Oriental University City where our operations are concentrated (except for approximately 15 mu (9,809 sq.m.) which is located in the northern part of Oriental University City).

HISTORY AND DEVELOPMENT

The following table sets out the site area of our Campus Site (i) upon completion of the land rationalization, (ii) upon entering into the building exchange use agreement with Langfang Fenghe, and (iii) upon completion of the post-Reorganization subsequent sale and purchase of land.

	Upon completion of land rationalization	Upon entering into building exchange use agreement	Upon completion of post-Reorganization subsequent sale and purchase of land
Size of Campus Site	753 mu/ 502,462 sq.m.	753 mu/ 502,462 sq.m.	731 mu/ 480,270 sq.m.

Excluded Education Land

Certain Education Land will remain with the REC Group after the Listing. Approximately 20% of the land currently held by our Group, comprising a land area of approximately 143 mu (95,277 sq.m.) of vacant land available for the construction of additional education facilities (the “**Available Land**”). We currently plan to construct new dormitories with a maximum capacity to house approximately 3,500 students or staff on the Available Land utilizing net proceeds from the Listing. Based on our current plans, following completion of construction of such new dormitories, the remaining part of the Available Land, comprising approximately 116 mu (77,277 sq.m.), will still be available for our business expansion. Given that the number of students and staff leasing from us has remained rather stable over the years, we believe the remaining part of the Available Land will be sufficient for our expansion plan.

Details of the Education Land remaining with the REC Group after the Listing are set out below.

Zhuyun Education Land

Zhuyun currently owns the Zhuyun Education Land (comprising approximately 418 mu (278,586 sq.m.)), which includes approximately 55 mu (36,399 sq.m.) of land that is currently Education Land but which is being converted to Convertible Land under the Master Plan. The Zhuyun Education Land may decrease to approximately 363 mu (242,187 sq.m.) when the conversion of the said approximately 55 mu (36,399 sq.m.) of Education Land to Convertible Land is completed.

The reasons for excluding the Zhuyun Education Land are as follows: (1) we believe we do not require such undeveloped land for our current operations and expansion plan; (2) the Zhuyun Education Land is mostly located in the northern part (phase 2) of Oriental University City, and our Campus Site is substantially located in the southern part (phase 1) of Oriental University City; (3) we intend to physically concentrate our operations in the southern part (phase 1) of Oriental University City for operational efficiency and management; and (4) there would be costs associated with the maintenance of the Zhuyun Education Land, including security and cleaning costs and land tax, if our Group were to own such surplus land without any specific development plans.

HISTORY AND DEVELOPMENT

On December 6, 2013, pursuant to the Langfang He Ying Transaction, Zhuyun entered into a shareholders' agreement with Langfang He Ying for the sale of part of the Zhuyun Education Land, comprising approximately 334 mu (222,805 sq.m.) of land (including the approximately 55 mu (36,399 sq.m.) of Education Land which is in the process of being converted to Convertible Land). Zhuyun and Langfang He Ying would initially hold 70% and 30% interest, respectively, in an equity joint venture entity (the "**JV Company**") set up to hold the relevant land from Zhuyun. Langfang He Ying granted to Zhuyun a put option to require Langfang He Ying to acquire Zhuyun's 70% interest in the JV Company at a predetermined price. As advised by REC, such structure of a shareholders' agreement with a put option would afford Zhuyun greater flexibility in relation to the disposal of the relevant land in terms of timing of completion. REC shareholders' approval for the transaction was obtained on March 31, 2014. Zhuyun has exercised its put option on November 19, 2014. Completion of the Langfang He Ying Transaction and the transfer of Zhuyun's 70% equity interest in the JV Company to Langfang He Ying are subject to various conditions having been completed, including, among other things, registration with the State Administration for Industry & Commerce of the PRC in respect of the transfer of the 70% equity interest in the JV Company to Langfang He Ying.

As part of the non-compete arrangement with our Controlling Shareholder, we were granted a call option and right of first refusal in relation to the Zhuyun Education Land for our future business expansion needs. For further details on the Deed of Non-compete, please refer to the section headed "Relationship with the Controlling Shareholder" in this prospectus. REC has no intention to develop the Zhuyun Education Land in order to provide education facilities leasing services nor does REC have any intention to engage in any business on such land which competes, or may compete, with the business of our Group.

Zhuyun Convertible Land

Zhuyun also currently owns the Zhuyun Convertible Land (comprising approximately 210 mu (139,969 sq.m.)), which may increase to approximately 265 mu (176,368 sq.m.) if the approximately 55 mu (36,399 sq.m.) of Education Land under the Master Plan that is currently part of the Zhuyun Education Land is converted to Convertible Land under the Master Plan. Our Directors are of the opinion that due to the said land use designation in the Master Plan, the Zhuyun Convertible Land, based on its designated usage, is unlikely to be approved for any future development for the provision of education related services or business, and as a result the Zhuyun Convertible Land was not transferred to us as part of the land rationalization.

On December 6, 2013, pursuant to the Langfang He Ying Transaction, Zhuyun entered into a shareholders' agreement with Langfang He Ying for the sale of part of the Zhuyun Convertible Land, comprising approximately 165 mu (110,001 sq.m.) of land. Zhuyun has injected the relevant part of the Zhuyun Convertible Land into the JV Company. REC shareholders' approval for the transaction was obtained on March 31, 2014. Completion of the Langfang He Ying Transaction and the transfer of Zhuyun's 70% equity interest in the JV Company to Langfang He Ying are subject to various conditions having been completed, including, among other things, registration with the State Administration for Industry &

HISTORY AND DEVELOPMENT

Commerce of the PRC in respect of the transfer of the 70% equity interest in the JV Company to Langfang He Ying. For details regarding the Langfang He Ying Transaction, please refer to the subsection headed “Post-reorganization — Excluded Education Land — Zhuyun Education Land” above.

For further details on risks associated with change in the Master Plan, please refer to the section headed “Risk Factors — Risks relating to our business — Any changes in the Master Plan or government policies on land use planning scheme may lead to conversion of Education Land, may adversely affect our results of operations” in this prospectus.

Land for the exclusive use of LOIT

This land comprises an area of approximately 539 mu (359,231 sq.m.) which is currently occupied by LOIT for its exclusive use and forms part of its own campus or college facilities.

Excluded Businesses

Following the Reorganization, the following businesses which are not part of our core business have been excluded from our Group and have been retained by REC Group.

(1) *LOIT*

LOIT is principally engaged in the business of providing tertiary education to students in the PRC. It specializes in vocational education in relation to antiques appraisal, air transportation, railway transportation, health and nursing.

LOIT was the second college located in the vicinity of our Campus Site operated by REC (through a variable interest entity (VIE) arrangement). The first intake of students of LOIT commenced in September 2009. For the 2013 to 2014 academic year, it had approximately 1,300 students.

We excluded LOIT from our Group for the following reasons: (i) we intend to primarily focus on owning and leasing out education facilities to vocational institutions in the PRC, instead of owning and running schools and colleges ourselves; and (ii) we seek to maintain a clear business delineation between our businesses and assets (being the leasing of education facilities) and those retained by REC Group (being the operation of schools/colleges and provision of education services).

Our Directors confirm that we have no intention to acquire the business of LOIT in the foreseeable future.

(2) *LOIA*

LOIA is principally engaged in providing vocational courses in fashion design and aviation services to students in the PRC.

HISTORY AND DEVELOPMENT

LOIA was the first college owned and operated by REC within our Campus Site. The first intake of students of LOIA commenced in September 2010. For the 2012 to 2013 academic year, it had rented approximately 351 bed spaces from us. It did not have any student intake for the 2013 to 2014 or the 2014 to 2015 academic year because REC Group decided to close down LOIA due to strategic reasons. LOIA has been operated under the management of LOIT. For operational and management efficiency, LOIT began offering new courses that were previously offered by LOIA and the students of LOIA were transferred to LOIT. The transfer of the operations of LOIA into LOIT was a strategic decision by REC that was unrelated to the general market and industry conditions.

(3) *Zhuyun*

Zhuyun is currently engaged in property development related businesses. As advised by Zhuyun, it expects to continue its business in property development in the foreseeable future.

We excluded Zhuyun from our Group for the following reasons: (i) our core business is not in property development; and (ii) Zhuyun does not engage in the education facilities leasing business. Therefore, our Directors consider that the business of Zhuyun is not related to our core business and there is no competition between our core business and those of Zhuyun.

Our Directors confirm that we have no current intention to acquire the business or assets of Zhuyun in the foreseeable future. We hold a call option and right of first refusal to acquire the Zhuyun Education Land. Further details of such call option and right of first refusal are set out in the section headed “Relationship with the Controlling Shareholder — Deed of Non-compete” in this prospectus. We do not have any current intention to acquire the Zhuyun Education Land, as we have sufficient land for our current operations as well as future expansion plans, and it is not in the interest of our Group to acquire the Zhuyun Education Land without any specific development plans due to the costs associated with the maintenance of such land. For details regarding the Zhuyun Education Land, please refer to the subsection headed “Excluded Education Land” in this section.

(4) *Langfang Higher Education*

Langfang Higher Education was previously principally engaged in the education facilities leasing business and therefore formed part of our Group prior to the Reorganization. As part of the Reorganization, its businesses were transferred to Langfang Education Consultancy. Currently, it has no business operation other than serving as the holding entity of LOIA after the completion of the Reorganization.

We excluded Langfang Higher Education from our Group for the following reasons: (i) following the Reorganization, Langfang Higher Education’s sole purpose is to serve as the investment holding company of LOIA; (ii) we intend to primarily focus on owning and leasing out education facilities to vocational institutions in the PRC, instead of owning and operating schools and colleges ourselves; and (iii) we wish to maintain clear business delineation between our businesses and assets and those retained by REC Group.

Our Directors confirm that we have no intention to acquire the business of Langfang Higher Education in the foreseeable future.

HISTORY AND DEVELOPMENT

(5) *Langfang Education Facilities*

Prior to the Reorganization, Langfang Education Facilities was engaged in the business of dormitories operation and management services and therefore formed part of our Listing Business. As part of the Reorganization, the assets and liabilities of Langfang Education Facilities relating to the Listing Business were transferred to Langfang Education Consultancy, our principal operating subsidiary in the PRC. Upon the completion of the Reorganization, the remaining assets and liabilities not related to the Listing Business were retained on the accounting books of Langfang Education Facilities and derecognized from the balance sheet of our Group and Langfang Education Facilities then has no business operation.

We excluded Langfang Education Facilities from our Group as it has ceased to have any business operation.

(6) *Shenglong Property Management*

Shenglong Property Management is currently engaged in the business of provision of utility services and property management services, including the leasing of properties. The major customers of Shenglong Property Management are all Contract Colleges and commercial properties in our Campus Site in the PRC.

We excluded Shenglong Property Management from our Group because the provision of utility services and property management does not form part of our principal business.

Our Directors confirm that we have no intention to acquire the business of Shenglong Property Management in the foreseeable future.

Mutual commercial leasing tenants between our Group and Shenglong Property Management

A few of our commercial tenants, being a grocery store operator, four network operators and an individual, who lease premises from us to operate a grocery store or for their operations, are also tenants of Shenglong Property Management and lease certain premises owned by Zhuyun (through Shenglong Property Management acting on its behalf as its property manager) within Oriental University City for their operations. Our Group's core business is education facilities leasing, and commercial leasing constitutes a much smaller portion of our business. Our revenue from commercial leasing for supporting facilities accounted for only approximately 4.5% and 4.7% of our total revenue for the year ended June 30, 2013 and 2014, respectively, out of which only approximately 28.3% and 16.7% for the year ended June 30, 2013 and 2014, respectively, were attributable to the aforesaid tenants. As our lease to the mutual commercial tenants constitutes an immaterial part of our revenue, and falls within our commercial leasing business the main purpose of which is to provide support services for the students and staff of our Contract Colleges, which is incidental to but not part of our core business of education facilities leasing, our Directors consider that there is no material competition between us and the REC Group.

HISTORY AND DEVELOPMENT

(7) *Zhongtian Water*

Zhongtian Water, in which REC Group holds a 15% minority interest, is currently engaged in the business of the provision of water supply services to the Oriental University City district.

We excluded Zhongtian Water from our Group for the following reasons: (i) the provision of water supply services does not form part of our principal business; and (ii) REC Group holds a 15% minority interest in Zhongtian Water. Our Directors confirm that we have no intention to acquire the business of Zhongtian Water in the foreseeable future.

(8) *Others*

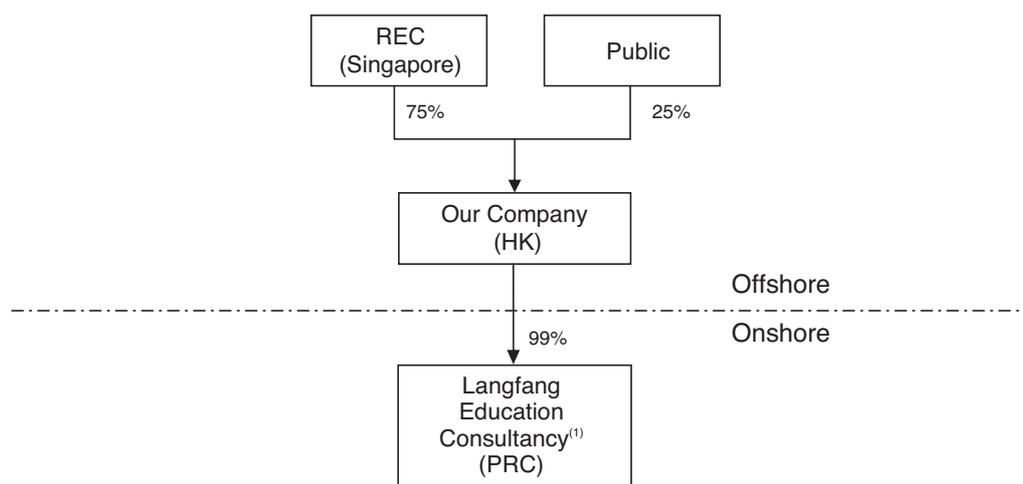
Apart from the business operated through the subsidiaries of OUC Cayman, REC also operates colleges in Tianjin and Shanghai, in addition to the other colleges it operates in Asia. These colleges are excluded from our Group as the owning and operations of schools and colleges do not form part of our principal business.

Issue of Shares to REC

Pursuant to a deed of assignment among REC, OUC Cayman, our Company and Education Consultancy (HK) dated February 21, 2014, the consideration of approximately RMB331.9 million payable by our Company to Education Consultancy (HK) for the transfer of 99% equity interest in Langfang Education Consultancy was assigned to REC. On February 28, 2014, our Company issued 100,000 Shares to REC to settle such payable.

OUR CORPORATE STRUCTURE FOLLOWING COMPLETION OF THE REORGANIZATION, BONUS ISSUE AND PLACING

The shareholding and corporate structure of our Group upon the completion of the Reorganization, the Bonus Issue and Placing (assuming that the Offer Size Adjustment Option is not exercised) is set out below.



Note:

⁽¹⁾ The remaining 1% equity interest in Langfang Education Consultancy is held by Shanghai Shengxin Consultancy, an Independent Third Party.

BUSINESS

OVERVIEW

Our business model

We own and lease education facilities, comprising primarily teaching buildings and dormitories to education institutions in the PRC. All of our existing education facilities are located in Oriental University City, Langfang city. Oriental University City (where our Campus Site is currently located) was one of the earliest University Cities established in the PRC, according to Euromonitor.

Apart from education facilities leasing, in order to serve the daily needs of students and staff, our business, to a much lesser extent, includes commercial leasing. We lease buildings and premises to tenants operating a range of supporting facilities, including grocery stores, laundry shops, internet cafes and canteens.

Our Campus Site

Oriental University City (where our Campus Site is currently located) is a district located in Langfang Economic and Technology Development Zone. Oriental University City commenced operation in 2000 and hosted more than 10 education institutions and a student population of approximately 40,000 for the 2013 to 2014 academic year. While we are principally engaged in education facilities leasing, these education institutions are mainly engaged in the provision of education services. Besides our Contract Colleges, there are three other major education institutions near our Campus Site, namely Langfang Vocational Technology, Langfang Health Vocation School and LOIT. Two of our Contract Colleges, namely, Peking Founder Technology and Beijing City University only leased dormitories from us as they are using teaching blocks that are located in Oriental University City but outside of our Campus Site.

Our Campus Site currently occupies a gross site area of approximately 731 mu (487,270 sq.m.) situated in Oriental University City, Langfang city in Hebei Province, the PRC. On our Campus Site, we own teaching buildings with a GFA of approximately 119,453 sq.m. and dormitories with a GFA of approximately 144,490 sq.m. as of October 31, 2014.

Our Campus Site, which is located in Langfang Economic and Technology Development Zone of Langfang city, is easily accessible as it is strategically located and connected to the Beijing-Tianjin-Tanggu expressway network and close to other major transportation networks in Beijing and Tianjin, such as the Beijing Capital International Airport, the Tianjin Binhai International Airport, Beijing — Shanghai high speed train railway network, and direct public bus from Beijing to Langfang city. For demographic information on Langfang city, please refer to the section headed “Industry Overview — Demographics of Langfang City” in this prospectus. Our Campus Site is also in close proximity to Beijing Daxing Industrial Development Zone, Tianjin Binhai New Area and Tianjin Jingbin Industrial Zone, where there is a high concentration of foreign and domestic companies engaging in aviation, service industries and information technology. Given our strategic location, we believe that we are well-positioned to attract further universities, colleges, schools and education training centers.

BUSINESS

Our Contract Colleges

We have been selective, whenever practicable, in choosing our Contract Colleges which lease our education facilities within the Campus Site in order to develop our Campus Site into a leading vocational education training hub in the PRC.

We leased our education facilities within the Campus Site to Contract Colleges which were mostly focused on vocational training and offer both accredited (degrees or diplomas) and non-accredited vocational and technical training courses for students in the PRC. The training programs offered by the Contract Colleges cover a range of disciplines which include aviation, medicine, nursing, tourism and hotel management, business and information technology.

Our financial results

Our revenue amounted to approximately RMB68.6 million and RMB59.6 million, for the year ended June 30, 2013 and 2014, respectively. Our revenue decreased by 13% during the Track Record Period, this was mainly attributable to a decrease of resident student population at our Contract Colleges. We had seven Contract Colleges for each of the year ended June 30, 2013 and 2014 and the resident student population of the Contract Colleges was over 21,000 and 19,000 for the year ended June 30, 2013 and 2014, respectively. For factors affecting our operations, please refer to the subsection headed “Our Business — Education facilities leasing — Factors affecting our operations” in this section. For the year ended June 30, 2013 and 2014, our net profit amounted to approximately RMB114.7 million and RMB40.8 million, respectively. For details, please refer to the section headed “Financial Information — Review of historical results of operations — Year ended June 30, 2014 compared to year ended June 30, 2013” in this prospectus.

The following table provides a breakdown of our revenues between education facilities leasing and commercial leasing during the Track Record Period:

	Year ended June 30,			
	2013		2014	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Education facilities leasing				
Teaching buildings leasing	29,222	42.6	24,562	41.2
Dormitories leasing	<u>36,216</u>	<u>52.9</u>	<u>32,292</u>	<u>54.1</u>
	65,438	95.5	56,854	95.3
Commercial leasing for supporting facilities	<u>3,112</u>	<u>4.5</u>	<u>2,789</u>	<u>4.7</u>
Total	<u><u>68,550</u></u>	<u><u>100.0</u></u>	<u><u>59,643</u></u>	<u><u>100.0</u></u>

BUSINESS

For the year ended June 30, 2013 and 2014, we recognized government grants of approximately RMB80.6 million and RMB8.6 million, respectively. For details of the government grant and its impact on our financial statements, please refer to the section headed “Financial Information — Description of selected income statement line items — Government grants” in this prospectus.

COMPETITIVE STRENGTHS

We believe that we have the following competitive strengths:

Our Campus Site is well-positioned to be a leading vocational education training hub in the PRC

We have been committed to attract universities, colleges, schools and education training centers which are engaged in vocational education to lease our education facilities since the REC Acquisition in 2008. The PRC higher-education industry has traditionally been dominated by State-operated tertiary education institutions offering conventional degree courses. However, in recent years, there has been an increasing demand for workers with vocational skills in the job market. The supply of appropriately skilled workers has not been able to satisfy the increasing demand for workers with necessary vocational skills in various industries. As a result, we believe our Contract Colleges, which focus on vocational training programs in various disciplines, including aviation, medicine, nursing, tourism and hotel management, business and information technology, will benefit from such demand.

In addition, the State Council promulgated a notice in relation to “Decision on accelerating the Development of Modern Vocational Education” (國務院關於加快發展現代職業教育的決定) on May 2, 2014. The purpose of such notice is to encourage the development of vocational education institutions in the PRC, so that they can better prepare their students for the skills and techniques that the market requires in various industries. Other general regulatory measures are also in place for the promotion of vocational education in the PRC, which include: (i) private sector players are encouraged to operate vocational education institutions through various corporate form, which include, sole proprietorship, joint venture and cooperation; and (ii) privately-run vocational education institutions are entitled to receive similar type of government grants and subsidies as those publicly-run vocational education institutions.

Based on the best knowledge of the Directors, these measures are directional in nature and only set out the general regulatory principles for the development of vocational education in the PRC, and the Directors are not aware of any detailed implementation measures. Based on the relevant industry knowledge, the Directors believe these regulatory measures, although only directional in nature, will encourage more privately-run vocational education institutions to enter into the vocational education industry. We have been committed to attract universities, colleges, schools and education training centers which are engaged in vocational education to lease our education facilities, together with such measures to increase the number of participants for vocational education, and if they consider Langfang city as the appropriate location, this is likely to increase demand for our education facilities.

BUSINESS

For the 2014 to 2015 academic year, we also entered into collaborative agreements and education service agreements with three new Contract Colleges, namely, Beauty Art and Creation Training, Vision Training and Zhongaojia Human Resources. For details on the contractual arrangement with new Contract Colleges, please refer to the subsection headed “Our business — Education facilities leasing — Agreements with Contract Colleges” in this section. As we are focused on attracting education institutions that are engaged in vocational education, our Directors believe that more universities, colleges, schools and education training centers in vocational education may start to consider us for their education premises if they consider Langfang city as an appropriate location. We believe this will help strengthen our reputation as a vocational education training hub located in Langfang city offering students with a range of vocational programs, and help to draw more reputable and established vocational training institutions, to establish a presence on our Campus Site in the future.

Our Campus Site currently has an aggregate site area of approximately 731 mu (487,270 sq.m.), out of which approximately 143 mu (95,277 sq.m.) is available for future expansion of education facilities for leasing. As such, we have surplus land capacity to attract additional education providers that primarily focus on vocational training to lease our facilities and use our services. Universities, colleges, schools and education training centers that do not have access to education facilities including teaching buildings and dormitories may have to turn to owners of education facilities like us to lease education facilities.

For details relating to our business strategy and implementation plans, please refer to the section headed “Strategy and Use of Proceeds” in this prospectus.

Our Campus Site is strategically located close to well-developed transportation infrastructure and a growing metropolitan region in close proximity to various economic development zones in Beijing and Tianjin

Our Campus Site is strategically located in Langfang city and connected to the Beijing-Tianjin-Tanggu expressway network and is close to major transportation networks in Beijing and Tianjin, such as Beijing Capital International Airport, Tianjin Binhai International Airport, Beijing-Shanghai high speed train railway network, and direct public bus from Beijing to Langfang city. Langfang city, being in close proximity to major cities (approximately 40km from Beijing and 60km from Tianjin), is regarded as the “golden hub” in the region. Furthermore, we believe that we will benefit from a number of infrastructure developments in the area between Langfang city, Beijing and Tianjin, such as the construction of the second international airport of Beijing and the related transportation network connecting Langfang city and Beijing, the Tongzhou central business district and the South Beijing District Development Plan. Our Directors believe, due to its proximity to Beijing, Langfang city has certain geographical advantages to attract additional Contract Colleges. We stand to benefit because our Campus Site is located in Oriental University City, the only University City in Langfang city, and its accessibility makes it an attractive location for education providers and students.

In addition, Langfang city’s local economy has been developing over the years with particular emphasis on the computer and technology industries. Our Campus Site is located in Langfang Economic and Technology Development Zone of Langfang City and also in close proximity to Beijing Daxing Industrial Development Zone, Tianjin Binhai New Area and Tianjin Jingbin Industrial Zone, where there is a high concentration of foreign and domestic

BUSINESS

companies engaged in aviation, service industries and information technology. We believe that in light of the considerable demand from these companies for workers with vocational skills, students of our Contract Colleges may have easier access to job opportunities after graduation.

We were an early mover in the education facilities leasing business in the PRC

We own and lease education facilities, comprising primarily teaching buildings and dormitories to education institutions. We were one of the early movers in the business of education facilities leasing and operating University Cities in the PRC. Oriental University City (where our Campus Site is currently located) was also one of the earliest University Cities established in the PRC, according to Euromonitor.

We have, on average, established over five years' relationship with the majority of our pre-existing Contract Colleges and, as such, we believe we have in-depth understanding of their needs, including their students and teaching staff, which helps us to retain them. Most universities, colleges, schools and education training centers demand not just teaching buildings but also a range of supporting facilities, including dormitories, canteens, laundry services and internet cafes for their students and staff. Our business model of offering a combination of education facilities, dormitory accommodations and supporting facilities on our Campus Site can better meet the demands of our Contract Colleges and other potential new customers. We believe that the aforesaid, coupled with our strong dedication to become a leading vocational education training hub in the PRC, have helped to attract reputable and established vocational training institutions to become our customers.

OUR BUSINESS

Our business operations mainly comprise education facilities leasing; and to a much lesser extent, commercial leasing for supporting facilities.

Education facilities leasing

GFA information

The following table sets forth the GFA of teaching buildings and dormitories on our Campus Site as of June 30, 2013 and 2014:

	As of June 30,	
	2013	2014
	<i>sq.m.</i>	<i>sq.m.</i>
Total GFA available for education facilities leasing		
- Teaching buildings ⁽¹⁾	148,553	119,453
- Dormitories		
Self-owned	93,613	122,713
Leased from other parties ⁽²⁾	92,983	45,051
Total	<u>335,149</u>	<u>287,217</u>

BUSINESS

Notes:

- (1) All our teaching buildings available for education facilities leasing are self-owned.
- (2) This includes the GFA for dormitories leased from Langfang Fenghe and Taitu, and one dormitory with a GFA of 6,606 sq.m. leased from our connected person, Zhuyun as of June 30, 2013.

Lease-out rate

The table below sets forth the lease-out rates of teaching buildings and dormitories on our Campus Site as well as the relevant information for calculation of the lease-out rates as of June 30, 2013 and 2014. As (i) the Reorganization was completed on September 24, 2012, (ii) the buildings exchange use agreement with Langfang Fenghe was dated October 20, 2012, and (iii) the post-Reorganization subsequent sale and purchase of land with Zhuyun was in June 2013, and all of these events occurred prior to June 30, 2013, these three events did not have any impact on the total GFA of teaching buildings and dormitories available for education facilities leasing and the lease-out rates of teaching buildings and dormitories on our Campus Site as of June 30, 2013 and June 30, 2014.

	As of June 30,	
	2013	2014
Teaching buildings⁽¹⁾		
Lease-out rate for teaching buildings (by GFA) ⁽²⁾	74.5%	83.1%
GFA		
GFA leased out	110,631.0	99,215.7
Total GFA available for leasing	148,553.0	119,452.6
Dormitories		
Lease-out rate for dormitories ⁽³⁾	91.6%	94.2%
- Self-owned.....	100.0%	96.4%
- Leased from other parties ⁽⁴⁾	82.0%	87.5%
Number of dormitory beds		
Number of beds leased out.....	21,253	19,290
- Self-owned.....	12,356	15,036
- Leased from other parties ⁽⁴⁾	8,897	4,254
Total number of beds available	23,202	20,468
- Self-owned.....	12,356	15,604
- Leased from other parties ⁽⁴⁾	10,846	4,864

Notes:

- (1) All our teaching buildings available for education facilities leasing are self-owned.
- (2) Calculated as the aggregate GFA leased out to our Contract Colleges as of the date indicated based on the collaborative agreements, divided by the total average GFA of our teaching buildings available as of the date indicated multiplied by 100%.
- (3) Calculated as the number of beds leased out to our Contract Colleges as of the date indicated based on the collaborative agreements, divided by the number of beds available in our dormitories as of the date indicated multiplied by 100%.
- (4) This includes the number of beds for dormitories leased from Langfang Fenghe and Taitu, and one dormitory with 832 beds leased from our connected person, Zhuyun as of June 30, 2013.

BUSINESS

For details on the total GFA of our education facilities and commercial buildings please refer to the subsection headed “Property interests — Summary of property interests” in this section.

(a) *Teaching Buildings*

The lease-out rate for the teaching buildings increased from 74.5% to 83.1% as of June 30, 2013 and June 30, 2014, respectively. The increase in the lease-out rate for teaching buildings was mainly attributable to the conversion of three blocks of teaching buildings which reduced the total GFA available for leasing as of June 30, 2014. We have converted three blocks of teaching buildings into dormitories and such work was completed in January 2014. As such, the total GFA in our teaching buildings decreased from 148,553 sq.m. to 119,452.6 sq.m. as of June 30, 2013 and June 30, 2014, respectively. The GFA leased out for teaching buildings decreased from 110,631.0 sq.m. to 99,215.7 sq.m. as of June 30, 2013 and June 30, 2014, respectively, mainly due to the decrease in the resident student population of our Contract Colleges during the period.

(b) *Dormitories*

The overall lease-out rate for the dormitories increased from 91.6% to 94.2% as of June 30, 2013 and June 30, 2014, respectively. There was a decrease in the total number of beds leased out from 21,253 to 19,290 as of June 30, 2013 to June 30, 2014, respectively due to the decrease in resident student population of our Contract Colleges for the same period. Although the total number of beds leased out decreased, the total number of beds available for leasing decreased at a greater rate due to the return of five blocks of dormitories to Langfang Fenghe and return of one block of dormitory to Zhuyun, which contributed to an increase of our lease-out rate from 91.6% to 94.2% over the period.

As of June 30, 2014, apart from our self-owned education facilities with a GFA of approximately 242,166 sq.m. on our Campus Site, we also leased dormitories with a GFA of approximately 45,051 sq.m. from Langfang Fenghe and Taitu and such arrangement has ceased in November 2014. For details, please refer to the sections headed “History and Development — Lease of properties with Langfang Fenghe, an Independent Third Party” in this prospectus. In addition to the dormitories leased from Langfang Fenghe and Taitu, we also leased one block of dormitories with a GFA of approximately 6,606 sq.m. with 832 beds from our connected person, Zhuyun commencing on July 1, 2012 at nil consideration. Such arrangement is transitional in nature, as students and staff who used such dormitories before the completion of the Reorganization continued to use such premises to minimize interruption to students and staff. This arrangement was terminated on July 1, 2013, and hence did not constitute part of leased dormitories from other parties as of June 30, 2014.

As the above transitional arrangement was terminated on July 1, 2013, and we also returned five blocks of dormitories to Langfang Fenghe in April 2014, both of which led to the decrease in the total number of beds available for leasing from 23,202 as of June 30, 2013 to 20,468 as of June 30, 2014.

BUSINESS

(i) *Self-owned dormitories*

The lease-out rate for our self-owned dormitories decreased from 100% to 96.4% as of June 30, 2013 and June 30, 2014, respectively. The lease-out rate for our self-owned dormitories decreased due to additional beds space being made available for leasing in our self-owned dormitories as a result of its conversion from teaching buildings. The number of beds leased out in self-owned dormitories increased from 12,356 as of June 30, 2013 to 15,036 as of June 30, 2014 because students moved from the five blocks of dormitories that were returned to Langfang Fenghe to our self-owned dormitories. The conversion of three blocks of teaching buildings into dormitories increased the number of self-owned blocks of dormitories. Accordingly, the total number of beds available for leasing for our self-owned dormitories increased from 12,356 as of June 30, 2013 to 15,604 as of June 30, 2014.

(ii) *Leased dormitories*

The lease-out rate for dormitories leased from other parties increased from 82.0% to 87.5% as of June 30, 2013 and June 30, 2014, respectively. As a result of the return of five blocks of dormitories to Langfang Fenghe and one block of dormitory to Zhuyun, the number of beds available for lease decreased during the period. Further, the five blocks of dormitories we returned to Langfang Fenghe had lower lease-out rate than the remaining dormitories we leased from Langfang Fenghe and Taitu. These contributed to the increase in the lease-out rate for the dormitories leased from other parties.

(iii) *Subsequent development after June 30, 2014*

We engaged third party contractors to build an additional five blocks of dormitories using our internally generated funds, and we have completed these dormitories in October 2014. Students from Beijing Chinese Medicine and Civil Aviation that resided in the seven blocks of dormitories we previously leased from Langfang Fenghe, re-located to these additional dormitories in November 2014. As a result of this arrangement, the number of beds from self-owned dormitories increased from 15,604 as of June 30, 2014 to 19,504 as of November 30, 2014, and the number of beds from leased dormitories decreased from 4,864 to nil for the same period. The overall effect is a decrease in the total number of beds available for leasing from 20,468 as of June 30, 2014 to 19,504 as of November 30, 2014.

List of services

Set out below is a list of the education facilities and campus management services that we provide:

- leasing of teaching buildings and related facilities;
- leasing of dormitories;

BUSINESS

- provision of campus management services (such as cleaning, security services, gardening services and building maintenance and refurbishing); and
- provision of other supporting facilities (such as grocery stores, laundry shops, internet cafes and canteens) through our commercial tenants within our Campus Site.

Information about Contract Colleges

Each Contract College operates independently where it formulates and designs its own curricula and education policies and employs its own teaching staff. We do not participate in the operation of their colleges or formulation of their education policies. We lease teaching buildings and/or dormitories to our Contract Colleges. For the revenue contribution of our Contract Colleges during the Track Record Period, please refer to the section headed “Financial Information — Review of historical results of operations — Year ended June 30, 2014 compared to year ended June 30, 2013 — Revenue” in this prospectus.

We have seven Contract Colleges for the 2013 to 2014 academic year. These Contract Colleges had a resident student population of over 19,000 for such academic year. Our seven Contract Colleges continued to lease from us for the 2014 to 2015 academic year and the resident student population remains at about 19,000. In addition to these seven Contract Colleges, we have entered into education service agreements and collaborative agreements with three new Contract Colleges for the 2014 to 2015 academic year. These three new Contract Colleges offer short-term courses. To take a conservative approach, resident students of these three new Contract Colleges are not counted as part of the student population referred to above for the 2014 to 2015 academic year.

BUSINESS

The table below sets forth the relevant information of our pre-existing Contract Colleges:

Name of our pre-existing Contract Colleges and major courses offered	Type of education	Year of commencing leasing education facilities from the Group ⁽⁶⁾	GFA leased (sq.m.) as of June 30,		“Resident student and staff population for dormitories” and “Number of beds leased” as of June 30,		GFA leased for teaching buildings for the 2014 to 2015 academic year ⁽⁸⁾	Resident student and staff population for the 2014 to 2015 academic year ⁽¹⁰⁾
			2013 ⁽⁷⁾	2014 ⁽⁷⁾	2013	2014		
Beijing Chinese Medicine (founded in 2005) (Chinese medicine, health awareness, and nursing)	Degree education	2008	76,562.7	76,562.7	10,782	10,386	85,241.9	10,386
Civil Aviation ⁽¹⁾ (founded in 1982) (Civil aviation and logistics, aviation services, and aviation safety)	Higher vocational education	2008	28,803.3	19,413.4	5,294	4,620	19,413.4	4,056
Huahang Aviation ⁽¹⁾ (founded in 2008) (English for civil aviation, aviation services, and aviation safety)	Secondary vocational education	2008						
Peking Founder Technology ⁽²⁾ (founded in 2002) (Computer science, electronic information engineering, multimedia and design, and business management)	Higher vocational education	2008	N/A	N/A	3,480	3,024	N/A	3,768
Beijing City University ⁽²⁾ (founded in 1984) (Foreign language and culture, tourism and hotel management, electronic information engineering, and design)	Degree education	2008	N/A	N/A	750	750	N/A	750
Beijing Oriental College (founded in 2002) (Aviation travel, international navigation, bilingual studies, economics and management, and software)	Vocational education training ⁽⁴⁾	2008	2,980.0	2,039.7	596	270	203.9 ⁽⁹⁾	N/A ⁽⁹⁾
LOIA (founded in 2009) ⁽³⁾ (Fashion design and aviation services)	Higher vocational education	2010	2,285.0	N/A	351	N/A	N/A	N/A
Oriental Hanxiang College ⁽⁴⁾ (founded in 2010) (Computer science and English)	Vocational education training ⁽⁵⁾	2013	N/A	1,200.0	N/A	240	294.3	224
Total			110,631	99,215.7	21,253	19,290	105,153.5	19,184⁽¹¹⁾

Notes:

- (1) During the Track Record Period, the revenue contribution from Civil Aviation and Huahang Aviation were combined as our business relationship with these two Contract Colleges were governed under a single collaborative agreement in each academic year.
- (2) Peking Founder Technology and Beijing City University only leased dormitories from us as they are using teaching buildings that are located in Oriental University City but outside of our Campus Site.
- (3) LOIA was owned and operated by REC and thus a connected person to our Company. It did not have any student intake for the 2013 to 2014 academic year and the 2014 to 2015 academic year because REC Group decided to close down LOIA due to strategic reasons.
- (4) Oriental Hanxiang College only became our Contract College in July 2013.
- (5) For students attending this type of training, only a certificate of completion will be provided, no degree or diploma will be accredited.
- (6) Most of the Contract Colleges commenced leasing education facilities from the Group in 2008 as REC acquired the Group in 2008.
- (7) During the Track Record Period, our pre-existing Contract Colleges leased teaching buildings from us based on the student enrollment and not based on GFA.
- (8) The GFA leased for teaching buildings is based on GFA stipulated on the collaborative agreement for the 2014 to 2015 academic year.
- (9) Although Beijing Oriental College will not lease dormitories from us, but they will continue to lease teaching buildings from us for the 2014 to 2015 academic year.
- (10) The resident student and staff population is based on the number of beds stipulated in the collaborative agreements for the 2014 to 2015 academic year.
- (11) We started to lease to Contract Colleges that offer short-term courses in the 2014 to 2015 academic year, to take a conservative approach, resident students attending short-term courses are not counted as part of the resident student population for the 2014 to 2015 academic year.

BUSINESS

Analysis on the trend

- Overall student and staff population

The overall student and staff population of our Contract Colleges includes both resident students and staff population as well as non-resident students. The demand for teaching buildings mainly depends on the overall student and staff population, whereas the demand for dormitories mainly depends on the resident student population.

As stated in the table above, the resident student and staff population has decreased from 21,253 to 19,290 as of June 30, 2013 to June 30, 2014 and has further decreased slightly to 19,184 in the 2014 to 2015 academic year. The decrease during Track Record Period was mainly due to decrease in the resident student number in Beijing Chinese Medicine, Civil Aviation, Huahang Aviation, Peking Founder Technology and Beijing Oriental College. The decrease in the 2014 to 2015 academic year was mainly due to decrease in resident student and staff population in Civil Aviation, Huahang Aviation and Beijing Oriental College. The reasons for fluctuation in the resident student and staff population for Beijing Chinese Medicine, Civil Aviation, Huahang Aviation and Peking Founder Technology and other Contract Colleges are stated below.

- Average annual rental fee

For teaching buildings, the average annual rental fee per GFA for pre-existing Contract Colleges was approximately RMB264.1 and approximately RMB247.6 for the year ended June 30, 2013 and June 30, 2014, respectively. For the 2012 to 2013 academic year, Civil Aviation and Huahang Aviation leased three blocks of teaching buildings, of which one block was newly renovated, and this block of teaching building was returned to us as they did not lease such teaching building for the 2013 to 2014 academic year, and this contributed to the slight decrease in the average annual rental fee per GFA for teaching buildings from June 30, 2013 to June 30, 2014.

For dormitories, the average annual rental fee per bed for pre-existing Contract Colleges was approximately RMB1,704.0 and approximately RMB1,674.0 for the year ended June 30, 2013 and June 30, 2014, respectively. For the 2012 to 2013 academic year, Beijing Oriental College leased dormitories which can be shared by four persons, as well as dormitories that can be shared by six persons, whereas for the 2013 to 2014 academic year, Beijing Oriental College only leased dormitories that can be shared by six persons. This contributed to the decrease in the average annual rental fee per bed from June 30, 2013 to June 30, 2014, as the annual rental fee per bed for dormitories shared by six persons was lower than the annual rental fee per bed for the dormitories shared by four persons.

BUSINESS

The Directors understand there is a general demand for a better living environment from resident students for less crowded dormitories due to the following reasons:

- For Beijing Oriental College, the increase in demand for dormitories that can be shared by six persons as compared to dormitories shared by four persons for the 2013 to 2014 academic year has its own background as detailed below:
 - o For the 2013 to 2014 academic year, Beijing Oriental College finalized their leasing arrangement with us on July 1, 2013. At the time Beijing Oriental College entered into the collaborative agreement with us, the dormitories that can be shared by four persons have already been taken up by another Contract College such that Beijing Oriental College was left with no choice but to lease dormitories that can be shared by six persons;
 - o Instead of only leasing the most economically priced dormitories, which are the dormitories without bathrooms, for the 2012 to 2013 academic year, Beijing Oriental College has elected to lease dormitories with bathrooms, which indicated that the most economical dormitories might not necessarily be the most popular ones; and
 - o Based on the above, the fact that Beijing Oriental College has been leasing economically priced dormitories itself should not be viewed as an indicator that our Contract Colleges in general demand for economically priced dormitories.
- The students of our Contract Colleges generally perceive the less crowded dormitories to have better living environment. Dormitories that can be shared by four persons are considered to have better living environment than the dormitories that can be shared by six persons;
- Notwithstanding the education facilities leasing fees for the dormitories that can be shared by four persons is generally higher when compared to the dormitories that can be shared by six persons during the Track Record Period, the lease-out rate for our dormitories that can be shared by four persons was 100% for the 2013 to 2014 academic year whereas the lease-out-rate for our dormitories this can be shared by six persons was over 90% for the 2013 to 2014 academic year . This indicated there is a higher demand for dormitories with better living conditions;
- In November 2014, students from Beijing Chinese Medicine and Civil Aviation (who resided in the seven blocks of dormitories we previously leased from Langfang Fenghe) were re-located to the additional five blocks of dormitories we constructed using our internally generated funds. Such dormitories only contain rooms that can be shared by six persons, or eight persons. This has reduced the overall availability of such kind of dormitories. This has in turn created a need from our pre-existing Contract Colleges to demand for dormitories that can be shared by four persons; and

BUSINESS

- Based on our communication with the management of Civil Aviation, such Contract College indicated an interest for additional dormitories that can be shared by four persons in the future, which shows that there will be a continuing demand for dormitories with better living conditions.

- Individual Contract Colleges
 - o Beijing Chinese Medicine

There has been a slight decrease in the resident student and staff population for Beijing Chinese Medicine during the Track Record Period, however, as advised by Oriental University City Management Committee, the overall student population of Beijing Chinese Medicine in Oriental University City has slightly increased during the Track Record Period.

Based on our discussion with Beijing Chinese Medicine, there has been an increasing number of students attended courses with work-experience component outside the Campus Site during the Track Record Period, which contributed to the slight decrease in the resident student population, thus the number of beds leased from us by Beijing Chinese Medicine for the year ended June 30, 2014.

The resident student and staff population of Beijing Chinese Medicine remained stable for the 2014 to 2015 academic year. The GFA leased for teaching buildings has remained stable and increased from 76,562.7 sq.m. as of June 30, 2014 to 85,241.9 sq.m. for the 2014 to 2015 academic year. This increase was mainly attributable to the additional GFA leased by Beijing Chinese Medicine for the use as a library.

- o Civil Aviation and Huahang Aviation

The decrease in GFA and number of beds leased by Civil Aviation and Huahang Aviation from June 30, 2013 to June 30, 2014 was due to a decrease in the combined resident student population for these two Contract Colleges during the same period. The combined resident student population of Civil Aviation and Huahang Aviation decreased from 5,294 as of June 30, 2013 to 4,620 as of June 30, 2014. This was mainly due to a lower resident student population for secondary vocational education (“中專”) at Huahang Aviation, as more students were seeking education programs that offer recognized degrees and such education providers have generally been increasing their student intake.

For the same reason above, the combined resident student and staff population at Civil Aviation and Huahang Aviation for the 2014 to 2015 academic year decreased to 4,056 students. The GFA leased by Civil Aviation and Huahang Aviation for the 2014 to 2015 academic year remained unchanged despite a decrease in the resident student and staff population.

BUSINESS

- o Peking Founder Technology

The decrease in the number of beds leased by Peking Founder Technology during the Track Record Period was due to a decrease in its resident student and staff population during the same period. Nevertheless, as advised by Oriental University City Management Committee, the student enrolment of Peking Founder Technology in Oriental University City has increased during the Track Record Period.

Despite the increase in student enrolment, the number of beds leased by Peking Founder Technology decreased for the year ended June 30, 2014. Based on our discussion with Peking Founder Technology, that there has been an increasing number of students attended courses with work-experience component outside the Campus Site during the Track Record Period. The resident student and staff population for the 2014 to 2015 increased due to increase in its overall student population.

- o Beijing City University

Beijing City University had not leased any teaching buildings from us during the Track Record Period. The resident student number for Beijing City University remain stable during the Track Record Period and for the 2014 to 2015 academic year.

- o Beijing Oriental College

The decrease in GFA and number of beds leased by Beijing Oriental College from June 30, 2013 to June 30, 2014 was due to a decrease in its overall student number as more students are seeking education programs that offer recognized degrees and such education providers have generally been increasing their student intake. For the 2014 to 2015 academic year, Beijing Oriental College started to offer short-term courses. The GFA to be leased by Beijing Oriental College for teaching buildings is decreased from 2039.7 sq.m. to 203.9 sq.m. for the 2013 to 2014 academic year and the 2014 to 2015 academic year, respectively. This is due to less demand for full-time courses at Beijing Oriental College and it has switched its operation model to provision of short-term courses instead of full-time course for the 2014 to 2015 academic year. To take a conservative approach, resident students of Beijing Oriental College attending short-term courses are not counted as part of the resident student for the 2014 to 2015 academic year.

New Contract Colleges

The following table sets forth the relevant information of our new Contract Colleges.

Name of our Contract Colleges	Major courses offered	Type of education	Year became our Contract College
Beauty Art and Creation Training ⁽¹⁾ (founded in 2014)	Arts, music and dancing	Vocational education training ⁽²⁾	2014

BUSINESS

Name of our Contract Colleges	Major courses offered	Type of education	Year became our Contract College
Vision Training ⁽¹⁾ (founded in 2011)	Foreign language and computer science	Vocational education training ⁽²⁾	2014
Zhongaojia Human Resources Development ⁽¹⁾ (founded in 2006)	Training on human resource	Vocational education training ⁽²⁾	2014

Notes:

- (1) These contract colleges are engaged in the provision of short-term courses, and we started to lease our education facilities to them in the 2014 to 2015 academic year.
- (2) Only a certificate of completion will be provided to students who studied this type of education and no degree or diploma will be accredited.

Other Education Institutions near our Campus Site

Oriental University City commenced operation in 2000 and hosted more than 10 education institutions and a student population of approximately 40,000 for the 2013 to 2014 academic year. While we are principally engaged in education facilities leasing business, these education institutions are mainly engaged in the provision of education services. The following table sets forth the relevant information of the major education institutions in Oriental University City (other than our Contract Colleges).

Name of education institutions	Major courses offered	Type of education	Student population for the 2013 to 2014 academic year ⁽¹⁾
Langfang Vocational Technology (廊坊職業技術學院) (founded in 2003)	Automated manufacturing, automation, veterinary, landscape gardening, electronic information, automobile, accounting and finance, management, and cultural education	Higher vocational education	5,150
Langfang Health Vocational School (廊坊衛生職業學院) (founded in 2011)	Nursing, pharmacy, medical nutrition, medical laboratory technology, medical imaging technology, dental technology, rehabilitation technology, medical and cosmetic technology, and health information management	Higher vocational education	3,932

BUSINESS

Name of education institutions	Major courses offered	Type of education	Student population for the 2013 to 2014 academic year ⁽¹⁾
LOIT (廊坊東方職業技術學院) (founded in 2009)	Antiques appraisal, air transportation, railway transportation, health and nursing	Higher vocational education	4,281 ⁽²⁾

Notes:

- (1) Based on figures provided by Oriental University City Management Committee which includes the number of students attending courses in the relevant education institutions of the Oriental University City.
- (2) LOIA was the first college owned and operated by REC within our Campus Site. It did not have any student intake for the 2013 to 2014 or the 2014 to 2015 academic year because REC Group decided to close down LOIA due to strategic reasons. LOIA has been operated under the management of LOIT and courses previously offered by LOIA were transferred to LOIT. For details, please refer to the section headed "History and Development — Post- Reorganization — Excluded Businesses — (2) LOIA" in this prospectus.

Set out below are pictures of certain of our education facilities.



BUSINESS

Factors affecting our operations

Our Directors believe our success to operate education facilities leasing business in Langfang city, would be affected to a large extent by the following factors:

- (a) Our ability to retain existing Contract Colleges;
- (b) Our ability to attract new customers;
- (c) Timely collection of education facilities leasing fee from our Contract Colleges;
- (d) Diversification on the type of dormitories we provide;
- (e) Our ability to charge higher education leasing fee in the future;

The Directors noted a few unfavorable developments occurred during the Track Record Period which have affected our operation. Such unfavorable developments are summarized below:

- (f) Pre-existing Contract Colleges experienced a reduction in the number of their resident student population during the Track Record Period;
- (g) Risk of under-utilization of teaching buildings and dormitories;
- (h) Lower student population for secondary vocational education as more students are seeking education programs that offer degree programs; and
- (i) Restrictions set by government authorities in Hebei and the PRC.

The management of the Group has been committed to deal with such unfavorable developments to ensure the continual and profitable operation of the Group in the future. Based on the considerations below, the Directors believe that the aforesaid factors will continue to sustain our operation in the future, despite the unfavorable developments occurred during the Track Record Period.

Details of these factors and the considerations on the relevant unfavorable developments occurred during the Track Record Period are stated as below.

(a) Our ability to retain existing Contract Colleges

We have an established relationship with the majority of our pre-existing Contract Colleges which have been leasing our education facilities for an average of over five years. As such, we have in-depth understanding of their needs, including their students and staff, which helps us to retain them.

BUSINESS

(i) *Consideration for relocation*

It will be cumbersome and costly for the Contract Colleges to find alternative education facilities due to the following reasons:

- Our Campus Site is situated in Oriental University City, which is the only University City in Langfang city, while as advised by Oriental University City Management Committee, we are the only provider for education facilities leasing in Oriental University City. Accordingly, we believe that it would be difficult for most of our pre-existing Contract Colleges to find and relocate to alternative educational premises in Langfang city;
- The Group has an established relationship with the majority of the pre-existing Contract Colleges which have been leasing the Group's education facilities for an average of over five years. Each of the top three customers of the Group has more than 3,000 students and it would be difficult for them to find and relocate to alternative educational premises due to their sizes;
- The strategic location of the Campus Site, being close to (i) the Beijing Capital International Airport; (ii) the second international airport of Beijing which is currently under construction; and (iii) the Tianjin Binhai International Airport, provides students of the relevant vocational colleges with easy access to potential employment opportunities in the aviation industry, and the use of real aviation model and facilities by Civil Aviation and Huahang Aviation makes it difficult for them to relocate to other alternative campus sites, even if available; and
- Apart from Civil Aviation and Huang Aviation, a number of Contract Colleges also entered into letters of intent with us to indicate their intention to lease from us commenced from July 1, 2014 and ending on June 30, 2017:
 - o Beijing Chinese Medicine, our largest customer during the Track Record Period, which accounted for approximately 48.7% and 53.9%, respectively, of our total revenue for the year ended June 30, 2013 and 2014, has also entered into a letter of intent with us, where it agreed in principle to lease education facilities for a term of three years commenced from July 1, 2014 and ending on June 30, 2017;
 - o Peking Founder Technology and Beijing City University also entered into similar type of long-term arrangement through letters of intent; and
 - o Although these long-term arrangements are not legally binding, they provide a good indication of these Contract Colleges' intention to lease from us.

BUSINESS

(ii) Relocation impact on the Contract Colleges

It is also very time-consuming for any Contract College to relocate to any other alternative campus site. Based on the industry knowledge and after considering the facts as detailed below, it is best estimation of the Directors that the relocation of our Contract Colleges may take at least three years. Contract Colleges have to consider the following for relocation:

- All of our Contract Colleges are privately-run, and their operation location are subject to various restrictions under relevant PRC law:
 - o The relevant Contract Colleges can only operate at the location stipulated in their education permit or operation license; and
 - o They need to apply for a change of their operation location to the relevant educational authorities before any relocation.
- If such Contract Colleges wish to find alternative education facilities in other University City, it will involve the following considerations:
 - o The Contract Colleges need to find education premises suitable for their needs; and
 - o As of October 31, 2014, our Campus Site had an aggregate gross site area of approximately 731 mu (487,270 sq.m.) and is conveniently located in Oriental University City, Langfang city. It is difficult to find alternative University City in urban area with comparable size.
- If the Contract Colleges wish to construct their own campus site instead of leasing education premises, they need to take care of the following:
 - o Depending on the size and location, it can be very costly for any Contract College to acquire their own land and construct for their own teaching facilities and dormitories;
 - o Need to seek various government regulatory approvals, which including but not limited to:
 - Prepare and submit environment impact report to the relevant environment authorities;
 - Apply and obtain relevant land use rights for educational use from relevant land resources authorities; and
 - Obtain approval for commencement of construction on such land from relevant authorities.

BUSINESS

- Each of the top three customers of the Group has more than 3,000 students, if they need to relocate, they need to take care of the following:
 - o Communicate their relocation plan to their students;
 - o Arrange and prepare for the relocation; and
 - o Relocate their students in batches instead of all at once due to their size.

After considering the factors as detailed above, the Directors believe that the impact of relocation will be costly, time-consuming and inconvenient to Contract Colleges. The Directors estimated it will take at least three years for any of top five customers to relocate. The future business of the Group is likely to remain stable, the majority of the pre-existing Contract Colleges are likely to continue to lease education facilities from us and they are expected to continue to make significant contribution to our Group's revenue in the near future.

(b) Our ability to attract new customers

Our ability to attract new customers depends on factors including but not limited to, (i) the overall demand for education facilities in the area that we operate, and (ii) general market conditions such as competition and potential student population due to demographics.

The Directors believe the following factors will make our Campus Site remain an attractive site for education institutions that offer vocational education:

- We have been committed to attract universities, colleges, schools and education training centers which are engaged in vocational education to lease our education facilities since the REC Acquisition in 2008;
- Langfang city's local economy has been developing over the years with particular emphasis on the computer and technology industries. According to Euromonitor, it is expected that the science and technology industry will require a significant number of talented and skilled workers to work in Langfang city. For demographic information on Langfang city, please refer to the section headed "Industry Overview — Demographics of Langfang City" in this prospectus;
- Our Campus Site is located in Langfang Economic and Technology Development Zone of Langfang City and also in close proximity to Beijing Daxing Industrial Development Zone, Tianjin Binhai New Area and Tianjin Jingbin Industrial Zone, where there is a high concentration of foreign and domestic companies engaged in aviation, service industries and information technology. We believe that in light of the considerable demand from these companies for workers with vocational skills, students of our Contract Colleges may have easier access to job opportunities after graduation; and

BUSINESS

- The State Council promulgated a notice in relation to “Decision on accelerating the Development of Modern Vocational Education” (國務院關於加快發展現代職業教育的決定) on May 2, 2014. The purpose of such notice is to encourage the development of vocational education institutions in the PRC, so that they can better prepare their students for the vocational skills that the market requires in various industries. Other general regulatory measures are also in place for the promotion of vocational education in the PRC, which include: (i) private sector players are encouraged to operate vocational education institutions through various corporate form, which include, sole proprietorship, joint venture and cooperation; and (ii) privately-run vocational education institutions are entitled to receive similar type of government grants and subsidies as those publicly-run vocational education institutions.

Based on the best knowledge of the Directors, these measures are directional in nature and only set out the general regulatory principles for the development of vocational education in the PRC, and the Directors are not aware of any detailed implementation measures. Based on the relevant industry knowledge, the Directors believe these regulatory measures, although only directional in nature, will encourage more private-run vocational education institutions to enter into the vocational education industry. We have been committed to attract universities, colleges, schools and education training centers which are engaged in vocational education to lease our education facilities, together with such measures to increase the number of participants for vocational education, and if they consider Langfang city as the appropriate location, this is likely to increase demand for our education facilities.

(c) Timely collection of education facilities leasing fee from our Contract Colleges

Our trade receivables are derived from our leasing activities. In relation to education facilities leasing, lease terms are typically for one year, from July to June of the following year in order to match with the academic calendar of colleges and universities who lease our education facilities. Discussions on renewals of these collaborative agreements normally start in June when the current lease is about to expire. Within three days of signing a collaborative agreement, a deposit (equal to 20% of the education facilities leasing fee) will normally be paid by the relevant Contract College. The remaining 80% of the education facilities leasing fee is generally required to be paid prior to September 20 of the same year. However, we may extend the payment period to some of our Contract Colleges for the remaining 80% of the annual fee on a case-by-case basis based on our relationship and experience with the Contract College. We extend payment terms only when we believe the relevant Contract College has sufficient creditworthiness to settle the receivable and is not experiencing any material liquidity issues.

As part of our ordinary course of business, we sometimes experience difficulties in collecting education facilities leasing fee. We made provisions for impairment on education facilities leasing fee for one of our former Contract Colleges, which amounted to approximately RMB1.0 million in the income statement for the year ended June 30, 2013. The Directors believe this former Contract College was unable to attract sufficient students for its program

BUSINESS

which led to the delay in payment and impairment provision. Of the RMB1.0 million provision, RMB0.6 million was written off against the trade receivables and the remaining approximately RMB0.4 million was collected as of June 30, 2014. This Contract College was no longer our tenant since July 2012 and thus was not a Contract College for the Track Record Period.

Our provisions for trade receivable impairments that were recognized in our income statement only accounted for 1.5% and nil of the total revenue for the year ended June 30, 2013 and 2014, respectively.

Prior to entering into agreements with new Contract Colleges, we conduct background checks on them including their scale of operation, history and nature of their programs. The Directors believe that there are also sufficient credit collection policies and measures in place in the Group to monitor the collection of trade receivables.

We believe such measures will help us to minimize the risks associated with the failure of payment from potential new customers. For details, please refer to the section headed “Financial Information — Critical accounting policies and estimates — Trade and other receivables” in this prospectus. For the risks associated with collection of our education facilities leasing fee, please refer to the section headed “Risk Factors — Risks relating to our business — We may face difficulties in collecting our education facilities leasing fee and rent” in this prospectus. There is generally no renewal clause in the collaborative agreements.

(d) *Diversification on the type of dormitories we provide*

We believe there is an increasing demand for a better living environment from students and staff. As such, we plan to apply all of the net proceeds from the Listing to build new dormitories with better facilities. Our existing dormitories are of rooms with four to eight beds. Our new dormitories will include rooms of three beds. Overall, these measures are intended to improve the education facilities in the Campus Site and to attract new customers, as well as to allow us to negotiate higher education facilities leasing fee with our Contract Colleges in the future. For details, please refer to the section headed “Strategy and Use of Proceeds” in this prospectus.

(e) *Our ability to charge higher education leasing fee in the future*

To better reflect the actual space occupied by our Contract Colleges and ease for internal planning, we have changed the method we charge our education facilities leasing fee for the teaching buildings. As part of our ordinary commercial negotiation with our Contract Colleges, they were able to accept such changes, and we were able to reflect such changes in the collaborative agreements for the 2014 to 2015 academic year. During the Track Record Period, we charged our Contract Colleges based on a unit rate per student, which ranged from approximately RMB1,700 to RMB2,100 per student. For the 2014 to 2015 academic year, we charge the Contract Colleges (except for Beijing Chinese Medicine which we intend to enter into such new arrangement in the 2015 to 2016 academic year) based on GFA rented. The annual rental rate we charge our Contract Colleges ranges from approximately RMB400 to

BUSINESS

RMB420 per sq.m. for the leasing of teaching buildings for the 2014 to 2015 academic year. This is equivalent to approximately RMB2,000 to RMB2,100 per student per annum calculated based on five sq.m. per student. This new rental arrangement for teaching buildings can better reflect the GFA rented by each of the Contract Colleges. Under this new rental arrangement for teaching buildings, we expect to receive slightly higher income for leasing of teaching buildings as we are effectively charging a higher rental rate than before. We expect to continue such charging basis on GFA in the foreseeable future.

(f) *Pre-existing Contract Colleges experienced a reduction in the number of their resident student population during the Track Record Period*

There was a decrease in resident student population of our Contract Colleges. The resident student population of these Contract Colleges was over 21,000 and 19,000 for the year ended June 30, 2013 and 2014, respectively. Our revenue amounted to approximately RMB68.6 million and RMB59.6 million, for the year ended June 30, 2013 and 2014, respectively. Our revenue decreased by 13% during the Track Record Period, this was mainly attributable to a decrease of resident student population of our Contract Colleges.

All of our Contract Colleges have entered into collaborative agreements with us for the 2014 to 2015 academic year. Our seven pre-existing Contract Colleges continued to lease from us for the 2014 to 2015 academic year. The resident student population of Huahang Aviation and Beijing Oriental University College decreased for the 2014 to 2015 academic year, whereas the resident student population for Peking Founder Technology increased for the same period. Thus, the resident student population for the 2014 to 2015 academic year remains at similar level compared to the 2013 to 2014 academic year. For details on the breakdown of resident student population for the 2014 to 2015 academic year, please refer to the subsection headed “Our business — Education facilities leasing — Information about Contract Colleges” in this section.

A number of Contract Colleges also entered into letters of intent with us to indicate their intention to lease from us commenced from July 1, 2014 and ending on June 30, 2017. Beijing Chinese Medicine, our largest customer during the Track Record Period, which accounted for approximately 48.7% and 53.9%, respectively, of our total revenue for the year ended June 30, 2013 and 2014, has also entered into a letter of intent with us, where it agreed in principle to lease education facilities for a term of three years commenced from July 1, 2014 and ending on June 30, 2017. In addition, Peking Founder Technology and Beijing City University also entered into similar type of long-term arrangement through letters of intent. Although these long-term arrangements are not legally binding, they provide a good indication of these Contract Colleges’ intention to lease from us.

BUSINESS

The following table sets out the details of demand or potential demand from the relevant Contract Colleges for each of the 2014 to 2015 academic year, the 2015 to 2016 academic year and the 2016 to 2017 academic year, respectively.

Actual resident student and staff population for the 2014 to 2015 academic year (based on the collaborative agreements)	19,184
Full-time course	
Estimated resident student population for full-time courses (based on the letters of intent and our communication with two of our Contract Colleges ⁽¹⁾)	
2015 to 2016 academic year	21,148 to 22,530
2016 to 2017 academic year	21,148 to 22,530
Short-term course	
Estimated resident student population for short-term courses (based on the education service agreement ⁽²⁾)	
2015 to 2016 academic year	2,715
2016 to 2017 academic year	3,355
Aggregate number for both full-time and short-term courses	
2015 to 2016 academic year	23,863 to 25,245
2016 to 2017 academic year	24,503 to 25,885

Notes:

- (1) Civil Aviation and Huang Aviation have not entered into any letter of intent with us, the projected increase in estimated resident student and staff population for the relevant academic year is based on our communication with them.
- (2) Education service agreement only acts as a framework agreement, the final actual demand is subject to the entering of supplemental agreement prior to commencement of short-term course.

Our resident student and staff population for dormitories for the 2014 to 2015 academic year is approximately over 19,000. We also started business relationship with three new Contract Colleges which offer short-term courses and as we are currently restricted by the number of available bed spaces after fulfilling the demands from full-time courses Contract Colleges, we shall meet the demands from these Contract Colleges on a first-come-first-serve basis. To take a conservative approach, resident students of these three new Contract Colleges have not been counted as part of the resident student population referred to above for the 2014 to 2015 academic year for prudent sake.

(i) *Demand from Contract Colleges that provide full-time courses*

We estimated that the demand for our dormitories will continue to come from Contract Colleges that provide both full-time courses and the short-term courses. The letters of intent are signed by three of our Contract Colleges that provide full-time courses, namely, Beijing Chinese Medicine, Peking Founder Technology and Beijing City University. The existing letters of intent signed with these three Contract Colleges are for

BUSINESS

a term of three years from July 1, 2014 to June 30, 2017. Civil Aviation and Huahang Aviation also provide full-time courses, however, they have not entered into any letter of intent with us. For each of the 2015 to 2016 academic year and the 2016 to 2017 academic year, the estimated resident student population attending full-time courses is projected to be 21,148 and 22,530, respectively, which is based on the letter of intent and our communication with two of our Contract Colleges.

(ii) *Demand from Contract Colleges that provide short-term courses*

To facilitate our internal planning on the leasing of education facilities and to meet the requirements of our Contract Colleges for providing short-term courses, we enter into education service agreements with our Contract Colleges. The education service agreements only act as the framework agreements between the Contract Colleges and us. The existing education service agreements are generally for a term of three years from July 1, 2014 to June 30, 2017, setting out the estimated resident student population of the Contract Colleges for the relevant academic year. For the 2015 to 2016 academic year and the 2016 to 2017 academic year, the estimated resident student population attending short-term courses is projected to be 2,715, and 3,355, respectively.

(iii) *Overall future demand from Contract Colleges*

The aggregate demand from Contract Colleges engaged in full-time and short-term courses is approximately in the range of 23,863 to 25,245, and 24,503 to 25,885 for the 2015 to 2016 academic year and the 2016 and 2017 academic year, respectively. The Directors wish to draw investors' attention that, (i) the letters of intent are non-legally binding, which only show an estimate of the resident student population attending full-term courses of our Contract Colleges; (ii) the education service agreement is also a framework agreement, we will enter into supplemental agreements prior to the commencement of the relevant short-term courses offered by the Contract Colleges when the lease period and the lease location are finalized.

The entering of the education service agreement provides us with an indication of the potential demand from our Contract Colleges. As such demand is from Contract Colleges engaging in short-term courses, which are for a few months, we still maintain the flexibility to enter into the supplemental agreement when the actual demand arises and when we have extra dormitory capacity to accommodate such short-term courses providers for each of the 2015 to 2016 academic year and the 2016 to 2017 academic year, respectively.

(iv) *Construction of new dormitories*

We engaged third party contractors to build an additional five blocks of dormitories using our internally generated funds, and we have completed these dormitories in October 2014. Students from Beijing Chinese Medicine and Civil Aviation that resided in

BUSINESS

the seven blocks of dormitories we previously leased from Langfang Fenghe, re-located to these additional dormitories in November 2014. The overall effect is a decrease in the total number of beds available for leasing from 20,468 as of June 30, 2014 to 19,504 as of November 30, 2014.

As the lease-out rate for our dormitories are close to full capacity and to diversify the type of dormitories we provide, we plan to use all of our net proceeds from the Placing to construct new dormitories to house approximately 3,500 students and staff. The construction of the new dormitories will increase our total dormitory capacity by 17.9% from 19,504 beds as of November 30, 2014 to approximately 23,004 beds for the 2016 to 2017 academic year.

For the 2016 to 2017 academic year, the total demand for bed space for the resident student and staff is expected to increase based on (i) our current education service agreements and letters of intent with our Contract Colleges, which indicate on the lower end that approximately 3,800 additional bed spaces will be needed, of which approximately 500 additional bed spaces are for full-time courses students and approximately 3,300 bed spaces are for short-term courses students; (ii) the management of Civil Aviation and Huahang Aviation have indicated through our communication that they may require an additional 1,500 bed spaces from us for new courses. Accordingly, the lease-out rate for dormitories for the 2016 to 2017 academic year is expected to remain at near full capacity. For details, please refer to the section headed “Strategy and Use of Proceeds” in this prospectus.

We have already renewed collaborative agreements with all of our pre-existing Contract Colleges for the 2014 to 2015 academic year. For the 2014 to 2015 academic year, we also entered into education service agreements and collaborative agreements with three new Contract Colleges, namely, Beauty Art and Creation Training, Vision Training and Zhongaojia Human Resources. For details on the contractual arrangement with new Contract Colleges, please refer to the subsection headed “Our business — Education facilities leasing — Agreements with Contract Colleges” in this section.

In general, we expect the resident student population of our Contract Colleges and the revenue to be generated from them to remain relatively stable in the near future.

(v) *Numerous factors can affect student enrollment for our Contract Colleges*

- From the Contract Colleges perspective:
 - the ability of our Contract Colleges to develop new programs and enhance existing programs to respond to changes in market trends and student demands;
 - the way our Contract Colleges structure their programs;
 - ability of our Contract Colleges to establish and maintain their reputation in the field; and

BUSINESS

- competition among education institutions for students.
- From the student perspective:
 - students demographics and population;
 - job opportunities and future prospects of the students' fields of study; and
 - preference of student to choose degree and higher vocational education.
- From the overall economy perspective:
 - economic conditions; and
 - government policies.

If our Contract Colleges are unable to attract or retain students, the resident student population of our Contract Colleges may decrease. For details please refer to the sections headed "Risk Factors — Risks relating to our business — Our revenue decreased during the Track Record Period, and if our Contract Colleges are not able to continue to attract students, our business and prospects will be adversely affected" and "Risk Factors — Risks relating to our business — Should other education institutions near our Campus Site offer courses similar to those of our Contract Colleges, the student population of our Contract Colleges may decrease" in this prospectus.

(g) *Risk of under-utilization of teaching buildings and dormitories*

The demand for the Group's facilities is mainly from both teaching buildings and dormitories leasing and to a much lesser extent, commercial leasing for supporting facilities. The revenue from leasing of teaching buildings accounted for 42.6% and 41.2% of our total revenue for the year ended June 30, 2013 and June 30, 2014, respectively, while revenue from leasing of dormitories accounted for 52.9% and 54.1%, respectively, of our total revenue over the same periods. The majority of the Group's source of income is currently from the leasing of dormitories and it is expected that this will continue in the future.

(i) *Dormitories*

The overall lease-out rate for the dormitories increased from 91.6% to 94.2% as of June 30, 2013 and June 30, 2014, respectively. As the lease-out rate for our dormitories are close to full capacity and to diversify the type of dormitories we provide, we plan to use all of our net proceeds from the Placing to construct new dormitories to house approximately 3,500 students and staff.

We engaged third party contractors to build an additional five blocks of dormitories using our internally generated funds, and we have completed these dormitories in October 2014. Students from Beijing Chinese Medicine and Civil Aviation that resided in

BUSINESS

the seven blocks of dormitories we previously leased from Langfang Fenghe, re-located to these additional dormitories in November 2014. As a result of this arrangement, the number of beds from self-owned dormitories increased from 15,604 as of June 30, 2014 to 19,504 as of November 30, 2014, and the number of beds from leased dormitories decreased from 4,864 to nil for the same period. The overall effect is a decrease in the total number of beds available for leasing from 20,468 as of June 30, 2014 to 19,504 as of November 30, 2014. The new dormitories (which are expected to be in use for the 2016 to 2017 academic year) will increase our total dormitory capacity by 17.9% from 19,504 beds as of November 30, 2014 to approximately 23,004 beds for the 2016 to 2017 academic year.

Our resident student and staff population for dormitories for the 2014 to 2015 academic year is approximately 19,000. For the 2016 to 2017 academic year, the total demand for bed space for the resident student and staff is expected to increase based on (i) our current education service agreements and letters of intent with our Contract Colleges, which indicate on the lower end that approximately 3,800 additional bed spaces will be needed, of which approximately 500 additional bed spaces are for full-time courses students and approximately 3,300 bed spaces are for short-term courses students; (ii) the management of Civil Aviation and Huahang Aviation have indicated through our communication that they may require an additional 1,500 bed spaces from us for new courses. Accordingly, the lease-out rate for dormitories for the 2016 to 2017 academic year is expected to remain at near full capacity.

(ii) *Teaching buildings*

The lease-out rate for the teaching buildings increased from 74.5% to 83.1% as of June 30, 2013 and June 30, 2014, respectively. A principal parameter for the lease-out rate for teaching buildings is the total GFA leased out to our Contract Colleges. For the 2014 to 2015 academic year, for teaching buildings, Beijing Chinese Medicine, Civil Aviation, Huahang Aviation, Beijing Oriental College and Oriental Hanxiang College have leased teaching buildings from us. The total GFA expected to be leased from us is approximately 105,153.5 sq.m. for the 2014 to 2015 academic year. This represents 6.0% increase from the total GFA leased from the Group for the 2013 to 2014 academic year. The 6.0% increase in the total GFA is attributable to the additional GFA leased by Beijing Chinese Medicine for the 2014 to 2015 academic year.

The un-utilized space in the teaching buildings is reserved for any potential demand from new customers in the future for Contract Colleges that engage in full-time courses or short-term courses. For example, Vision Training, one of the Group's new Contract Colleges also entered into a rental agreement for teaching building for one year in May 2014.

In addition, the construction of new dormitories may also attract new customers into our Campus Site, as the new customers may start to lease dormitories from us first and

BUSINESS

later require teaching buildings from us when they see it is easier to find teaching buildings which are in close proximity of the existing dormitories they already leased from us. The demand for dormitories is also likely to feed demand for teaching buildings on our Campus Site.

- (h) *Lower student population for secondary vocational education as more students are seeking education programs that offer degree programs*

The Directors believe this development has limited impact on our operation due to the following reasons:

- Although student enrolment at Huahang Aviation and Beijing Oriental College decreased as more students are seeking education programs that offer recognized degrees instead of secondary vocational programs and vocational education training programs, our resident student population remains stable at around 19,000 students for the 2014 to 2015 academic year;
- According to Euromonitor, the total student enrollment in higher education institutions is expected to continue to grow. For details, please refer to the section headed “Industry Overview — Overview of China Education Market — Higher education in China” in this prospectus; and
- There are a range of different type of education that our Contract Colleges offer that will help diversify the risks association with provision of secondary vocational education. The following table sets out the type of education each of our pre-existing Contract Colleges offer:

Name of our pre-existing Contract Colleges and major courses offered	Type of education
Beijing Chinese Medicine (founded in 2005) (Chinese medicine, health awareness, and nursing)	Degree education
Civil Aviation ⁽¹⁾ (founded in 1982) (Civil aviation and logistics, aviation services, and aviation safety)	Higher vocational education
Huahang Aviation ⁽¹⁾ (founded in 2008) (English for civil aviation, aviation services, and aviation safety)	Secondary vocational education
Peking Founder Technology (founded in 2002) (Computer science, electronic information engineering, multimedia and design, and business management)	Higher vocational education
Beijing City University (founded in 1984) (Foreign language and culture, tourism and hotel management, electronic information engineering, and design)	Degree education

BUSINESS

<u>Name of our pre-existing Contract Colleges and major courses offered</u>	<u>Type of education</u>
Beijing Oriental College (founded in 2002) (Aviation travel, international navigation, bilingual studies, economics and management, and software)	Vocational education training
Oriental Hanxiang College (founded in 2010) (Computer science and English)	Vocational education training

Note:

- (1) During the Track Record Period, the revenue contribution from Civil Aviation and Huahang Aviation were combined as our business relationship with these two Contract Colleges were governed under a single collaborative agreement in each academic year.

Accordingly, the Directors believe, the decrease in student number at Huahang Aviation and Beijing Oriental College, is not expected to have a significant impact on the total student population in the future.

(i) *Restrictions set by government authorities in Hebei and the PRC*

There are various restrictions set by government authorities in Hebei Province and the PRC in relation to student fees for both private and public HEIs. All of our Contract Colleges are private HEIs and are subject to those restrictions applicable to private HEIs. For details, please refer to the section headed “Regulation — Regulations relating to private education — Regulations on students fees” in this prospectus.

The Directors believe the impact of those restrictions applicable to private HEIs on our operation is limited due to the following reasons:

- Such restrictions are subject to revision by the government authorities in Hebei Province and the PRC from time to time. Based on the industry knowledge of the Directors, the revisions of these policies and regulations usually provide private HEIs with more flexibility to adjust their student fees compare to public HEIs, which in turn create more room for our Contract Colleges to charge higher student fees; and
- Based on past experience, those restrictions do not have any material impact on our fee negotiations with the Contract Colleges and our operation in general, and we do not expect them to have any impact in the near future.
- We charge the education facilities leasing fees to our Contract Colleges directly and not their students. The Contract Colleges will make their own assessment of their cost structures and determine how to fit any additional education facilities leasing fees within the price allows by the government authorities. For the 2014 to 2015 academic year, we have successfully negotiated for higher education facilities leasing fees with some of our Contract Colleges.

BUSINESS

- As a corporation, we are generally not restricted by the government authorities in Hebei Province and the PRC as to the leasing fees that we charge our Contract Colleges for our education facilities. We determine the scope of increase in the leasing fees of our education facilities with reference to any increase in student fees by our Contract Colleges, but our most important considerations are demand of the market and the lease-out rate of our education facilities.

Nonetheless, we cannot guarantee that those restrictions may not limit our ability to increase the education facilities leasing fee that we charge our Contract Colleges in the future. There can be no assurance that the regulations on student fees applicable to our Contract Colleges will not become more restrictive on the level of student fees that our Contract Colleges can charge. For details, please refer to the section headed “Risk Factors — Risks relating to our business — The ability of our Contract Colleges to charge their students are subject to restrictions set by relevant government authorities in Hebei and the PRC, which we have no control. As a result, our ability to increase the education facilities leasing fee of our Contract Colleges may also be restricted.” in this prospectus.

Agreements with Contract Colleges

The following table summarizes the type of agreements we entered into with our Contract Colleges as of the Latest Practicable Date:

Name of the Contract Colleges	Letters of intent	Collaborative agreements		Education service agreements	Supplemental agreement to the education service agreements
	July 1, 2014 to June 30, 2017	Track Record Period	2014 to 2015 academic year	July 1, 2014 to June 30, 2017	2014 to 2015 academic year
Beijing Chinese Medicine	✓	✓	✓	—	—
Civil Aviation	—	✓	✓	—	—
Huahang Aviation	—	✓	✓	—	—
Peking Founder Technology	✓	✓	✓	—	—
Beijing City University	✓	✓	✓	—	—
Beijing Oriental College	—	✓	✓	✓ ⁽³⁾	—
Oriental Hanxiang College	—	✓	✓ ⁽¹⁾	✓ ⁽⁴⁾	—
Beauty Art and Creation Training	—	—	✓ ⁽⁵⁾	✓	✓
Vision Training	—	—	✓ ⁽²⁾⁽⁵⁾	✓	—
Zhongaojia Human Resources	—	—	✓ ⁽⁵⁾	✓	✓

Notes:

- (1) Oriental Hanxiang College entered into a four year collaborative agreement for dormitories with us given they have refurbished the relevant dormitories and requested for longer lease term. Other major terms under such agreement were similar to other collaborative agreements.

BUSINESS

- (2) Vision Training entered into a rental agreement with us for teaching building for one year. Major terms under the rental agreement were similar to other collaborative agreements.
- (3) Beijing Oriental College provided full-time courses during the Track Record Period. However, as some of the courses previously provided became less popular with potential students, it changed its operation model to provide short-term courses for the 2014 to 2015 academic year.
- (4) In addition to provision of full-time courses, Oriental Hanxiang College started to provide short-term courses for the 2014 to 2015 academic year.
- (5) Even though these Contract Colleges are engaged in short-term courses, they still entered into the yearly collaborative agreements with us, as they hold multiple short-term courses throughout the year, to secure certain premises prior to the commencement of certain short-term courses to provide such Contract Colleges with some basic venue to operate, and they will enter into further supplemental agreements if additional demand arises for short-term courses.

In order to meet the requirements of our Contract Colleges in providing yearly and short-term courses, we enter into letters of intent and collaborative agreements for leasing of education facilities for the full academic year(s) as well as education service agreements and its supplemental agreements for the leasing of education facilities for short-term courses.

(a) *Letters of intent*

With a view to maintaining a long-term relationship and preparing in the future demand of education facilities leasing, we entered into letters of intent with certain Contract Colleges. Letters of intent act as the framework agreement between the Contract Colleges and us relating to the long-term leasing of education facilities for yearly courses. Under the letters of intent, the Contract Colleges expressed their intention to lease the education facilities on our Campus Site and stated the estimated resident student population for the forth-coming three years. We shall provide education facilities to the Contract Colleges based on their estimated resident student population. It is also stated in the letters of intent that we are responsible for delivering the education facilities to the Contract Colleges according to the terms in the collaborative agreements. No rental rate nor leased GFA is stated in the letters of intent as it is to be agreed annually under the collaborative agreements to be signed before the start of an academic year. As advised by our PRC Legal Advisors, the letters of intent are not legally binding. The existing letters of intent signed with three Contract Colleges are for a term of three years from July 1, 2014 to June 30, 2017.

(b) *Collaborative agreements*

(i) *Term*

Before the start of an academic year, collaborative agreements which are legally binding are entered into between the Contract Colleges and us generally for a term of one year covering the period from July of a particular year to June of the following year. Detailed terms including rental rate and GFA leased are set out in the collaborative agreements. Discussions on the renewal of the collaborative agreements normally start in June every year. Student enrollment is an important factor for the Contract Colleges to

BUSINESS

determine the size of education facilities to be leased from us. Before entering into collaborative agreements, Contract Colleges will estimate their student numbers prior to the start of each academic year in September each year.

(ii) *Education facilities leasing fee*

The education facilities leasing fee chargeable to Contract Colleges for the leasing of our teaching buildings and dormitories are generally determined as follows:

- For leasing of teaching buildings, we charge an education facilities leasing fee calculated on the basis of a unit rate per student and the number of students stipulated in the collaborative agreements which are signed prior to the commencement of the relevant academic year. In general, the students use our teaching buildings include both resident and non-resident students attending our Contract Colleges, we do not conduct any physical check on the number of students using our teaching buildings due to the practical difficulty in counting such student numbers. The actual unit rate per student charged to Contract Colleges during the Track Record Period ranged from approximately RMB1,700 to RMB2,100 per student. The unit rate per student differs under each collaborative agreement, mainly depending on our relationship with that Contract College and the size of the teaching buildings to be leased.

Under the new arrangements starting from the 2014 to 2015 academic year, we charge an annual fee calculated on the basis of a unit rate per GFA and the GFA rented. The collaborative agreements set out unit rate per sq.m. of the teaching buildings. As stipulated in the existing collaborative agreements for leasing of teaching buildings for the 2014 to 2015 academic year, the annual rental rate we charge our Contract Colleges ranges from approximately RMB400 to RMB420 per sq.m. (equivalent to approximately RMB2,000 to RMB2,100 per student calculated based on five sq.m. per student), except for Beijing Chinese Medicine with whom we intend to enter into such new arrangement in the 2015 to 2016 academic year. The unit rate per sq.m. differs under each collaborative agreement, depending on the size of the Contract College, our relationship with the Contract College, the size and location of the teaching buildings. This new rental arrangement for teaching buildings can better reflect the GFA rented by each of the Contract Colleges. Under this new rental arrangement for teaching buildings, we expect to receive slightly higher income for leasing of teaching buildings as we are effectively charging a higher rental rate than before.

- For leasing of dormitories, we charge an education facilities leasing fee calculated on the basis of a unit rate per bed and the number of beds required by the resident student and staff of the Contract College as stipulated in the collaborative agreements which are signed prior to the commencement of the relevant academic year. We will conduct physical check on the dormitories leased by our Contract Colleges to help ensure the actual number of students using the dormitories do not exceed those as stipulated in the collaborative agreements. As stipulated in the collaborative agreements, the unit rate per bed during the Track Record Period

BUSINESS

ranged from approximately RMB1,200 to RMB2,300. For the 2014 to 2015 academic year, the unit rate per bed is of the same range. The unit rate per bed differs under each collaborative agreement, mainly depending on the location, condition and size of the dormitory to be leased.

(iii) *Payment terms*

In general, as stipulated in the collaborative agreement, a deposit (equivalent to 20% of the total education facilities leasing fee) is payable by the relevant Contract College within three days of signing a collaborative agreement. Such deposit is set against the payment obligation of 20% of the total education facilities leasing fee when the education facilities are handed over to the relevant Contract Colleges for use. The remaining 80% of the total education facilities leasing fee is to be settled prior to September 20 of that calendar year. All payments under the collaborative agreements are settled by way of bank check, bank transfer or draft.

(iv) *Security deposit*

Contract Colleges that lease our dormitories are required to pay a security deposit of RMB200 per bed upon signing the collaborative agreements as security for covering potential losses arising from damage of the facilities. Such security deposit is payable in addition to the education facilities leasing fee and will, in the event of no damage, be returned to our Contract Colleges when they cease to renew the collaborative agreement. This security deposit arrangement does not apply to the leasing of teaching buildings.

(v) *Termination and renewal*

We have a right to terminate a collaborative agreement with a Contract College if, among others, the relevant Contract College fails to pay the education facilities leasing fee by a specified date. However, we have not exercised such right of termination since our establishment. Rather, we have extended the payment period.

As part of our ordinary course of business, we sometimes experience difficulties in collecting education facilities leasing fees. We made provisions for impairment on education facilities leasing fee for one of our former Contract Colleges, which amounted to approximately RMB1.0 million in the income statement for the year ended June 30, 2013 (of which approximately RMB0.6 million of such provision was written off against the trade receivables and the remaining approximately RMB0.4 million was collected as of June 30, 2014). This Contract College was no longer our tenant since July 2012 and thus was not a Contract College for the Track Record Period and thereafter. Our provisions for trade receivable impairments that were recognized in our income statement accounted for 1.5% and nil of the total revenue for the year ended June 30, 2013 and 2014, respectively.

We are selective in choosing potential new customers and, prior to entering into agreements with them, we conduct background checks on potential Contract College including their scale of operation, history and nature of their programs. The Directors believe that there are also sufficient credit collection policies and measures in place in the Group's existing internal control system to monitor the collection of trade receivables. We

BUSINESS

believe such measures will help us to minimize the risks associated with the failure of payment from potential new customers. For details, please refer to the section headed “Financial Information — Critical accounting policies and estimates — Trade and other receivables” in this prospectus. For the risks associated with collection of our education facilities leasing fee, please refer to the section headed “Risk Factors — Risks relating to our business — We may face difficulties in collecting our education facilities leasing fee and rent” in this prospectus. There is generally no renewal clause in the collaborative agreements.

(c) *Education service agreements for short-term courses*

To facilitate our internal planning on the leasing of education facilities and meet the requirements of our Contract Colleges for providing short-term courses, we enter into education service agreements with our Contract Colleges. The education service agreements act as the framework agreements between the Contract Colleges and us, relating to the leasing of education facilities during the term of the agreement for short-term courses. The education service agreement is legally binding. The estimated resident student population of the Contract Colleges for the forthcoming three years are also set out in the education service agreements. The principal terms of the education service agreements are set out below.

(i) *Term*

The education service agreements are for a period of three years. The existing education service agreements are generally for a term of three years from July 1, 2014 to June 30, 2017. We plan to discuss the renewal of these education service agreements prior to the end of their terms with the relevant Contract Colleges.

(ii) *Rental rate*

Rental rates are set out in the education service agreements. Given the comparatively short-term nature of the lease, the education facilities leasing fee is charged on a monthly basis if the lease period is longer than 25 days. If the lease period is shorter than 25 days, the education facilities leasing fee is charged on a daily basis.

For leasing of teaching buildings, we set out a unit rate per sq.m. under the education service agreements. As stipulated in the existing education service agreements with the relevant Contract Colleges, the actual unit rental charged was RMB60 per sq.m. for each month.

For leasing of dormitories, we set out a range of unit rates per bed under the education service agreements. As stipulated in the existing education service agreements with the relevant Contract Colleges, the unit rate per bed ranged from RMB8 to RMB16 per bed per day. The unit rate per bed differs under each education service agreement, depending on the location, condition and size of the dormitory to be leased.

BUSINESS

(iii) *Payment terms*

It is stated in the education service agreement that the Contract Colleges should either pay (i) 20% of the total education facilities leasing fee as deposit, with the remaining fee to be settled within certain days after signing of the supplemental agreement, or (ii) an amount equivalent to one month education facilities leasing fee as advance payment within certain days after the signing of the relevant supplemental agreements. Depending on the duration of use, the remaining balance will also be settled on specific dates determined on a case-by-case basis. All payments under the education service agreements are settled by way of bank check, bank transfer or draft.

(iv) *Security deposit*

Contract Colleges that lease our dormitories for short-term courses are required to pay a security deposit of RMB100 per bed. This security deposit arrangement does not apply to the leasing of teaching buildings.

(v) *Termination*

We have a right to terminate an education service agreement with a Contract College if, among others, the relevant Contract College fails to pay the education facilities leasing fee by a specified date.

(d) *Supplemental agreements for short-term courses*

We enter into supplemental agreements prior to the commencement of the relevant short-term courses offered by the Contract Colleges when the lease period, lease location and number of students are confirmed. The total education facilities leasing fee for short-term courses are stipulated in the supplemental agreements. The supplemental agreement sets out the detailed terms of the specific lease, including but not limited to, the number of beds for leasing of dormitories, the GFA for leasing of teaching facilities and the payment terms.

It is stated in the supplemental agreements that the Contract Colleges should either pay (i) 20% of the total education facilities leasing fee as deposit, with the remaining fee to be settled within certain days after signing of the supplemental agreements, or (ii) an amount equivalent to one month education facilities leasing fee as advance payment within certain days after the signing of the relevant supplemental agreements. Depending on the duration of use, the remaining balance will be also be settled on specified dates determined on a case-by-case basis.

As of the Latest Practicable Date, we have not entered into any supplemental agreement for the leasing of teaching buildings and we have entered into two supplemental agreements for the leasing of dormitories with one of the Contract Colleges. The leasing period in the existing supplemental agreements are for a period of one month. The Contract College pays one month education facilities leasing fee in advance and a security deposit of RMB100 per bed within three days after signing of the supplemental agreements.

The commencement date and expiry date of the existing agreements

As our supplemental agreements are short-term in nature, the following table only sets out the commencement date and expiry date of the letter of intent, collaborative agreement and education service agreement that we have entered into with our Contract Colleges as of the Latest Practicable Date:

Name of the Contract Colleges	Letter of Intent		Collaborative agreements		Education service agreements ⁽³⁾	
	Commencement date	Expiry date	Commencement date	Expiry date	Commencement date	Expiry date
Beijing Chinese Medicine	July 1, 2014	June 30, 2017	July 1, 2014	June 30, 2015	—	—
Civil Aviation	—	—	July 1, 2014	June 30, 2015	—	—
Huahang Aviation	—	—	July 1, 2014	June 30, 2015	—	—
Peking Founder Technology	July 1, 2014	June 30, 2017	July 1, 2014	June 30, 2015	—	—
Beijing City University	July 1, 2014	June 30, 2017	July 1, 2014	June 30, 2015	—	—
Beijing Oriental College	—	—	September 1, 2014	August 31, 2015	July 1, 2014	June 30, 2017
Oriental Hanxiang College	—	—	July 1, 2014 September 1, 2014	June 30, 2015 August 31, 2018 ⁽¹⁾	July 1, 2014	June 30, 2017
Beauty Art and Creation Training	—	—	August 1, 2014	July 31, 2015	July 1, 2014	June 30, 2017
Vision Training	—	—	November 5, 2014	November 4, 2015 ⁽²⁾	July 1, 2014	June 30, 2017
Zhongaojia Human Resources	—	—	December 1, 2014 November 5, 2014	November 30, 2015 November 4, 2015	July 1, 2014	June 30, 2017

Notes:

- (1) Oriental Hanxiang College entered into a four year collaborative agreement for dormitories with us given they have refurbished the relevant dormitories and requested for longer lease term. Other major terms under such agreement were similar to other collaborative agreements.
- (2) Vision Training entered into a rental agreement with us for teaching building for one year. Major terms under the rental agreement were similar to other collaborative agreements.
- (3) Education service agreements govern our relationship with Contract Colleges for short-term courses.

BUSINESS

Commercial leasing for supporting facilities

Our revenue for commercial leasing for supporting facilities accounted for approximately 4.5% and 4.7% of our revenue for the year ended June 30, 2013 and June 30, 2014, respectively. We lease some of our buildings or premises on our Campus Site to commercial tenants who offer a range of supporting facilities including grocery stores, laundry shops, internet cafes and canteens. In selecting our commercial tenants, we focus primarily on their ability to provide supporting facilities that are relevant to and can meet the daily needs of the students and teaching staff of our Contract Colleges.

As of June 30, 2014, we had an aggregate GFA of approximately 46,111 sq.m. available for commercial leasing for supporting facilities, which were leased to approximately 50 tenants. The principal terms of our commercial leasing agreements are set out below.

Term

The term of our commercial leases is generally for one year.

Rent

We charge our commercial tenants an annual fixed rent on the basis of the leased area. The amount of rent per sq.m. for each commercial lease varies, depending on the location of the property or shop to be leased, the market condition and the reputation of the relevant tenant.

Payment terms

Typically, our commercial tenants are required to pay the full amount of the annual rent upfront within seven days of the commencement of the lease term. In addition, our commercial tenants are required to pay a fixed security deposit within seven days after signing of a lease agreement. Such security deposit is payable in addition to the annual rent and will, absent any damage caused to the premises or any breach of the lease agreement, be returned to our commercial tenants at the end of the term.

Termination

The lease agreement may be terminated with mutual agreement. In addition, we have a right to terminate the lease agreement if the lessee fails to pay rent or causes material damage to the main structure of the leased property.

BUSINESS

PROPERTY INTERESTS

DTZ, an independent property valuer, has valued our Group's property interests and is of the opinion that the market value of our Group's property interests (including land and buildings) as of October 31, 2014 was approximately RMB829.1 million on the basis that our Group only has land use rights in respect of land with a total site area of approximately 731 mu (487,270 sq.m.).

The full text of DTZ's letter, summary of valuation and valuation certificates regarding such property interests are set out in the section headed "Property Valuation" in Appendix III to this prospectus.

Owned land and properties

As of October 31, 2014, we held land use rights designated for educational purposes with an aggregate site area of approximately 731 mu (487,270 sq.m.). Land Use Rights Certificates have been obtained in respect of all of the said self-owned land.

As of October 31, 2014, we owned 14 blocks of teaching buildings with an aggregate GFA of approximately 119,453 sq.m., eight blocks of commercial buildings with an aggregate GFA of approximately 46,111 sq.m., 25 blocks of dormitories with an aggregate GFA of approximately 144,490 sq.m. and ancillary facilities with an aggregate GFA of approximately 3,119 sq.m.. We plan to apply for the building ownership certificates for the five blocks of additional dormitories. As advised by our PRC Legal Advisors, there is no major legal obstacle in obtaining such certificates. Save as disclosed above, we have obtained building ownership certificates in respect of all of such self-owned properties.

The following table sets out the site area of our Campus Site (i) upon completion of the land rationalization, (ii) upon entering into the building exchange use agreement with Langfang Fenghe, and (iii) upon completion of the post-Reorganization subsequent sale and purchase of land.

	<u>Upon completion of land rationalization</u>	<u>Upon entering into building exchange use agreement</u>	<u>Upon completion of post-Reorganization subsequent sale and purchase of land</u>
Size of Campus Site	753 mu/ 502,462 sq.m.	753 mu/ 502,462 sq.m.	731 mu/ 480,270 sq.m.

For details, please refer to the section headed "History and Development — Reorganization" in this prospectus.

BUSINESS

Leased properties

We also engaged third party contractors to build an additional five blocks of dormitories using our internally generated funds, and we have commenced commercial use of these dormitories in October 2014. Students from Beijing Chinese Medicine and Civil Aviation that resided in the seven blocks of dormitories we previously leased from Langfang Fenghe, re-located to these additional dormitories in November 2014. These additional dormitories are entirely new, which have better facilities than the dormitories we leased from Langfang Fenghe. For details on the lease arrangement with Langfang Fenghe, please refer to the section headed “History and Development — Lease of properties with Langfang Fenghe, an Independent Third Party — Lease of properties from Langfang Fenghe and Taitu” in this prospectus. None of Beijing Chinese Medicine and Civil Aviation requested a special discount rate on their education facilities leasing fee as a result of the relocation. The re-location is not expected to have any significant financial impact on the Group’s future financial results. For details on the properties leased by us to others during the Track Record Period, please refer to the section headed “Business — Our Business — Education Facilities Leasing — Lease-out rate” to this prospectus. As of the Latest Practicable Date, we did not have any properties leased from others.

Properties subject to exchange use

As of October 31, 2014, we had entered into an agreement to exchange the use of our self-owned dormitory (with a GFA of approximately 6,310 sq.m.), for a same-size dormitory from Langfang Fenghe, an Independent Third Party, for a term of two years ending October 31, 2014. As Langfang Fenghe would like to continue to use such office premises for an additional period and has requested an extension of such arrangement, by an agreement dated September 3, 2014 between Langfang Education Consultancy and Langfang Fenghe, the aforesaid arrangement was extended to October 31, 2015. For details relating to the land transfers that may affect the size of our Campus Site during the Reorganization, please refer to the section headed “History and Development — Lease of properties with Langfang Fenghe, an Independent Third Party — Buildings exchange use” of this prospectus.

BUSINESS

Summary of property interests

The following table sets out the details regarding our self-owned and leased properties as of October 31, 2014:

Property type	Approximate GFA of self-owned properties
	<i>sq.m.</i>
Education facilities	263,943 ⁽¹⁾
Commercial buildings	46,111
Ancillary facilities	<u>3,119</u>
Total GFA	<u><u>313,173</u></u>

Note:

- (1) Of the GFA of 263,943 sq.m., one block of our self-owned dormitory with a GFA of 6,310 sq.m. is subject to exchange use arrangement.

CUSTOMERS

Revenue from our five largest customers using our education facilities, all of which were Contract Colleges, accounted for approximately RMB64.3 million and RMB56.0 million, respectively, representing approximately 93.8% and 93.9% of our total revenue for both years ended June 30, 2013 and 2014, respectively. All of our top five customers during the Track Record Period are located in Oriental University City. Beijing Chinese Medicine was our largest customer during the Track Record Period, revenue from which accounted for approximately RMB33.4 million and RMB32.1 million, respectively, representing approximately 48.7% and 53.9% of our total revenue for the year ended June 30, 2013 and 2014, respectively. For risks associated with the concentration of our customers, please refer to the section headed “Risk Factors — Risks relating to our business — We have a small number of customers in our education facilities leasing business” in this prospectus.

BUSINESS

The table below sets out the approximate percentage of our revenue contributed by the five largest customers (six in total during the Track Record Period):

Name of Contract Colleges	Approximate % of our revenue	
	Year ended June 30, 2013	Year ended June 30, 2014
Beijing Chinese Medicine Civil Aviation ⁽¹⁾ Huahang Aviation ⁽¹⁾]	48.7	53.9
Peking Founder Technology	28.5 ⁽¹⁾	25.3 ⁽¹⁾
Beijing Oriental College	10.9	10.1
Beijing City University	3.5	2.1
	2.2	2.5

Note:

(1) During the Track Record Period, the revenue contribution from Civil Aviation and Huahang Aviation were combined as our business relationship with these two Contract Colleges were governed under a single collaborative agreement.

None of our Directors, chief executives or any of their respective close associates or, Shareholders who own 5% or more of our issued share capital has any interest in any of our five largest customers during the Track Record Period.

SUPPLIERS

Our suppliers provide us with a range of services associated with the management and maintenance of our Campus Site, mainly including cleaning, gardening, building maintenance and refurbishing, campus security during the Track Record Period. All of our suppliers are located in Langfang city, the PRC.

Our property management team is responsible for quality control over the selection and performance of our suppliers. Our property management team is led by Mr. Cheng Bing Xu, our chief operating officer. He is assisted by four other members. In general, our property management team selects and evaluates our suppliers based on their pricing, background, industry experience, reputation and ability to deliver quality services. Our suppliers are sourced through a tender process for aggregate contract amount that exceeds RMB50,000. During the tender process, potential suppliers will submit their proposal with details of price, payment terms, relevant information of their services and their background. Our property management team will consider their proposal and select those suppliers that can meet our requirements with the most competitive price.

BUSINESS

Our Directors believe there is no industry standard for the selection of the suppliers for University Cities, therefore we made assessment of all of the above factors, and select our suppliers based on a combination of factors which include their background, past relationship with us, competitiveness of their price and quality of their services. The results of the tender are generally announced immediately after the tender has closed.

The contract term for our suppliers generally ranged from one to two years. We conduct review and assessment of our suppliers on annual basis or every two years based on the terms of the contract. Our review and assessment include the following: (i) review the quality of the service provided by the suppliers during the past contract term; (ii) assess the overall performance of the suppliers' services; (iii) conduct random checks for the services provided; and (iv) review the background and eligibility of the suppliers, including its latest business license and other relevant operation permit. Our property management team is responsible for monitoring the performance of our suppliers.

The percentage of total purchases attributable to our largest suppliers during the Track Record Period were in aggregate approximately 37.7% and 53.1% of our total purchases for the year ended June 30, 2013 and 2014, respectively. The percentage of total purchases attributable to our five largest suppliers during the Track Record Period were in aggregate approximately 68.9% and 86.9% of our total purchases for the year ended June 30, 2013 and 2014, respectively.

Cleaning services

We engage Independent Third Party suppliers to provide cleaning services within our Campus Site. To ensure the general health and well-being of the students and staff of our Contract Colleges, our cleaning service provider also carries out sterilization of our dormitories and teaching buildings on a yearly basis. Our cleaning service provider has to comply with our internal guidelines on "Standards on Cleaning Services" (保潔清潔衛生工作標準) which set out the frequency that the facilities need to be cleaned and the hygiene standards that our cleaning service providers need to meet for each type of facilities.

We typically enter into contracts with our cleaning service providers for a term of one to two years. We pay a fixed service fee to our cleaning service provider on a quarterly basis in advance, and such service fee is required to be paid within the first ten days of each quarter, or within five Business Days upon presentation of the relevant invoice by the cleaning service provider. We pay our cleaning service provider by bank check and bank transfer. If there is any material breach by any party under the contract, the non-breaching party is entitled to terminate the contract. As there is generally no renewal clause in the contract, we may enter into new contract with our existing or other cleaning service provider if they succeed in the next tender process for selection of cleaning service providers.

BUSINESS

Gardening services

We engage an Independent Third Party supplier to provide gardening services on our Campus Site, including the removal of any unwanted or dead plants and replenishment with new seed beds and healthy plants. Our gardening service provider has to comply with our internal guidelines on “Gardening maintenance quality and examination standards” (綠化養護質量與考核標準) which set out the frequency of fertilization on different types of plants, and guidelines for tree cutting and trimming, removal of dead plants and application of disinfectants.

We generally enter into contracts with our gardening service provider for a term of one to two years. We pay a fixed maintenance fee to our gardening service provider on a monthly basis, and such maintenance fee is generally payable within the first five days of each month. We pay our gardening service provider by bank check. If there is a material breach by our gardening service provider under the contract, we are entitled to terminate the contract by serving written notice to the our gardening service provider. As there is generally no renewal clause in the contract, we may enter into new contract with our existing or other gardening service provider if they succeed in the next tender process for selection of gardening service providers.

Building maintenance and refurbishing

We also engage Independent Third Party suppliers to provide building maintenance and refurbishing services on an as-needed basis for various facilities on our Campus Site. Our suppliers are responsible for providing building maintenance and refurbishing services for the designated education facilities as agreed under the contract. Depending on the type of services required, we enter into agreements with our suppliers for terms ranging from a few days to a few months. We typically pay the service fees to our building maintenance and refurbishing service providers by installment or upon completion of their work. We will make on-site inspection upon completion of each task. In addition, we also record the details on the completed task in writing for our internal record.

We pay our building maintenance and refurbishing service provider by bank check. We engage such supplier on project basis and there is no termination clause under our contract with our maintenance and refurbishing service provider. As there is generally no renewal clause in the contract, we may enter into new contract with our existing or other building maintenance and refurbishing service provider if they succeed in the next tender process for selection of building maintenance and refurbishing providers.

We usually give advance notice to our Contract Colleges, if maintenance and refurbishing works are to be carried out in dormitories. Such maintenance and refurbishing works are often carried out during the summer or winter vacation break to minimize disturbance to the students and staff.

BUSINESS

Campus security

We also engage Independent Third Party security service provider for a 24-hour campus security services within our Campus Site. The security services include night watch and regular patrolling within our Campus Site.

Our security service provider has to comply with our internal guidelines on “Security Service Plan” (保安服務方案) which set out the required duties of the security guards, the number of security guards for each designated spot inside our Campus Site and the number of working hours.

We generally enter into contracts with our security service provider for a term of one year. As stipulated in the contract, we pay a fixed service fee to our security service provider on a monthly basis, and such service fee is payable within the first five days of each month to the security service provider. We pay our security service provider by bank check. There is generally no renewal clause in the contract. If our campus security service provider caused us one-off damages of RMB10,000 or accumulative damages of RMB300,000, we are entitled to terminate the contract. As there is generally no renewal clause in the contract, we may enter into new contract with our existing or other security service provider if they succeed in the next tender process for selection of security service providers.

We do not have an average procurement price, as the range of services provided by our suppliers is significantly different. The following table sets forth the background, year commencing relationship with us, type of services provided, and percentage of our total purchases attributable to each of our top five suppliers during the Track Record Period:

Name of suppliers	Background	Year commencing relationship	Type of services	Approximate % of our total purchases	
				Year ended June 30, 2013	Year ended June 30, 2014
Langfang Development Zone Jieya Cleaning and Gardening Service Co., Ltd. (廊坊開發區潔雅保潔綠化服務有限公司)	A PRC company principally engaged in sale of cleaning supplies and provision of cleaning services or gardening services	2008	Cleaning	37.7	53.1

BUSINESS

Name of suppliers	Background	Year commencing relationship	Type of services	Approximate % of our total purchases	
				Year ended June 30, 2013	Year ended June 30, 2014
Langfang Development Zone Oriental Huanya Gardening & Greenery Co., Ltd. (廊坊開發區東方環亞園林綠化有限公司)	A PRC company principally engaged in landscaping projects design and construction; and planting of flowers, trees and lawns	2008	Gardening	10.2	9.5
Langfang Development Zone OUC Security Services Company (廊坊開發區東方大學城保安服務公司)	A PRC company principally engaged in protecting and ensuring the safety of enterprises, agencies and organizations, schools and public places	2008	Campus Security	9.6	12.1
Langfang City Zhongcheng Building & Construction Co., Ltd. (廊坊市忠誠建築工程有限公司)	A PRC company principally engaged in architectural engineering and construction	2011	Building structure maintenance and building repair	6.6	N/A
Supplier A	A PRC company principally engaged in indoor and outdoor decorations and fitting-out; gardening design, construction and civil engineering	2012	Building repair	4.8	N/A

BUSINESS

Name of suppliers	Background	Year commencing relationship	Type of services	Approximate % of our total purchases	
				Year ended June 30, 2013	Year ended June 30, 2014
Langfang Hengtong Building Installation Construction Co., Ltd. (廊坊恒通建築安裝工程有限公司)	A PRC company principally engaged in building construction, metal doors and windows Installation and pipes works	2012	Building repair	N/A	7.3
Langfang Chengda Building Installation Co., Ltd. (廊坊晟達建築安裝工程有限公司)	A PRC company principally engaged in building construction	2013	Building repair	N/A	4.9

Apart from our suppliers for the building maintenance and repair services which are determined on individual project basis, our relationship with the other top suppliers set out above are over five years on average. All of our top five suppliers during the Track Record Period are located in Langfang city. Our Directors believe we are able to get access to the services of our suppliers easily. Our Directors believe that maintaining stable relationships with our major suppliers is important to our operations as this will enable a stable supply of services to our Campus Site. Although we have not entered into any long-term contracts with our suppliers, we have established a long-term working relationship with them. During the Track Record Period, we did not experience any disruption in the supply of services by our suppliers.

None of our Directors, chief executives or any of their respective close associates or, Shareholders who own 5% or more of our issued share capital has any interest in any of our five largest suppliers during the Track Record Period.

Starting from the 2014 to 2015 academic year, eight of our Contract Colleges agreed to engage their own suppliers for provision of cleaning and gardening service for education facilities and the surrounding areas of the education facilities they leased from us. All of our ten Contract Colleges have agreed to engage their own contractors for routine building maintenance and refurbishing services and we will only be responsible for major refurbishing work for the building structure. We perform an annual inspection on the building structure of our education facilities, which usually take place in July and August. The purpose of the

BUSINESS

inspection is to ensure the safety of the building structure for educational use. We have not carried out any major refurbishment work for the building structure during the Track Record Period. As at the Latest Practicable Date, we do not foresee that our education facilities will require major refurbishment work in the near future and we do not have any planned refurbishment work. We will also continue to be responsible for the provision of cleaning and gardening services for the common areas on the Campus Site. These arrangements do not have impact on our education facilities leasing fee as our Contract Colleges accepted such arrangement after commercial negotiation. These new arrangements are expected to reduce our maintenance costs. We will also continue to engage Independent Third Party security service providers for the campus security services. We were able to negotiate these new arrangements because we and our Contract Colleges both wanted to more clearly delineate responsibilities in these areas. These new arrangement are reflected in the collaborative agreements with our Contract Colleges for the 2014 to 2015 academic year.

CONTRACTORS

Other than our suppliers for gardening, cleaning, building maintenance and refurbishing, campus security services, we also engage contractors for the conversion of teaching buildings into dormitories and the construction of dormitories. We select Independent Third Party contractors through a tender process, which is similar to the selection process of our suppliers. We also engage an Independent Third Party property management company (建築監理), which monitors the construction process of the third party contractors on our behalf.

We only engaged contractors for the year ended June 30, 2014 during the Track Record Period. To better utilize the existing space of the teaching buildings, we have converted three blocks of teaching buildings into dormitories and such work was completed in January 2014. We engaged Independent Third Party contractors to build an additional five blocks dormitories, which have commenced commercial use in October 2014. The construction costs attributable to our largest contractor was approximately 62.4% of our total construction costs for the year ended June 30, 2014. The construction costs attributable to our five largest contractors was approximately 97.1% of our total construction costs for the year ended June 30, 2014. None of our Directors, chief executives or any of their respective close associates or, Shareholders who own 5% or more of our issued share capital has any interest in any of our five largest contractors during the Track Record Period.

We plan to apply all of the net proceeds from the Placing to build further new dormitories to house approximately 3,500 students and staff. For details, please refer to the section headed “Strategy and Use of Proceeds” in this prospectus.

UTILITIES

As of the Latest Practicable Date, the electricity and water on our Campus Site were supplied by the local utilities service provider located in Langfang city. Our utilities expenses amounted to approximately RMB0.5 million and RMB0.1 million for the year ended June 30, 2013 and 2014, respectively, accounting for approximately 1.2% and 0.2% of the total operating expenses during the same period. During the Track Record Period, we did not experience any power or water supply suspension or shortage that resulted in material disruption of our operations.

BUSINESS

MARKETING

Our primary objective is to develop our Campus Site into a leading vocational education training hub in the PRC. When targeting potential new customers, we mainly focus on education providers engaged in vocational education and training. As part of the marketing team, our Directors and senior management are responsible for the marketing activities of our education facilities to prospective Contract Colleges. We were one of the early movers in the business of education facilities leasing and operating University Cities in the PRC. Our Campus Site which is located in Oriental University City is the only University City in Langfang city. Some potential customers contacted us because of our reputation and location if they decide to provide education services in Langfang city. Our Directors and senior management will introduce our education facilities to them, and discuss potential business opportunities with them. In addition, we also contact some potential customers to introduce our education facilities. We also advertise our education facilities online.

PRICING

Education facilities leasing

We determine the rental price of our education facilities on a case-by-case basis with our Contract Colleges based on the length of relationship, the size and the location and type of the required education facilities our Contract Colleges need.

For leasing of teaching buildings, we charge an education facilities leasing fee calculated on the basis of a unit rate per student and the estimated number of students to be enrolled in the forthcoming academic year during the Track Record Period. The actual unit rate per student charged to Contract Colleges ranged from approximately RMB1,700 to RMB2,100 per student. For the 2014 to 2015 academic year, we charge an annual fee (except for Beijing Chinese Medicine which we intend to enter into such new arrangement in the 2015 to 2016 academic year) calculated on the basis of GFA rented, the annual rental rate we charge our Contract Colleges ranges from RMB400 to RMB420 per sq.m. (equivalent to RMB2,000 to RMB2,100 per student per annum calculated based on five sq.m. per student).

For leasing of dormitories, we charge an education facilities leasing fee calculated on the basis of a unit rate per bed and the number of beds required by such Contract College. The unit rate per bed charged to Contract Colleges during the Track Record Period ranged from approximately RMB1,200 to RMB2,300. For the 2014 to 2015 academic year, the unit rate per bed is of the same range. For further details, please refer to the section headed “Business — Our business — Education facilities leasing — Agreements with Contract Colleges” in this prospectus. Our Directors and senior management visit our Contract Colleges to understand their current and future needs of education facilities so as to negotiate an acceptable rental price.

Commercial leasing

The rental price for our commercial leasing facilities varies based on the location, size, purpose for use and the age of the facilities. Based on these considerations, we determine the rental price for our commercial tenants on a case-by-case basis with reference to the market rate. Our revenue generated from commercial leasing for supporting facilities accounted for less than 5% of our total revenue during the Track Record Period.

BUSINESS

COMPETITION

We believe that the key competing factors in our business include the following:

- geographic location;
- level of fees charged for leasing of education facilities; and
- size and operation.

Oriental University City (where our Campus Site is currently located), was one of the earliest University Cities established in PRC, according to Euromonitor. There are currently approximately 50 University Cities across 21 provinces and municipalities in China, mostly located in the area of developed regions, such as Beijing and Hebei Region, Yangtze River Delta Region and the Pearl River Delta Region, according to Euromonitor. There are three University Cities in Beijing and Hebei region. Oriental University city (where our Campus Site is currently located) is situated in Hebei while two other University Cities are in Beijing.

Our Directors believe that we do not face direct competition from the two University Cities located in Beijing due the following factors:

- We have been committed to attract universities, colleges, schools and education training centers which are engaged in vocational education to lease our education facilities, which differentiates us from the two University Cities in Beijing region which do not have a focus on vocational education;
- The education institutions located in these two University Cities in Beijing mainly provide degree education and post-graduate education, which is different from the type of education our Contract Colleges offer. None of our Contract Colleges offer post-graduate education, only two of our Contract Colleges offer degree education;
- Based on the industry knowledge of the Directors, the education facilities fees in Beijing may be higher than Langfang city in general. We have an established relationship with the majority of our pre-existing Contract Colleges which have been leasing our education facilities for an average of over five years. Despite that the two University Cities in Beijing, each has an operation history for more than five years, none of our Contract Colleges relocated to these two University Cities in the past, which are the closest to our Campus Site;

BUSINESS

- Based on the Circular of the General Office of the People's Government of Beijing Municipality on the Distribution of the "Catalogue of Beijing Municipality on Additional Prohibited and Restricted Industries (2014 Edition) 《北京市新增產業的禁止和限制目錄(2014年版)》的通知" (the "**Catalogue**") formulated by various departments, including the Municipal Development and Reform Commission on July 25, 2014, in general, it is not allowed to establish new HEIs and secondary vocational education institutions in Beijing, and these HEIs and secondary education institutions that already have a campus site are not allowed to expand their existing campus site. As such, there are practical difficulties for our Contract Colleges to relocate to Beijing. Furthermore, as stated in the Catalogue, its purposes are to speed up the development of "high-grade, precise and advanced" economic structure in Beijing and to promote the joint development of Beijing, Tianjin and Hebei Province. Based on this, our Directors believe that the Catalogue encourages vocational education institutions to be set up in the region surrounding Beijing, including Langfang City. Since we have been committed to attract universities, colleges, schools and education training centers which are engaged in vocational education to lease our education facilities, our Directors believe that the Catalogue, together with other regulatory measures promoting vocational education in the PRC, will increase the number of participants for vocational education and encourage more vocational institutions to consider Oriental University City as the appropriate location, thereby increasing the demand for our education facilities and our competitive advantage. For further details on the regulatory measures promoting vocational education in the PRC, please refer to the section headed "Business — Competitive Strengths — Our Campus is well-positioned to be a leading vocational education training hub in the PRC" in this prospectus.

Our Directors believe that we do not face direct competition from the University Cities in other region due to the following factors:

- University Cities are geographically fragmented and attract HEIs based on its geographical coverage;
- University Cities operate independently from each other based on their specific region;
- Our Campus Site is located in Oriental University City which is the only University City in Langfang city.

Base on the factors discussed above, the Directors believe that it will be cumbersome and costly for Contract Colleges to find alternative education facilities and they are of the view that the Contract Colleges are unlikely to relocate. Taking into consideration of the discussion with Company's Controlling Shareholders and management as well as the independent due diligence conducted by the Sole Sponsor, the Sole Sponsor is of the view that the bases of which the Directors form their view are reasonable.

Should other University Cities open in Langfang city or other education premises become available to the Contract College in nearby region, we will face increased competition. For risks associated with our Contract Colleges to find alternative premise, please refer to the section headed "Risk Factors — Risks relating to our business — Failure to retain existing Contract Colleges and attract new customers may have an adverse impact on our Group".

BUSINESS

Oriental University City commenced operation in 2000 and hosted more than 10 education institutions and overall student population of approximately 40,000 for the 2013 to 2014 academic year. Besides our Contract Colleges, there are three other major education institutions near our Campus Site, namely Langfang Vocational Technology, Langfang Health Vocation School and LOIT. Two of our Contract Colleges only leased dormitories from us as they are using teaching blocks that are located in Oriental University City but outside our Campus Site. In addition, as advised by Oriental University City Management Committee, we are the only provider for education facilities leasing in Oriental University City and other education institutions in Oriental University City only provide teaching services without engaging in any education facilities leasing business. Based on their local knowledge and the above confirmation from the Oriental University City Management Committee, our Directors believe that education institutions in Oriental University City, including our Contract Colleges, have to lease education facilities from us unless they have sufficient education facilities of their own in Oriental University City and therefore our education facilities leasing business does not face competition from other education institutions in Oriental University City. Please see “Business — Our Business — Other Education Institutions near our Campus Site” for certain information regarding the type of courses offered by, and type of education and overall student population of these education institutions.

In addition, Langfang Vocational Technology, Langfang Health Vocational School and LOIT offer courses that mostly differ from our existing Contract Colleges and are not currently competing with our existing Contract Colleges for students. There remains a possibility that these education institutions and our Contract Colleges will offer similar courses in the future which may lead to some competition for students. Please see the section headed “Risk Factors — Should other education institutions near our Campus Site offer courses similar to those of our Contract Colleges, the student population of our Contract Colleges may decrease” in this prospectus.

INTELLECTUAL PROPERTY RIGHTS

As of the Latest Practicable Date, we have obtained registration of two trademarks in Hong Kong. Both trademarks are important to our operation, as we conduct our business under both of these trademarks. As of the Last Practicable Date, we are applying for the registration of three trademarks in the PRC. Further details of our intellectual property rights are set out in the section “Statutory and General Information — B. Information about the business — 2. Intellectual property rights of our Group” in Appendix V to this prospectus. As of the Latest Practicable Date, we were not aware of any infringement (i) by us of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by us.

INSURANCE

Our insurance coverage includes composite property insurance for our fixed assets, public liability insurance and fire insurance. The insurance premium paid by us for the year ended June 30, 2013 and 2014 amounted to approximately RMB390,000 and RMB71,000, respectively. Our Directors confirm that we have satisfied all statutory requirements with respect to insurance coverage in the PRC and our insurance coverage is in line with the

BUSINESS

general practice in our industry and is adequate for our operations. As of the Latest Practicable Date, we have not made nor been the subject of any material outstanding insurance claims. We have not experienced any significant loss or damage arising from the operation of our Campus Site during the Track Record Period.

LEGAL PROCEEDINGS

Our Directors and our PRC Legal Advisors have confirmed that, there was no outstanding legal proceeding or arbitration, pending or threatened, against us or any of our Directors that could have a material adverse effect on our financial position or operations during the Track Record Period and up to the Latest Practicable Date.

OPERATIONAL SAFETY AND ENVIRONMENTAL MATTERS

Our Directors believe that the operational safety measures currently adopted by us are in line with the industry practice in the PRC and our PRC Legal Advisors have confirmed that we are not in breach of any PRC operational safety laws or regulations. There were no fatal accidents, health injuries, or any non-compliance incidents with the relevant PRC laws and regulations during the Track Record Period and up to the Latest Practicable Date.

As advised by our PRC Legal Advisors, there are no specific environmental laws or regulations in the PRC in relation to our business in the PRC. As a result, no costs or expenses had been incurred by us in this regard during the Track Record Period. So far as our Directors are aware, and as confirmed by our PRC Legal Advisors, our operations are in compliance with all applicable national and local environmental laws and regulations in all material respects and we have not been alleged to have violated any environmental or safety laws, nor has any penalty been imposed on us for violation of the environmental or safety laws in the PRC during the Track Record Period and up to the Latest Practicable Date.

LABOR AND SAFETY MATTERS

Our business and operations in the PRC are subject to various labor and safety laws and regulations in the PRC, which include the Labor Law of the PRC (《中華人民共和國勞動法》), the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), the Regulations on Occupational Injury Insurance (《工傷保險條例》), the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) and the Social Insurance Law of the PRC (《中華人民共和國社會保險法》). Please refer to the section headed “Regulations” in this prospectus for further details.

Our Directors confirm that we had not experienced any significant labor accident which had a material adverse impact on us during the Track Record Period and up to the Latest Practicable Date.

As advised by our PRC Legal Advisors, we have complied with all relevant mandatory local and national labor and safety laws and regulations during the Track Record Period and up to the Latest Practicable Date.

BUSINESS

COMPLIANCE

As advised by our PRC Legal Advisors, our Group is in compliance with all relevant PRC laws and regulations relating to our business in all material respects and has obtained all requisite licenses, approvals and permits from relevant regulatory authorities for conducting our business. The major license we need for our operation is the business license. Since the establishment of Langfang Education Consultancy, our principal operating subsidiary in the PRC, we have not experienced any failure in applying for the renewal of the business license.

INTERNAL CONTROLS

In order to continuously improve our corporate governance measures, we have adopted and intend to continue to adopt the following measures:

- (a) Our Board has established formal and transparent arrangements to apply financial reporting and internal control principles in accounting and financial matters to ensure compliance with the GEM Listing Rules and all relevant laws and regulations, including timely preparation and laying of accounts. Our Audit Committee, with written terms of reference, will assist our Board in overseeing our financial reporting system and internal control procedures, including internal controls in ensuring compliance with the GEM Listing Rules and all relevant laws and regulations after Listing. Our Board and Audit Committee will at least annually conduct a review on the effectiveness of our internal control systems and we will disclose the results of such review in the annual reports of our Company after the Listing.
- (b) Mr. Kwok Siu Man, who is our company secretary appointed on September 30, 2013, is familiar with the GEM Listing Rules, Companies (Winding Up and Miscellaneous Provisions) Ordinance, Companies Ordinance and related matters, and is responsible for advising us on matters relating to our Company's and Directors' obligations. For details of the biography of Mr. Kwok and his experience in such area, please refer to the section headed "Directors, Senior Management and Employees" in this prospectus.
- (c) We have engaged and will continue to appoint external professional advisors, including auditors, legal advisors or other advisors to render professional advice to assist us in complying with the statutory requirements as applicable to us from time to time. We will also appoint a compliance advisor with effect from the Listing Date to provide advice to our Directors and management team on matters relating to the GEM Listing Rules.
- (d) We have implemented and will continue to implement various training programs to update our Directors and senior management on GEM Listing Rules and the relevant laws and regulations.

On June 19, 2012, November 8, 2013 and June 10, 2014, our Group engaged RSM, an Independent Third Party, as our internal control consultant to conduct reviews of the management and accounting procedures and internal control environment of our Group under

BUSINESS

the internal control framework as recommended by the Committee of Sponsoring Organizations of the Treadway Commission. During its reviews covering the period from June 2011 to November 2013, RSM has highlighted certain deficiencies with respect to our internal controls, systems and procedures, and the significant deficiencies highlighted by RSM are summarized in the table below. RSM conducted a further review including a follow-up review of the following deficiencies in August 2014 and has confirmed that our Group has implemented the remedial actions recommended by RSM.

Deficiencies highlighted by RSM	Recommendations from RSM	Remedial Actions
1. The existing pricing policies were established to guide the pricing of leasing contracts since 2009. There is no evidence that periodic reviews of the policy, to properly account for the property market index movements in recent years, have been performed.	The pricing policies should be reviewed at least annually to account for property market index movements in recent periods. Proper documentation should be maintained even if the management decides to keep the price rate unchanged after the review.	We have revised our contract management policy to require annual review of the pricing, and market and customer surveys have to be carried out before May 31 each year.
2. Our Group has not established any written procedures for monitoring, identifying and disclosing of notifiable transactions, connected transactions and other discloseable transactions.	Our Group should establish written procedures for monitoring, identifying and disclosing of notifiable transactions, connected transactions and other discloseable transactions.	We have established our information management policy which includes the procedures for monitoring, identifying and disclosing of notifiable transactions, connected transactions and other discloseable transactions.
3. No period end closing checklist (including the tasks, designated personnel, and the deadline of the tasks completion) has been prepared.	Policies and procedures for financial closing, including the period end closing checklist, should be established to ensure that all the required tasks (including but not limited to: accrual of general purchases and acquisitions of fixed assets, bank reconciliations, cash counts, inter-companies reconciliations and non-routine transactions) for period end closing are duly completed.	We have established checklists on tasks to be carried out for monthly, quarterly and annual financial closing.
4. No register of chop application is maintained by the custodian of the legal representative's chop.	A register of chop application should be properly maintained by the custodian of the legal representative's chop.	A register is maintained to record the use of the legal representative's chop.

Having taken into account that: (i) our Group has fully rectified all of the abovementioned deficiencies; (ii) our Group has implemented the abovementioned measures to avoid recurrence of the abovementioned deficiencies; and (iii) there were no recurrence of similar

BUSINESS

deficiencies since the implementation of such measures, our Directors consider that the abovementioned deficiencies would not affect the suitability of our Directors under Rule 5.01 and 5.02 of the GEM Listing Rules or the suitability of listing of our Company under Rule 11.06 of the GEM Listing Rules and that the enhanced internal control measures adopted by our Group are adequate and effective.

Based on the Directors' view and their basis as stated above, the Sole Sponsor concurs with the view of our Directors that: (a) the various internal control measures adopted by our Group are adequate and effective; and (b) the abovementioned deficiencies would not affect the suitability of our Directors under Rule 5.01 and 5.02 of the GEM Listing Rules and the suitability of listing of our Company under Rule 11.06 of the GEM Listing Rules.

RISK MANAGEMENT

The Board, through its Risk Management Committee, is responsible for overseeing the risk management function of our Group. Our Group has established a risk management policy which covers the entire risk management process from risk identification, formulation and implementation of risk management solutions, risk monitoring and warning as well as emergency response to materialized risk events.

An enterprise-wide risk assessment is carried out on an annual basis, and the annual risk assessment report is presented by the Risk Management Committee to the Audit Committee and Board for approval. The Risk Management Committee meeting is conducted on a quarterly basis. The risks identified and discussed in the Risk Management Committee meetings are recorded and trainings for the relevant departments in relation to the risks identified are then organized. For details of the Board committees, please refer to the section headed "Directors, Senior Management and Employees — Board Committees" in this prospectus.

The following sets out the mitigating internal control procedures for the key risks of the Group's business:

Strategic risk management

Our strategic risk management emphasizes on corporate development strategy and planning, investment and capital planning, annual operational objective setting and operational strategic planning. We gather information on macro-economic policies, technical environment, market demand and market competition related to our business and also make reference to incidents of material losses suffered by domestic and international companies due to failures in managing strategic risks.

Financial risk management

Our financial risk management emphasizes on risks related to costs, treasury and cash management. We gather information on indicators of the Company's profitability and ability in capital operations, debt payments, etc., and also make reference to incidents of material losses suffered by domestic and international companies due to failures in managing financial risks.

BUSINESS

Regulatory risk management

We gather information on regulatory environment related to our business, employee code of conducts, material contracts and disputes, etc., and also make reference to incidents of material losses suffered by domestic and international companies due to failures in managing regulatory risks. We have retained an external PRC legal advisor to review and advise on our regulatory compliance in respect of all relevant PRC laws and regulations, including changes to such laws and regulations, which may affect our business operations in the PRC. We have also retained BNP Paribas as our compliance advisor to advise our Directors and management team on matters relating to GEM Listing Rules.

Operational risk management

Our operational risk management emphasizes on corporate development strategy and planning, investment and capital planning, annual operational objective setting and operational strategic planning. We monitor, evaluate and continuously improve our business processes and IT system implementation, analyze our risk management capability, gather information on market demand, market completion, major customers and suppliers, etc., and also make reference to incidents of material losses suffered by domestic and international companies due to failures in managing operational risks, especially in responding to market risks.

EMPLOYEES

As of the Latest Practicable Date, we had a total of 15 full-time employees in the PRC, all of which are currently located in Langfang city. The following table sets forth a breakdown of our employees by function as of such date:

<u>Functions</u>	<u>Number of employees</u>
Management	4
Administration and human resources	3
Operation	4
Finance	3
Investors relation	<u>1</u>
Total	<u><u>15</u></u>

All our employees work in the Campus Site. Our employee costs were approximately RMB6.8 million and RMB3.1 million for the year ended June 30, 2013 and 2014, respectively. We determine the remuneration of our employee with reference to the market salary of their respective experience and performance. We will continue to provide training to our employees to improve and upgrade their management and professional skills. None of our employees is represented by any collective bargaining agreement or labor union. During the Track Record Period, we did not experience any significant problem with our employees or disruption to our operations due to labor dispute, nor did we experience any difficulties in the recruitment and retention of experienced staff.

As required by PRC regulations, we make contributions to mandatory social security funds for our employees to provide for their retirement, and we provide medical, work-related injury and unemployment benefits as required by the PRC laws and regulations.

STRATEGY AND USE OF PROCEEDS

BUSINESS OBJECTIVE

Our primary objective is to develop our Campus Site into a leading vocational education training hub in the PRC. We will endeavor to achieve this objective by providing additional and upgraded education facilities on our Campus Site.

BUSINESS STRATEGY

We will endeavor to achieve the above-mentioned business objective by adopting the following business strategy and implementation plans during the period from the Latest Practicable Date to June 30, 2017. The respective scheduled completion time for these implementation plans are based on certain bases and assumptions as set out in the subsection headed “Bases and key assumptions of implementation plans” in this section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular, the risk factors as set out in the section headed “Risk Factors” in this prospectus. Therefore, there is no assurance that our business plans will materialize in accordance with the estimated time frame and that our implementation plans will be accomplished at all.

Business strategy

We plan to build new dormitories to house approximately 3,500 students and staff in our Campus Site. The construction cost of building new dormitories is estimated to be approximately HK\$77.8 million, all of which will be funded by the net proceeds from the Placing. We expect to complete the new dormitories for the 2016 to 2017 academic year. These new dormitories will be in addition to our existing dormitories. We expect demand for these new dormitories to come from both existing and new customers.

The Directors are of the view that there will be potential demand for the new dormitories from both existing and new customers because:

- We expect to complete the new dormitories for the 2016 to 2017 academic year. Assuming completion at such time, the new dormitories are expected to increase our total dormitory capacity by 17.9% from 19,504 beds as of November 30, 2014 to approximately 23,004 beds for the 2016 to 2017 academic year. For further details, please refer to the section headed “Business — Our business — Education facilities leasing — Lease-out rate” in this prospectus. Our resident student and staff population for dormitories for the 2014 to 2015 academic year is approximately 19,000. For the 2016 to 2017 academic year, the total demand for bed space for the resident student and staff is expected to increase based on (i) our current education service agreements and letters of intent with our Contract Colleges, which indicate on the lower end that approximately 3,800 additional bed spaces will be needed, of which approximately 500 additional bed spaces are for full-time courses students and approximately 3,300 bed spaces are for short-term courses students; (ii) the management of Civil Aviation and Huahang Aviation have indicated through our communication that they may require an additional 1,500 bed spaces from us for new courses; and (iii) the other qualitative reasons discussed in the section headed

STRATEGY AND USE OF PROCEEDS

“Business — Education facilities leasing — Factors affecting our operation” in this prospectus. Accordingly, the lease-out rate for dormitories for the 2016 to 2017 academic year is expected to be remain at full capacity. However, should our resident student and staff population forecast not materialize, our lease-out rate may significantly decrease which may in turn require us to lower our rental rates thereby lowering the fair-value of our investment properties and may have a material and adverse impact on our financial position. Please see “Risk Factors — Risks relating to our business — If our forecasted demand for the new dormitories do not materialize, the fair value of our investment properties may be adversely affected.”

- For the year ended June 30, 2014, the lease-out rate for our dormitories was approximately 94.2%, which is close to its full capacity.
- All of our Contract Colleges have entered into collaborative agreements with the Company for the 2014 to 2015 academic year. Beijing Chinese Medicine, the Group’s largest customer during the Track Record Period, which accounted for approximately 48.7% and 53.9%, respectively, of the Group’s total revenue for the year ended June 30, 2013 and 2014, has also entered into a letter of intent with the Company, where it agreed in principle to continue to lease education facilities from the Company for a term of three years commenced from July 1, 2014 and ending on June 30, 2017. Peking Founder Technology and Beijing City University also entered into the same type of long-term arrangement with the Company through a letter of intent. Although these long-term arrangements are not legally binding, we believe that they are still a good indication of these Contract Colleges’ intention to continue to lease from the Company. The resident student population from existing Contract Colleges for the 2014 to 2015 academic year is expected to remain stable in comparison to the 2013 to 2014 academic year. For details on resident student population of our Contract Colleges, please refer to the section headed “Business — Our Business — Education facilities leasing — Information about Contract Colleges” in this prospectus.
- The State Council promulgated a notice in relation to “Decision on accelerating the Development of Modern Vocational Education” (國務院關於加快發展現代職業教育的決定) on May 2, 2014. The purpose of such notice is to encourage the development of vocational education institutions in the PRC, so that they can better prepare their students for the skills and techniques that the market requires in various industries. Other general regulatory measures are also in place for the promotion of vocational education in the PRC, which include: (i) private sector players are encouraged to operate vocational education institutions through various corporate form, which include, sole proprietorship, joint venture and cooperation; and (ii) privately-run vocational education institutions are entitled to receive similar type of government grants and subsidiary those publicly-run vocational education institutions. We believe that the aforesaid, coupled with our strong dedication to become a leading vocational education training hub in the PRC, have helped to attract reputable and established vocational training institutions to become our customers. We also believe that since the new dormitories are new and better designed than pre-existing dormitories, there will be increased demand.

STRATEGY AND USE OF PROCEEDS

- We believe that we will benefit from a number of infrastructure developments in the area between Langfang city, Beijing and Tianjin, such as the construction of the second international airport of Beijing and the related transportation network connecting Langfang city and Beijing, the Tongzhou central business district and the South Beijing District Development Plan. Our Directors believe that due to its proximity to Beijing, Langfang city has geographical advantages to attract some potential customers, and while we are the only University City in Langfang city, these factors may also increase the attractiveness of our location to some potential customers.
- We believe there is an increasing demand for better living environment from students and staff. As such, when constructing these new dormitories, we plan to diversify the type of dormitories that will be provided to both our existing and new customers. Our existing dormitories have rooms with four to eight beds. Our new dormitories will include rooms with three beds. We intend to charge the Contract Colleges higher education facilities leasing fee for these new dormitories.

We may replicate our education facilities leasing business in other parts of the PRC if and when opportunity arises. According to Euromonitor, the student enrollment in higher vocational education grew at CAGR 0.5% between 2009 and 2012. For details, please refer to the section headed “Industry Overview — Overview of China Education Market — Higher education in China” in this prospectus. As of the Latest Practicable Date, we have not identified any acquisition target nor do we have any concrete plan.

Future land use

As of October 31, 2014, we owned the land on the Campus Site with an aggregate gross site area of approximately 731 mu (487,270 sq.m.) designated for educational use, out of which approximately 588 mu (391,993 sq.m.) was already developed (“**Developed Land**”) and out of which approximately 143 mu (95,277 sq.m.) was available for future expansion of education facilities for leasing (“**Available Land**”). The new dormitories are to be constructed on the Available Land and will occupy 27 mu (18,000 sq.m.), and we anticipate that the new dormitories to house approximately 3,500 students will meet the demands from our customers in the near future.

After the construction of these new dormitories, approximately 116 mu (77,277 sq.m.) of the Available Land will be available for future expansion. We currently do not have any concrete development plan in relation to this 116 mu (77,277 sq.m.) of Available Land on the Campus Site.

As advised by our PRC Legal Advisors, the governing law for idle land mainly include the Land Administration Law of the PRC (Revised in 2004) (《中華人民共和國土地管理法<2004年修正>》), the Urban Real Estate Administration Law of PRC (Revised in 2007) (《中華人民共和國城市房地產管理法<2007年修正>》), and Measures for Disposal of Unused Land (《閒置土地處置辦法》) in the PRC (“**Relevant Laws**”). According to the Measures for Disposal of Unused Land, State-owned construction land, which has commenced construction but its development and construction have been suspended for one year, may be identified as unused land if its development area accounts for less than one third of the total development area.

STRATEGY AND USE OF PROCEEDS

As advised by our PRC Legal Advisors, the requirements under the Relevant Laws including the Measures for Disposal of Unused Land on unused land does not apply to the Campus Site including the Developed Land and Available Land, we may lawfully determine the time for commencement of development upon satisfaction with the requirements under the relevant land use planning scheme, our PRC Legal Advisors has provided such opinion based on the following considerations:

- Langfang Land and Resources Bureau is the competent authority to determine whether the Relevant Laws apply to construction land owned by Langfang Education Consultancy or not;
- According to a confirmation dated October 20, 2014 issued by Langfang Land and Resources Bureau (Langfang Development Zone Branch), which set out the following:
 - o The development area of the construction land owned by Langfang Education Consultancy exceeds one third of the total development area;
 - o The Campus Site (including the Developed Land and Available Land) owned by Langfang Education Consultancy constitutes State-owned construction land and does not fall into the category of unused lands as provided for under the Relevant Laws; and
 - o As Langfang Education Consultancy may lawfully determine the time for commencement of development upon satisfaction with the requirements under the relevant land use planning scheme, under no circumstance will Langfang Education Consultancy be required to pay unused land fee or will its state-owned land use right in relation to the Available Land be confiscated.

Implementation Plans

Set out below is our implementation plans.

From the Latest Practicable Date to six months ending June 30, 2015

- Commence preparation work for the construction of the new dormitories, with an aggregate maximum capacity of housing approximately 3,500 students and staff;
- Continue with preparation work for the construction of the new dormitories; and
- Make relevant applications to the relevant government authorities for approval of the construction of new dormitories.

For the six months ending December 31, 2015

- Continue with preparation work for the construction of the new dormitories;

STRATEGY AND USE OF PROCEEDS

- Obtain all the relevant government approval for the commencement of construction of the new dormitories;
- Commence selection of appropriate third party contractors for construction of the new dormitories; and
- Negotiate the terms of the third party contractors for construction of the new dormitories.

For the six months ending June 30, 2016

- Revise and optimize architectural design of the new dormitories; and
- Commence and complete the major building structure of the construction of dormitories with an aggregate maximum capacity of approximately 3,500 students and staff.

For the six months ending December 31, 2016

- Complete the construction of the new dormitories;
- Commence and complete the interior decoration of the new dormitories;
- Complete the final inspection and obtain the relevant government permit for commencement of use of the new dormitories; and
- Commence of use of the new dormitories for the 2016 to 2017 academic year.

For the six months ending June 30, 2017

- Final settlement of the construction costs under the relevant construction contracts.

BASES AND KEY ASSUMPTIONS OF IMPLEMENTATION PLANS

Potential investors should note that the attainability of our implementation plans is subject to a number of assumptions, in particular:

- there will be no material changes in the existing political, legal, fiscal, social or economic conditions in the PRC or in any other places in which any of our member carries on our business or will carry on our business;
- there will be no disasters, natural, political or otherwise, which could materially disrupt our business or operations or cause substantial loss, damage or destruction to our properties and facilities;
- there will be no material changes in the bases or rates of taxation in the PRC or in any other places in which any of our member operates or will operate;

STRATEGY AND USE OF PROCEEDS

- there will be no material changes in legislation or regulations whether in the PRC or elsewhere materially affecting our business;
- the Placing will be completed in accordance with and as described in the section headed “Structure and conditions of the Placing” in this prospectus;
- there will be no material changes in the funding required for each of the scheduled achievements as outlined in the subsection headed “Implementation Plans” in this section; and
- we will not be materially affected by the risk factors as set out in the section headed “Risk Factors” in this prospectus.

REASONS FOR THE PLACING AND USE OF PROCEEDS

We intend to raise funds by the Placing in order to pursue our business objective as set out in this section.

Our Directors believe that the Listing would enhance our profile and the net proceeds from the issue of the new Shares pursuant to the Placing would strengthen our financial position and enable us to implement our business strategy as set out in this section. Furthermore, a public listing status on GEM will offer our Group access to capital market for future corporate finance exercises to assist in future business development and strengthen our competitiveness.

Assuming a Placing Price of HK\$2.64 per Placing Share (being the mid-point of the Placing Price range), and assuming that the Offer Size Adjustment Option is not exercised, our gross proceeds from the issue of the new Shares pursuant to the Placing is expected to be HK\$118.8 million (“**Gross Proceeds**”). Aggregate listing expenses are expected to be approximately HK\$61.4 million (approximately RMB49.1 million), of which approximately HK\$41.8 million (approximately RMB33.4 million) has been incurred up to June 30, 2014 and approximately HK\$19.6 million (approximately RMB15.7 million) is expected to be incurred after June 30, 2014. The following table shows a breakdown of our remaining listing expenses to arrive at our estimated net proceeds from the cash flow perspective:

	HK\$	RMB
	<i>(million)</i>	<i>(million)</i>
Gross Proceeds.....	118.8	95.0
Remaining listing expenses comprising:		
- Amounts due to REC for listing expenses which it has paid on our behalf as of June 30, 2014 and will pay on our behalf up to Listing	(25.0)	(20.0)
- Amounts due to professional parties and listing related fees.....	(16.0)	(12.8)
Estimated Net Proceeds	77.8	62.2

STRATEGY AND USE OF PROCEEDS

We intend to apply all the estimated net proceeds, or approximately HK\$77.8 million, for constructing new dormitories on our Campus Site.

The additional net proceeds that we would receive if the Offer Size Adjustment Option is exercised in full (assuming the Placing Price of HK\$2.64 per Share (being the mid-point of the Placing Price range)) are estimated to be approximately HK\$17.3 million. We intend to apply such additional net proceeds for construction of new dormitories. Our Company will disclose in the results announcement whether the Offer Size Adjustment Option is exercised.

The allocation of the proceeds used for the above will be adjusted in the event that the Placing Price is fixed at a higher or lower level compared to the mid-point of the estimated Placing Price range. If the Placing Price is fixed at HK\$2.68 per Placing Share, being the high end of the Placing Price range, our net proceeds will (i) increase by approximately HK\$1.8 million, assuming the Offer Size Adjustment Option is not exercised; and (ii) increase by approximately HK\$2.1 million, assuming the Offer Size Adjustment Option is exercised in full. In such circumstances, we presently intend to use such additional proceeds for our working capital requirements and general corporate purposes. If the Placing Price is fixed at HK\$2.60 per Placing Share, being the low end of the Placing Price range, our net proceeds will (i) decrease by approximately HK\$1.8 million, assuming the Over Size Adjustment Option is not exercised; and (ii) decrease by approximately HK\$2.1 million, assuming the Over Size Adjustment Option is exercised in full. In such circumstances, we presently intend to use our internally generated funds to meet any remaining costs for the construction of new dormitories.

We will consider the use of proceeds to be in the best interests of our Company and our Shareholders taken as a whole. To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term interest bearing deposit accounts with licensed banks and/or financial institutions. In the event that any part of the implementation plans does not materialize or proceed as planned, we will carefully evaluate the situation and may consider to place the proceeds on new business opportunities that may arise in the future.

In summary, the implementation plans of constructing new dormitories on our Campus Site for the period from the Latest Practicable Date to June 30, 2017 will be funded by the net proceeds from the Placing as follows:

	Amount	
	<i>HK\$ million</i>	%
For the six months ending June 30, 2015	2.1	2.7
For the six months ending December 31, 2015	5.0	6.5
For the six months ending June 30, 2016.....	39.3	50.5
For the six months ending December 31, 2016.....	27.5	35.3
For the six months ending June 30, 2017.....	3.9	5.0
Total	77.8	100.0

Our Directors believe that the net proceeds from the Placing of approximately HK\$77.8 million would be sufficient to finance our implementation plans up to June 30, 2017. The construction cost of building new dormitories is estimated to be approximately HK\$77.8 million, all of which will be funded by the net proceeds from the Placing. The construction cost will be allocated according to the table above.

SUBSTANTIAL SHAREHOLDERS

Each of the following persons will, immediately following completion of the Placing and the Bonus Issue (without taking into account the Shares which may be issued upon the exercise of the Offer Size Adjustment Option or Shares which may be issued under the Share Option Scheme), have an interest or short position in Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

Name	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding (Assuming no exercise of Offer Size Adjustment Option) %
REC ⁽¹⁾	Beneficial owner	135,000,000	75
Mr. Chew Hua Seng ⁽¹⁾	Interest of controlled corporation	135,000,000	75

Note:

- (1) REC is owned by Mr. Chew Hua Seng as to approximately 35.13% as at the Latest Practicable Date. Therefore Mr. Chew Hua Seng is taken to be interested in the number of Shares held by REC pursuant to Part XV of the SFO.

Save as disclosed herein, the Directors are not aware of any person who will, immediately following the Placing and the Bonus Issue, have an interest or short position in Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

OUR CONTROLLING SHAREHOLDER

Immediately after the completion of the Placing (assuming that the Offer Size Adjustment Option is not exercised), our Controlling Shareholder will own 75% of the then enlarged issued share capital of our Company.

Our Controlling Shareholder, REC, is headquartered in Singapore and is listed on the Mainboard of the SGX-ST. It is a private education provider in Asia-Pacific, and it employs more than 2,000 academic and administrative staff. Since establishing its first college in Singapore in 1990, our Controlling Shareholder has grown to operate numerous colleges across different countries globally including Australia, Cambodia, China, India, Indonesia, Malaysia, Mongolia, Philippines, Saudi Arabia, Singapore, Sri Lanka and Thailand. There are more than 20,500 students enrolled in our Controlling Shareholder's tertiary programs. As of the Latest Practicable Date, except for Mr. Chew Hua Seng who held approximately 35.13% of the issued share capital of REC, there was no shareholder with 30% or more shareholding interest in REC.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDER

Having considered the matters described below, our Directors believe that we are able to operate independently of our Controlling Shareholder and its close associates.

Competition

In order to provide clear business delineation between our businesses and assets and those retained by REC Group, the Reorganization was conducted. Our Group focuses on the education facilities leasing business, as well as the commercial leasing for supporting facilities within our Campus Site. The REC Group is a private education service provider and is not engaged in the business of leasing education facilities to third parties. As part of the Reorganization, the REC Group has retained the ownership of assets relating to the remaining businesses and operations, which comprise certain colleges which it owns and self-operates, and other assets relating to property management services and property development in the PRC. The businesses of the REC Group in Langfang city do not compete with our Group's business of owning and leasing out education facilities.

To our knowledge, as of the Latest Practicable Date, none of our Controlling Shareholder, our Directors, our Substantial Shareholders, the directors of any of our subsidiaries or any of their respective close associates was interested in any business (other than our Group) or has any interests which, directly or indirectly, competes or may compete with our business (save as disclosed under the heading "Excluded Businesses" in the section headed "History and Development — Post-Reorganization" in this prospectus).

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

The main reasons for excluding the entities that form part of the REC Group are that we intend to primarily focus on owning and leasing out education facilities to vocational institutions in the PRC, instead of owning and running schools and colleges ourselves, and we seek to maintain a clear business delineation between our businesses and assets (being the leasing of education facilities) and those retained by REC Group (being the operation of schools/colleges and provision of education services). For further details please refer to the section headed “History and Development — Post-Reorganization — Excluded Businesses” in this prospectus.

To minimize the risk of competition, our Controlling Shareholder has entered into the Deed of Non-compete in favor of us. Please refer to the subsection headed “Deed of Non-compete” below for details of the principal terms of the Deed of Non-compete.

Financial Independence

Our Directors are of the view that we are able to maintain financial independence from our Controlling Shareholder.

We have historically had, and will following completion of the Listing continue to have, our own internal control and accounting systems. Our finance department is capable of discharging the treasury functions for cash receipts and payments, accounting, reporting and internal control independently of our Controlling Shareholder.

All financial arrangements between our Group and our Controlling Shareholder, including outstanding advances and balances to or from our Controlling Shareholder, have been or will be repaid, released or settled prior to or upon the Listing save for the expected amount of approximately HK\$25.0 million (approximately RMB20.0 million) due to our Controlling Shareholder by our Group, being part of the listing expenses, which will be settled upon the Listing using the Gross Proceeds from the Placing. For further details please refer to the section headed “Strategy and Use of Proceeds” in this prospectus. As of June 30, 2014, cash advances of approximately RMB14.9 million were due from the REC Group. Our Directors have confirmed that all remaining amounts due from the REC Group has been settled in cash prior to the date of this prospectus.

Management Independence

Our Controlling Shareholder and our Company have boards of directors that function independently of each other.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

Our Board comprises two executive Directors, one non-executive Director and three independent non-executive Directors. Mr. Chew Hua Seng is the only Director on our Board who also holds directorship in our Controlling Shareholder or its close associates, as set out below:

<u>Name of Director</u>	<u>Position in our Company</u>	<u>Directorship in our Controlling Shareholder or its close associates</u>
Mr. Chew Hua Seng	Chairman and executive Director	Chairman, chief executive officer and director of REC

Mr. Chew Hua Seng also held approximately 35.13% of the issued share capital of REC as of the Latest Practicable Date. Save as disclosed above, none of our Directors or members of our senior management holds any position or has any role or responsibility with our Controlling Shareholder or any of its close associates. Please refer to the section headed “Directors, Senior Management and Employees” in this prospectus for the roles and responsibilities of the Directors and senior management of our Group.

As advised by Mr. Chew, he expects to spend at least approximately one-third of his time managing the business operations of our Company. The balance of his time will be spent on his responsibility as the chairman and chief executive officer of our Controlling Shareholder.

Each of our Directors is aware of his fiduciary duties as a Director of our Company which require, among other things, that he acts for the benefit and in the best interests of our Company and avoids any conflict between his duties as a Director and his other interests. In the event that there is a potential conflict of interest arising from 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 at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, the interested Director(s) shall not attend any independent board committee meetings comprising our independent non-executive Directors only. In the event that our Board is required to consider whether or not to acquire a competing business opportunity, or otherwise, such that the overlapping Directors are required to abstain from attending our Board meetings, our Board can function effectively given the qualifications, expertise and experience of our independent Directors. Our independent non-executive Directors collectively have a wide range of industry experience. Mr. Lam Bing Lun, Philip has over 30 years of experience in accounting and finance, Mr. Tan Yeow Hiang, Kenneth has extensive experience in the banking industry, and Mr. Wilson Teh Boon Piaw has extensive experience in management including experience in managing start up companies. For decision of strategic importance, all members of our Board, including our independent non-executive Directors, will be involved and decisions will not be made exclusively by the executive Directors. We are satisfied that the independence of our Board is not compromised with the common directorship held by Mr. Chew Hua Seng. Save for Mr. Chew, who holds senior positions in our Controlling Shareholder, all members of our Board and senior management are independent of our Controlling Shareholder and they are well qualified and experienced to provide professional support to our Directors in the daily operations of our business.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

Considering all the foregoing factors, we are satisfied that our Board is capable of properly discharging its duties and acting in the best interests of our Shareholders as a whole, and our Directors are capable of managing our business independently of our Controlling Shareholder and its close associates.

Operational Independence

We have established our own operational structure which is comprised of separate departments, each with specific areas of responsibilities. Our Group has independent access to sources of suppliers as well as customers. We have also established various internal control procedures to facilitate the effective operation of our business. Our senior management is experienced in the education facilities leasing industry and have accumulated strong management expertise in this industry. We are familiar with our industry and possess the know-how to operate our business. Biographies of our members of senior management are set out in the section headed “Directors, Senior Management and Employees” in this prospectus.

Sales, marketing and administrative functions relating to our business are carried out independently by our Group. We have sufficient operational capacity in terms of capital, equipment and employees to operate our businesses independently of our Controlling Shareholder.

Our Group currently does not lease any properties from the REC Group. As of the Latest Practicable Date, we leased education facilities to ten Contract Colleges, none of which was owned by the REC Group.

Based on the foregoing, we are capable of carrying on our business independently of our Controlling Shareholder and its close associates.

DEED OF NON-COMPETE

Our Controlling Shareholder has confirmed that, save for its shareholding in our Company, it is neither engaged nor interested in any business which, directly or indirectly, competes or may compete with our Group’s business (save as disclosed under the heading “Excluded Businesses” in the section headed “History and Development — Post-Reorganization” in this prospectus).

Our Controlling Shareholder has entered into the Deed of Non-compete in our favor on December 22, 2014 pursuant to which it has undertaken not to compete with the business of our Company as set out below.

REC has undertaken that it shall not, and shall use its reasonable endeavors to procure that any of its close associates (excluding any member of our Group) (the “**Affiliate**” or “**Controlled Entities**”) shall not, engage, invest, participate (as defined below) or be

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

interested (economically or otherwise) in any of the following businesses in the PRC (the “**Restricted Business**”):

- (a) any business activities which are or may be in competition with our core business, which is the development, operation and management of University Cities comprising multi-institute educational campus offering tertiary and vocational education, including the education facilities leasing business, in the PRC;
- (b) acquiring, holding, developing, transferring, disposing, leasing or otherwise dealing in, whether directly or indirectly, land or real estate properties which are classified for educational use, or any related investments in such land or properties classified for such educational use;
- (c) acquiring, holding, transferring, disposing of or otherwise dealing in any option, right or interest over any of the matters set out in paragraphs (a) or (b) above; or
- (d) acquiring, holding, transferring, disposing of or otherwise dealing in, directly or indirectly, any interest in (including, without limitation, shares of) any company, joint venture, corporation or entity of any nature, whether or not incorporated, with any interest in the matters set out in paragraphs (a) to (c) above,

during the period commencing on the date of the listing of the Shares on the Stock Exchange and ending on the earlier of:

- (a) the date when REC and its subsidiaries, directly or indirectly, cease to hold or otherwise be interested in, beneficially in aggregate, 30% or more of the issued ordinary share capital of our Company; or
- (b) the date when the Shares cease to be listed on the Stock Exchange (provided that such delisting is voluntary and at the instigation of our Company),

whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist any other person, except:

- (a) through its interests in our Company or its subsidiaries from time to time;
- (b) through acquiring or holding any investment or interest in units or shares of any company, investment trust, joint venture, partnership or other entity in whatever form which engages in any of the Restricted Business (a “**Competing Entity**”) where such investment or interest does not exceed 5% of the outstanding voting stock of such Competing Entity provided such investment or interest does not grant, nor does the relevant party and/or his Affiliates otherwise hold any right to control the composition of the board of directors or managers of such Competing Entity nor any right to participate (as defined below), directly or indirectly, in such Competing Entity; or

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

- (c) through its interest in any of the following:
- (i) Education Land held, or to be acquired, for its exclusive use only to develop and operate REC colleges in the PRC;
 - (ii) any company or other entity which owns any land described in (c)(i) above;
 - (iii) the Zhuyun Education Land, being Education Land, which were not transferred to our Company under the Reorganization, provided that such land is held strictly and solely in accordance with the terms of the Call Option and Right of First Refusal (as described below), and provided that REC shall not develop and/or use such land in any way which competes or may compete with our principal business; and
 - (iv) the Zhuyun Convertible Land, provided that REC shall not develop and/or use such land in any way which competes or may compete with our principal business.

No consideration is payable in respect of the Deed of Non-compete.

Call Option and Right of First Refusal

With respect to the Zhuyun Education Land, REC agreed to the following:

- (a) it will not develop or use the Zhuyun Education Land in any way which competes or may compete, directly or indirectly, either on its own or in conjunction with or on behalf of any person, firm or company, with our business;
- (b) it will grant us a call option (the “**Call Option**”) to purchase such land at a fair and reasonable price negotiated in good faith with reference to a market valuation to be conducted by an independent property valuer of international reputation, who shall be appointed by our Company, and such valuation shall be agreed between our Company and REC, and subject to any relevant laws and applicable GEM Listing Rules; and

it will grant us a right of first refusal (the “**Right of First Refusal**”) to purchase on no less favorable terms, if REC or any of its Affiliate intends to transfer or sell such land to any third party.

The acquisition costs payable for the Zhuyun Education Land upon the exercise of the Call Option shall be a fair and reasonable price to be negotiated between the parties in good faith with reference to a market valuation to be conducted by an independent property valuer of international reputation, who shall be appointed by our Company, and such valuation shall be agreed between our Company and REC as soon as practicable following the giving of the

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

relevant option notice. The Zhuyun Education Land is appraised at approximately RMB589.4 million (based on the prevailing market rate) as of June 30, 2014 and such appraisal will be subject to changing market conditions. It is impossible, at this time, to ascertain the estimated acquisition price upon exercise of the Call Option. In the event that we decide to acquire the Zhuyun Education Land, we expect to fund the acquisition mainly by a combination of cash and debt financing.

Our independent non-executive Directors will be responsible for reviewing and considering whether or not to exercise the Call Option or Right of First Refusal and such decision will be made by our independent non-executive Directors. In deciding whether to exercise the Call Option or the Right of First Refusal, the independent non-executive Directors will take into account a number of factors, including the then business strategy and financial conditions of our Group, the advantages of acquiring additional Education Land, the expansion plans of our Group, and, in particular, whether our Group has any present or long-term need to acquire additional Education Land for its business operation with reference to the circumstances at that time, and the impact on our Group's return on assets if it acquires such additional land. In deciding whether or not to exercise the Right of First Refusal, the independent non-executive Directors will also take into account whether the potential third party purchaser is a competitor of our Group, or a potential customer of our Group, such as a college which may need to purchase its own additional land but which may alternatively lease dormitories from us. The independent non-executive Directors' decision and reasons for their decision will be disclosed in our Company's interim or annual report.

To assist our Company in monitoring ongoing compliance with the terms of the Deed of Non-compete, REC has further undertaken that:

- (a) upon a request by a committee of independent non-executive Directors of our Company, REC will provide and will procure the Controlled Entities (if required by our Company) to provide all information necessary to the independent non-executive Directors of our Company to review REC's or the Controlled Entities' compliance with and enforcement of the Deed of Non-compete, provided that REC shall only be required to provide information which is determined by the independent directors of REC to be relevant for such purposes;
- (b) REC will provide and will procure the Controlled Entities (if required by our Company) to provide to our Company all information in respect of its compliance with and enforcement of the Deed of Non-compete necessary for our Company to disclose the decision made by the committee mentioned under (a) above in our Company's continuous disclosure, or by way of announcement, provided that REC shall only be required to provide information which is determined by the independent directors of REC to be relevant for such purposes;

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

- (c) REC will make and will procure the Controlled Entities (if required by our Company) to make a declaration to confirm to our Company and our independent non-executive Directors on the compliance of REC or the Controlled Entity (as relevant) with the Deed of Non-compete in our Company's annual report; and
- (d) REC will not and will procure Zhuyun not to transfer the Zhuyun Education Land (all or any part thereof, except for the part of the Zhuyun Education Land pursuant to the Langfang He Ying Transaction) to any third party, except in accordance with the terms of the Deed of Non-compete.

REC's undertaking to provide information under the Deed of Non-compete shall be subject to (a) such information being within the access or possession of REC or its subsidiaries, and (b) REC having the right to disclose such information.

As advised by REC and our PRC Legal Advisors, the transfer of the Zhuyun Education Land will be subject to the customary government approvals required for a land transfer in the PRC. As of the Latest Practicable Date, there is no other third party or bank consent required for the transfer of the Zhuyun Education Land should we exercise the Call Option or the Right of First Refusal to acquire the Zhuyun Education Land (except in respect of approximately 61 mu (40,861 sq.m.) of the Zhuyun Education Land which Zhuyun has undertaken not to transfer without the consent of OUC Development).

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to manage any conflicts of interest arising from the competing business of our Controlling Shareholder and to safeguard the interests of our Shareholders:

- (a) our independent non-executive Directors will review, at least on an annual basis, the compliance with the undertaking given by our Controlling Shareholder under the Deed of Non-compete;
- (b) our Controlling Shareholder has undertaken to provide all information as may be requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-compete;
- (c) the decisions on whether to exercise the Call Option or Right of First Refusal will be made by our independent non-executive Directors only without the need for approval by our other Directors;

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

- (d) our Company will disclose factors or matters reviewed and considered by our independent non-executive Directors relating to compliance and exercise of the Deed of Non-compete, including but not limited to whether there has been any opportunity in Restricted Business being referred by our Controlling Shareholder to us, the prospects of such opportunity and the potential implications to our operations if we have taken up the same, in the annual reports of our Company;
- (e) our independent non-executive Directors may engage external professional advisors at our Company's cost to assist them in deciding whether to exercise our Company's rights under the Deed of Non-compete should they consider necessary; and
- (f) our Controlling Shareholder will make an annual declaration in relation to compliance with the Deed of Non-compete in the annual reports of our Company.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS AND SENIOR MANAGEMENT

Our Board currently consists of six Directors, comprising two executive Directors, one non-executive Director and three independent non-executive Directors. The powers and duties of our Board include convening general meetings and reporting our Board's work at the Shareholders' meetings, determining our business and investment plans, preparing our annual financial budgets and final reports; formulating proposals for profit distributions, recovery of losses and for the increase or reduction of our registered capital, as well as exercising other powers, functions and duties conferred by the Articles of Association. We have entered into service contracts with each of our executive Directors and letters of appointment with our non-executive Director and each of our independent non-executive Directors.

The following table sets forth certain information concerning our Directors:

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Date of appointment	Relationship with other Directors and senior management
Mr. Chew Hua Seng (周華盛)	60	Chairman and executive Director	Responsible for the overall strategic planning and management of our Group and a member of the Remuneration Committee and Nomination Committee	December 24, 2007	June 11, 2012	Not applicable
Mr. Liu Ying Chun (劉迎春)	50	Chief executive officer and executive Director	Responsible for managing the overall operations of our Group	June 8, 2010	January 16, 2014	Not applicable
Mr. He Jun (何軍)	52	Non-executive Director	Participates in formulating our Company's corporate and business strategies; chairman of the Risk Management Committee	January 16, 2014	January 16, 2014	Not applicable
Mr. Lam Bing Lun, Philip (林炳麟)	71	Independent non-executive Director	Responsible for supervising and providing independent judgment to our Board; chairman of the Audit Committee and a member of the Nomination Committee and Risk Management Committee	December 23, 2014	December 23, 2014	Not applicable

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Date of appointment	Relationship with other Directors and senior management
Mr. Tan Yeow Hiang, Kenneth (陳耀鄉)	47	Independent non-executive Director	Responsible for supervising and providing independent judgment to our Board; chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee	December 23, 2014	December 23, 2014	Not applicable
Mr. Wilson Teh Boon Piaw (鄭文鏢)	59	Independent non-executive Director	Responsible for supervising and providing independent judgment to our Board; chairman of the Remuneration Committee and a member of the Audit Committee, Nomination Committee and Risk Management Committee	December 23, 2014	December 23, 2014	Not applicable

The following table sets forth certain information concerning our other senior management members:

Name	Age	Position	Responsibilities	Date of joining our Group	Date of appointment	Relationship with other Directors and senior management
Mr. Liu Ying Chun (劉迎春)	50	Chief executive officer	Responsible for managing the overall operations of our Group	June 8, 2010	December 15, 2011	Not applicable
Mr. Wong Dang Sing (黃丹心)	39	Chief financial officer	Responsible for managing the financial and accounting operations of our Group	September 1, 2013	September 1, 2013	Not applicable
Mr. Zhang Jian Guang (張建光)	35	Director of human resources and administration	Responsible for managing the human resources operations and staff administration of our Group	April 19, 2011	August 1, 2012	Not applicable
Mr. Cheng Bing Xu (成丙旭)	63	Chief operating officer	Responsible for overseeing the overall operations of our Group	February 14, 2011	March 1, 2014	Not applicable

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS

Executive Directors

Mr. Chew Hua Seng (周華盛), aged 60, is our chairman and executive Director. Mr. Chew joined our Group in December 2007 and was appointed as a Director on June 11, 2012. He is primarily responsible for the overall strategic planning and management of our Group. He has served as director and chief executive director of Langfang Education Consultancy since October 2011. Mr. Chew is also the founder, chairman and chief executive officer of REC, and was appointed as a director of REC in November 1999. Under the leadership of Mr. Chew, REC has grown to become one of Asia's leading private tertiary education providers, which ranked amongst the Top 200 Asia-Pacific companies on Forbes Asia's "Best Under a Billion" list for four consecutive years. Mr. Chew obtained a bachelor's degree in business administration from the University of Singapore (now known as the National University of Singapore) in Singapore in May 1979 and was awarded the National University of Singapore Business School Eminent Business Alumni Awards in November 2010 for his outstanding achievements. Mr. Chew was conferred the Public Service Medal by the President of Singapore for his contribution to community service in 2010. Save as disclosed herein, Mr. Chew is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years.

Mr. Liu Ying Chun (劉迎春), aged 50, is our chief executive officer and executive Director. Mr. Liu joined our Group in June 2010 and was appointed as a Director on January 16, 2014. He is primarily responsible for managing the overall operations of our Group. Mr. Liu has served as a director of Langfang Education Consultancy since December 2011. Mr. Liu also served as the chairman of Langfang Huaxi Construction Consultancy Company Limited (廊坊市華璽建設工程諮詢有限公司) from September 2000 to June 2010. He worked in the Langfang Audit Office (廊坊市審計局) as the head of Construction Center Department from December 1991 to September 2000. Mr. Liu also worked in the Wenan County Audit Office (文安縣審計局) from July 1983 to November 1991. Mr. Liu obtained a diploma in business economics from the Renmin University of China (中國人民大學) in Beijing, China in June 1988 through distance education. Mr. Liu is registered as a valuer with the China Appraisal Society (中國資產評估協會) in April 1998, and he is a qualified auditor accredited by the National Audit Office of the PRC (中華人民共和國審計署) in November 1992. Mr. Liu is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years.

Non-executive Director

Mr. He Jun (何軍), aged 52, is our non-executive Director. Mr. He was appointed as our Director on January 16, 2014. Mr. He joined WongPartnership LLP in February 1997 and is currently the joint-head of the China practice of WongPartnership LLP. Mr. He is a partner in both the capital markets practice and the corporate/mergers & acquisitions practice. His main areas of practice are corporate finance, equity capital market, foreign investment in China, mergers and acquisitions and property development in China. Mr. He is recommended as a leading foreign expert in Singapore and the PRC by *Chambers Global Guide* since 2012 and

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Expert Guides — Guide to Leading Practitioners: China, 2011, in the area of corporate/M&A. He is also recommended by *Chambers Asia Pacific Guide 2014* and *The Legal 500 2012* for real estate work in the PRC. He has also been ranked as a leading lawyer in Singapore by *Best Lawyers 2014* in the area of capital markets.

Mr. He was an independent director of Asia Power Corporation Limited (stock code on the SGX-ST: A03:SI), a company previously listed on the SGX-ST, from December 2007 until it was delisted from the SGX-ST in May 2014, and he was an independent director of Devotion Energy Group Ltd (stock code on the SGX-ST: D08:SI), a company previously listed on the SGX-ST, from December 2007 until it was delisted from the SGX-ST in December 2013. Save as disclosed herein, Mr. He is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years. Mr. He graduated with a bachelor's degree in arts from Yunnan University (雲南大學) in Yunnan, China in July 1983. He further obtained a master's degree in law from China University of Political Science and Law (中國政法大學) in Beijing, China in July 1989 and from McGeorge School of Law, University of the Pacific in California, the United States in May 1993. Mr. He was admitted as a lawyer in the PRC in December 1995.

Independent Non-executive Directors

Mr. Lam Bing Lun, Philip (林炳麟), aged 71, is our independent non-executive Director. Mr. Lam was appointed as our Director on December 23, 2014. Mr. Lam began his career in 1963 with Hang Seng Bank Limited in the accounts department of its head office. He joined the University of Hong Kong in 1975 and served as the director of finance from 1990 to 2012 where he was responsible for overseeing and managing the university's overall financial affairs. He also spent 3 years in Canada from 1982 to 1985, where he served as the chief accountant and comptroller in the Overseas Bank (Canada), where he was responsible for the creation, development and control of its accounting and reporting systems. Mr. Lam was appointed as senior advisor to the vice-chancellor of the University of Hong Kong from July 2012 to June 2014 for financial & investment management and fund-raising matters. He is currently an honorary advisor to the chairman of the HKU Foundation. Mr. Lam is active in community affairs and had served as a member on the Board of Review of the Hong Kong Inland Revenue Department and a member of the Establishment and Finance Committee of the Prince Philip Dental Hospital in Hong Kong. He is also currently a vice-chairman of the board of governors of the Canadian International School in Hong Kong. Mr. Lam is currently an executive director of Chinney Alliance Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 385), and was an independent non-executive director of China New Town Development Company Limited, which is listed on both the Main Board of the Stock Exchange (stock code: 1278) and on the SGX-ST (stock code on the SGX-ST: D4N. SI), from August 2007 to May 2013. Mr. Lam was also a director of Enterpriseasia Limited, a company formerly listed on the London Stock Exchange, from July 2001 to January 2010, when the company was dissolved in the United Kingdom. Save as disclosed herein, Mr. Lam is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years. Mr. Lam obtained a diploma in management studies from the Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University) in Hong Kong in July 1974. He has been a fellow of The Chartered Institute of Management Accountants since April 1993, and a certified

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

management accountant of The Society of Management Accountants of British Columbia since October 1991, and an associate of The Institute of Chartered Secretaries and Administrators since September 1974, The Institute of Bankers since December 1971 and The Hong Kong Society of Accountants (currently known as The Hong Kong Institute of Certified Public Accountants) since October 1981.

Mr. Tan Yeow Hiang, Kenneth (陳耀鄉), aged 47, is our independent non-executive Director. Mr. Tan was appointed as our Director on December 23, 2014. Mr. Tan is currently working with United Overseas Bank Limited (“**UOB**”) as a managing director. Mr. Tan previously worked at the Singapore Economic Development Board (“**EDB**”) from October 2001 to September 2008, during which period he has worked as director of the Services Cluster from 2003 to 2006, and subsequently as the assistant managing director of EDB from December 2007 to September 2008. As director of the services cluster, Mr. Tan had worked on a number of EDB’s education related projects such as the German Institute of Science and Technology, Singapore — MIT alliance and the Institute of Environmental Sciences and Engineering (Pte) Ltd. Prior to working at EDB, Mr. Tan also worked as a banker with a commercial bank in Singapore from February 1999 to April 2001 where his focus areas were in private equity and corporate development. Mr. Tan also served in the Singapore Armed Forces from December 1985 to February 1999. Mr. Tan obtained a master’s degree in business administration from the National University of Singapore in August 1995, and a Bachelor of Arts in philosophy, politics and economics from the University of Oxford in the United Kingdom in June 1989. He was awarded the Singapore Armed Forces Overseas Training Award by the government of Singapore in 1986. Save as disclosed herein, Mr. Tan is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years.

Mr. Wilson Teh Boon Piaw (鄭文鏢), aged 59, is our independent non-executive Director. Mr. Teh was appointed as our Director on December 23, 2014. Mr. Teh served as the chairman and chief executive director of TMX International Limited, a new start up company and distributor of kitchen appliance, from May 2013 until November 2014. From August 2007 to October 2012, Mr. Teh served as director of Huhu Studio Ltd., a computer animation studio based in New Zealand, and has served as director of its investment holding company, Huhu Holdings Pte Ltd., since July 2007. Mr. Teh previously worked at JOST World Group, a manufacturer of components for commercial vehicles, from May 1991 to September 2009, where he served as managing director of JOST Far East Pte Ltd. from May 1991 to September 2008 and was responsible for developing market and for all sales matters in Southeast Asia, Taiwan and Hong Kong, as well as setting up Singapore as a regional logistic hub. He served as president, Asia of JOST Asia (Shanghai) Auto Component Co. Ltd., from September 2001 to September 2008 and subsequently as consultant from October 2008 to September 2009, where he led and managed three companies in Asia, and developed and executed their strategy and long-term business plan. Mr. Teh obtained a master’s degree in business administration from the University of Dubuque in Iowa, the United States in January 1996, a diploma in management study from the Singapore Institute of Management in Singapore in March 1992, and a diploma in shipbuilding and repair technology from Ngee Ann Technical College in association with The Polytechnic of Central London (currently known as Ngee Ann Polytechnic) in Singapore in July 1980. Mr. Teh is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 17.50(2)(h) to (v) of the GEM Listing Rules.

SENIOR MANAGEMENT

Mr. Liu Ying Chun is our chief executive officer. Please refer to the subsection headed “Directors — Executive Directors” in this section for his biographical details.

Mr. Wong Dang Sing (黃丹心), aged 39, is the chief financial officer of our Group. Mr. Wong joined our Group in September 2013 and is responsible for the overall finance management of our Group. Mr. Wong has extensive experience in accounting and auditing. Prior to joining our Group, Mr. Wong worked as a senior manager at the assurance department of Ernst & Young Beijing from June 2005 to August 2013. Mr. Wong has also worked in the assurance department of Ernst & Young Malaysia from July 2000 to April 2005. Mr. Wong obtained a certificate in accountancy in June 1997 from Methodist Pilley Institute in Malaysia. Mr. Wong has been a member of The Hong Kong Institute of Certified Public Accountants since September 2012 and a member of the Association of Chartered Certified Accountants since December 2009. Mr. Wong is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years.

Mr. Zhang Jian Guang (張建光), aged 35, is the director of human resources and administration of our Group. Mr. Zhang joined our Group in April 2011 and is responsible for managing the human resources operations and staff administration of our Group. Mr. Zhang has previously held various positions within our Group, including the vice director of human resources and vice director of office administration. Prior to joining our Group, Mr. Zhang worked as a lecturer and subsequently as human resources administrator at Langfang Food Engineering Technical School (廊坊食品工程學校) from August 2003 to July 2009. Mr. Zhang obtained a master’s degree in business administration from the Graduate University of Chinese Academy of Sciences (中國科學院研究生院) (currently known as University of the Chinese Academy of Sciences (中國科學院大學)) in Beijing, China in July 2011. Mr. Zhang is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years.

Mr. Cheng Bing Xu (成丙旭), aged 63, is the chief operating officer of our Group. Mr. Cheng joined our Group in February 2011 as senior manager of Colleges. Mr. Cheng is responsible for overseeing the property management and operation matters of our Group, including managing the acquisition, disposal, lease and maintenance of land and buildings and other fixed assets of our Group. Prior to joining our Group, Mr. Cheng was the vice president of Oriental Navigation Investment Management Company Limited (東方領航投資管理有限公司) from May 2008 to January 2011. He was the vice president of the Education Research Centre of the Northern Investment Group (北京北方投資集團教育研究院) and executive dean and commander in chief of construction of the Chongqing Guangcai Vocational Technology College (重慶光彩職業技術學院) (currently known as the Chongqing Vocational College of Media (重慶

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

傳媒職業學院)) from August 2007 to May 2008. Mr. Cheng worked as deputy general manager, director and deputy director of the policy committee of Zhanjiang Cunjin Education Group (湛江寸金教育集團), a private education institute, from 2005 to September 2007. Mr. Cheng was the vice president and subsequently senior managing director (專務主任) of China Petroleum Pipeline College (Hebei Petroleum Vocational Technical College) (中國石油管道學院暨河北石油職業技術學院) from 1997 to 2005. He was the vice principal of Inner Mongolia Tuquan First High School (內蒙古突泉縣第一中學) from 1985 to 1990. Mr. Cheng obtained a bachelor of arts from Siping Normal College (四平師範學院) (currently known as Jilin Normal University (吉林師範大學)) in Jilin, China in June 1982. He has held the professor title as accredited by Hebei Province Title Reform Leading Group Office (河北省職稱改革領導小組辦公室) since December 2007. Mr. Cheng is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years.

COMPANY SECRETARY

Mr. Kwok Siu Man (郭兆文), aged 55, was appointed as the company secretary of our Company in September 2013 pursuant to his nomination by Boardroom Corporate Services (HK) Limited which has been engaged by our Company to provide certain corporate secretarial services to our Company. Mr. Kwok is the head of corporate secretarial division in Boardroom Corporate Services (HK) Limited and a director of Boardroom Share Registrars (HK) Limited, our Hong Kong Share Registrar. From February 2011 to March 2013, he was the company secretary of Lai Sun Garment (International) Limited (stock code: 191), Lai Sun Development Company Limited (stock code: 488), eSun Holdings Limited (stock code: 571), Lai Fung Holdings Limited (stock code: 1125) and Crocodile Garments Limited (stock code: 122), all listed on the Main Board of the Stock Exchange. Mr. Kwok has about 25 years' in-house legal, corporate secretarial and management experience gained from listed companies in Hong Kong and overseas.

Mr. Kwok currently serves as the company secretary and a joint company secretary of a number of companies listed on the Main Board and GEM of the Stock Exchange. He has been a director of Lam Kin Chung Morning Sun Charity Fund, a charity fund since its incorporation in 1992, and a sponsoring body manager of Yuk Yin School, a primary school, since March 2013 and was the general manager and the managing director of a leading financial printer with international affiliation in 1994 and 2000, respectively.

In November 1983, Mr. Kwok obtained a professional diploma in company secretaryship and administration at the Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University) and obtained a bachelor's degree of arts in accountancy from the same university in November 1994. He completed the Common Professional Examination of England and Wales and obtained a graduate diploma in law from the Manchester Metropolitan University in England in July 1998.

Mr. Kwok is a fellow of The Institute of Chartered Secretaries and Administrators in England since October 1990, The Institute of Financial Accountants in England since July 1996, The Hong Kong Institute of Company Secretaries ("HKICS") (currently known as The Hong Kong Institute of Chartered Secretaries) since August 1994, as well as The Hong Kong

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Institute of Directors since July 2014 and a member of the Hong Kong Securities Institute (currently known as the Hong Kong Securities and Investment Institute) since April 1999. He was the chief examiner of the HKICS from June 1997 to June 1999 and has served as a council member of the HKICS for 18 years.

COMPLIANCE ADVISOR

In compliance with Rule 6A.19 of the GEM Listing Rules, we have appointed BNP Paribas as our compliance advisor. The compliance advisor will advise our Company on on-going compliance requirements and other issues under the GEM Listing Rules and other applicable laws and regulations in Hong Kong after Listing.

We have entered into a compliance advisor's agreement with the compliance advisor, the material terms of which are summarized as follows.

- (a) we have appointed the compliance advisor for the purpose of Rule 6A.19 of the GEM Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date, or until the agreement is otherwise terminated in accordance with the terms thereunder, whichever occurs earlier;
- (b) the compliance advisor shall provide us with services, including guidance and advice as to compliance with the requirements under the GEM Listing Rules and all other laws, rules, codes and guidelines applicable to our Company; and
- (c) we may terminate the appointment of the compliance advisor, by service of a 14-days prior written notice, only if its work is of an unacceptable standard or if there is a material dispute (which cannot be resolved within 30 days) over fees payable to it as permitted by Rule 6A.26 of the GEM Listing Rules. The compliance advisor has the right to resign or terminate its appointment with immediate effect, subject to the fulfillment of certain conditions, by service of a written notice to us if we materially breach the agreement.

BOARD COMMITTEES

Audit Committee

We have established the Audit Committee with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraph C.3 of the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules. The Audit Committee currently consists of three independent non-executive Directors, being Mr. Lam Bing Lun, Philip, Mr. Tan Yeow Hiang, Kenneth and Mr. Wilson Teh Boon Piaw, with Mr. Lam Bing Lun, Philip serving as chairman of the committee. Mr. Lam Bing Lun, Philip has the appropriate professional qualification as set out in Rule 5.05(2) of the GEM Listing Rules.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The primary duties of the Audit Committee are to assist our Board in providing an independent view of the effectiveness of our financial reporting process, internal control and risk management systems, oversee the audit process and perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

We have established the Remuneration Committee with written terms of reference in compliance with paragraph B.1.2 of the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules. The Remuneration Committee currently consists of one executive Director and two independent non-executive Directors, being Mr. Wilson Teh Boon Piaw, Mr. Chew Hua Seng and Mr. Tan Yeow Hiang, Kenneth, with Mr. Wilson Teh Boon Piaw serving as 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.

Nomination Committee

We have established the Nomination Committee with written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules. The Nomination Committee currently consists of one executive Director and three independent non-executive Directors, being Mr. Tan Yeow Hiang, Kenneth, Mr. Chew Hua Seng, Mr. Lam Bing Lun, Philip and Mr. Wilson Teh Boon Piaw, with Mr. Tan Yeow Hiang, Kenneth serving as chairman of the committee.

The primary duties of the Nomination Committee are to formulate the nomination procedures and standards for candidates for Directors and senior management, to conduct preliminary review of the qualifications and other credentials of the candidates for Directors and senior management and to recommend suitable candidates for Directors and senior management to the Board.

Risk Management Committee

We have established the Risk Management Committee. The Risk Management Committee currently consists of one non-executive Director and two independent non-executive Directors, being Mr. He Jun, Mr. Lam Bing Lun, Philip and Mr. Wilson Teh Boon Piaw, with Mr. He Jun serving as chairman of the committee.

The primary duties of the Risk Management Committee are to formulate, review and assess policies on risk management relating to the activities of our Company, and to provide support to the Board by identifying and minimizing the operational risks of our Company.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

COMPLIANCE OFFICER

Mr. Liu Ying Chun is the compliance officer of our Company. Please refer to the subsection headed “Directors — Executive Directors” in this section for his biographical details.

COMPENSATION OF DIRECTORS AND MANAGEMENT

Our executive Directors, who are also our employees, receive compensation in the form of salaries, bonuses and other allowances. The aggregate amount of Directors’ remuneration (including fees, salaries and discretionary bonuses) which were paid by our Group to our Directors for the year ended June 30, 2013 and 2014 were nil and approximately RMB0.4 million, respectively. The aggregate amount of remuneration which were paid by our Group to our senior management for the year ended June 30, 2013 and 2014 were approximately RMB0.9 million and RMB1.6 million, respectively.

Upon completion of the Placing, the Remuneration Committee will make recommendations on the remuneration of our Directors taking into account the performance of our Directors and market standards and the remuneration will be subject to approval by our Shareholders. Accordingly, the historical remuneration to our Directors during the years ended June 30, 2013 and 2014 may not reflect the future levels of remuneration of our Directors.

The aggregate amount of remuneration (including fees, salaries and discretionary bonuses) which were paid by our Group to the five highest paid individuals during the years ended June 30, 2013 and 2014 were approximately RMB3.4 million and RMB1.9 million, respectively.

No remuneration was paid by our Group to our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of the years ended June 30, 2013 and 2014. Further, none of our Directors had waived any remuneration during the same period.

Save as disclosed above, no other payments including contributions to pension schemes have been paid or are payable, in respect of the years ended June 30, 2013 and 2014 by us or any of our subsidiaries to our Directors, and no payments were made during the years ended June 30, 2013 and 2014 by us to any of our Directors as an inducement to join or upon joining our Group. According to the present arrangements, the aggregate remuneration of our Directors (including benefits in kind and contributions to our Directors as remuneration by us but excluding any discretionary bonus payable to our Directors) for the financial year ending June 30, 2015 is forecast to be approximately RMB1.0 million.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

EMPLOYEES

For details on the number and breakdown of our employees, please refer to the section headed “Business — Employees” in this prospectus.

The remuneration package of our employees includes salary and discretionary bonuses. We made contributions to mandatory social security funds for our employees to provide for retirement, medical, unemployment, work-related injury and maternity benefits as required by the PRC social security regulations. Our contributions to such social insurance funds, which include (i) pension costs — defined contribution plans, (ii) housing benefit, and (iii) medical benefit, for the year ended June 30, 2013 and 2014 amounted to approximately RMB0.6 million and RMB0.3 million, respectively.

The local social insurance authorities where our subsidiaries are located have confirmed that all of our subsidiaries have complied with the requirements under the applicable PRC laws and regulations and the requirements of local government, and that none of our subsidiaries has been penalized for non-compliance with social insurance regulations and no dispute has occurred between our subsidiaries and local government authorities in charge of social security.

SHARE CAPITAL

This section presents certain information regarding our Company's share capital prior to and following the Placing and the Bonus Issue.

BEFORE THE PLACING AND THE BONUS ISSUE

As of the Latest Practicable Date, our Company's share capital comprised of 200,000 Shares.

	Number of Shares	Approximate percentage of total issued share capital
		%
Shares in issue	200,000	100.00

UPON COMPLETION OF THE PLACING AND THE BONUS ISSUE

Assuming the Offer Size Adjustment Option is not exercised at all, our Company's issued share capital immediately following the Placing and the Bonus Issue will be as follows.

	Number of Shares	Approximate percentage of total issued share capital
		%
Shares in issue as of the date of this prospectus	200,000	0.11
Shares to be issued under the Bonus Issue	134,800,000	74.89
Shares to be issued under the Placing	45,000,000	25.00
Total	180,000,000	100.00

SHARE CAPITAL

Assuming the Offer Size Adjustment Option is exercised in full, our Company's issued share capital immediately following the Placing and the Bonus Issue will be as follows.

	Number of Shares	Approximate percentage of total issued share capital
		%
Shares in issue as of the date of this prospectus	200,000	0.11
Shares to be issued under the Bonus Issue	134,800,000	72.18
Shares to be issued under the Placing	45,000,000	24.10
Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option	6,750,000	3.61
Total	<u>186,750,000</u>	<u>100.00</u>

Note:

- (1) The Shares referred to in the above table have been or will be fully paid or credited as fully paid when issued.

RANKING

The Placing Shares are ordinary shares in the share capital of our Company and will rank equally in all respects with all Shares in issue or to be issued as set out in the above table, and will qualify and rank equally for all dividends or other distributions declared, made or paid after the date of this prospectus.

THE SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarized in the section headed "Statutory and General Information — D. Share Option Scheme" in Appendix V to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares not exceeding:

- (a) 20% of the total number of Shares in issue immediately following completion of the Placing and the Bonus Issue (excluding any Shares which may fall to be issued upon the exercise of the Offer Size Adjustment Option); and

SHARE CAPITAL

- (b) the total number of Shares repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below.

This mandate will expire at the earliest of:

- (a) the conclusion of our Company's next annual general meeting; or
- (b) the expiration of the period within which our Company is required by law or the Articles of Association to hold its next annual general meeting; or
- (c) when varied, revoked or renewed by an ordinary resolution of our Company's Shareholders in a general meeting.

For further details of this general mandate to issue Shares, please refer to the subsection headed "Statutory and General Information — A. Further Information about our Group — 3. Written resolutions of the sole Shareholder" in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares of not more than 10% of the total number of Shares in issue or to be issued immediately following completion of the Placing and the Bonus Issue (excluding any Shares which may fall to be issued upon the exercise of the Offer Size Adjustment Option).

This mandate only relates to repurchases made on the Stock Exchange, or any other approved stock exchange(s) on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the subsection headed "Statutory and General Information — A. Further Information about Our Group — 7. Repurchase of our Shares" in Appendix V to this prospectus.

This mandate will expire at the earliest of:

- (a) the conclusion of our Company's next annual general meeting; or
- (b) the expiration of the period within which our Company is required by law or the Articles of Association to hold its next annual general meeting; or
- (c) when varied, revoked or renewed by an ordinary resolution of our Company's Shareholders in a general meeting.

For further details of this Repurchase Mandate, please refer to the subsection headed "Statutory and General Information — A. Further Information about Our Group — 3. Written resolutions of the sole Shareholder" in Appendix V to this prospectus.

FINANCIAL INFORMATION

You should read the following discussion and analysis together with our consolidated financial information and the notes thereto as of and for the year ended June 30, 2013 and 2014, included in the Accountant's Report set out in Appendix I to this prospectus. The Accountant's Report has been prepared in accordance with HKFRS.

The following discussion and analysis may contain certain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties over which we do not have control. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. Please refer to the sections headed "Risk Factors" and "Forward-looking Statements" in this prospectus for a discussion of those risks and uncertainties.

OVERVIEW

Oriental University City (where our Campus Site is currently located) was one of the earliest University Cities established in the PRC according to Euromonitor. We own and lease education facilities to education institutions at our Campus Site located in Langfang city, Hebei Province. As of October 31, 2014, our Campus Site occupied a gross area of 731 mu (487,270 sq.m.) situated within Langfang city. As of October 31, 2014, on this Campus Site, we owned teaching buildings with a GFA of approximately 119,453 sq.m. and dormitories with a GFA of approximately 144,490 sq.m..

Langfang city is connected to the Beijing-Tianjin-Tanggu expressway network and close to other major transportation networks in Beijing and Tianjin such as the Beijing Capital International Airport, Tianjin Binhai International Airport, Beijing-Shanghai high speed train railway network, and direct public bus from Beijing to Langfang city. For demographic information on Langfang city, please refer to the section headed "Industry Overview — Demographics of Langfang City" in this prospectus. Our Campus Site is in the Langfang Economic and Technology Development Zone and also within close proximity to the Beijing Daxing Industrial Development Zone, Tianjin Binhai New Area and Tianjin Jingbin Industrial Zone, where there is a high concentration of foreign and domestic companies in the aviation, service and information technology.

For the year ended June 30, 2013 and 2014, our revenue amounted to approximately RMB68.6 million and RMB59.6 million, respectively, our operating profit amounted to approximately RMB109.4 million and RMB42.7 million, respectively, and our net profit amounted to approximately RMB114.7 million and RMB40.8 million, respectively. The significant decrease in our operating profit and net profit was primarily due to the reduction of one-off government grant as the Reorganization completed in September 2012. For further details, please refer to the subsection headed "Review of historical results of operations" in this section.

FINANCIAL INFORMATION

For the year ended June 30, 2013 and 2014, we derived respectively approximately 95.5% and 95.3% of our total revenue from education facilities leasing, which involves the leasing of teaching facilities and dormitories to Contract Colleges. As of June 30, 2014, we leased to seven Contract Colleges with a resident student population of over 19,000.

For the year ended June 30, 2013 and 2014, our remaining revenue was derived from the commercial leasing for supporting facilities. We entered into term leases with vendors who provide a range of supporting facilities to the residents, including students and staff of our Contract Colleges, within our Campus Site to meet their daily needs.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Our net profit for the six months ending December 31, 2014 and for the year ending June 30, 2015 could be significantly lower than the net profit for the six months ended December 31, 2013 and for the year ended June 30, 2014, respectively. The impact of the listing expenses on the consolidated income statement have posted a material adverse change in the financial or trading position or prospect of our Group since June 30, 2014 (being the date on which our latest audited consolidated financial statements were made up). For risks associated with the impact of the listing expense, please refer to the section headed “Risk Factors — Risks relating to our business — Our financial performance for the six months ending December 31, 2014 and for the year ending June 30, 2015 will be adversely affected due to additional listing expenses.” in this prospectus.

Save as disclosed above, our Directors confirm that there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially and adversely affect the information shown in our consolidated financial statements as set out in the Accountant’s Report in Appendix I to this prospectus since June 30, 2014 and up to the date of this prospectus.

Subsequent to June 30, 2014, all of our ten Contract Colleges entered into the annual collaborative agreements, and we also entered into education service agreements for short-term courses with three new Contract Colleges and two pre-existing Contract Colleges for the 2014 to 2015 academic year. For further details, please refer to the section headed “Business — Our Business — Education facilities leasing — Agreements with Contract Colleges” in this prospectus. The resident student population for the 2014 to 2015 academic year is expected to be over 19,000, which is about the same as in the 2013 to 2014 academic year. Although the resident student population at Peking Founder Technology is expected to increase for the 2014 to 2015 academic year compared to the previous academic year, this was mostly offset by an expected decrease in the resident student population at Beijing Oriental College and Huahang Aviation over the same periods. In addition, students attending short-term courses at the three new Contract Colleges are not counted as part of the resident student population for the 2014 to 2015 academic year.

Based on our unaudited financial information for the four months ended October 31, 2014 as extracted by us from the unaudited condensed consolidated interim financial information of our Group for the four months ended October 31, 2014, which have been reviewed by our

FINANCIAL INFORMATION

reporting accountant in accordance with the Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA, for the four months ended October 31, 2014, our revenue increased slightly compared to that of the corresponding period in 2013, primarily due to an increase in the average rental rates for teaching buildings that we charge our Contract Colleges. Fair value gains on investment properties slowed to RMB32,000 for the four months ended October 31, 2014 from RMB8.9 million over the same period in 2013. Excluding fair value gains on our investment properties, our operating profit slightly increased for the four months ended October 31, 2014, compared to that of the corresponding period in 2013.

In addition, to better reflect the actual space occupied by our Contract Colleges and ease for internal planning, we have changed the method we charge our education facilities leasing fee for the teaching buildings. As part of our ordinary commercial negotiation with our Contract Colleges, they were able to accept such changes, and we were able to reflect such changes in the collaborative agreements for the 2014 to 2015 academic year. During the Track Record Period, we charged our Contract Colleges based on an annual unit rate per student, which ranged from approximately RMB1,700 to RMB2,100 per student. For the 2014 to 2015 academic year, we charge the Contract Colleges (except for Beijing Chinese Medicine which we intend to enter into such new arrangement in the 2015 to 2016 academic year) based on GFA rented. The annual rental rate we charge our Contract Colleges ranges from approximately RMB400 to RMB420 per sq.m. for the leasing of teaching buildings for the 2014 to 2015 academic year. This is equivalent to approximately RMB2,000 to RMB2,100 per student per annum calculated based on five sq.m. per student. Under this new rental arrangement for teaching buildings, we expect to receive slightly higher income for leasing of teaching buildings as we are effectively charging a higher rental rate than before. For details, please refer to the section headed “Business — Our business — Education facilities leasing — Agreements with Contract Colleges — (b) Collaborative agreements” in this prospectus.

As advised by our PRC Legal Advisors, we have to adopt the accounting book method for PRC corporate income tax purpose after Listing as required under the relevant PRC CIT Law and applicable rules and regulations. The corporate income tax should be levied according to the accounting book method going forward. Accordingly, our income tax expenses may significantly increase upon our switch to use the accounting book method from the deemed profit basis after our Listing, and our business, financial position and results of operations may be materially and adversely affected. Please also see “Risk Factors — Our income tax expenses may materially increase upon our switch to use a different calculation basis after our Listing.”

Pursuant to the 2012 Circular from the People’s Government of Langfang City, the People’s Government of Langfang City agreed to facilitate the Reorganization, and provided us with a special government grant (“**Special Government Grant**”) in respect of tax provisions arising from the transfer of land, buildings and structures as part of the Reorganization, including the Special Tax Provision. Accordingly, we recognized a corresponding receivable for the Special Government Grant of RMB21.1 million in relation to corporate income tax of approximately RMB19.8 million and stamp duties of approximately RMB1.3 million as of June 30, 2014. Should our corresponding government grant receivable be deemed uncollectable or

FINANCIAL INFORMATION

impaired under HKFRS for any reason, we will need to record a write-off of the government grants receivable. In the above circumstances, our results of operations, financial position and cash flows may be materially affected. Please also refer to note 25 — Events after the balance sheet date as set out in the Accountant’s Report in Appendix I to this prospectus.

On November 27, 2014, the State Council issued the “Notice of the State Council on trimming and regulating preferential tax policies (《國務院關於清理規範稅收等優惠政策的通知》)” (“**Notice**”), which provided that preferential policies linked to tax payment and non-tax incomes of enterprises and their investors (or administrators), including Levy First Refund Later (先徵後返), Disbursement in Income and Expenditure (列收列支), fiscal incentives or grants, reduction and exemption of land grant income by way of payment or grants formulated in violation of laws and regulations shall resolutely be abolished. For details on applicable government policies, please refer to the section headed “Regulation — Regulatory Summary” in this prospectus. The Company’s PRC Legal Advisors consider that the Special Government Grant falls within “preferential policies linked to tax payment and non-tax income of enterprises and their investors (or administrators)” as stated in the Notice. As of the Latest Practicable Date, it is unclear whether the Notice will adversely affect us because there has been no further implementation measures for the Notice in Langfang city. However, if the Langfang People’s Government implement measures to abolish such approval in accordance with the Notice, Langfang Education Consultancy will not be able to continue to receive the Special Government Grant. For risks, please refer to the section headed “Risk Factors — Risks relating to our business — Any change of government policy in relation to our government grants for tax provisions arising from the transfer of land as part of the Reorganization may adversely affect our financial position, cash flow and/or results of operations, and may result in our Company having a loss position in the future”.

Since 2008, the People’s Government of Langfang city has been providing us with government grants relating to certain property taxes and land use taxes on land used for education purposes (as opposed to commercial purposes). The Written Approval for such government grants is currently set to expire by June 2015 and we will seek the renewal of such approval after its expiry. For the year ended June 30, 2013 and 2014, the recurring government grants amounted to approximately RMB29.3 million and RMB8.6 million, respectively. For further details, please refer to the section headed “Financial Information — Description of selected income statement line items — Government grants” in this prospectus. As of November 30, 2014, there is no outstanding receivable for the recurring government grants as recorded in our financial statements. There is no assurance that we will continue to receive support from the People’s Government of Langfang City due to the Notice. For details on applicable government policies, please refer to the section headed “Regulation — Regulatory Summary — Government grants and subsidies” in this prospectus.

FINANCIAL INFORMATION

If Langfang People's Government implement measures to abolish the Written Approval in accordance with the Notice, Langfang Education Consultancy will not be able to continue to receive the recurring government grants. For further details, please refer to the section headed "Risk Factors — Risks relating to our business — Our performance may be affected by change of tax policies in relation to recurring government grants."

Assuming the Special Government Grant of RMB21.1 million and the recurring government grants recorded in our financial statements during the Track Record Period were reversed on June 30, 2014, our last audited balance sheet date, as a result of either the People's Government of Langfang City or the Ministry of Finance of the People's Government of Langfang City implementing measures in relation to the Notice to revoke the 2012 Circular and the Written Approval, our net profit for the year ended June 30, 2014 would have decreased from RMB40.8 million to a net loss of RMB16.7 million and our net cash inflow from operating activities for the year ended June 30, 2014 would have decreased from RMB31.6 million to a net cash outflow of RMB5.4 million. This calculation has been prepared for illustrative purposes only a net cash and because of its hypothetical nature, does not give a true picture of our actual net profit and net cash flow from operating activities for the year ended June 30, 2014. Moreover, as confirmed by our PRC Legal Advisors, as of the Latest Practicable Date, neither the People's Government of Langfang City nor the Ministry of Finance of the People's Government of Langfang City has implemented measures to revoke the relevant approvals for the Special Government Grant or the recurring government grants pursuant to the requirements of the Notice and the Notice will not apply retrospectively for us to refund those government grants which have been already received prior to the issuance of the Notice. For risks, please refer to the section headed "Risk Factors — Risks relating to our business — Any change of government policy in relation to our government grants for tax provisions arising from the transfer of land as part of the Reorganization may adversely affect our financial position, cash flow and/or results of operations, and may result in our Company having a loss position in the future".

LISTING EXPENSES

As of June 30, 2014, we incurred aggregate listing expenses of approximately RMB33.4 million, of which approximately RMB7.2 million was recognized as prepayments and approximately RMB26.2 million was charged to the income statement (approximately RMB10.8 million prior to the Track Record Period and approximately RMB15.4 million during Track Record Period). Our listing expenses since June 30, 2014 is expected to be approximately RMB15.7 million, of which approximately RMB2.6 million will be recognized in equity and approximately RMB13.1 million will be recognized as an expense in our consolidated income statement for the six months ending December 31, 2014 (which is the first half of the financial year ending June 30, 2015).

Accordingly, Shareholders and potential investors should be informed that the financial results of our Group for the six months ending December 31, 2014 and for the financial year ending June 30, 2015 will be materially and adversely affected by the expenses in relation to the Listing.

FINANCIAL INFORMATION

Our net profit for the six months ending December 31, 2014 the year ending June 30, 2015 could be significantly lower than the net profit for the six months ended December 31, 2013 and for the year ended June 30, 2014, respectively. The impact of the listing expenses on the consolidated income statement have posted a material adverse change in the financial or trading position or prospect of our Group since June 30, 2014 (being the date of the latest audited consolidated financial statements were made up). Prospective investors should be aware of the impact of the listing expenses on the financial performance of our Group for the six months ending December 31, 2014 and for the year ending June 30, 2015. For risks associated with the impact of the listing expense, please refer to the section headed “Risk Factors — Risks relating to our business — Our financial performance for the six months ending December 31, 2014 and for the year ending June 30, 2015 will be adversely affected due to additional listing expenses.” in this prospectus.

The following are our consolidated income statements for the years indicated.

Summary consolidated income statements

	Year ended June 30,	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	68,550	59,643
Government grants	80,619	8,648
Employee cost	(6,808)	(3,083)
Depreciation	(1,909)	(761)
Fair value gains on investment properties	13,730	9,561
Business taxes and surcharges	(2,615)	(3,464)
Property taxes and land use taxes	(16,356)	(11,704)
Property management fee	(6,414)	(6,300)
Repairs and maintenance	(3,496)	(1,761)
Legal and consulting fees	(9,633)	(5,848)
Other gains/(losses) - net	762	(210)
Other expenses	(7,048)	(1,998)
Operating profit	<u>109,382</u>	<u>42,723</u>
Finance income	4,033	1,235
Finance costs	(4,008)	—
Finance income - net	<u>25</u>	<u>1,235</u>
Profit before income tax	109,407	43,958
Income tax credit/(expenses)	5,304	(3,133)
Profit for the year	<u>114,711</u>	<u>40,825</u>
Profit attributable to		
Shareholders of our Company	113,484	40,405
Non-controlling interests	1,227	420
	<u>114,711</u>	<u>40,825</u>

FINANCIAL INFORMATION

The following are our consolidated balance sheets as of the dates indicated.

Summary consolidated balance sheets

	As of June 30,	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Assets		
Non-current assets		
Property and equipment	949	800
Investment properties	760,950	816,179
	761,899	816,979
Current assets		
Prepayments	8,202	7,258
Trade and other receivables	27,558	37,592
Cash and cash equivalents	47,363	50,563
	83,123	95,413
Total assets	845,022	912,392
Equity and liabilities		
Equity attributable to owners of the Company		
Share capital	8	331,898
Reserves	260,865	(71,025)
Retained earnings	501,986	542,391
	762,859	803,264
Non-controlling interests	6,106	6,526
Total equity	768,965	809,790
Liabilities		
Non-current liabilities		
Deferred income tax liabilities	19,024	20,404
Current liabilities		
Current income tax liabilities	23,586	23,882
Advance from customers	863	615
Trade and other payables	32,584	57,701
	57,033	82,198
Total liabilities	76,057	102,602
Total equity and liabilities	845,022	912,392

FINANCIAL INFORMATION

BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements of our Group have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA.

During the Track Record Period, REC through its subsidiaries held by OUC Cayman and LOIT engaged in (i) the Listing Business and (ii) the Excluded Business. The financial statements present the consolidated results and financial position of the Listing Business during the Track Record Period. Before the Listing Business was transferred to Langfang Education Consultancy, the financial statements mainly included the results and financial position of Langfang Education Consultancy, Langfang Higher Education, Langfang Education Facilities, which were operating the Listing Business. Since certain investment properties owned by Zhuyun and LOIT were also operated by Langfang Education Consultancy and Langfang Higher Education as part of the Listing Business before the completion of the Reorganization, such investment properties and the associated current accounts, deferred tax liabilities and profit and loss, which were relevant to the Listing Business were also included in the financial statements.

As part of the Reorganization, we capitalized approximately RMB331.9 million due to Education Consultancy (HK), a related party controlled by REC. The approximately RMB331.9 million was the consideration payable for the transfer of Langfang Education Consultancy to our Group as part of the Reorganization. Pursuant to a deed of assignment dated February 21, 2014 among REC, OUC Cayman, our Company and Education consultancy (HK), the consideration payable of approximately RMB331.9 million was novated to REC and our Company allotted 100,000 Shares to REC to settle such payable. The consideration payable was capitalized as reserves of the Company at the beginning of the Track Record Period and transferred to share capital and share premium upon the allotment of the 100,000 Shares to REC.

The Financial Information of the Group for the year ended June 30, 2013 included an approximately three-month period (from July 1, 2012 to September 24, 2012, the completion date of the Reorganization) of financial results directly attributable to the land and properties which were originally operated for the Listing Business but designated for the usage of the Excluded Business after the Reorganization. Such financial results from July 1, 2012 to September 24, 2012 could not be segregated and separately presented from the financial results of the Group's Listing Business because (i) the transfer of these land and properties were not completed by June 30, 2012 and still formed part of the Listing Business during the year ended June 30, 2013; and (ii) these land and properties were managed together with other land and properties retained by the Group as a single economic entity and financially controlled within the Group prior to the completion date of the Reorganization. Accordingly, our management believes that presenting separate financial information of these land and properties is not appropriate or possible under HKFRS, thus all historical revenues and costs of the Listing Business are reflected in the financial statements. Inter-company transactions, balances and unrealized gains on transactions within the Listing Business have been eliminated.

Please also see note 2.1 of the Accountant's Report in Appendix I to this prospectus for further details on the basis of presentation of the financial statements.

FINANCIAL INFORMATION

Upon the completion of the Reorganization on September 24, 2012, certain assets and liabilities designated for the Excluded Business were de-recognized in the balance sheet and presented as deemed distribution to the Shareholders in the statement of changes in equity as these were either (i) retained by Langfang Higher Education and Langfang Education Facilities which are not companies now comprising our Group, or (ii) retained in Zhuyun and LOIT. The table below sets out a summary of the financial effects:

	Assets and liabilities retained by Langfang Higher Education and Langfang Education Facilities upon the completion of the Reorganization	Assets and liabilities previously related to the Listing Business retained by Zhuyun and LOIT upon the completion of the Reorganization	Total assets and liabilities distributed by our Group upon the completion of the Reorganization
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property and equipment	3,342	—	3,342
Investment properties	—	106,845	106,845
Current assets			
Prepayments	235	—	235
Trade and other receivables ⁽¹⁾	966,525	30,260	996,785
Cash and cash equivalents	7,175	819	7,994
Total assets	<u>977,277</u>	<u>137,924</u>	<u>1,115,201</u>
Equity and liabilities			
Equity attributable to the Shareholders of our Company	631,417	131,779	763,196
Non-controlling interest	8,740	694	9,434
Total equity	<u>640,157</u>	<u>132,473</u>	<u>772,630</u>
Non-current liabilities			
Deferred tax liabilities	—	1,332	1,332
Current liabilities			
Current income tax liabilities ..	95,548	—	95,548
Advance from customers	1,075	—	1,075
Borrowings	116,536	—	116,536
Trade and other payables	123,961	4,119	128,080
Total liabilities	<u>337,120</u>	<u>5,451</u>	<u>342,571</u>
Total equity and liabilities	<u>977,277</u>	<u>137,924</u>	<u>1,115,201</u>

Note:

- (1) Other receivables of approximately RMB966.5 million mainly included amount due from related parties of approximately RMB825.1 million and government grant receivable of approximately RMB140.7 million.

FINANCIAL INFORMATION

Land Transfers During the Track Record Period

Land Rationalization During the Reorganization

As of July 1, 2012, the land included in our Listing Business and used to generate revenue was approximately 1,002 mu (668,252 sq.m.).

- In August 2012, our Group transferred out approximately 168 mu of land (112,197 sq.m.) and properties, which ceased to be used for education facilities leasing to LOIT for the consideration of RMB88.0 million.
- In August 2012, approximately 80 mu of land (53,593 sq.m.) owned by Zhuyun, LOIT and Taitu was no longer used for the purpose of education facilities leasing and was thus excluded from the Listing Business. As a result, investment properties amounting to approximately RMB106.8 million were derecognized from our Group.

As a result of the foregoing land transfers, as of August 30, 2012, the land included in our Listing Business was reduced to approximately 753 mu of land (502,462 sq.m.).

Land Transfers Post-Reorganization

- In June 2013, our Group transferred in approximately 95 mu (63,068 sq.m.) of land and certain investment properties from Zhuyun with total consideration of approximately RMB51.5 million. Pursuant to the same contract, our Group transferred out to Zhuyun approximately 117 mu (78,259 sq.m.) of vacant educational land for a consideration of approximately RMB55.3 million.

As a result of the foregoing, as of June 30, 2014, approximately 731 mu (487,270 sq.m.) of land and buildings, were included in our Listing Business.

The land rationalization was substantially completed prior to June 30, 2012. Our financial information for the year ended June 30, 2013 includes the financial results of the Excluded Businesses during the approximately three-month period before the Reorganization was completed on September 24, 2012. However, from an operating perspective, the only land transferred during the year ended June 30, 2013 (during this approximately three-month period before the Reorganization was completed) that affected the Group's financial performance was a parcel of land of approximately 168 mu (112,197 sq.m.), which was land related to education support facilities. Excluding this land transfer would only have had (i) a revenue impact of nil; (ii) an immaterial positive impact on the Group's net profit for the financial year ended June 30, 2013 of only approximately RMB271,000; and (iii) an immaterial positive impact on the Group's operating cash flow before changes in working capital for the financial year ended June 30, 2013 of only approximately RMB268,000. Investors should take this into consideration when reviewing the financial statements of the Group during the Track Record Period.

FINANCIAL INFORMATION

For details of the Reorganization which includes land transfers prior to the Track Record Period, please refer to the section headed “History and Development” and for details on changes in the value of investment properties, please also see note 7 set out in the Accountant’s Report in Appendix I to this prospectus.

SIGNIFICANT FACTORS AFFECTING RESULTS OF OPERATIONS OF OUR GROUP

The following factors are the principal factors that have affected, and we expect will continue to affect, our business, financial condition, results of operations and prospects.

Higher Education in China

We conduct almost all of our operations in China. The level of demand for the vocational courses our Contract Colleges provide largely depends on the rising level of disposable income of Chinese consumers, student population demographics and continued urbanization, which drives increased skill requirements for higher-end jobs. According to Euromonitor, following the central government’s strategy to promote the higher education and increased government spending on education, the number of HEI in China increased from 4,297 in 2009 to 4,420 in 2013, including 1,520 private institutions and 2,900 public institutions. Total student enrollment in HEI reached 34.6 million in 2013, increasing from 29.8 million in 2009, representing a CAGR of 3.8% over the period. The increase was primarily driven by the rising admission rate in HEIs, and the increasing skills requirements for higher-end jobs, according to Euromonitor. Demand for higher vocational education has also increased amid the continuing economic growth and social development that lead to a higher demand for skilled workers with practical production, service and managerial skills. Total student enrollment in higher vocational education reached 13.3 million in 2013, increasing from 12.8 million in 2009. Nonetheless, secondary vocational education enrollment decreased from 22.0 million in 2009 to 19.6 million in 2013 primarily due to expansion and shift towards higher education with degree programs, according to Euromonitor. The continuing economic and social development have resulted, and is expected to continue to result, in changes in market demand for the vocational courses our Contract Colleges provide, which may significantly affect our business, financial condition and results of operations.

The ability of our Contract Colleges to attract and retain students

The ability of our Contract Colleges to attract and retain students in their courses is critical to the continued success and growth of our business. This, in turn, will depend on several factors including the continued economic growth of Northern China as well as the ability of our Contract Colleges to enhance their courses or add new courses to accommodate changes in market trends and student demands, as well as their ability to effectively market their courses to a broader base of prospective students, to offer degrees or diplomas that students demand, and to promote the quality of their teaching. In particular, we are affected by the popularity of the education programs offered by our Contract Colleges (such as arts, aviation, medicine, nursing, tourism and hotel management, business and information technology) and potential student population due to demographics and competition. In addition, the success of our existing Contract Colleges in retaining students will also impact

FINANCIAL INFORMATION

our ability to attract new education institutions to our Campus Site. A stable and growing student population within our Campus Site enables us to attract other reputable vocational training institutions to lease our education facilities. Please also refer to the section headed “Risk Factors — Risks relating to our business — The ability of our Contract Colleges to charge their students are subject to restrictions set by relevant government authorities in Hebei and the PRC, which we have no control. As a result, our ability to increase the education facilities leasing fee of our Contract Colleges may also be restricted”.

Our ability to attract and retain Contract Colleges

We have an established relationship with the majority of our pre-existing Contract Colleges, which have been leasing properties from us for an average of over five years. Rental income from our Contract Colleges represented approximately 95.5% and 95.3% of our total revenue for the year ended June 30, 2013 and 2014, respectively. Revenues from our largest Contract College amounted to approximately RMB33.4 million and RMB32.1 million, respectively, representing approximately 48.7% and 53.9% of our total revenues for the year ended June 30, 2013 and 2014. However, our ability to attract and retain Contract Colleges depends on factors including, among others, the overall demand for education facilities in the area that we operate, the supply of comparable premises, and general market conditions such as competition and potential student population due to demographics. Please refer to the section headed “Risk Factors — Risks relating to our business — Our revenue decreased during the Track Record Period, and if our Contract Colleges are not able to continue to attract students, our business and prospects will be adversely affected”.

Competition

Oriental University City was one of the earliest University Cities established in PRC, according to Euromonitor. There are currently approximately 50 University Cities across 21 provinces and municipalities in China, mostly are located in the area of developed regions, such as Beijing & Hebei Region, Yangtze River Delta Region and the Pearl River Delta Region, according to Euromonitor. University Cities are geographically fragmented and attract HEIs based on its geographical coverage. University Cities operate independently from each other based on their specific region. Due to the differences in geographic reach, our Directors believe that we do not face direct competition from University Cities in other regions. Our Campus Site is located in Oriental University City, which is currently the only University City in Langfang city. However, should other University Cities open in Langfang city, we will face increased competition.

Our ability to increase our fees from Contract Colleges

There are various restrictions set by government authorities in the PRC restricting the ability of education providers, such as our Contract Colleges, to increase fees they charge their students, which in turn, may limit our ability as a landlord to increase the fees we charge to our Contract Colleges. Nonetheless, the continued maintenance of the Campus Site and our education facilities, to a large extent, depends on the following factors that we may have limited control such as the price which our suppliers will charge us for providing cleaning

FINANCIAL INFORMATION

services, security services, gardening services and building maintenance and refurbishing expenses. Should it become more costly for us to operate our business in the future and we are not able to pass on such increases to our Contract Colleges, our profitability may be adversely affected. Please also refer to the section headed “Risk Factors — Risks relating to our business — Our ability to increase the education facilities leasing fee of our Contract Colleges is restricted by the fee that Contract Colleges can charge their students”.

Fluctuations in investment property value

As of June 30, 2013 and 2014, our investment properties had a value of approximately RMB761.0 million and RMB816.2 million, respectively. The value of our investment properties are affected by the construction of new investment properties as well as fair value changes due to factors such as government regulations, the supply of and demand for comparable properties, the rate of economic growth, interest rates, inflation, political and economic developments in the PRC and applicable zoning or tax laws.

The increase in the value of our investment properties during the Track Record Period was primarily as a result of the construction of an additional five blocks of dormitories which have commenced commercial use in October 2014.

In addition, the annual revaluation of our investment properties has resulted in and may continue to result in fluctuations in our operating profit. For the year ended June 30, 2013 and 2014, we recorded fair value gains on our investment properties of approximately RMB13.7 million and RMB9.6 million, respectively.

The amount of revaluation adjustments has been, and may continue to be, significantly affected by the prevailing property market conditions and may be subject to market fluctuations. We cannot assure you that the fair value of our properties will not decrease in the future. For more details, please refer to the section headed “Risk Factors — Risks relating to our business — Our profitability may be affected by fluctuations in value of our investment properties, and unrealized capital gains or losses on our investment properties do not generate any actual cash inflow or outflow” in this prospectus.

Partial conversion of certain Investment Properties into offices for self-use

In September 2014, we converted a portion of investment properties with GFA of approximately 1,803 sq.m. for commercial leasing into offices for self-use. As a result, as of October 31, 2014, the net book value of the investment properties decreased by approximately RMB4.5 million and the net book value of the property and equipment balance increased by approximately RMB4.5 million. Such conversion will not have a significant impact on our operating profit. We incurred approximately RMB0.6 million of renovation expenditures for the four months ended October 31, 2014 on such conversion.

FINANCIAL INFORMATION

Change in Government Policies with respect to Subsidizing the Education Industry

Recurring government grants

Since 2008, the People's Government of Langfang city has been providing us with government grants relating to certain property taxes and land use taxes on land used for education purposes (as opposed to commercial purposes). To receive such government grants, we need to first pay the tax amount due to the relevant tax authorities, and the same amount from the People's Government of Langfang city can in turn be received usually within three months of our application for the government grant. There are no other criteria for obtaining the government grant. The written approval for such government grants is currently set to expire by June 2015 and we will seek the renewal of such approval after its expiry.

Any change in government policy with respect to providing this recurring government grant may materially affect our results of operations. Please also see sections headed "Regulations" and "Risk Factors — Risks relating to our business — Our performance may be affected by change of tax policies in relation to recurring government grants".

Non-recurring government grants

In addition, the People's Government of Langfang city has agreed to grant us a special subsidy in respect of the tax provisions in relation to the transfer of land, buildings and structures as part of the Reorganization.

During the Reorganization, Langfang Education Consultancy and other entities controlled by REC underwent a land rationalization which consisted of a series of land transfers for the purposes of consolidating land titles within Oriental University City in accordance with each entity's line of business, such that Langfang Education Consultancy would only retain Education Land. For details of the land rationalization, please refer to the section headed "History and Development — Reorganization — Land rationalization" in this prospectus. As part of the Reorganization, Langfang Education Consultancy accrued approximately RMB19.8 million of tax expenses on its HKFRS financial statements in relation to the land rationalization based on the fair value of the land and buildings transferred (the "**Special Tax Provision**"), although the state taxation bureau of Langfang Economic and Technology Development Zone (廊坊經濟技術開發區國家稅務局) (the "**Local State Tax Bureau**") issued the Tax Confirmation Letter confirming that Langfang Education Consultancy did not have any outstanding corporate income tax payable as of July 8, 2014. As of June 30, 2014, approximately RMB19.8 million of the Special Tax Provision remained outstanding.

Langfang Education Consultancy was required to adopt different bases for its HKFRS financial statements than its tax filings. In recording the Special Tax Provision on its HKFRS financial statements, Langfang Education Consultancy was required to follow national PRC tax laws for the land and buildings transferred in relation to the land rationalization. The national PRC tax laws require that the recorded taxable gain be based on the fair value of the land and buildings transferred (the "**fair value basis**") as opposed to the book value of the land and buildings transferred (the "**book value basis**").

FINANCIAL INFORMATION

However, instead of using the fair value basis, Langfang Education Consultancy was requested by the local taxation bureau of Langfang Economic and Technology Development Zone (廊坊經濟技術開發區地方稅務局) (the “**Local Tax Bureau**”) to use the book value basis in calculating local taxes for its local tax filing. Langfang Education Consultancy complied with this request and also made its corporate income tax filing with the Local State Tax Bureau using the book value basis in order to align the treatment taken with the Local Tax Bureau. The Local State Tax Bureau did not object to the use of the book value basis in the corporate income tax filing as it has issued a Tax Confirmation Letter confirming that Langfang Education Consultancy has fulfilled its tax submission obligations and did not have any outstanding corporate income tax payable as of July 8, 2014.

Our PRC Legal Advisors have confirmed that the Local State Tax Bureau is the competent authority to issue the Tax Confirmation Letter. According to an interview conducted on October 28, 2014 with the state taxation bureau of Langfang city (廊坊市國家稅務局) (the “**City State Tax Bureau**”), being the immediate higher level authority of the Local State Tax Bureau, the City State Tax Bureau views that (1) the Tax Confirmation Letter is legal and valid and the Local State Tax Bureau, as the in-charge tax authority of Langfang Education Consultancy, is the competent authority to issue the Tax Confirmation Letter; and (2) as of the date of the Tax Confirmation Letter, Langfang Education Consultancy did not have any outstanding corporate income tax payables. Based on this interview, the Company’s PRC Legal Advisors view that the chance that the Tax Confirmation Letter will be challenged by higher tax authorities is remote.

As the Company already recorded the RMB19.8 million Special Tax Provision in its HKFRS financial statements using the fair value basis in accordance with the national PRC tax laws, there will be no further adverse impact on the Group’s financial statements for the different bases adopted between the Company and the Local Tax Bureau or Local State Tax Bureau. Nor does the Company expect any legal risk as Langfang Education Consultancy was in compliance with the PRC tax authorities’ requirements. There is no timetable for Langfang Education Consultancy to settle the Special Tax Provision as no amounts are due.

Pursuant to the 2012 Circular from the People’s Government of Langfang city, the People’s Government of Langfang city agreed to facilitate the Reorganization, and provided us with a special government grant (the “**Special Government Grant**”) in respect of tax provisions arising from the transfer of land, buildings and structures as part of the Reorganization, including the Special Tax Provision. Accordingly, we recognized a corresponding receivable for the Special Government Grant of RMB21.1 million in relation to corporate income tax of approximately RMB19.8 million and stamp duties of approximately RMB1.3 million as of June 30, 2014. The different tax bases as discussed above will not have any impact on the Group’s entitlement of the Special Government Grant. The Special Government Grant was separately granted by the People’s Government of Langfang city through the local treasury bureau pursuant to the 2012 Circular from the People’s Government of Langfang city in an effort to facilitate the Reorganization (and not by any PRC tax authority). For further details regarding our government grants, please refer to the subsection headed “Description of Selected Income Statement Line Items — Government grants” in this section.

FINANCIAL INFORMATION

The 2012 Circular operates in such a way that the actual government grant will be received after our actual cash payment of applicable taxes payable under the Reorganization, including the Special Tax Provision.

In terms of risks, should there be any change of government policies that may adversely affect the Special Government Grant or should the Special Government Grant be deemed uncollectable or impaired under HKFRS for any reason, the Group will need to record a write-off of RMB21.1 million.

Please also see the section headed “Risk Factors — Risks relating to our business — Any change of government policy in relation to our government grants for tax provisions arising from the transfer of land as part of the Reorganization may adversely affect our financial position, cash flow and results of operations, and may result in our Company having a loss position in the future” in this prospectus.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with HKFRS requires our management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities as of the date of the financial statements, and the reported revenue and costs for the periods presented. The Group’s significant accounting policies, which are important for an understanding of the results of operations and financial condition of the Group, are set forth in detail in notes 2 to the Accountant’s Report set out in Appendix I to this prospectus. The policies have been consistently applied to all the years presented unless otherwise stated. In applying those accounting policies, the Company makes subjective and complex judgments that frequently require estimates about matters that are of an inherently uncertain nature and may change in subsequent periods. The following discuss certain key accounting policies, judgment and estimates which have been applied in preparing the Group’s financial statements.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of services in the ordinary course of our Group’s activities. Revenue is shown net of discount and after eliminating revenue made between the group companies. Our Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of our Group’s activities. Rental income received and receivable from investment properties is recognized in the income statement on a straight-line basis over the term of lease.

Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and our Group will comply with all attached conditions. Government grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate.

FINANCIAL INFORMATION

Investment properties

Investment property, principally comprising land use rights and buildings, is held for long-term rental yields or for capital appreciation or both, and is not occupied by us. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases is accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and, where applicable, borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, we use alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recognized as “fair value gains/(losses) on investment properties” in the income statement.

The fair value of investment properties is determined by using valuation technique. For details of the judgment and assumption of the valuation basis, please refer to note 7 of the Accountant’s Report in Appendix I to this prospectus.

Provisions

Provisions are recognized when (i) we have a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount has been reliably estimated. Reorganization provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

In relation to the government grant provisions, as part of the Reorganization, all land titles were rationalized amongst the companies operating the Listing Business and other subsidiaries engaging in the Excluded Business under REC. As a result, the transfer of land titles were subject to stamp duties and corporate income tax. According to an approval circular from the People’s Government of Langfang city, we were granted with a special fund to subsidize our Group’s relevant tax provision arising from the land title transfer with related companies. Significant judgment is required in determining the provision for relevant taxes arising from the land rationalization and preparation for the Listing and corresponding amount of government grant income. Relevant taxes provisions arising from the transfer of land titles

FINANCIAL INFORMATION

will be filed along with the progression of the land rationalization. Where the final tax outcome of the land title transfers is different from the amounts that were initially recorded, such differences will impact the relevant tax provision and previously recognized government grant will be adjusted correspondingly, in the period in which such determination is made.

Trade and other receivables

Trade receivables are amounts due from customers for rentals provided in the ordinary course of business. If collection of trade and other receivables is 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 are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

We make provision for impairment of trade and other receivables based on an assessment of the recoverability of these receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables and provision for impairment losses in the period in which such estimate has been changed.

DESCRIPTION OF SELECTED INCOME STATEMENT LINE ITEMS

Revenue

We generate revenue primarily from rental income from education facilities leasing and, to a much lesser extent, from rental income from commercial leasing for supporting facilities within our Campus Site.

The below table sets out the breakdown of our total revenue by category for the years indicated:

	Year ended June 30,			
	2013		2014	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Revenue				
Education facilities leasing				
Teaching buildings leasing	29,222	42.6	24,562	41.2
Dormitories leasing	36,216	52.9	32,292	54.1
	65,438	95.5	56,854	95.3
Commercial leasing for supporting facilities	3,112	4.5	2,789	4.7
Total	<u>68,550</u>	<u>100.0</u>	<u>59,643</u>	<u>100.0</u>

FINANCIAL INFORMATION

Our rental income depends primarily on the rental rates that our education facilities and supporting facilities are able to command, the student enrollment by our Contract Colleges and to a much lesser extent, the lease-out rate that we are able to retain from our commercial leases. In particular, rental income from our Contract Colleges represented approximately 95.5% and 95.3% of our revenue for the year ended June 30, 2013 and 2014, respectively. We charge different education facilities leasing fee under collaborative agreements with our Contract Colleges after assessing the location, condition and size of the education facilities leased to the Contract Colleges. For further details on our pricing arrangements, please refer to the section headed “Business — Pricing — Education facilities leasing” in this prospectus.

Government grants

Government grants include (i) one-off special subsidies granted by the People’s Government of Langfang city to offset tax provisions accrued in business taxes and surcharges, LAT, deed tax, stamp duties and corporate income tax, as a result of the transfer of lands, buildings and structure as part of our Reorganization, and (ii) recurring amounts received from local government authorities for certain property taxes and land use taxes in relation to buildings and lands used for educational purposes as opposed to commercial purposes.

The table below sets out the movements of our government grants for the years indicated:

	Year ended June 30,	
	2013	2014
	<i>RMB’000</i>	<i>RMB’000</i>
<i>Non-recurring:</i>		
Government subsidy for tax provisions relating to the Reorganization ⁽¹⁾	143,698	—
Reversal of government subsidy for tax provision relating to the Reorganization ⁽²⁾	(92,414)	—
<i>Recurring:</i>		
Subsidy for property taxes and land use taxes ⁽³⁾	29,335	8,648
	80,619	8,648

Notes:

- (1) On June 28, 2012, the Langfang government granted a special subsidy to entities within the Listing Business to subsidize relevant tax provisions arising from our Reorganization and preparation for the Listing. For the year ended June 30, 2013 the total income and other tax provisions in relation to Reorganization was estimated to be approximately RMB143.7 million, and the corresponding amounts of government grants were recognized in our income statements for the year ended June 30, 2013. The entire income and other tax provisions of approximately RMB143.7 million was computed based on PRC tax assessments for the 2012 calendar year. Since the Reorganization was completed in September 2012, no such special subsidies were recorded for the

FINANCIAL INFORMATION

year ended June 30, 2014. The table below sets out the tax provisions for tax liabilities in relation to the Reorganization and preparation for the Listing for the years indicated:

Tax provision	Calculation basis	Year ended June 30,	
		2013	2014
		<i>RMB'000</i>	<i>RMB'000</i>
Business taxes and surcharge	5.6% of transaction price	39,925	—
Land appreciation tax	30%-60% on the appreciation of land value	58,975	—
Stamp duties	0.05% of the transaction price	720	—
Deed taxes	4% of the transaction price	24,872	—
Corporate income tax.....	25% of deemed profit	19,206	—
		<u>143,698</u>	<u>—</u>

- (2) Subsequently in April 2013, we obtained approval from the local tax authority according to which, the business tax and surcharges, deed tax and land appreciation tax arising from the land transfer were exempted. As a result, we reversed tax liabilities totaling RMB92.4 million comprising of business tax and surcharges of approximately RMB41.2 million, land appreciation tax of approximately RMB26.4 million and deed taxes of approximately RMB24.9 million of Langfang Education Consultancy, which still remained within our Group after the completion of the Reorganization. The RMB92.4 million of tax liabilities reversed for the year ended June 30, 2013 was computed based on PRC tax assessments for the 2012 calendar year. The same amount of other receivables and government grants of approximately RMB92.4 million was reversed.
- (3) For the year ended June 30, 2013 and 2014, we received grants from local government authorities as a subsidy for certain property taxes and land use taxes amounting to approximately RMB29.3 million and RMB8.6 million, respectively. Such subsidy were only recognized when there is reasonable assurance that the subsidy will be received from the government authority. The RMB29.3 million subsidy recognized for the year ended June 30, 2013 was computed based on property and land use tax assessments for the 2011 and 2012 calendar years while the RMB8.6 million subsidy recognized for the year ended June 30, 2014 was computed based on tax assessments for the 2013 calendar year. The decrease in the recurring subsidy for property taxes and land use taxes for the year ended June 30, 2014 was mainly due to (i) higher subsidies recognized for the year ended June 30, 2013 due to timing difference in recording the government grant in relation to the property and land use tax assessments for the 2011 and 2012 calendar years and (ii) the reduced land holding of our Group for the year ended June 30, 2014. Please also see subsection “Property taxes and land use taxes” below.

Employee cost

Employee cost consists primarily of wages and salaries but also includes pension costs related to a retirement scheme administered by the local municipal government, housing benefits, medical benefits, other allowances and benefits and termination benefits.

Depreciation

Depreciation consists primarily of depreciation of property and equipment.

FINANCIAL INFORMATION

Fair value gains on investment properties

Fair value gains on investment properties consist of changes in the fair value of investment properties. Investment properties primarily comprise land use rights and buildings held for long-term rental yields or for capital appreciation, or both, and are not occupied by us. Investment properties also include properties that are being constructed or developed for future use as investment properties.

Business taxes and surcharges

Business taxes and surcharges primarily consist of:

- *business taxes and surcharges unrelated to the Reorganization*: includes primarily business taxes levied by local tax authorities, which is calculated at 5.6% of the transaction price from rental and sale of properties. For the year ended June 30, 2013 and 2014, we recorded approximately RMB3.8 million and RMB3.5 million of such taxes and surcharges, respectively.
- *business taxes and surcharges related to the Reorganization*: it consists of business taxes levied by local tax authorities, that were incurred but offset by government grants. Such taxes and corresponding government grant was not paid or received during the Track Record Period. For the year ended June 30, 2013 and 2014, we recorded a net credit of approximately RMB1.2 million and nil of such taxes and surcharges, respectively.

Property taxes and land use taxes

Property taxes and land use taxes consist primarily of (i) property tax charged at 12% on the rental income derived from leased properties and 1.2% on the net book value of land and properties owned by our Group for our self-use; and (ii) land use tax charged at a unit rate of RMB8 per sq.m. for the land owned by our Group.

Certain of our property taxes and land use taxes that we have paid in relation to education facilities leasing are subsequently received through government grants. For the year ended June 30, 2013 and 2014, we recognized such government grant subsidies of approximately RMB29.3 million and RMB8.6 million, respectively.

Property management fees

Property management fee consists primarily of security fees, gardening service charges and cleaning expenses.

Repair and maintenance fees

Repair and maintenance consist primarily of maintenance of fixed assets and investment properties.

FINANCIAL INFORMATION

Legal and consulting fees

Legal and consulting fees consist primarily of expenses incurred in the preparation of the Listing and legal consulting fees incurred in our Company's daily operations.

Other gains - net

Net other gains consist primarily of (i) net foreign exchange gains/losses, (ii) gains/losses on disposal of property and equipment; and (iii) compensation from insurance company.

Other expenses

Other expenses consist primarily of:

- *other expenses unrelated to the Reorganization*: mainly include auditor's remuneration, rental expense provisions for impairment of trade and other receivables, certain stamp duties unrelated to Reorganization, entertainment expenses, traveling expenses, transportation expense, network fees, utilities, conference fee, insurance fee and others. For the year ended June 30, 2013 and 2014, we recorded approximately RMB6.3 million and RMB2.0 million of such other expenses, respectively.
- *other expenses related to the Reorganization*: includes certain stamp duties relating to the Reorganization that were incurred but offset by government grants. Such expenses were not paid or received during the Track Record Period. For the year ended June 30, 2013 and 2014, we recorded approximately RMB0.7 million and nil of such other expenses, respectively.

Income tax expenses/credit

PRC corporate income tax

The PRC corporate income tax rate applicable to the Group entities located in Mainland China is 25% pursuant to the PRC CIT Law.

In 2009, Langfang Higher Education, Langfang Education Consultancy and Langfang Education Facilities (the "**Relevant Companies**") were requested by the state taxation bureau of Langfang Economic and Technology Development Zone (廊坊經濟技術開發區國家稅務局) (the "**Local State Tax Bureau**") to assess the PRC corporate income tax on a deemed profit basis ("**deemed profit basis**") ("**核定徵收**") because at that time, the Relevant Companies' costs and expenses in their accounting record were not classified in a way for the PRC corporate income tax to be readily assessed by the Local State Tax Bureau using an accounting book method (the "**accounting book method**") ("**查賬徵收**").

FINANCIAL INFORMATION

Under the deemed profit basis, the profit rate from revenue is deemed as 10%. The PRC corporate income tax in turn is calculated using this deemed profit on the taxable income of the Relevant Companies multiplied by the 25% statutory income tax rate in accordance with relevant PRC tax rules and regulations. Please see Note 20 to the Accountant's Report in Appendix I of this prospectus for the calculation of the Group's income taxes under the deemed profit basis over the Track Record Period. Whereas under the accounting book method, the PRC corporate income tax is calculated using the normal statutory income tax rate of 25% on assessable income (which is derived from the PRC audited profit with relevant tax adjustments).

Based on the confirmation issued by the Local State Tax Bureau on October 28, 2014 (the "**Deemed Profit Basis Confirmation**"), the Local State Tax Bureau believed that the Relevant Companies were subject to PRC corporate income tax on a deemed profit basis because it was difficult at the time to assess their respective corporate income tax on the accounting book method. The Company's PRC Legal Advisors have confirmed that the Local State Tax Bureau, as the in-charge tax authority of the Relevant Companies, is the competent authority to issue the Deemed Profit Basis Confirmation. In addition, the state taxation bureau of Langfang city (廊坊市國家稅務局) (the "**City State Tax Bureau**"), being the tax authority at the immediate higher level of the Local State Tax Bureau, confirmed in an interview conducted on October 28, 2014 that the Local State Tax Bureau's decision to assess PRC corporate income tax of the Relevant Companies on a deemed profit basis is legal and valid. Based on the Deemed Profit Basis Confirmation issued by the Local State Tax Bureau and the interview conducted on its immediate higher-level authority, the City State Tax Bureau, the Company's PRC Legal Advisors view that assessment of PRC corporate income tax of the Relevant Companies on the deemed profit basis is in compliance with relevant PRC laws and regulations.

Our PRC Legal Advisors have advised that, as required under the relevant PRC CIT Law and applicable rules and regulations, we have to adopt the accounting book method for PRC corporate income tax purpose after Listing. The corporate income tax should be levied according to the accounting book method going forward. Assuming the accounting book method was used to calculate our corporate income taxes instead of the deemed profit basis, our income tax expenses would have increased by approximately RMB27.8 million to RMB22.5 million for the year ended June 30, 2013, and our income tax expenses would have increased by approximately RMB9.1 million to RMB12.3 million for the year ended June 30, 2014. This calculation for corporate income taxes, which is based on the accounting book method, has been prepared for illustrative purposes only and because of its hypothetical nature, does not give true picture of our actual corporate income tax expenses for the year ended June 30, 2013 and 2014, respectively. In addition, also based on the interview conducted on October 28, 2014 with the City State Tax Bureau, the Company's PRC Legal Advisors view that in the event that the Relevant Companies are requested in the future to use the accounting book method for PRC corporate income tax assessment, the relevant tax authorities would not make retrospective adjustments on the historical corporate income taxes paid by the Relevant Companies that were based on the deemed profit basis. Please also see "Risk Factors — Our income tax expenses may materially increase upon our switch to use a different calculation basis after our Listing."

FINANCIAL INFORMATION

PRC land appreciation tax

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of the land value, being the proceeds of sales of properties less deductible expenditures including estimated land use rights, borrowing costs and all property development expenditures.

PRC withholding income tax

According to the PRC CIT Law, starting from January 1, 2008, a withholding tax of 10% of any dividends declared will be levied on the immediate holding company outside the PRC (i.e., the Company) when its PRC subsidiary (i.e., Langfang Education Consultancy) declares dividend out of profits earned after January 1, 2008. A lower 5% withholding tax rate may be applied when the immediate holding company of the PRC subsidiary is established in Hong Kong and fulfills requirements under the tax treaty arrangements between the PRC and Hong Kong.

Hong Kong profits tax

No provision for Hong Kong profits tax has been made in these consolidated financial statements as our Company and we did not have assessable profit in Hong Kong during the Track Record Period.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

Year ended June 30, 2014 compared to year ended June 30, 2013

Revenue

Our revenue decreased by approximately 13.0% to approximately RMB59.6 million for the year ended June 30, 2014 from approximately RMB68.6 million for the year ended June 30, 2013. This decrease was primarily attributable to: (i) an approximately 15.9% decrease in revenue from teaching buildings leasing, (ii) an approximately 10.8% decrease in revenue from dormitories leasing and (iii) an approximately 10.4% decrease in revenue from commercial leasing for supporting facilities.

FINANCIAL INFORMATION

A. Revenue from education facilities leasing

Revenue from teaching buildings leasing

The table below sets out the breakdown of our revenue from teaching buildings leasing by Contract Colleges for the years indicated:

	Year ended June 30,			
	2013		2014	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Beijing Chinese Medicine.....	17,368	59.4	16,703	68.0
Civil Aviation and Huahang Aviation ⁽¹⁾	9,874	33.8	6,523	26.6
Beijing Oriental College	1,391	4.8	832	3.4
LOIA	589	2.0	—	—
Oriental Hanxiang College	—	—	504	2.0
Total	<u>29,222</u>	<u>100.0</u>	<u>24,562</u>	<u>100.0</u>

Note:

- (1) During the Track Record Period, the revenue contribution from Civil Aviation and Huahang Aviation were combined as our business relationship with these two Contract Colleges were governed under a single collaborative agreement.

Our revenue from teaching buildings leasing decreased by approximately 15.9% to approximately RMB24.6 million for the year ended June 30, 2014, compared to approximately RMB29.2 million for the year ended June 30, 2013. This decrease was due to:

- a decrease of approximately RMB3.4 million in revenue from Civil Aviation and Huahang Aviation due to an approximately 26.7% decrease in the number of students and an approximately 9.9% decrease in average teaching facility fees per student. The significant decrease in student population was mainly due to a lower student population for secondary vocational education (“中專”) at Huahang Aviation as more students are seeking education programs that offer recognized degrees and such education providers have generally been increasing their student intake;
- a decrease of approximately RMB0.7 million in revenue from Beijing Chinese Medicine due to an approximately 3.8% decrease in the number of students using such teaching buildings;
- a decrease of approximately RMB0.6 million in revenue from Beijing Oriental College due to an approximately 49.2% decrease in the number of students mainly because more students are seeking education programs that offer recognized degrees and such education providers have generally been increasing their student intake. However, revenue from Beijing Oriental College only decreased slightly because approximately the same level of total leasing fees were paid to us despite a decrease in the number of students; and

FINANCIAL INFORMATION

- a decrease of approximately RMB0.6 million in revenue from LOIA as they are winding down their business and was no longer our Contract College for the year ended June 30, 2014.

This was partially offset by revenue of approximately RMB0.5 million from Oriental Hanxiang College, which was a new Contract College for the year ended June 30, 2014.

Revenue from dormitories leasing

The table below sets out the breakdown of our revenue from dormitories leasing by Contract Colleges for the years indicated:

	Year ended June 30,			
	2013		2014	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Beijing Chinese Medicine.....	16,034	44.3	15,432	47.8
Civil Aviation and Huahang Aviation ⁽¹⁾	9,642	26.6	8,572	26.5
Peking Founder Technology.....	7,503	20.7	5,997	18.6
Beijing City University.....	1,515	4.2	1,515	4.7
Beijing Oriental College.....	1,009	2.8	410	1.3
LOIA.....	513	1.4	—	—
Oriental Hanxiang College.....	—	—	366	1.1
Total.....	<u>36,216</u>	<u>100.0</u>	<u>32,292</u>	<u>100.0</u>

Note:

- (1) During the Track Record Period, the revenue contribution from Civil Aviation and Huahang Aviation were combined as our business relationship with these two Contract Colleges were governed under a single collaborative agreement.

Our revenue from dormitories leasing decreased by approximately 10.8% to approximately RMB32.3 million for the year ended June 30, 2014, compared to approximately RMB36.2 million for the year ended June 30, 2013. This decrease was due to:

- a decrease of approximately RMB1.5 million in revenue from Peking Founder Technology resulting from an approximately 13.8% decrease in the number of students and staff that resided in our dormitories, coupled with an approximately 7.3% decrease in per bed rates as a result of a special discount given to them due to nuisance caused by nearby construction activities for the 2013 to 2014 academic year;
- a decrease of approximately RMB1.1 million in revenue from Civil Aviation and Huahang Aviation resulting from an approximately 12.7% decrease in the number of students and staff that resided in our dormitories;

FINANCIAL INFORMATION

- a decrease of approximately RMB0.6 million in revenue from Beijing Chinese Medicine resulting from an approximately 3.7% decrease in the number of students and staff that resided in our dormitories; and
- a decrease of approximately RMB0.5 million in revenue from LOIA as they are winding down their business and was no longer a Contract College for the year ended June 30, 2014.

This was partially offset by revenue of approximately RMB0.4 million from Oriental Hanxiang College, which was a new Contract College for the year ended June 30, 2014.

B. Revenue from commercial leasing for supporting facilities

Our revenue from commercial leasing for supporting facilities decreased by approximately 10.4% to approximately RMB2.8 million for the year ended June 30, 2014 compared to approximately RMB3.1 million for the year ended June 30, 2013, primarily due to reduced number of commercial vendors as part of the Reorganization, which was completed in September 2012 and we terminated our lease agreement with one of our largest commercial tenants as we had changed the usage of the blocks where it had been located for education facilities leasing purpose for the year ended June 30, 2013.

Government grant

Government grants decreased significantly by approximately 89.3% to approximately RMB8.6 million for the year ended June 30, 2014 from approximately RMB80.6 million for the year ended June 30, 2013 as the Reorganization was completed in September 2012 and thus we no longer recorded any special government subsidies for the Reorganization for the year ended June 30, 2014. The recurring subsidy for property taxes and land use taxes decreased from approximately RMB29.3 million for the year ended June 30, 2013 to approximately RMB8.6 million for the year ended June 30, 2014 primarily due to the decrease of our land area as a result of the land rationalization during the Reorganization. The decrease was also attributable to the timing of when we can actually record this subsidy, which is based on when it can be reasonably assured of receipt. For the year ended June 30, 2014, we have approximately RMB8.0 million in property and land use taxes that we have yet to apply for government subsidies that we expect to apply for and recognize in the year ending June 30, 2015. Please refer to the subsection headed “Description of selected income statement line items — Government grants” in this section for information regarding government grants.

Employee cost

Employee cost decreased by approximately 54.7% to approximately RMB3.1 million for the year ended June 30, 2014 compared to approximately RMB6.8 million for the year ended June 30, 2013 mainly because of a reduction in employee headcount from 38 employees as of June 30, 2013 to 15 as of June 30, 2014. For the year ended June 30, 2014, we transferred out 13 commercial property management team staff to Excluded Businesses and the number of our finance staff was reduced from eight as of June 30, 2013 to three as of June 30, 2014 in an effort to rationalize the needs of our Group. This led to decreased costs for wages and salaries, pensions, housing benefit, medical benefit and other allowances and benefits.

FINANCIAL INFORMATION

Depreciation

Depreciation decreased by approximately 60.1% to approximately RMB0.8 million for the year ended June 30, 2014, compared to approximately RMB1.9 million for the year ended June 30, 2013, primarily because the number of the equipment of our Group was reduced as part of the Reorganization, in particular, motor vehicles, furniture and fittings. In addition, certain plant and equipment had been fully depreciated for the year ended June 30, 2013.

Fair value gains on investment properties

Fair value gains on investment properties decreased by approximately 30.4% to approximately RMB9.6 million for the year ended June 30, 2014 from approximately RMB13.7 million for the year ended June 30, 2013. The fair value gain of approximately RMB13.7 million for the year ended June 30, 2013 was mainly due to the overall increase in the investment properties with GFA of 3,821 sq. m. for the year ended June 30, 2013 due to the process of land rationalization. The fair value gain of approximately RMB9.6 million for the year ended June 30, 2014 was mainly as a result of the fair value gain of approximately RMB14.5 million which was partly off-set by a fair value loss on pre-existing investment properties of approximately RMB4.9 million. The fair value gain of RMB14.5 million in investment properties was mainly attributable to the addition of five blocks of dormitories under construction as investment properties for the year ended June 30, 2014. For details, please refer to the section headed "Property Valuation — Group II — Property held by the Group for investment in the PRC" in Appendix III to this prospectus. The fair value loss of approximately RMB4.9 million for the year ended June 30, 2014 was mainly due to the decrease in the fair value of a commercial property by RMB10.8 million (as the estimated annual market rental fee per sq.m. for property valuation purpose has been decreased from RMB240 to RMB192 after taking into account of the then surrounding market rental rates of comparable properties), which was partly offset by the fair value gain of RMB5.9 million for other pre-existing investment properties, including all the education leasing facilities.

Business taxes and surcharges

The table below sets out a breakdown of business taxes and surcharges for the years indicated:

	Year ended June 30,	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Business taxes and surcharges unrelated to the Reorganization	(3,840)	(3,464)
Business taxes and surcharges relating to the Reorganization	(39,925)	—
Reversal of business taxes and surcharges relating to the Reorganization.....	<u>41,150</u>	<u>—</u>
	<u>(2,615)</u>	<u>(3,464)</u>

FINANCIAL INFORMATION

Excluding the business taxes and surcharges relating to the Reorganization for the year ended June 30, 2013, our business taxes and surcharges decreased slightly to approximately RMB3.5 million for the year ended June 30, 2014 from approximately RMB3.8 million for the year ended June 30, 2013 primarily due to a decrease in the overall rental income we received for the year ended June 30, 2014.

An amount of approximately RMB39.9 million represented the business taxes and surcharges related to the Reorganization of one of the entities within the Listing Business for the year ended June 30, 2013.

According to the local tax authority approval obtained in April 2013, the relevant amount of the government grant has been reversed. As such, an amount of approximately RMB41.2 million has been reversed during the year ended June 30, 2013 for the business taxes and surcharges related to the Reorganization for one of the entities that remained within the Listing Business for the year ended June 30, 2012.

Property taxes and land use taxes

Property taxes and land use taxes decreased by approximately 28.4%, to approximately RMB11.7 million for the year ended June 30, 2014, compared to approximately RMB16.4 million for the year ended June 30, 2013, primarily due to a reduction in parcels of land we had upon the completion of the Reorganization as we transferred certain lands out of our Group as a result of the Reorganization. In addition, because our leasing revenue decreased by approximately RMB8.9 million during the year ended June 30, 2014 as compared to the same period in 2013, our related property taxes also decreased by approximately RMB1.1 million over the same period.

Property management fees

Property management fees remained stable at approximately RMB6.3 million for the year ended June 30, 2014 and approximately RMB6.4 million for the year ended June 30, 2013.

Repair and maintenance fees

Repair and maintenance fees decreased by approximately 49.6% to approximately RMB1.8 million for the year ended June 30, 2014 from approximately RMB3.5 million for the year ended June 30, 2013 mainly because (i) most repair and maintenance was already conducted on properties that were transferred out of the Group as part of the Reorganization during the year ended June 30, 2013 and (ii) certain teaching facilities were transformed into dormitories during the year ended June 30, 2014 and did not require our repair and maintenance.

Legal and consulting fees

Our legal and consulting fees were mainly for the Listing. Legal and consulting fees decreased by approximately 39.3% to approximately RMB5.8 million for the year ended June 30, 2014 from approximately RMB9.6 million for the year ended June 30, 2013. We recorded approximately RMB9.6 million and RMB5.8 million of listing expenses for the year ended June 30, 2013 and 2014, respectively.

FINANCIAL INFORMATION

Other gains/(losses) - net

The table below sets out a breakdown of other gains or losses for the years indicated:

	Year ended June 30,	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Gains on disposal of property and equipment.....	130	130
Net foreign exchange gain/(loss).....	346	(398)
Others.....	286	58
	<u>762</u>	<u>(210)</u>

We incurred a net other loss of RMB210,000 for the year ended June 30, 2014 from a gain of RMB762,000 for the year ended June 30, 2013. We recorded a net foreign exchange loss of RMB398,000 for the year ended June 30, 2014, primarily due to fluctuations of related party payables denominated in Singapore dollars which were affected by a decrease in RMB exchange rate versus the Singapore dollar. We recorded a gain of RMB346,000 for the year ended June 30, 2013 mainly due to the recognition of exchange gains on Singapore dollar cash balances. In addition, our other gains decreased from RMB286,000 for the year ended June 30, 2013 to RMB58,000 for the year ended June 30, 2014 primarily because we recorded insurance compensation amounting to RMB255,000 for the lost property (lost power cable) for the year ended June 30, 2013 compared to RMB11,000 for the year ended June 30, 2014.

Other expenses

The table below sets out a breakdown of other expenses for the years indicated:

	Year ended June 30,	
	2013	2014
	<i>RMB' 000</i>	<i>RMB' 000</i>
Auditor's remuneration.....	640	190
Rental expense.....	2,788	1,361
Provision for/(reversal of) impairment of trade receivables....	1,024	(410)
Utilities.....	471	57
Stamp duties unrelated to the Reorganization	69	78
Stamp duties related to the Reorganization	720	—
Insurance fee.....	390	71
Others	946	651
	<u>7,048</u>	<u>1,998</u>

FINANCIAL INFORMATION

Our other expenses decreased significantly by approximately 71.7% to approximately RMB2.0 million for the year ended June 30, 2014 from approximately RMB7.0 million for the year ended June 30, 2013. This decrease was mainly because:

- we incurred rental expenses of approximately RMB2.8 million and RMB1.4 million for the year ended June 30, 2013 and 2014, respectively, representing a decrease of approximately 51.2% from the year ended June 30, 2013 to the year ended June 30, 2014. Our rental expenses primarily consists of deemed rental expenses of dormitories from Langfang Fenghe of approximately RMB2.6 million and RMB1.3 million for the year ended June 30, 2013 and 2014, respectively. As part of the Reorganization, certain blocks of dormitories which were used by the Listing Business were transferred from our related party Zhuyun and subsequently sold to Langfang Fenghe. As part of the arrangement under the transfer, we continued to use these dormitories without paying any rental fees in cash. The deemed rental expenses were recorded in our financial statements as if rental fees were paid at market rate. The decrease in rental expenses for the year ended June 30, 2014 compared to the year ended June 30, 2013 is primarily because we recorded less deemed rental expenses as we reduced the number of dormitories due to the expiry of such arrangement under the transfer for the year ended June 30, 2014. Please also refer to the section headed “History and Development — Lease of properties with Langfang Fenghe, an Independent Third Party — Lease of properties from Langfang Fenghe and Taitu” in this prospectus.
- we made provision from impairment of trade receivables amounting to approximately RMB1.0 million for the year ended June 30, 2013 with respect to overdue rent from one of our former Contract Colleges and reversed part of the impairment of trade receivables of approximately RMB0.4 million as we have collected certain rent from this former Contract College. For further details, please refer to the subsection headed “Critical accounting policies and estimates — Trade and other receivables” in this section.
- we incurred stamp duties related to the Reorganization of approximately RMB0.7 million for the year ended June 30, 2013 and such stamp duties reduced to nil for the year ended June 30, 2014 primarily due to the completion of the Reorganization in September 2012.

Operating profit

As a result of the foregoing factors and in particular, the reduction in non-recurring government grants related to the Reorganization, our operating profit decreased by approximately 60.9% to approximately RMB42.7 million for the year ended June 30, 2014 from approximately RMB109.4 million for the year ended June 30, 2013.

FINANCIAL INFORMATION

Finance (cost)/income — net

We incurred a net finance cost of RMB25,000 for the year ended June 30, 2013 and a net finance income of approximately RMB1.2 million for the year ended June 30, 2014, primarily due to the following:

- Our finance income decreased to approximately RMB1.2 million for the year ended June 30, 2014 from approximately RMB4.0 million for the year ended June 30, 2013. During the year ended June 30, 2013, pursuant to an agreement between our Group and Zhuyun, Zhuyun agreed to pay our Group interest expenses of approximately RMB4.0 million for certain overdue consideration payables derived from certain land transfers for the year ended June 30, 2012. During the year ended June 30, 2014, we recorded finance income of approximately RMB1.2 million from interest on bank deposits.
- Our finance costs decreased to nil for the year ended June 30, 2014 from approximately RMB4.0 million for the year ended June 30, 2013. We recorded finance costs of nil for the year ended June 30, 2014 because upon completion of the Reorganization, we derecognized all bank borrowings as such bank borrowings were retained by Langfang Higher Education and we did not incur any new bank borrowings since the Reorganization.

Income tax (credit)/expense

We recorded an income tax credit of approximately RMB5.3 million for the year ended June 30, 2013 and an income tax expense of approximately RMB3.1 million for the year ended June 30, 2014. The following table provides a breakdown of our income tax:

	Year ended June 30,	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
PRC corporate income tax		
— Ordinary income tax expenses from operations	2,551	1,753
— Income tax expenses from government grant relating to land transfers ⁽¹⁾	1,282	—
— Corporate income tax expenses relating to land transfers ⁽²⁾	19,206	—
Sub-total of current PRC corporate income tax	23,039	1,753

FINANCIAL INFORMATION

	Year ended June 30,	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
PRC land appreciation tax		
— PRC land appreciation tax expenses relating to the Reorganization ⁽³⁾	58,975	—
— Reversal of PRC land appreciation tax expenses relating to the Reorganization ⁽⁴⁾	(26,392)	—
Sub-total of current PRC land appreciation tax	<u>32,583</u>	<u>—</u>
Deferred income tax		
— PRC corporate income tax	(1,951)	1,380
— PRC land appreciation tax	(58,975)	—
Sub-total of deferred income tax	<u>(60,926)</u>	<u>1,380</u>
Total income tax (credit)/expenses (sum of above sub-totals)	<u>(5,304)</u>	<u>3,133</u>

Notes:

- (1) The income tax expenses from government grants relating to land transfers for the year ended June 30, 2013 include approximately RMB36,000 for the post-Reorganization land transfers from and into Zhuyun in June 2013. The remaining amount of income tax expenses from government grants related to the Reorganization.
- (2) The corporate income tax expenses relating to land transfers for the year ended June 30, 2013 include approximately RMB1.4 million for the post-Reorganization land transfers from and into Zhuyun in June 2013. The remaining amount of corporate income taxes expenses relating to land transfers were related to the Reorganization. The Langfang government granted corresponding special subsidy to subsidize this corporate income tax. For details of the special subsidy, please refer to Note (1) of the sub-section headed "Description of selected income statement line items — Government grants" in this section.
- (3) The PRC land appreciation tax expenses relating to the Reorganization were charged to one of the entities within the Listing Business for the year ended June 30, 2013. The Langfang government granted corresponding special subsidy to subsidize this PRC land appreciation tax. For details of the special subsidy, please refer to Note (1) of the sub-section headed "Description of selected income statement line items — Government grants" in this section.
- (4) The PRC land appreciation tax expenses relating to the Reorganization for one of the entities within the Listing Business were reversed as the relevant land appreciation tax was exempted based on the approval from the local tax authority in April 2013. Such entity still remained within our Group after the completion of the Reorganization. For details of the approval, please refer to Note (2) of the sub-section headed "Description of selected income statement line items — Government grants" in this section.

PRC corporate income tax expenses

Our ordinary income tax expenses from operations decreased to approximately RMB1.8 million for the year ended June 30, 2014 from approximately RMB2.6 million for the year ended June 30, 2013, primarily due to a general decrease in overall revenue.

FINANCIAL INFORMATION

Our income tax expenses from government grants relating to the Reorganization and corporate income tax expenses from land transfer relating to the Reorganization both decreased to nil for the year ended June 30, 2014 compared to respectively approximately RMB1.3 million and approximately RMB19.2 million for entities within the Listing Business for the year ended June 30, 2013 because the Reorganization was completed in September 2012.

PRC land appreciation tax expenses

Our PRC land appreciation tax expenses decreased to nil for the year ended June 30, 2014 compared to approximately RMB59.0 million for one of the entities within the Listing Business for the year ended June 30, 2013 due to the completion of the Reorganization.

Deferred income tax

We recorded a deferred PRC corporate income tax charge of approximately RMB1.4 million for the year ended June 30, 2014 compared to a tax credit of approximately RMB2.0 million for the year ended June 30, 2013. The difference was primarily due to the release of deferred tax liabilities during the year ended June 30, 2013 because of fair value differences in investment properties we transferred in and out under the Reorganization.

Our deferred PRC land appreciation tax decreased to nil for the year ended June 30, 2014 from approximately RMB59.0 million for the year ended June 30, 2013 due to the completion of the Reorganization.

Net profit

Due to the foregoing factors, our net profit was approximately RMB40.8 million for the year ended June 30, 2014, compared to approximately RMB114.7 million for the year ended June 30, 2013.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to satisfy our working capital needs and our capital expenditure needs. Historically, we have funded our operations and capital expenditures principally from cash generated from our operations and cash advances from our related parties. Upon our Listing, we will settle all related party receivables and payables and no longer lend to or borrow from our related parties. We also currently do not have plans to obtain bank borrowings.

We believe we have sufficient cash flows to meet our current and future liability obligations. We had net cash inflows generated from operating activities of approximately RMB31.6 million for the year ended June 30, 2014 and a cash balance of approximately RMB50.6 million as of June 30, 2014. Our net current assets as of June 30, 2014 amounted to approximately RMB13.2 million.

FINANCIAL INFORMATION

We intend to continue to rely on existing financial resources, including our internal resources, the estimated net proceeds of the Placing and cash generated from operations to fund our future business development. Please refer to the section headed “Strategy and Use of Proceeds” in this prospectus.

Cash flows

Our primary uses of cash for operating expenses include the payment of taxes, wages and employment benefits, property management fees, repairs and maintenance and legal and consulting fees.

The following table provides a summary of our consolidated cash flows for the years indicated:

	Year ended June 30,	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities.....	28,560	31,575
Net cash used in investing activities	(28,839)	(29,802)
Net cash generated from financing activities	41,862	1,427
Net increase in cash and cash equivalents	41,583	3,200
Cash and cash equivalents at beginning of the year.....	5,780	47,363
Cash and cash equivalents at end of the year.....	47,363	50,563

Operating activities

For the year ended June 30, 2014, our net cash generated from operating activities was approximately RMB31.6 million, primarily reflecting cash generated from operations of approximately RMB33.0 million net of income tax paid of approximately RMB1.4 million during the year.

Cash generated from operations was approximately RMB33.0 million, while our operating profit adjusted for non-cash items and before working capital changes was approximately RMB33.8 million. The difference of approximately RMB0.8 million represents working capital usage over the year, primarily due to a decrease in trade and other payables relating to operating activities of approximately RMB3.4 million due to the settlement of payables in relation to listing expenses; partially offset by an increase in prepayment relating to operating activities of approximately RMB2.5 million due to prepayment of listing expenses which will be capitalized upon Listing.

For the year ended June 30, 2013, our net cash generated from operating activities was approximately RMB28.6 million, primarily reflecting cash generated from operations of approximately RMB38.4 million net of interest paid of approximately RMB6.5 million and income tax paid of approximately RMB3.3 million during the year.

FINANCIAL INFORMATION

Cash generated from operations was approximately RMB38.4 million, while our operating profit adjusted for non-cash items and before working capital changes was approximately RMB98.1 million. The difference of approximately RMB59.7 million represents working capital usage over the year, primarily due to a decrease in trade and other payables of approximately RMB61.8 million due to a decrease in business taxes and other levies payable related to the Reorganization, which was completed in September 2012, partially offset by an increase in trade and other receivables of approximately RMB2.3 million.

Investing activities

For the year ended June 30, 2014, our net cash used in investing activities was approximately RMB29.8 million, which primarily reflected (i) net cash advances of approximately RMB8.8 million (net of approximately RMB34.5 million made to related parties and repayment of approximately RMB25.7 million) mainly to Zhuyun; and (ii) our purchase of property, equipment and investment property amounting to approximately RMB21.2 million as a result of payments to contractors in relation to (i) the conversion of three blocks of teaching buildings into dormitories which was completed in January 2014, and (ii) construction of an additional five blocks of dormitories which have commenced commercial use in October 2014.

For the year ended June 30, 2013, our net cash used in investing activities was approximately RMB28.8 million, which primarily reflected cash advances of approximately RMB34.5 million made to related parties, partially offset by repayment of approximately RMB5.0 million from related parties to our Group, and by proceeds of RMB725,000 from disposal of unused furniture and equipment.

Financing activities

For the year ended June 30, 2014, our net cash generated from financing activities was approximately RMB1.4 million. During the year, we received net cash advances from our related parties of approximately RMB4.3 million. The increase in cash generated from financing activities was partially offset by the payment of expenses of approximately RMB2.9 million related to the Listing.

For the year ended June 30, 2013, our net cash generated from financing activities was approximately RMB41.9 million. During the year, we received net cash advance from our related parties, namely Zhuyun and Langfang Higher Education, of approximately RMB54.1 million. The increase in cash generated from financing activities was partially offset by a deemed distribution of approximately RMB8.0 million from derecognition of cash that remained with Langfang Higher Education and Langfang Education Facilities upon completion of the Reorganization and our repayment of bank borrowings of approximately RMB3.5 million.

SUFFICIENCY OF WORKING CAPITAL

Our Directors believe that after taking into account the estimated net proceeds from the Placing and the internally generated funds available to us, we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this prospectus.

FINANCIAL INFORMATION

NET CURRENT ASSETS

As of June 30, 2013, June 30, 2014 and October 31, 2014, our net current assets were approximately RMB26.1 million, RMB13.2 million and RMB7.5 million, respectively. The following table shows components of our net current assets as of the dates indicated:

	As of June 30,		As of October 31,
	2013	2014	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current assets			
Prepayments.....	8,202	7,258	8,029
Trade and other receivables.....	27,558	37,592	44,188
Cash and cash equivalents	47,363	50,563	27,908
	83,123	95,413	80,125
Current liabilities			
Current income tax liabilities	23,586	23,882	23,633
Advance from customers.....	863	615	1,950
Trade and other payables.....	32,584	57,701	47,071
	57,033	82,198	72,654
Net current assets.....	26,090	13,215	7,471

June 30, 2014 compared to June 30, 2013

The decrease in net current asset as of June 30, 2014 as compared to June 30, 2013 was primarily due to an increase in trade and other payables of approximately RMB25.1 million, partially offset by an increase in trade and other receivables of approximately RMB10.0 million.

The increase in trade and other payables as of June 30, 2014 compared to June 30, 2013 was primarily due to an increase in payables to contractors in relation to the conversion of certain teaching buildings to dormitories and construction of new dormitories, which in turn increased the value of investment properties. Our investment properties increased from approximately RMB761.0 million as of June 30, 2013 to approximately RMB816.2 million as of June 30, 2014 mainly due to the construction of five dormitories amounting to approximately RMB45.7 million.

The increase in trade and other receivables as of June 30, 2014 compared to June 30, 2013 was primarily due to an increase in amounts due from fellow subsidiaries. Please also see the subsection headed “Related party balances” in this section.

FINANCIAL INFORMATION

October 31, 2014 compared to June 30, 2014

Our net current assets decreased to RMB7.5 million as of October 31, 2014 as compared to RMB13.2 million as of June 30, 2014. Trade and other receivables increased by approximately RMB6.6 million mainly due to the entering into of new collaborative agreements with our Contract Colleges. Cash and cash equivalents decreased significantly by approximately RMB22.7 million to RMB27.9 million as of October 31, 2014 from RMB50.6 million as of June 30, 2014. This decrease was mainly due to the purchase of property and equipment and investment property of RMB27.5 million coupled with the extension of payment terms for two Contract Colleges. The balances of our cash and cash equivalents normally increase between September and December each year because we usually receive a large portion of the annual fees in cash from our Contract Colleges starting in September. However, as of October 31, 2014, approximately RMB23.6 million and RMB7.6 million of outstanding lease rentals for the 2014 to 2015 academic year were still due from Beijing Chinese Medicine and Civil Aviation, respectively, as we extended the payment terms of these Contract Colleges to the end of December 2014. At the time, these two Contract Colleges were in the process of moving students from the dormitories leased from Langfang Fenghe to our five new blocks of dormitories. As the rental rates of the new dormitories differ from those leased from Langfang Fenghe, the total lease rentals due from these two Contract Colleges for the 2014 to 2015 academic year would differ depending on when the moving would be completed. Therefore, as a one-off arrangement, we extended the payment terms until after the moving was properly completed, in order to better ascertain the total lease rentals due under such different rental rates to facilitate settlement.

Trade and other payables decreased by approximately RMB10.6 million mainly due to payment to our third party contractors amounting to approximately RMB27.5 million partially offset by additional payables in relation to new constructions. Advances from customers increased by approximately RMB1.3 million primarily due to prepayments from certain Contract Colleges.

Trade and Other Receivables

Trade receivables

Our trade receivables mainly represent the balances due from our customers. The following table sets forth our trade receivables as of the dates indicated:

	As of June 30,	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	1,919	619
Less: provision for impairment	(1,636)	—
Trade receivables - net	283	619

FINANCIAL INFORMATION

The table below sets out the movements on our provision for impairment of trade receivables:

	Year ended June 30,	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Opening net book value	4,452	1,636
Provision for impairment recognized in the income statement	1,024	—
Transfer out to Excluded Business	(3,840)	—
Reversal due to collection	—	(410)
Receivables written off against trade receivable as uncollectible	—	(1,226)
Closing net book value	1,636	—

Trade receivables are derived from our leasing activities. In relation to education facilities leasing, lease terms are typically for one year, from July to June of the following year in order to match with the academic calendar of colleges and universities who lease our education facilities. Discussions on renewals of these collaborative agreements normally start in June when the current lease is about to expire. Within three days of signing a collaborative agreement, a deposit (equal to 20% of the education facilities leasing fee) will normally be paid by the relevant Contract College. The remaining 80% of the education facilities leasing fee is generally required to be paid prior to September 20 of the same year. However, we may extend the payment period to some of our Contract Colleges for the remaining 80% of the annual fee on a case-by-case basis based on our relationship and experience with the Contract College. We extend payment terms only when we believe the relevant Contract College has sufficient creditworthiness to settle the receivable and is not experiencing any material liquidity issues. Accordingly, the payment period extended may vary significantly from each Contract College and may extend to June 30 of the next year. During the Track Record Period, the remaining 80% of the education facilities leasing fee were usually paid by our Contract Colleges by the end of December of that calendar year.

In relation to commercial leasing for support facilities, lease terms are generally for one year. Within seven days of the signing a lease agreement, most of our commercial tenants are required to pay the annual rent in advance unless stated otherwise in their respective lease agreements.

Trade receivables turnover day analysis is not provided as payment terms of our customers are based on contractual agreements and the extension of payment terms are evaluated on a case-by-case basis.

Our net trade receivables increased to approximately RMB0.6 million as of June 30, 2014 from approximately RMB0.3 million as of June 30, 2013 mainly because our new Contract College Oriental Hanxiang College delayed the payment of the education facilities leasing fee.

FINANCIAL INFORMATION

Oriental Hanxiang College requested a payment extension because it started operating in our Campus Site during the 2013 to 2014 academic year and was actively recruiting students. As of October 31, 2014, we have received approximately RMB329,000 of the RMB339,000 in trade receivables as of June 30, 2014 from Oriental Hanxiang College.

Our provision for impairment of trade receivables amounting to approximately RMB1.6 million as of June 30, 2013 was due to the overdue rent from two former Contract Colleges. For the year ended June 30, 2013, we experienced difficulties in collecting education facilities leasing fee from a former Contract College, we had therefore made provisions for impairment amounting to approximately RMB1.0 million in the income statement for that year. The remaining approximately RMB0.6 million of the provision related to overdue rent prior to the Track Record Period.

Our provision for impairment of trade receivables was reduced to nil as of June 30, 2014 as we collected the trade receivables amounting to approximately RMB0.4 million and wrote off the provision for impairment of trade receivables of approximately RMB1.2 million as we were not able to collect such trade receivables.

Aging analysis

The following table sets forth an aging analysis of gross trade receivables as of the dates indicated:

	As of June 30,	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	217	36
3 to 6 months	23	—
6 to 12 months	43	531
Over one year	1,636	52
Gross trade receivables	1,919	619

As of June 30, 2013 and 2014, trade receivables of approximately RMB0.2 million and RMB0.1 million were fully performing.

As of June 30, 2013 and 2014, trade receivables of RMB66,000 and RMB531,000 were past due but not impaired. These mainly relate to two independent customers for whom there is no significant financial difficulty. We evaluate the collectability of our receivables based on observable data and our experience with each Contract College and each commercial tenant and believe that the overdue amounts can be recovered.

The trade receivables due over one year as of June 30, 2013 primarily consisted of the overdue rent from two former Contract Colleges for whom we have provided impairment in previous years as we assessed that such receivables were not expected to be recovered.

FINANCIAL INFORMATION

Our trade receivables due over one year as of June 30, 2014 primarily consisted of the overdue rent of RMB52,000 from a commercial leasing customer. We evaluate the collectability of our receivables based on observable data and our experience with each of our customers and believe that the overdue amounts can be recovered.

As of October 31, 2014, we have collected approximately RMB0.6 million of the net trade receivables that were outstanding as of June 30, 2014.

Other receivables

The following table sets forth our other receivables as of the dates indicated:

	As of June 30,	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
- Due from related parties.....	6,180	14,946
- Due from third parties	21,095	22,027
Total other receivables	27,275	36,973

Our other receivables represent (i) amounts due from related parties, and (ii) amounts due from third parties. As of June 30, 2013, amounts due from related parties mainly consist of balances arising from the land title transfers as part of the Reorganization and cash advance to fellow subsidiaries. As of June 30, 2014, amounts due from related parties consists of cash advances to fellow subsidiaries. Other receivables due from third parties as of June 30, 2013 and 2014 primarily consist of receivable for the Special Government Grant, which were granted by a local authority to subsidize the potential corporate income taxes and stamp duties derived from the land rationalization as part of the Reorganization.

Our other receivables increased to approximately RMB37.0 million as of June 30, 2014 compared to approximately RMB27.3 million as of June 30, 2013, mainly because our other receivables due from related parties increased to approximately RMB14.9 million as of June 30, 2014 from approximately RMB6.2 million as of June 30, 2013. All of our related party receivables were settled prior to the date of the prospectus. Please also refer to the subsection headed "Related parties balances" in this section.

As of June 30, 2014, the remaining balance of other receivables of approximately RMB22.0 million mainly comprised of the receivable for the Special Government Grant amounting to approximately RMB21.1 million relating to corporate income taxes and stamp duties as a result of the transfer of lands, buildings and structure as part of our Reorganization. The actual government grant will be received after our actual cash payment of applicable taxes payable under the Reorganization.

FINANCIAL INFORMATION

Please also see the earlier subsection headed “Significant factors affecting results of operations of our Group — Change in Government Policies with respect to subsidizing the education industry” in this Financial Information section for information regarding government grants.

Trade and other payables

The following table sets forth our trade and other payables as of the dates indicated:

	As of June 30,	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	6,742	5,515
Other payables due to		
- Related parties	9,945	14,232
- Third parties	11,270	33,817
Staff welfare benefit payable	460	183
Accruals	1,471	1,327
Other taxes payable	2,696	2,627
Total trade and other payables	32,584	57,701

Trade payables

Our trade payables mainly relate to the daily maintenance costs for the education facilities. Our usual payment credit terms with our suppliers are not longer than 120 days.

The table below sets out the aging analysis of the trade payables based on invoice date:

	As of June 30,	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	2,813	1,418
3 to 6 months	1,794	1,345
6 to 12 months	2,135	2,752
Trade payables.....	6,742	5,515

Our trade payables decreased to approximately RMB5.5 million as of June 30, 2014 compared to approximately RMB6.7 million as of June 30, 2013, primarily due to settlement of campus security fees of approximately RMB0.8 million and building maintenance fees of approximately RMB1.1 million.

Our trade payables due over three months increased slightly to approximately RMB4.1 million as of June 30, 2014 compared to approximately RMB3.9 million as of June 30, 2013. Trade payables due over three months represented amounts due to property management suppliers.

FINANCIAL INFORMATION

As of October 31, 2014, we have paid approximately RMB2.3 million of the trade payables outstanding as of June 30, 2014.

Other payables

Other payables mainly represent (i) amounts due to related parties, and (ii) amounts due to third parties.

Other payables due to related parties mainly consist of amounts due to our ultimate holding company, REC. Other payables due to related parties increased to approximately RMB14.2 million as of June 30, 2014 from approximately RMB9.9 million as of June 30, 2013, primarily due to an increase in listing expenses paid by REC on our behalf to our professional advisors for the Listing due to currency controls in the PRC. As of June 30, 2014, REC settled, on our behalf, expenses amounting to approximately RMB14.2 million with respect to Listing, and therefore we recorded amounts payable to REC of approximately RMB14.2 million. All of our related party payables will be settled upon Listing or using the Gross Proceeds from the Listing. Please also see section headed “Strategy and Use of Proceeds — Reasons for the Placing and Use of Proceeds” and the subsection headed “Related party balances” in this section.

Our amounts due to third parties mainly represented (i) third party contractor fees in relation to the construction of additional dormitories and conversion of certain teaching buildings to dormitories, (ii) the security deposits for dormitory leasing and commercial leasing for supporting facilities which are paid in addition to the education facilities leasing fee and will, absent any damages caused to the properties, be returned to our Contract Colleges and commercial tenants once the respective contracts expire, and (iii) legal and consultancy fees incurred in relation to the preparation of the proposed Listing.

Other payables due to third parties increased to approximately RMB33.8 million as of June 30, 2014 compared with approximately RMB11.3 million as of June 30, 2013, primarily due to the amounts due to our contractors in relation to the construction of additional dormitories amounting to approximately RMB18.0 million and conversion of certain teaching buildings to dormitories amounting to approximately RMB6.7 million.

Accruals and other taxes payable

Accruals mainly represent accrued bank interest, annual audit fees and certain expenses such as utility costs. Other taxes payable mainly represent amounts payable for land appreciation taxes, property taxes, land use taxes and business taxes.

Our accruals decreased to approximately RMB1.3 million as of June 30, 2014 from approximately RMB1.5 million as of June 30, 2013, primarily due to a decrease in utility expenses for the year ended June 30, 2014.

Our other tax payables remained relatively stable at approximately RMB2.6 million and RMB2.7 million as of June 30, 2014 and June 30, 2013, respectively.

FINANCIAL INFORMATION

We do not provide a trade payable turnover analysis because such analysis would not be meaningful, considering that our expenses differ in nature from cost of sales.

Investment properties

We hold certain investment properties, which principally comprise properties held for rental yields or for capital appreciation or both. We classify investment properties as non-current assets. As of June 30, 2013 and 2014, our investment properties had a value of approximately RMB761.0 million and RMB816.2 million, respectively. The table below sets out the movements of our investment properties for the years indicated:

	Year ended June 30,	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
At fair value		
Opening balance	945,845	760,950
Addition.....	51,500	45,668
Disposal ⁽¹⁾	(143,280)	—
De-recognition for assets retained in companies not comprising our Group upon completion of the Reorganization	(106,845)	—
Net gain from fair value adjustment	13,730	9,561
Closing balance	760,950	816,179
Comprise of		
- Completed	760,950	772,462
- Under construction	—	43,717

Note:

- (1) For the year ended June 30, 2013, the Group transferred land and buildings to related parties, LOIT and Zhuyun with the consideration of (i) approximately RMB88.0 million as part of the land rationalization during the Reorganization, and (ii) approximately RMB55.3 million as a result of land transfers post Reorganization, respectively.

For further details regarding changes in the value of our investment properties and land transfers, please see note 7 to the Accountant's Report in Appendix I to this prospectus.

FINANCIAL INFORMATION

INDEBTEDNESS

Borrowings

As of June 30, 2013, June 30, 2014 and October 31, 2014, with October 31, 2014 being the latest practicable date for determining our indebtedness, we did not have any bank borrowings or available banking facilities. We currently do not have plans to obtain the bank borrowings or facilities as we have sufficient working capital for our present requirements. We do not envisage any difficulty in obtaining bank facilities should we need to do so in the future.

As of October 31, 2014, being the latest practicable date for the purpose of the indebtedness statement, we did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, pledges, charges, debentures, mortgages, loans, debt securities or other similar indebtedness or any finance lease commitments, hire purchase commitments, liabilities under acceptance, or acceptance credits. Save as disclosed in this prospectus, since October 31, 2014, there has been no material adverse change in our indebtedness.

As of the Latest Practicable Date, we are not subject to any material covenants relating to outstanding debts as we do not have any outstanding indebtedness.

KEY FINANCIAL RATIOS ANALYSIS

Our key financial ratios for the years indicated are set out below.

	As of June 30,	
	2013	2014
	%	%
Gearing ratio ⁽¹⁾	2.7	2.6
Debt to equity ratio ⁽²⁾	—	—
Current ratio ⁽³⁾	145.7	116.1

	Year ended June 30,	
	2013	2014
	%	%
Return on equity ⁽⁴⁾	14.9	5.0
Return on assets ⁽⁵⁾	13.6	4.5

FINANCIAL INFORMATION

Notes:

- (1) Calculated as sum of bank borrowings and payables not incurred in the ordinary course of business as of the end of the year divided by total equity for the year and multiplied by 100%.
- (2) Calculated as net debt as of the end of the year, divided by total assets minus total liabilities for the year and multiplied by 100%. Net debts are defined to include all borrowings net of cash and cash equivalents.
- (3) Calculated as current assets as of the end of the year, divided by current liabilities as of the end of the year and multiplied by 100%.
- (4) Calculated as net profit for the year divided by Shareholders' equity and multiplied by 100%.
- (5) Calculated as net profit for the year divided by total assets as of the end of the year and multiplied by 100%.

The gearing ratio decreased slightly from approximately 2.7% as of June 30, 2013 to approximately 2.6% as of June 30, 2014 because (i) we had no bank borrowings as of June 30, 2013 and 2014, (ii) our payables not incurred in the ordinary course of business consisted of tax payables remained the same at approximately RMB21.1 million (corporate income tax payable of approximately RMB19.8 million and stamp duties payable of approximately RMB1.3 million) as a result of the Reorganization as of June 30, 2013 and 2014 and (iii) our equity increased slightly due to our net profit for the year ended June 30, 2014.

The debt to equity ratio remained nil as of June 30, 2013 and 2014 because we had no bank borrowings as of June 30, 2013 and 2014.

The current ratio decreased to approximately 116.1% as of June 30, 2014 from approximately 145.7% as of June 30, 2013 primarily due to an increase in other payable due to third parties as a result of the amounts due to our contractors in relation to the construction of additional dormitories and conversion of certain teaching buildings to dormitories.

Return on equity decreased to approximately 5.0% for the year ended June 30, 2014 compared to approximately 14.9% for the year ended June 30, 2013, primarily due to a decrease in the net profit for the year ended June 30, 2014 mainly because of the reduction of one-off government grant as the Reorganization completed in September 2012.

Return on assets decreased to approximately 4.5% for the year ended June 30, 2014 compared to approximately 13.6% for the year ended June 30, 2013, primarily due to (i) a decrease in the net profit for the year ended June 30, 2014 mainly because of the reduction of one-off government grant as the Reorganization completed in September 2012, and (ii) an increase in total assets mainly as a result of an increase in investment properties primarily due to construction of additional dormitories and conversion of certain teaching buildings to dormitories for the year ended June 30, 2014.

FINANCIAL INFORMATION

CAPITAL EXPENDITURES

Capital expenditures during the Track Record Period

During the Track Record Period, our capital expenditures consisted primarily of the purchase of property and equipment and investment properties.

The following table sets forth our historical cash capital expenditures for the years indicated:

	Year ended June 30,	
	2013	2014
	RMB'000	RMB'000
Purchase of property and equipment, and investment properties.....	42	21,166

For the year ended June 30, 2013, we purchased property and equipment of RMB42,000. For the year ended June 30, 2014, we spent approximately RMB21.2 million for construction of additional dormitories and conversion of certain teaching facilities into dormitories.

Planned capital expenditures

We expect to finance our planned capital expenditures through operating cash inflows, and the net proceeds from the Placing. Our planned capital expenditures consist of (i) existing projects relating to the additional five blocks of dormitories on our Campus Site and conversion of teaching blocks into dormitories, and (ii) new dormitories as described in the section “Strategy and Use of Proceeds” in this prospectus that will be funded by the net proceeds from the Listing.

For the six months ending December 31, 2014, our capital expenditure in relation to the existing projects is expected to be approximately RMB31.5 million (which will be funded by existing cash resources). For the six months ending June 30, 2015 and December 31, 2015, our total capital expenditure is expected to be approximately RMB8.2 million (of which approximately RMB2.5 million will be used for the existing projects and will be funded by existing cash resources; and approximately RMB5.7 million will be used for the construction of new dormitories and will be funded by the net proceeds from the Listing). Our planned capital expenditures from January 1, 2016 to June 30, 2017 is expected to be approximately RMB56.5 million (which will be used for new dormitories and funded by our net proceeds from the Listing).

We cannot assure you that we will be able to complete our expansion plans on terms acceptable to us or at all, or that we will have sufficient financial resources to complete our expansion. Our planned capital expenditures constitute forward-looking statements and are subject to change based on business and financial conditions. For details, please refer to the section headed “Forward-Looking Statements” in this prospectus.

FINANCIAL INFORMATION

RELATED PARTY BALANCES

The table below sets out our significant non-trade balances with related parties:

	As of June 30,	
	2013	2014
	RMB'000	RMB'000
Amounts due from		
- Fellow subsidiaries	<u>6,180</u>	<u>14,946</u>
Amounts due to		
- Ultimate holding company	<u>9,945</u>	<u>14,232</u>

Over the Track Record Period, amounts due from/to related parties are unsecured, interest-free and have no fixed terms of repayment.

As of June 30, 2013, amounts due from related parties mainly consist of balances arising from the land title transfers as part of the Reorganization and cash advance to fellow subsidiaries. As of June 30, 2014, amounts due from related parties consists of cash advances to fellow subsidiaries.

As of June 30, 2014, the amounts due from related parties of approximately RMB14.9 million are cash advances to fellow subsidiaries. Our Directors have confirmed that all remaining amounts due from fellow subsidiaries were settled in cash prior to the date of the prospectus.

As of June 30, 2013 and June 30, 2014, the amounts due to related parties of approximately RMB9.9 million and RMB14.2 million respectively, are primarily amounts due to the ultimate holding company, REC. Such amounts mainly comprised of listing expenses, which was paid by REC on behalf of us to our advisors for the Listing due to currency controls in the PRC.

Our Directors have confirmed that approximately RMB14.2 million will be repaid to REC using the Gross Proceeds received upon Listing. In addition, we expect to incur an additional payables to REC of approximately RMB5.8 million from July 2014 to the time before Listing to cover our listing expenses and we will repay such amount to REC using the Gross Proceeds received from the Listing. Please also see the section headed "Strategy and Use of Proceeds — Reasons for the Placing and Use of Proceeds".

There is currently no intention to enter into any further related party transactions or connected transactions after the Listing. The Company will comply with the relevant requirements under the GEM Listing Rules for any transaction to be entered into with a connected person after the Listing.

FINANCIAL INFORMATION

The Directors believe that our related party transactions (i) were materially conducted on an arm's length basis during the Track Record Period, (ii) did not materially distort our results of operations during the Track Record Period, and (iii) did not make our results of operations not reflective of our future performance.

For a detailed discussion of amounts due to/from related parties, please refer to the subsections headed "Trade and other receivables — Other receivables" and "Trade and other payables — Other payables" in this section and also note 24 of the Accountant's Report set out in Appendix I to this prospectus.

Commitments

Operating lease commitments

We had no operating lease commitment as of June 30, 2014.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTINGENT LIABILITIES

During the Track Record Period and as of the Latest Practicable Date, we have not entered any off-balance sheet arrangements.

Save as disclosed herein, and apart from intra-group liabilities, we did not have any guarantees or other material contingent liabilities outstanding as of the Latest Practicable Date.

Our Directors have confirmed that there has been no material adverse change in our indebtedness and contingent liabilities since the Latest Practicable Date.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS

Our activities expose us to a variety of financial risks: credit risk, liquidity risk, currency risk and interest rate risk. Our overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance.

Credit risk

Credit risk is the potential financial loss resulting from the tenants defaulting to pay rental fees when due, resulting in a loss to the Group. During the year ended June 30, 2014, we provided education facilities leasing and commercial leasing for supporting facilities to five largest customers (For the year ended June 30, 2013: five) which accounts for approximately 93.9% (For the year ended June 30, 2013: approximately 93.8%) of our total revenue. As of June 30, 2014, there was no trade receivables due from these five customers (As of June 30, 2013: nil).

For the consideration of collectability, our management has not made any provision for trade receivables as of June 30, 2014 and provisions of approximately RMB1.6 million was already provided for as of June 30, 2013. The net value of trade receivables is RMB619,000 as of June 30, 2014 (RMB283,000 as of June 30, 2013). We believe there is no further credit risk provision required in excess of the normal provision for bad and doubtful debts.

FINANCIAL INFORMATION

Cash and fixed deposits are placed with licensing banks which are all high-credit-quality financial institutions. Our management does not expect any counterparty to fail to meet its obligations.

The maximum exposure to credit risk is mainly represented by the carrying amount of cash and cash equivalents and trade and other receivables.

Liquidity risk

Prudent liquidity risk management requires maintaining sufficient cash and cash equivalents and available funding. Our management believes that liquidity risk has been mitigated as we generated operating cash inflow of approximately RMB38.4 million and RMB33.0 million for the year ended June 30, 2013 and 2014, respectively. Our management expects that we will continue to generate operating cash inflow in the upcoming years.

To manage the liquidity risk, our management monitors rolling forecasts of cash and cash equivalents on the basis of expected cash flow. We expect to fund our future cash flow needs through internally generated cash flows from operations and the proceeds from the Placing.

The following table sets out the remaining contractual maturities of our non-derivative financial liabilities, which is based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current as of June 30, 2014) and the earliest date we can be required to pay:

	<u>Within 1 year</u>
	<i>RMB'000</i>
As of June 30, 2014	
Trade and other payables (excluding staff welfare benefit payable and other taxes payable)	<u>54,891</u>

DIVIDEND POLICY

We have not previously declared or paid a cash dividend. Future dividend payments will depend upon the availability of dividends we receive from Langfang Education Consultancy, our key operating subsidiary in the PRC. We currently do not have any plans to declare or distribute dividends, although this is subject to change. Our Board may declare dividends in the future taking into account our operations, earnings, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. The payment of dividends may also be limited by legal restrictions and by financing agreements that we may enter into in the future. Under the current PRC laws and regulations, dividends paid by companies incorporated in the PRC to a non-PRC resident enterprise shareholder are subject to a 10% withholding tax unless reduced by a tax treaty or arrangement. Under an arrangement between the PRC and Hong Kong, and subject to approvals from our relevant local tax authorities, we are entitled to a reduced withholding tax rate of 5% on dividends which we received from our subsidiaries in the PRC.

FINANCIAL INFORMATION

DISTRIBUTABLE RESERVES

Our Company was incorporated in Hong Kong with limited liability on June 11, 2012. As of June 30, 2014, it did not have any distributable reserve.

RECONCILIATION OF APPRAISED PROPERTY VALUES WITH NET BOOK VALUES

Disclosure of the reconciliation between the valuation of the interests in properties attributable to our Group and such property interests in our Group's consolidated balance sheets as of June 30, 2014 contained in the Accountant's Report set out in Appendix I to this prospectus as required under Rule 8.30 of the GEM Listing Rules, is set forth below.

	RMB'000
Net book value of properties as of June 30, 2014	816,179
Addition	13,489
Fair value gains	32
Depreciation	(42)
Net book value of properties as of October 31, 2014	<u>829,658</u>
Valuation of properties as of October 31, 2014	<u>829,658</u>

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 7.31 of the GEM Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Placing on the net tangible assets of the Group attributable to the equity holders of the Company as of June 30, 2014 as if the Placing had taken place on June 30, 2014 assuming the Offer Size Adjustment Option is not exercised. This unaudited pro forma statement of 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 as of June 30, 2014 or at any future dates following the Placing.

	Audited consolidated net tangible assets of the Group attributable to the shareholders of the Company as of June 30, 2014 ⁽¹⁾	Estimated net proceeds from the Placing ⁽²⁾	Unaudited pro forma adjusted consolidated net tangible assets attributable to the shareholders of the Company as of June 30, 2014	Unaudited pro forma adjusted net tangible assets per Share ⁽³⁾	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB</i>	<i>HK\$</i>
Based on the minimum indicative Placing Price of HK\$2.60 per Share	803,264	70,714	873,978	4.86	6.07
Based on the maximum indicative Placing Price of HK\$2.68 per Share	803,264	73,594	876,858	4.87	6.09

FINANCIAL INFORMATION

Notes:

- (1) The audited consolidated net tangible assets attributable to the equity holders of the Company as of June 30, 2014 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 equity holders of the Company as of June 30, 2014 of RMB803,264,000 with no adjustment for the intangible assets as the Group does not have intangible assets.
- (2) The estimated net proceeds from the Placing are based on the indicative Placing Price of HK\$2.60 or HK\$2.68 per Share after deduction of the estimated underwriting commissions and other related expenses payable by the Company and takes no account of any shares which may fall to be issued upon the exercise of the Offer Size Adjustment Option.
- (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 180,000,000 Shares were in issue assuming that the Placing has been completed on June 30, 2014 but takes no account of any Shares which may fall to be issued upon the exercise of the Share Option Scheme, the Offer Size Adjustment Option or any Share which may be allotted and issued or repurchased by the Company pursuant to the General Mandate to Issue Shares or the General Mandate to Repurchase Shares as described in the section headed "Share Capital" in this prospectus. For illustrative purpose, the unaudited pro forma adjusted net tangible assets per Share is translated from Renminbi into Hong Kong dollars at the exchange rate of HK\$1.00 to RMB0.8.
- (4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to June 30, 2014.

DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there were no circumstances which would give rise to a disclosure requirement under GEM Listing Rules 17.15 to 17.21, had they been required to comply with the GEM Listing Rules 17.15 to 17.21.

UNDERWRITING

UNDERWRITER

BNP Paribas Securities (Asia) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting Agreement

Pursuant to the Underwriting Agreement, our Company is offering the Placing Shares for subscription by way of Placing, on and subject to the terms and conditions in the Underwriting Agreement and this prospectus, at the Placing Price.

Subject to, among other conditions, the listing division of the Stock Exchange granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus, the Placing Price being agreed between the Sole Lead Manager and us in accordance with the Underwriting Agreement, and to certain other conditions set out in the Underwriting Agreement being fulfilled or waived on or before the dates and times specified in the Underwriting Agreement, the Underwriter has agreed to subscribe for or purchase or procure subscribers or purchasers for the Placing Shares on the terms and conditions of the Underwriting Agreement and this prospectus.

Grounds for termination

The obligations of the Underwriter to subscribe or procure subscribers for the Placing Shares are subject to termination if certain events, including force majeure, shall occur at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date. The Sole Lead Manager shall have the right, in its sole and absolute discretion, to terminate with immediate effect the Underwriting Agreement if it sees fit by giving notice to the Company, upon the occurrence of any of the following events at or prior to 8:00 a.m. (Hong Kong time) on the Listing Date:

- (A) there has come to the notice of the Sole Lead Manager:
 - (a) that any statement contained in any offer documents, was when it was issued, or has become, untrue, incorrect or misleading in any respect, including where any estimate, forecast, expression of opinion, intention or expectation expressed in any offer document is not, in the sole and absolute opinion of the Sole Lead Manager, in all material respects, fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom considered by the Sole Lead Manager in its sole and absolute opinion to be material in the context of the Placing; or

UNDERWRITING

- (c) any breach of any of the obligations imposed upon any party to the Underwriting Agreement (in each case, other than on the Sole Lead Manager or the Underwriter); or
 - (d) any event, act or omission which gives or is likely to give rise to any liability of the Warrantors (as defined in the Underwriting Agreement) under the Underwriting Agreement; or
 - (e) any change or development involving a prospective change in the conditions, assets, liabilities, business affairs, prospects, profits, losses or the financial or trading position or performance of our Company or any member of our Group considered by the Sole Lead Manager in its sole and absolute opinion to be material in the context of the Placing; or
 - (f) any of the warranties contained in the Underwriting Agreement is, or would when repeated be, untrue, incorrect or misleading in any material respect; or
 - (g) our Company withdraws any of the offer documents (and/or any other documents used in connection with the offering of the Placing Shares) or the Placing; or
 - (h) any person (other than the Sole Lead Manager or the Underwriter) has withdrawn or sought to withdraw its consent to being named in any of the offer documents or to the issue of any of the offer documents; or
 - (i) approval by the listing division of the Stock Exchange of the Listing of, and permission to deal in, our Shares in issue and to be issued (including any additional Shares that may be issued or sold pursuant to the exercise of the Offer Size Adjustment Option) under the Placing is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (j) approval by the SGX-ST of the spin-off and separate listing of the Group on the Stock Exchange is subsequently revoked, withdrawn, suspended, cancelled, withheld or qualified with a material adverse effect on the Placing; or
- (B) there shall develop, occur, exist or come into effect:
- (a) any event, or series of events, in the nature of force majeure beyond the reasonable control of the Underwriter (including, without limitation, acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, earthquake, nuclear leakage, volcanic eruption, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza (including H7N9 and H5N1), swine influenza (H1N1), Ebola virus disease or such related/mutated forms) or interruption or delay in transportation; or

UNDERWRITING

- (b) any change or development involving a prospective change, or any event or series of events likely to result in or representing any change or development or a prospective change or development, in local, regional, national, international, financial, economic, political, military, industrial, fiscal, regulatory, currency or market conditions (including, without limitation, conditions in any stock or bond markets, money and foreign exchange markets and inter-bank markets, or a material fluctuation in the exchange rate of the Hong Kong dollar against any foreign currency, or any interruption in monetary or trading or securities settlement or clearance service or procedures or a material development of the Hong Kong dollar or Renminbi against any foreign currencies), in or affecting Hong Kong or anywhere in the world; or

- (c) any new laws, rules, statutes, ordinances, regulations, guidelines, opinions, notices, circulars, orders, judgments, decrees, or rulings of any governmental authority (“**Laws**”) or change or development involving a prospective change in existing Laws or any change or development involving a prospective change in the interpretation or application of any laws by any court or other competent authority in or affecting any of Hong Kong, the PRC, the United States, Japan, the United Kingdom, the European Union (or any member thereof), Singapore, the Cayman Islands, or any other jurisdiction relevant to any member of our Group (together, the “**Specific Jurisdictions**”); or

- (d) (i) any moratorium, suspension, limitation or restriction on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange or Tokyo Stock Exchange; or (ii) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or otherwise), New York (imposed at the United States federal or New York state level or otherwise), Japan, London, the European Union (or any member thereof), the PRC or any other jurisdiction relevant to any member of our Group declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in any of the Specific Jurisdictions; or

- (e) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, the Specific Jurisdictions; or

- (f) (i) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investments Laws in any of the Specific Jurisdictions; or (ii) any change or development involving a prospective change in taxation in any Specific Jurisdiction adversely affecting an investment in our Shares; or

UNDERWRITING

- (g) any change or development involving a prospective change in, or a materialization of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (h) any litigation or claim being threatened or instigated against our Company, any member of our Group or any of the warrantors (as defined in the Underwriting Agreement); or
- (i) a Director being charged with an indictable offence or prohibited by the operation of law or otherwise disqualified from taking part in the management of a company; or
- (j) the chairman or chief executive officer or chief financial officer of our Company vacating his office; or
- (k) the commencement by any governmental, regulatory or political body or organization of any action against a Director in his capacity as such or an announcement by any governmental, regulatory or political body or organization that it intends to take any such action; or
- (l) a contravention by our Company, any member of our Group or any of the warrantors of the Companies Ordinance, any provision of the GEM Listing Rules or any other Law; or
- (m) a prohibition (including governmental or regulatory prohibition) on our Company for whatever reason from allotting or offering the Placing Shares pursuant to the terms of the Placing; or
- (n) non-compliance of this prospectus (and/or any other documents used in connection with the offering of the Placing Shares) or any aspect of the Placing with the GEM Listing Rules or any other Laws; or
- (o) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus (or any other documents used in connection with the offering of the Placing Shares) pursuant to the Companies Ordinance or the GEM Listing Rules; or
- (p) a valid demand by any creditor for repayment or payment of any indebtedness of our Company or any member of our Group or in respect of which our Company or any member of our Group is liable prior to its stated maturity; or

UNDERWRITING

- (q) any loss or damage sustained by our Company or any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (r) a petition or an order is presented for the winding-up or liquidation of our Company or any member of our Group, our Company or any member of our 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 our Company or any member of our Group or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of our Company or any member of our Group or anything analogous thereto occurs in respect of our Company or any member of our Group,

which in each case or in aggregate in the sole and absolute opinion of the Sole Lead Manager (1) is or will or is likely to have a material adverse effect in, or affecting, the assets, business, results of operations, prospects, Shareholders' equity, position or condition, financial or otherwise of our Company or our Group or any members of our Group; or (2) has or will have or likely to have a material adverse effect on the success of the Placing; or (3) makes or will make or is likely to make it impracticable, inadvisable or inexpedient for the Placing to proceed or the delivery of the offer Shares on the terms and in the manner contemplated by the offer documents to be made; or (4) has or will have or likely to have the effect of making any part of the Underwriting Agreement (including underwriting) and/or the Placing incapable of performance or implementation as envisaged.

Undertakings

Pursuant to the Underwriting Agreement, our Company has undertaken to and covenanted with each of the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Underwriter that our Company will not, and each of our Controlling Shareholder and executive Directors has undertaken to the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Underwriter that it/he will procure our Company not to, without the prior written consent of the Sole Lead Manager and unless in compliance with the requirements of the GEM Listing Rules, except for the issue of Shares under the Placing (including the issue of additional Shares pursuant to the exercise of the Over Size Adjustment Option), the Bonus Issue, the grant of any option under the Share Option Scheme or the issue of Shares upon exercise of any option granted under the Share Option Scheme:

- (a) at any time during the period after the date of the Underwriting Agreement up to and including the date falling six months from the Listing Date (the "**First Six-month Period**"), offer, accept subscription for, pledge, lend, assign, mortgage, charge, allot, issue, sell, contract to allot, issue or 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 or otherwise transfer or dispose of, either directly or indirectly, or repurchase, any of the share capital or other securities of our Company or any of its subsidiaries or any interest therein (including

UNDERWRITING

but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive, or interests in, such share capital or securities or any interest therein, or any derivatives with the shares of our Company or of any of its subsidiaries as underlying securities); or

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein; or
- (c) enter into any transaction with the same economic effect as any transaction described in paragraphs (a) and (b) above; or
- (d) at any time during the six-month period commencing on the date on which the First Six-month Period expires (the “**Second Six-month Period**”) enter into any of the transactions described in paragraphs (a), (b) and (c) above, or agree or contract to or publicly announce any intention to enter into any such transactions, such that our Controlling Shareholder would cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company,

whether any of the foregoing transactions described above is to be settled by delivery of share capital or such other securities, in cash or otherwise or publicly disclose that our Company will or may enter into any transaction described above.

In the event our Company enters into any transaction specified in sub-paragraphs (a), (b) and (c) above during the Second Six-month Period (whether or not such transaction will be completed in the aforesaid period), it shall take all reasonable steps to ensure that any such transaction, agreement, or as the case may be, announcement or other acts of our Company will not create a disorderly or false market in the securities of our Company.

Our Controlling Shareholder has undertaken to and covenanted with each of our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Underwriter that, without the prior written consent of the Sole Lead Manager and unless in compliance with the requirements of the GEM Listing Rules, it shall not, and shall procure that none of its relevant registered holder(s), associates and companies controlled by it and any nominee or trustee holding in trust for it shall:

- (a) at any time during the First Six-month Period, (i) offer, pledge, charge, 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 or otherwise transfer or dispose of, either directly or indirectly, any shares or other securities of our 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 shares or such securities); or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any shares or other securities of our Company or any interest therein, whether any of the foregoing transactions is to be

UNDERWRITING

settled by delivery of Shares or such other securities, in cash or otherwise; (iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in sub-paragraphs (i) and (ii) above; or (iv) announce any intention to enter into or effect any of the transactions referred to in sub-paragraphs (i), (ii) and (iii) above;

- (b) at any time during the Second Six-month Period, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any shares or other securities of our Company or any interest therein held by it or any of its associates or companies controlled by it or any nominee or trustee holding in trust for it if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholder would cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company,

and in the event that it enters into any transaction specified in sub-paragraph (a) above during the Second Six-month Period (whether or not such transaction will be completed in the aforesaid period), it shall take all reasonable steps to ensure that any such transaction, agreement or, as the case may be, announcement will not create a disorderly or false market in the securities of our Company.

Our Controlling Shareholder has further undertaken to and covenanted with each of our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriter and the Stock Exchange that:

- (a) in the event that it pledges or charges any of its direct or indirect interest in any shares or other securities of our Company pursuant to Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange under Rule 13.18(4) of the GEM Listing Rules at any time during the First Six-month Period and the Second Six-month Period, it will immediately inform our Company, the Sole Sponsor, the Sole Bookrunner and the Sole Lead Manager, disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
- (b) having pledged or charged any of its interests in our shares or other securities of our Company under sub-paragraph (a) above, it must inform our Company, the Sole Sponsor, the Sole Bookrunner and the Sole Lead Manager immediately in the event that it becomes aware that any pledgee or chargee has disposed of or intends to dispose of such interest and of the number of our shares and other securities of our Company affected.

Our Company will also inform the Stock Exchange as soon as our Company has been informed of the above matters (if any) by our Controlling Shareholder and disclose such matters by way of announcement in accordance with GEM Listing Rules as soon as possible after being so informed by our Controlling Shareholder.

UNDERWRITING

Our Company, our Controlling Shareholder and our executive Directors have agreed to indemnify the Underwriter from certain losses which they may suffer, including losses arising from their performance of their obligations under the Underwriting Agreement and any breach by our Company, our Controlling Shareholder or our executive Directors of the Underwriting Agreement.

Fees, commission and expenses

Pursuant to the Underwriting Agreement, the Placing Shares are being offered for subscription, subject to the terms and conditions in this prospectus, at the Placing Price of HK\$2.60 to HK\$2.68 per Share. The Underwriter will receive an underwriting commission of 2.63% of the aggregate Placing Price of all Placing Shares (including any additional Shares that may be issued pursuant to the exercise of the Offer Size Adjustment Option), which are to be borne by our Company. We may also in our sole discretion pay the Underwriter an additional incentive fee for the Placing Shares offered by our Company under the Placing.

Assuming the Placing Price is HK\$2.64 (being the mid-point of the stated range of the Placing Price, the total underwriting commission, fees and expenses relating to the Placing and Listing (including the GEM Listing fees, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees, and printing), are estimated to be approximately RMB49.1 million (approximately HK\$61.4 million) of which approximately RMB33.4 million was incurred during the Track Record Period and approximately RMB15.7 million is expected to be incurred for the year ending June 30, 2015. A sponsor's fee of US\$380,000 was paid to the Sole Sponsor.

SOLE SPONSOR'S INTERESTS

Save as provided for under the Underwriting Agreement, neither the Sole Sponsor nor any of its close associates has or may, as a result of the Placing, have any interest in any securities of our Company or any other member of our Group (including rights to subscribe for such securities).

Neither the Sole Sponsor nor any of its close associates will accrue any material benefit as a result of the successful outcome of the Placing, other than the following:

- (a) in taking up the underwriting obligations under the Underwriting Agreement;
- (b) by way of an underwriting commission to be paid to the Sole Sponsor for acting as the Underwriter to the Placing pursuant to the Underwriting Agreement;
- (c) by way of sponsor's fee to be paid to the Sole Sponsor for acting as the sponsor of the Placing;
- (d) by way of service fee to be paid to the Sole Sponsor for acting as the compliance advisor of the Group upon Listing;

UNDERWRITING

- (e) certain close associates of the Sole Sponsor whose usual and ordinary courses of business involve trading of and dealing in securities may derive commissions from the trading of and dealing in securities of our Company or provide margin financing in connection thereto or purchase or sell securities of our Company or hold securities of our Company for investment purposes after its Listing on GEM.

None of the directors and employees of the Sole Sponsor has any directorship in our Company or any other companies comprising our Group.

STRUCTURE AND CONDITIONS OF THE PLACING

PLACING PRICE

The Placing Price will not be more than HK\$2.68 per Placing Share (and expected to be not less than HK\$2.60 per Placing Share). Subscribers, when subscribing for the Shares, shall pay the Placing Price plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. Assuming the Placing Price of HK\$2.68 or HK\$2.60 per Share (being the highest and lowest prices of indicative Placing Price range respectively), investors shall pay HK\$2,680 and HK\$2,600 for every board lot of 1,000 Shares.

The Placing Price will be determined by the Price Determination Agreement expected to be entered into between our Company and the Sole Lead Manager on the Price Determination Date which is expected to be on or about January 12, 2015 and, in any event, no later than January 14, 2015. If our Company and the Sole Lead Manager are unable to reach an agreement on the Placing Price by January 14, 2015, the Placing will not become unconditional and will lapse.

Prospective investors of the Placing Shares should be aware that the Placing Price to be determined on the Price Determination Date may be, but is currently not expected to be, lower than the indicative range of the Placing Price stated in this prospectus.

The determination of Placing Price level of indication of interests in the Placing and the basis of allocation of the Placing Shares will be announced on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.oriental-university-city.com on or before 9:00 a.m. on January 15, 2015.

THE PLACING

The Placing comprises 45,000,000 Placing Shares conditionally offered by our Company. Our Company is initially offering 45,000,000 new Shares for subscription and/or sale by way of private placements to professional, institutional and/or other investors in Hong Kong and elsewhere in the world outside the United States. The Placing Shares will represent 25% of our Company's enlarged issued share capital immediately after completion of the Placing and the Bonus Issue.

Pursuant to the Placing, it is expected that the Underwriter or selling agents nominated by them, on behalf of our Company will conditionally place the Placing Shares at the Placing Price (plus a 1% brokerage fee, a 0.005% Stock Exchange trading fee and a 0.0027% SFC transaction levy) with selected professional, institutional and/or other investors in Hong Kong and elsewhere in the world outside the United States. Professional, institutional and/or other investors generally include brokers, dealers, high net worth individuals and companies (including fund managers) whose ordinary business involves dealing and investing in shares and other securities.

STRUCTURE AND CONDITIONS OF THE PLACING

Basis of Allocation

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to purchase further Shares or hold or sell our Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares which would lead to the establishment of a solid professional and institutional shareholder base for the benefit of our Company and our Shareholders as a whole. In particular, the Placing Shares will be allocated pursuant to Rule 11.23(8) of the GEM Listing Rules, that no more than 50% of our Shares in public hands at the time of the Listing will be owned by the three largest public Shareholder. No allocations of the Placing Shares will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed. There will not be any preferential treatment in the allocation of the Placing Shares to any persons.

The Placing is subject to the conditions as stated in subsection “Conditions of the Placing” in this section.

OFFER SIZE ADJUSTMENT OPTION

The Sole Lead Manager and the Underwriter can exercise the Offer Size Adjustment Option to cover over-allocations under the Placing. Pursuant to the Offer Size Adjustment Option, our Company may be required to allot and issue, at the Placing Price, up to an aggregate of 6,750,000 additional Shares, representing 15% of the Placing Shares initially available under the Placing. The Offer Size Adjustment Option can only be exercised on or before 14 January 2015, otherwise it will lapse. The Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option will not be used for price stabilization purpose and is not subject to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong).

If the Offer Size Adjustment Option is exercised in full, the additional Placing Shares will represent approximately 3.6% of the enlarged issued share capital of our Company in issue following completion of the Bonus Issue, the Placing and the exercise of the Offer Size Adjustment Option but without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme.

The additional net proceeds that we would receive if the Offer Size Adjustment Option is exercised in full (assuming the Placing Price of HK\$2.64 per Share (being the mid-point of the Placing Price range)) are estimated to be approximately HK\$17.3 million. We intend to apply such additional net proceeds for construction of new dormitories. Our Company will disclose in the results announcement whether the Offer Size Adjustment Option is exercised.

STRUCTURE AND CONDITIONS OF THE PLACING

CONDITIONS OF THE PLACING

The Placing is conditional upon, among other things:

- (a) the listing division of the Stock Exchange granting Listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein including any Shares which may fall to be issued pursuant to the Bonus Issue and upon exercise of the Offer Size Adjustment Option and exercise of the options that may be granted under the Share Option Scheme;
- (b) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Sole Sponsor, the Sole Bookrunner and the Sole Lead Manager and the Underwriting Agreement not being terminated in accordance with its terms or otherwise prior to 8:00 a.m. (Hong Kong time) on the Listing Date). Details of the Underwriting Agreement, their conditions and grounds for termination, are set out in the section headed “Underwriting” in this prospectus; and
- (c) the Price Determination Agreement between our Company and the Sole Lead Manager being entered into on or before the Price Determination Date.

The consummation of the Placing is conditional upon, among other things, the Placing becoming unconditional and not having been terminated in accordance with their respective terms.

If such conditions have not been fulfilled or waived by the Sole Lead Manager prior to the times and dates specified, the Placing will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Placing will be published on the website of the Stock Exchange at www.hkexnews.hk and our Company’s website at www.oriental-university-city.com on the next business day following such lapse.

COMMENCEMENT OF DEALINGS IN OUR SHARES

Dealings in our Shares on GEM are expected to commence on Friday, January 16, 2015. Shares will be traded in board lots of 1,000 Shares each.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Application has been made to the Stock Exchange for listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus. If the Stock Exchange grants the listing of and permission to deal in our Shares and our Company complies with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of

STRUCTURE AND CONDITIONS OF THE PLACING

commencement of dealings in our Shares on the Stock Exchange or, under contingent situation, 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 necessary arrangements have been made for our Shares to be admitted into CCASS.

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 stockbrokers or other professional advisor for details of those settlement arrangements and how such arrangements will affect their rights and interest.

The following is the text of a report 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 Sole Lead Manager pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

December 31, 2014

The Directors
Oriental University City Holdings (H.K.) Limited

BNP Paribas Securities (Asia) Limited

Dear Sirs,

We report on the financial information of Oriental University City Holdings (H.K.) Limited (the "**Company**") and its subsidiary (together, the "**Group**"), which comprises the consolidated balance sheets as of June 30, 2013 and 2014, the balance sheets of the Company as of June 30, 2013 and 2014, and the consolidated income statements, 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 ended June 30, 2013 and 2014 (the "**Relevant Periods**"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated December 31, 2014 (the "**Prospectus**") in connection with the initial listing of shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in Hong Kong with limited liability on June 11, 2012 under the then Companies Ordinance (Cap. 32). Pursuant to a Group reorganization as described in Note 1.2 of Section II headed "Reorganization" below, which was completed on September 24, 2012, the Company became the holding company of the subsidiary now comprising the Group (the "**Reorganization**").

As of the date of this report, the Company has direct interests in the subsidiary as set out in Note 1.1 of Section II below. The subsidiary has substantially the same characteristics as a Hong Kong incorporated private company.

The financial statements of the Company for the year ended June 30, 2013 and 2014 have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") for statutory purpose, and were audited by us pursuant to separate terms of engagement with the Company.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

The audited financial statements of the subsidiary as of the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in its place of incorporation. The details of the statutory auditors of the subsidiary are set out in Note 1.1 of Section II.

The directors of the Company are responsible for the preparation of the Company's financial information for the Relevant Periods that gives a true and fair view in accordance with HKFRS. The financial information has been prepared based on the previously issued audited financial statements of the Group, with no adjustment made thereon, and on the basis set out in Note 2.1 of Section II below.

Directors' Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with the basis of presentation set out in Note 2.1 of Section II below and in accordance with HKFRS, and for such internal control as the directors determine is necessary to enable the preparation of 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 financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion

In our opinion, the financial information gives, for the purpose of this report and presented on the basis set out in 2.1 of Section II below, a true and fair view of the state of affairs of the Company and the Group as of June 30, 2013 and 2014, and of the Group's results and cash flows for the Relevant Periods then ended.

I FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as of June 30, 2013 and 2014, and for each of the years ended June 30, 2013 and 2014, presented on the basis set out in note 2.1 of Section II below:

Consolidated balance sheets

	Note	As of June 30	
		2013	2014
		RMB'000	RMB'000
Assets			
Non-current assets			
Property and equipment	6	949	800
Investment properties	7	760,950	816,179
		<u>761,899</u>	<u>816,979</u>
Current assets			
Prepayments		8,202	7,258
Trade and other receivables	9	27,558	37,592
Cash and cash equivalents.....	10	47,363	50,563
		<u>83,123</u>	<u>95,413</u>
Total assets		<u>845,022</u>	<u>912,392</u>
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital.....	11	8	331,898
Reserves.....	12	260,865	(71,025)
Retained earnings	12	501,986	542,391
		<u>762,859</u>	<u>803,264</u>
Non-controlling interests		6,106	6,526
Total equity		<u>768,965</u>	<u>809,790</u>
Liabilities			
Non-current liabilities			
Deferred income tax liabilities.....	13	19,024	20,404
Current liabilities			
Current income tax liabilities		23,586	23,882
Advance from customers		863	615
Trade and other payables	14	32,584	57,701
		<u>57,033</u>	<u>82,198</u>
Total liabilities		<u>76,057</u>	<u>102,602</u>
Total equity and liabilities		<u>845,022</u>	<u>912,392</u>
Net current assets		<u>26,090</u>	<u>13,215</u>
Total assets less current liabilities		<u>787,989</u>	<u>830,194</u>

Balance sheet of the Company

	Note	As of June 30	
		2013	2014
		RMB'000	RMB'000
Assets			
Non-current assets			
Investment in a subsidiary	1.1	331,890	331,890
Current assets			
Prepayments		3,353	4,685
Cash and cash equivalents.....		8	7
		3,361	4,692
Total assets		335,251	336,582
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital.....	11	8	331,898
Reserves.....	12	331,890	—
Accumulated losses.....	12	(7,979)	(13,914)
Total equity		323,919	317,984
Liabilities			
Current liabilities			
Other payables.....	14	11,332	18,598
Total liabilities		11,332	18,598
Total equity and liabilities		335,251	336,582
Net current liabilities		(7,971)	(13,906)
Total assets less current liabilities		323,919	317,984

Consolidated income statements

	Note	Year ended June 30	
		2013	2014
		RMB'000	RMB'000
Revenue	5	68,550	59,643
Government grants	15	80,619	8,648
Employee cost.....	18	(6,808)	(3,083)
Depreciation		(1,909)	(761)
Fair value gains on investment properties	7	13,730	9,561
Business taxes and surcharges		(2,615)	(3,464)
Property taxes and land use taxes.....		(16,356)	(11,704)
Property management fee.....		(6,414)	(6,300)
Repairs and maintenance		(3,496)	(1,761)
Legal and consulting fees.....		(9,633)	(5,848)
Other gains/(losses) — net.....	16	762	(210)
Other expenses.....	17	(7,048)	(1,998)
Operating profit		<u>109,382</u>	<u>42,723</u>
Finance income.....		4,033	1,235
Finance costs.....		(4,008)	—
Finance income — net.....	19	25	1,235
Profit before income tax		<u>109,407</u>	<u>43,958</u>
Income tax credits/(expenses)	20	5,304	(3,133)
Profit for the year		<u>114,711</u>	<u>40,825</u>
Profit attributable to			
- Shareholders of the Company		113,484	40,405
- Non-controlling interests		1,227	420
		<u>114,711</u>	<u>40,825</u>
Earnings per share for profit attributable to the shareholders of the Company during the year (expressed in Renminbi per share) (note)			
- Basic	21	<u>567.42</u>	<u>202.03</u>
- Diluted.....	21	<u>567.42</u>	<u>202.03</u>
Dividend.....		—	—

Note: The earnings per share as presented above has not taken into account the proposed bonus issue of 134,800,000 shares pursuant to the shareholders' resolution dated December 17, 2014 because the proposed bonus issue has not become effective as of the date of this report.

Consolidated statements of comprehensive income

	Year ended June 30	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	114,711	40,825
Other comprehensive income for the year, net of tax	—	—
Total comprehensive income for the year	<u>114,711</u>	<u>40,825</u>
Total comprehensive income attributable to		
- Shareholders of the Company	113,484	40,405
- Non-controlling interests.....	<u>1,227</u>	<u>420</u>
	<u>114,711</u>	<u>40,825</u>

Consolidated statements of changes in equity

	Attributable to the shareholders of the Company						
	Share capital	Share Premium	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 11)	(note 11)	(note 12)	(note 12)			
Balance as of July 1, 2012	<u>—</u>	<u>—</u>	<u>639,365</u>	<u>773,198</u>	<u>1,412,563</u>	<u>14,313</u>	<u>1,426,876</u>
Comprehensive income							
Profit for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>113,484</u>	<u>113,484</u>	<u>1,227</u>	<u>114,711</u>
Total comprehensive income	<u>—</u>	<u>—</u>	<u>—</u>	<u>113,484</u>	<u>113,484</u>	<u>1,227</u>	<u>114,711</u>
Total contributions by and distributions to the owners of the Company recognized directly in equity							
Issue of new shares	8	—	—	—	8	—	8
Deemed distribution to the shareholders (note 2.1).....	<u>—</u>	<u>—</u>	<u>(378,500)</u>	<u>(384,696)</u>	<u>(763,196)</u>	<u>(9,434)</u>	<u>(772,630)</u>
Total contributions by and distributions to the owners of the Company recognized directly in equity	<u>8</u>	<u>—</u>	<u>(378,500)</u>	<u>(384,696)</u>	<u>(763,188)</u>	<u>(9,434)</u>	<u>(772,622)</u>
Balance as of June 30, 2013	<u>8</u>	<u>—</u>	<u>260,865</u>	<u>501,986</u>	<u>762,859</u>	<u>6,106</u>	<u>768,965</u>
Comprehensive income							
Profit for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>40,405</u>	<u>40,405</u>	<u>420</u>	<u>40,825</u>
Total comprehensive income	<u>—</u>	<u>—</u>	<u>—</u>	<u>40,405</u>	<u>40,405</u>	<u>420</u>	<u>40,825</u>
Total contributions by and distributions to the owners of the Company recognized directly in equity							
Issue of new shares (note 11(e))....	8	331,882	(331,890)	—	—	—	—
Transition to no-par value regime on March 3, 2014 (note 11(f)).....	<u>331,882</u>	<u>(331,882)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total contributions by and distributions to the owners of the Company recognized directly in equity	<u>331,890</u>	<u>—</u>	<u>(331,890)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Balance as of June 30, 2014	<u>331,898</u>	<u>—</u>	<u>(71,025)</u>	<u>542,391</u>	<u>803,264</u>	<u>6,526</u>	<u>809,790</u>

Consolidated statements of cash flows

	Note	Year ended June 30	
		2013	2014
		RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from operations	22	38,356	33,032
Interest paid		(6,536)	—
Income tax paid		(3,260)	(1,457)
Net cash generated from operating activities		<u>28,560</u>	<u>31,575</u>
Cash flows from investing activities			
Purchase of property and equipment and investment property		(42)	(21,166)
Proceeds from disposal of property and equipment		725	130
Repayments of cash from related parties to the Group ...		5,000	25,700
Cash advance made to related parties		<u>(34,522)</u>	<u>(34,466)</u>
Net cash used in investing activities		<u>(28,839)</u>	<u>(29,802)</u>
Cash flows from financing activities			
Cash received from issued ordinary shares		8	—
Repayment of borrowings		(3,464)	—
Advance provided by related parties		59,374	4,287
Repayments of advances to related parties from the Group		(5,279)	—
Payment of listing expenses		(783)	(2,860)
Cash paid to shareholders as deemed distribution		<u>(7,994)</u>	<u>—</u>
Net cash generated from financing activities		<u>41,862</u>	<u>1,427</u>
Net increase in cash and cash equivalents		<u>41,583</u>	<u>3,200</u>
Cash and cash equivalents at beginning of the year		<u>5,780</u>	<u>47,363</u>
Cash and cash equivalents at end of the year		<u><u>47,363</u></u>	<u><u>50,563</u></u>

II NOTES TO THE FINANCIAL INFORMATION

1 General information and reorganization

1.1 General information

The Company is a limited liability company incorporated in the Hong Kong on June 11, 2012. The address of the Company's registered office is 31st Floor, 148 Electric Road, North Point, Hong Kong.

The Company is an investment holding company and its subsidiary is principally engaged in the provision of education facilities rental services in the People's Republic of China (the "PRC").

Upon completion of the Reorganization and as of the date of this report, the Company had direct interests in the following subsidiary:

Name of company	Place of incorporation	Date of incorporation	Issued and fully paid share capital/registered capital	Interest held	Principal activities	note
Langfang Development Zone Oriental University City Education Consultancy Co., Ltd. 廊坊開發區東方大學城教育諮詢有限公司 ("Langfang Education Consultancy")	The PRC	November 14, 2007	RMB263,500,000	99%	Provision of rental of education facilities	(i)

* The English name of the subsidiary represented the best effort by management of the Company in translating its Chinese name as it does not have official English name.

Note:

- (1) Langfang Education Consultancy adopts December 31 as its financial year end date as required by the financial regulations applicable to enterprises in the PRC. The statutory financial statements of the subsidiary for each of the years ended December 31, 2012 and 2013 were audited by 廊坊益華會計師事務所 (Langfang Yihua Certified Public Accountants). All these audited financial statements were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises in the PRC.

1.2 Reorganization

The ultimate holding company of the Company is Raffles Education Corporation Limited (“REC”). Certain PRC subsidiaries under REC, including Langfang Education Consultancy, Langfang Higher Education and its subsidiary Langfang Oriental Education Facilities Development Co., Ltd. 廊坊東方教育設施發展有限公司 (“**Langfang Education Facilities**”), Hebei Oriental Zhuyun Property Development Co., Ltd. 河北東方築韻房地產開發有限公司 (“**Zhuyun**”) (formerly known as Langfang Development Zone Oriental University City Education Development Co., Ltd. 廊坊開發區東方大學城教育發展有限公司) and Langfang Oriental Institute of Technology 廊坊東方職業技術學院 (“**LOIT**”) were engaged in (i) provision of education facilities leasing and commercial leasing for supporting facilities (the “**Listing Business**”) and (ii) business not relating to the Listing Business such as property management, property development and college tuition (the “**Excluded Business**”). The Listing Business was mainly carried out by Langfang Education Consultancy, Langfang Higher Education and Langfang Education Facilities prior to the completion of the reorganization mentioned below.

For the purpose of listing the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**Listing**”), the Company underwent a reorganization to rationalize the land titles held by Langfang Education Consultancy, Langfang Higher Education, Zhuyun and LOIT (the “**Reorganization**”). Upon the completion of the Reorganization, (i) land and properties originally operated for the Listing Business but designated for the usage of the Excluded Business upon the completion of the Reorganization were vested with LOIT, Zhuyun, Langfang Taitu Real Estate Development Co., Ltd. 廊坊泰土房地產開發有限公司 (“**Taitu**”) or Langfang Xiangju Real Estate Development Co., Ltd. 廊坊祥居房地產開發有限公司 (“**Xiangju**”) (Taitu and Xiangju were newly established by Zhuyun); (ii) land and properties designated for the Listing Business were vested with Langfang Education Consultancy; and (iii) employees of Langfang Higher Education in connection with the Listing Business were transferred to Langfang Education Consultancy. After the completion of the Reorganization, Langfang Education Consultancy became the sole PRC subsidiary of the Group operating the Listing Business.

The details of the Reorganization is summarized as follows:

- (i) Land and buildings transferred to and transferred out by Langfang Education Consultancy:

Pursuant to transfer agreements entered into during the period from March 2012 to June 2012, Zhuyun transferred 283.3 mu of land to Langfang Education Consultancy. Langfang Education Consultancy also transferred 540.5 mu and 257.6 mu of land to Zhuyun and LOIT respectively with assignment of payable amounting to RMB321,847,000.

From June 2012 to August 2012, Langfang Education Consultancy entered into property transfer agreements with each of Langfang Higher Education and Langfang Education Facilities pursuant to which the ownership of the buildings and facilities are also rationalized according to the ownership of the relevant land.

- (ii) Upon the completion of the aforementioned transfers of land and properties in August 2012, Langfang Education Consultancy owns 753 mu (502,462 sq.m.) land together with the buildings situated on such land, that are solely for educational use and leased to third parties.
- (iii) Business and employees of Langfang Higher Education and Langfang Education Facilities in connection with the Listing Business are transferred to Langfang Education Consultancy:

Business and employees of Langfang Higher Education and Langfang Education Facilities were transferred to Langfang Education Consultancy pursuant to various transfer agreements in August 2012, including novation agreements pursuant to which contracts entered into between Langfang Higher Education and various colleges and universities for leasing services were novated to Langfang Education Consultancy. Following these transfers, the business and employees related to education facilities and the provision of leasing and management services are vested in Langfang Education Consultancy.

- (iv) Transfer of equity interest in Langfang Education Consultancy to the Company

The Company was incorporated by REC on June 11, 2012 with issued capital of HK\$10,000. Langfang Education Consultancy was previously 99% held by Oriental University City Education Consultancy (H.K.) Limited, which is a subsidiary of REC and acted as an intermediate holding company. Pursuant to an equity transfer agreement dated August 10, 2012 entered into between the Company and Oriental University City Education Consultancy (H.K.) Limited, Oriental University City Education Consultancy (H.K.) Limited agreed to transfer its 99% equity interest in Langfang Education Consultancy to the Company at a consideration of approximately RMB331.9 million. Such transfer was completed on September 24, 2012. Upon the completion of the transfer, the Company became the holding company of Langfang Education Consultancy, which is the sole subsidiary operating the Listing Business in the PRC. The consideration payable of RMB331.9 million due to Oriental University City Education Consultancy (H.K.) Limited was assigned to REC in February 2014. At the same time, the Company issued 100,000 shares to REC and capitalized the consideration payable.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial information of the Company and its subsidiary (the “**Financial Information**”) are set out below. These policies have been consistently applied to all the years presented.

2.1 *Basis of presentation*

Pursuant to the Reorganization, the Listing Business was transferred to Langfang Education Consultancy, which subsequently became the sole subsidiary of the Company after the Reorganization. As the Company, its subsidiary and certain PRC subsidiaries of REC involved in the Reorganization in note 1.2 are under the control of REC both before and after the Reorganization and control is not transitory, the Reorganization has been accounted for as a reorganization of business under common control and the consolidated financial statements of the Group have been prepared using the principle of merger accounting. The Financial Information presents the consolidated results and financial position of the Listing Business during the Relevant Periods as if group structure had been in existence and as if all the Listing Business were transferred to the Group as of the earliest period presented. Before the Listing Business was transferred to Langfang Education Consultancy, the Financial Information mainly included the results and financial position of Langfang Education Consultancy, Langfang Higher Education, Langfang Education Facilities, who were operating the Listing Business. Since certain investment properties owned by Zhuyun and LOIT were also operated by Langfang Education Consultancy and Langfang Higher Education as part of the Listing Business before the completion of the Reorganization, such investment properties and the associated current accounts, deferred tax liabilities and profit and loss, which are relevant to the Listing Business were also included in the Financial Information.

The Financial Information of the Group for the year ended June 30, 2013 included approximately three-month period (from July 1, 2012 to September 24, 2012, the completion date of the Reorganization) financial result directly attributable to the land and properties which were originally operated for the Listing Business but designated for the usage of the Excluded Business after the Reorganization. Management believes that all historical revenue and costs of the Listing Business have been reflected in the Financial Information.

Inter-company transactions, balances and unrealized gains on transactions within the Listing Business are eliminated.

Upon the completion of the Reorganization on September 24, 2012, certain assets and liabilities designated for the Excluded Business were de-recognized in the balance sheet and presented as deemed distribution to the shareholders in the statement of changes in equity as these were either i) retained by Langfang Higher Education and Langfang Education Facilities which are not companies now comprising the Group or ii) retained in Zhuyun and LOIT. Below is a summary of the financial effects:

	Assets and liabilities retained by Langfang Higher Education and Langfang Education Facilities upon the completion of the Reorganization	Assets and liabilities previously related to the Listing Business retained by Zhuyun and LOIT upon the completion of the Reorganization	Total assets and liabilities distributed by the Group upon the completion of the Reorganization
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property and equipment	3,342	—	3,342
Investment properties	—	106,845	106,845
Current assets			
Prepayments	235	—	235
Trade and other receivables*	966,525	30,260	996,785
Cash and cash equivalents	<u>7,175</u>	<u>819</u>	<u>7,994</u>
Total assets	<u>977,277</u>	<u>137,924</u>	<u>1,115,201</u>
Equity and liabilities			
Equity attributable to the shareholders of the Company	631,417	131,779	763,196
Non-controlling interest	<u>8,740</u>	<u>694</u>	<u>9,434</u>
Total equity	<u>640,157</u>	<u>132,473</u>	<u>772,630</u>
Non-current liabilities			
Deferred tax liabilities	—	1,332	1,332
Current liabilities			
Current income tax liabilities ...	95,548	—	95,548
Advance from customers	1,075	—	1,075
Borrowings	116,536	—	116,536
Trade and other payables	<u>123,961</u>	<u>4,119</u>	<u>128,080</u>
Total liabilities	<u>337,120</u>	<u>5,451</u>	<u>342,571</u>
Total equity and liabilities	<u><u>977,277</u></u>	<u><u>137,924</u></u>	<u><u>1,115,201</u></u>

* Other receivables of RMB966,525,000 mainly included amount due from related parties of RMB825,117,000 and government grant receivable of RMB140,720,000.

2.2 *Basis of preparation*

The Financial Information set out in this report has been prepared in accordance with HKFRS issued by the HKICPA under the historical cost convention, as modified by investment properties, which are carried at fair value.

The preparation of Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in note 4.

The changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

- HKAS 1 (Amendment), "Financial statements presentation" is effective for annual periods beginning on or after January 1, 2013. The main change resulting from these amendments is a requirement for entities to group items presented in "other comprehensive income" (the "OCI") on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). This amendment has no impact on the Group's financial statements as the Group does not have items presented in OCI.
- HKFRS 10, "Consolidated financial statements" is effective for annual periods beginning on or after January 1, 2013. The standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements, define the principle of control, and establishes controls as the basis for consolidation and sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements. This standard has no material impact on the Group's financial statements.
- HKFRS 11, "Joint arrangements" is effective for annual periods beginning on or after January 1, 2013. The standard is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net

assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. This standard has no impact on the Group's financial statements as the Group does not have joint arrangements.

- HKFRS 12, "Disclosure of interests in other entities" is effective for annual periods beginning on or after January 1, 2013. The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. This standard has no impact on the Group's financial statements as the Group does not have interests in other entities above mentioned.
- HKFRS 13, "Fair value measurements" is effective for annual periods beginning on or after January 1, 2013. The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRS. The requirements, which are largely aligned between HKFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRS. The detailed disclosure required by HKFRS 13 is set out in note 7.
- HKAS 19 (Amendment) "Employee benefits" is effective for annual periods beginning on or after January 1, 2013. The amendment eliminates the corridor approach and calculates finance expenses on a net funding basis. This amendment has no significant impact on the Group's financial statements.
- HKFRS 7 (Amendment), "Financial instruments: Disclosures" is effective for annual periods beginning on or after January 1, 2013. The amendments require new disclosure requirements which focus on quantitative information about recognized financial instruments that are offset in the statement of financial position, as well as those recognized financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. This amendment has no significant impact on the Group's financial statements.
- HKFRS 10, 11 and 12 (Amendment), "transition guidance" is effective for annual periods beginning on or after January 1, 2013. These amendments provide additional transition relief to HKFRS 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied. These amendments have no material impact on the Group's financial statements.

- (b) New or revised standards, amendments and interpretation to existing standards have been published but are not effective and have not been early adopted by the Group

Standards/Interpretation	Subject of amendment	Effective for accounting periods beginning on or after
HKAS 32 (Amendment)	Financial instruments: Presentation on assets and liabilities offsetting	January 1, 2014
Amendment to HKFRS 10, HKFRS 12, and HKAS 27	Consolidation of investment entities	January 1, 2014
Amendments to HKAS 36	Recoverable amount disclosures on impairment of assets	January 1, 2014
Amendments to HKAS 39	Financial instruments: Recognition and Measurement - Novation of derivatives	January 1, 2014
HK (IFRIC) Interpretation 21	Levies	January 1, 2014
Amendment to HKAS19	Employee Benefits	July 1, 2014
Annual improvements 2012	2010-2012 cycle of the annual improvements	July 1, 2014
Annual improvements 2013	2011-2013 cycle of the annual improvements	July 1, 2014
HKFRS 14	Regulatory Deferral Accounts	January 1, 2016
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operations	January 1, 2016
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortization	January 1, 2016
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants	January 1, 2016
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	January 1, 2016
Amendment to HKAS 27	Equity method in separate financial statements	January 1, 2016
Annual improvements 2014	2012-2014 cycle of the annual Improvements	July 1, 2016
HKFRS15	Revenue from Contracts with Customers	January 1, 2017
HKFRS 9	Financial Instruments	January 1, 2018

As the above new or revised standards, amendments and interpretation to existing standards have been published but are not effective and have not been early

adopted by the Group, the management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will arise.

There are no other HKFRS or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

The following Companies Ordinance effective for periods commencing after March 3, 2014 but prospective application and no early application allow.

In the Companies Ordinance, the Tenth Schedule has been replaced by Schedule 4, effective for periods commencing after March 3, 2014. The Companies Ordinance deletes disclosure requirements already dealt with in HKFRS and has new requirement to disclose the Company's balance sheet in a set of consolidated financial statements as a note to the consolidated financial statements. This should be applied prospectively and no early application is allowed.

2.3 *Subsidiaries*

2.3.1 *Consolidation*

The Financial Information includes the financial statements of the Company and all its subsidiaries made up to the respective year end dates during the Relevant Periods. A subsidiary is an entity (including a structured entity) 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 consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

(a) Business combination

Other than the Reorganization described in note 1.2, 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 recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

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 recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized 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 recognized in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, 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 previous 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 recognized 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 recognized directly in the income statement.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

(b) Changes in ownership interest in a subsidiary without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners of subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.3.2 *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.

2.4 **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's executive directors, who makes strategic decisions.

2.5 *Foreign currency translation*

(a) *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 Financial Information is presented in Renminbi ("**RMB**"), which is the Company's and the Group's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing 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 exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings cash and cash equivalents are presented in the income statement within "finance income — net". All other foreign exchange gains and losses are presented in the income statement within "other gains/(losses) — net".

(c) *Group companies*

The results and financial position of all the group companies (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income.

2.6 *Property and equipment*

Property and equipment are stated at historical cost less depreciation and any impairment loss (note 2.8). 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 recognized 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 the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Machinery	10 years
Furniture, fittings and equipment	3-5 years
Motor vehicles	2-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Construction in-progress represents equipment under construction, which is stated at cost. Cost comprises the direct costs incurred during the period of construction, installation and testing. Construction in-progress is reclassified to the appropriate category of property and equipment when completed and ready for use. No depreciation is provided on construction in-progress.

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 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other gains/(losses) — net" in the income statement.

2.7 Investment property

Investment property, principally comprising land use rights and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases is accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recognized as "fair value on investment properties" in the income statement.

2.8 *Impairment of non-financial assets*

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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 to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 *Financial assets*

(a) *Classification*

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the balance sheet (notes 2.12 and 2.13).

(b) *Recognition and measurement*

Regular purchases and sales of financial assets are recognized on the trade-date, the date on which the Group commits to purchase or sell the assets. Loans and receivables are recognized initially at fair value and subsequently carried at amortized cost using the effective interest method. Financial assets are derecognized when the rights to receive cash flows from the investments have been expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.10 *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.11 Impairment of financial assets carried at amortized cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “**loss event**”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor’s credit rating), the reversal of the previously recognized impairment loss is recognized in the income statement.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for rental provided in the ordinary course of business. If collection of trade and other receivables is 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 are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks.

2.14 Share capital

Ordinary shares are classified as equity. 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.

2.15 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.16 Borrowing

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized 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 capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

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 end of the reporting period.

2.17 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the income statement in the period in which they are incurred.

2.18 *Current and deferred income tax*

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its 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.

(b) *Deferred income tax*

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is 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 year end dates during the Relevant Periods and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 *Employee benefits*

(a) *Pension obligations*

Pursuant to the relevant local regulations in the PRC, the PRC subsidiaries of the Group participate in government defined contribution retirement benefit schemes and are required to contribute to the scheme to fund the retirement benefits of the eligible employees. Contributions made to the schemes are calculated based on certain percentages of the applicable payroll costs or fixed sums for each employee with reference to a salary scale, as stipulated under the requirements in the PRC. The Group has no further obligation beyond the required contributions. All contributions made to the schemes are not refundable or forfeitable. The contributions under the schemes are expensed as incurred.

(b) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(c) *Employee leave entitlements*

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

2.20 *Provisions*

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. Revenue is shown net of discount and after eliminating revenue made between the group companies. The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

Rental income

Rental income received and receivable from investment properties is recognized in the income statement on a straight-line basis over the term of lease.

2.22 Interest income

Interest income is recognized using the effective interest method. When a loan and 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 loan and receivables are recognized using the original effective interest rate.

2.23 Government grants

Grants from the government are recognized 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 recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate.

2.24 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(a) The Group is the lessee other than operating lease of land use rights

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(b) *The Group is the lessee under operating lease of land use rights*

Land use rights under operating lease, which mainly comprised land use rights to be developed for self-use buildings, are stated at cost and subsequently amortized in the income statement on a straight-line basis over the operating lease periods.

(c) *The Group is the lessor*

Assets leased out under operating leases are included in investment property in the balance sheet.

2.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company'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: credit risk, liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(a) *Credit risk*

Credit risk is the potential financial loss resulting from the tenants defaulting to pay rental fees when due, resulting in a loss to the Group. During the year ended June 30, 2014, the Group provided education facilities leasing and commercial leasing for supporting facilities to five largest customers (For year ended June 30, 2013: five) which accounts to 93.9% (For year ended June 30, 2013: 93.8%) of the Group's total revenue. As of June 30, 2014, there was no trade receivables due from these five customers (As of June 30, 2013: nil).

For the consideration of collectability, management has not made any provision for trade receivables as of June 30, 2014 and provision of RMB1,636,000 was already provided for as of June 30, 2013. The net value of trade receivables is RMB619,000 as of June 30, 2014 (RMB283,000 as of June 30, 2013). The Group believes there is no further credit risk provision required in excess of the normal provision for bad and doubtful debts.

Cash and fixed deposits are placed with licensing banks which are all high-credit-quality financial institutions. Management expect the counterparty would be able to meet its obligations.

The maximum exposure to credit risk is mainly represented by the carrying amount of cash and cash equivalents and trade and other receivables.

(b) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding. Management believes that liquidity risk has been mitigated as the Group generated operating cash inflow of RMB38,356,000 and RMB33,032,000 during the Relevant Periods, respectively. Management expects that the Group will continue to generate operating cash inflow in the upcoming years.

To manage the liquidity risk, management monitors rolling forecasts of cash and cash equivalents on the basis of expected cash flow. The Group expects to fund its future cash flow needs through internally generated cash flows from operations and equity funding.

The following table details the remaining contractual maturities, during the Relevant Periods of the Group's and the Company's non-derivative financial liabilities, which is based on contractual undiscounted cash flows (including interest payments computed using contractual rates of, if floating, based on rates current at the year-end dates during the Relevant Periods) and the earliest date the Group and the Company can be required to pay:

	<u>Within 1 year</u>
	<i>RMB'000</i>
Group	
As of June 30, 2013	
Trade and other payables excluding staff welfare benefit payable and other taxes payable	<u>29,428</u>
As of June 30, 2014	
Trade and other payables excluding staff welfare benefit payable and other taxes payable	<u>54,891</u>
Company	
As of June 30, 2013	
Other payables	<u>11,332</u>
As of June 30, 2014	
Other payables	<u>18,598</u>

3.2 *Capital risk management*

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce any unnecessary 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.

As of June 30, 2013 and 2014, the Group did not have outstanding borrowings.

3.3 *Fair value estimation*

The carrying amounts of the Group's financial assets including cash and cash equivalents and trade and other receivables and financial liabilities including the current portion of trade and other payables approximate their fair values due to their short maturities.

4 **Critical accounting estimates and judgments**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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) *Estimated fair value of investment properties*

The fair value of investment properties is determined by using valuation technique. Details of the judgment and assumption have been disclosed in Note 7.

(b) *Estimated tax provisions for the restructuring and preparation for the listing and corresponding government grant*

As stated in note 1.2, in preparation for the Listing, all land titles were rationalized amongst the companies operating the Listing Business and other subsidiaries engaging in the Excluded Business under REC. The transfer of land titles were subject to stamp duties and corporate income tax. According to an approval circular from the People's Government of Langfang City, the Group was granted with a special fund to subsidize the Group's relevant tax provision arising from the land title transfer with related companies. Significant judgment is required in determining the provision for relevant taxes arising from the land rationalization and preparation for the listing and corresponding amount of government grant income. Relevant taxes provisions arising from the transfer of land titles will be filed along with the progression of the land rationalization. Where the final tax outcome of the land title transfers is different from the amounts that were initially recorded, such differences will impact the relevant tax provision and previously recognized government grant will be adjusted correspondingly, in the period in which such determination is made.

(c) *Impairment of trade and other receivables*

The Group makes provision for impairment of trade and other receivables based on an assessment of the recoverability of these receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables and provision for impairment losses in the period in which such estimate has been changed.

5 Segment information

The executive directors of the Company, who are the CODM of the Group, review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on reports reviewed by the executive directors of the Company that are used to make strategy decision.

Management regularly reviews the operating results from a service category perspective. The reportable operating segments derive their revenue primarily from education facilities leasing. As the revenue from the commercial leasing for supporting facilities is below 10% of the total revenue during the Relevant Periods, business segment information is not considered necessary.

As the executive directors consider the Group's revenue and results are all derived from education facilities leasing and commercial leasing for supporting facilities in the PRC and no Group's consolidated assets are located outside the PRC, geographical segment information is not considered necessary.

Analysis of revenue by category for the Relevant Periods is as follows:

	<u>Year ended June 30</u>	
	<u>2013</u>	<u>2014</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue:		
- Education facilities leasing	65,438	56,854
- Commercial leasing for supporting facilities	<u>3,112</u>	<u>2,789</u>
	<u>68,550</u>	<u>59,643</u>

The Group's revenues were derived from the following external customers that individually contributed more than 10% of the Group's revenues in the Relevant Periods:

	Year ended June 30	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
College A	33,402	32,135
College B	19,516	15,095
College C	7,503	5,997
	<u>60,421</u>	<u>53,227</u>

6 Property and equipment

	Motor vehicles	Furniture, fittings and equipment	Machinery	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As of July 1, 2012					
Cost	3,735	23,570	9,543	1,999	38,847
Accumulated depreciation	(2,546)	(22,164)	(7,384)	—	(32,094)
Net book amount	<u>1,189</u>	<u>1,406</u>	<u>2,159</u>	<u>1,999</u>	<u>6,753</u>
Year ended June 30, 2013					
Opening net book amount	1,189	1,406	2,159	1,999	6,753
Additions	—	32	10	—	42
Disposals	—	(542)	(53)	—	(595)
Depreciation charge	(226)	(539)	(1,144)	—	(1,909)
De-recognition for assets retained in companies not comprising the Group (note 2.1)	(963)	(345)	(35)	(1,999)	(3,342)
Closing net book amount ...	<u>—</u>	<u>12</u>	<u>937</u>	<u>—</u>	<u>949</u>
As of June 30, 2013					
Cost	—	4,865	9,047	—	13,912
Accumulated depreciation	—	(4,853)	(8,110)	—	(12,963)
Net book amount	<u>—</u>	<u>12</u>	<u>937</u>	<u>—</u>	<u>949</u>
Year ended June 30, 2014					
Opening net book amount	—	12	937	—	949
Additions	—	612	—	—	612
Depreciation charge	—	(63)	(698)	—	(761)
Closing net book amount ...	<u>—</u>	<u>561</u>	<u>239</u>	<u>—</u>	<u>800</u>
As of June 30, 2014					
Cost	—	4,976	9,047	—	14,023
Accumulated depreciation	—	(4,415)	(8,808)	—	(13,223)
Net book amount	<u>—</u>	<u>561</u>	<u>239</u>	<u>—</u>	<u>800</u>

7 Investment properties

	Year ended June 30	
	2013	2014
	RMB'000	RMB'000
At fair value		
Opening balance	945,845	760,950
Addition (note(b)).....	51,500	45,668
Disposal (note(c))	(143,280)	—
De-recognition for assets retained in companies not comprising the Group (note 2.1).....	(106,845)	—
Net gain from fair value adjustment.....	13,730	9,561
Closing balance (note(a)).....	<u>760,950</u>	<u>816,179</u>
Comprise of:		
- Completed.....	760,950	772,462
- Under construction	—	<u>43,717</u>

(a) As detailed in note 2.1, before the Reorganization was completed in September 2012, the management were operating the Listing Business with the premises under the title of Langfang Higher Education, Langfang Education Facilities and Langfang Education Consultancy and certain premises under the title of Zhuyun and LOIT. Land titles were rationalized and upon the completion of the Reorganization, all titles of properties and buildings relating to the Listing Business were under the name of Langfang Education Consultancy.

(b) In June 2013, the Group purchased certain investment properties from Zhuyun with total consideration of RMB51,500,000.

(c) During the Relevant Periods, disposal of investment properties is analyzed as below:

	Year ended June 30	
	2013	2014
	RMB'000	RMB'000
Disposal to related parties (note (i))	<u>143,280</u>	<u>—</u>

(i) As stated in note 1.2, in preparation for the Listing, all land titles were rationalized amongst group entities controlled by REC. During the year ended June 30, 2013, the Group transferred land and buildings to the related parties, LOIT and Zhuyun with the consideration of RMB88,000,000 and RMB55,280,000 respectively.

- (d) Amounts recognized in profit and loss for investment properties

	Year ended June 30	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Rental income	68,550	59,643
Direct operating expenses from properties that generated rental income	(21,804)	(20,525)
Direct operating expenses from properties that did not generate rental income	(11,392)	(3,537)
	<u>35,354</u>	<u>35,581</u>

- (e) As of June 30, 2013 and 2014, the Group had no unprovided contractual obligations for future repairs and maintenance.
- (f) An independent valuation of the Group's investment properties was performed by the valuer, DTZ Debenham Tie Leung Limited, to determine the fair value of the investment properties as of June 30, 2014. The revaluation gains or loss is included in "Fair value gains on investment properties" in income statement. The following table analyses the investment properties carried at fair value, by valuation method:

	Fair value measurements as of June 30, 2014		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Recurring fair value measurements			
Investment properties	<u>—</u>	<u>—</u>	<u>816,179</u>

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between levels 1, 2 and 3 during the year ended June 30, 2014.

Valuation basis

The Group obtains independent valuations from DTZ Debenham Tie Leung Limited for its investment properties at least annually. At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar investment leases and other contracts. Where such information is not available the directors consider information from a variety of sources including:

- (i) Current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences.

- (ii) Discounted cash flow projections based on reliable estimates of future cash flows.
- (iii) Capitalized income projections based upon a property’s estimated net market income, and a capitalization rate derived from an analysis of market evidence.

Valuation techniques

Valuations were based on:

- (i) Fair value of completed investment properties are generally derived using the income capitalization approach.

Income capitalization approach (term and reversionary method) which largely uses observable inputs (e.g. market rent, yield, etc.) and is taking into account the significant adjustment on term yield to account for the risk upon reversionary and the estimation in vacancy rate after expiry of current lease.

- (ii) Fair value of investment properties under development are generally derived using the income capitalization approach less outstanding construction costs and related items.

In valuing the properties under development, income capitalization approach is used to assess the market value of the properties on an “as-if” completed basis with appropriate deduction on outstanding construction costs, professional fees, contingency, marketing cost, and interest payments to be incurred, anticipated developer’s profits, as well as interest payment and profit on land.

Information about fair value measurements using significant unobservable inputs (Level — 3)

Description	Fair value at June 30, 2014	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability- weighted average)	Relationship of unobservable inputs to fair value
	<i>RMB’000</i>				
Completed investment properties	772,462	Income capitalization approach	Unit monthly rent (RMB/sq.m.)	Teaching: 16-20 Dormitory: 14-19 Retail:15	The higher the unit monthly rent, the higher the fair value
			Reversionary yield	8.5%	The higher the reversionary yield, the lower the fair value
Investment properties under construction	43,717	Income capitalization approach less outstanding construction costs and related items	Unit monthly rent (RMB/sq.m.)	19	The higher the unit monthly rent, the higher the fair value
			Reversionary yield	8.5%	The higher the reversionary yield, the lower the fair value

(g) As of June 30, 2013 and 2014, there was no pledged investment property.

(h) Leasing arrangements

Some of the investment properties are leased to tenants under operating leases with rentals payable monthly. Minimum lease payments under non-cancellable operating leases of investment properties not recognized in the financial statements are receivable as follows:

	As of June 30	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year.....	58,118	61,154
Later than 1 year but no later than 2 years.....	830	—
	<u>58,948</u>	<u>61,154</u>

The period of leases whereby the Group leases out its investment properties under operating leases is one year.

(i) The investment properties are all located in the PRC and held on lease of between 35 years to 40 years. As of June 30, 2014, investment properties under construction amounted to RMB43,717,000 (June 30, 2013: nil).

8 Financial instruments by category

Group

Assets as per balance sheet

	As of June 30	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Loans and receivables		
Trade and other receivables	27,558	37,592
Cash and cash equivalents.....	<u>47,363</u>	<u>50,563</u>
	<u>74,921</u>	<u>88,155</u>

Liabilities as per balance sheet

	As of June 30	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Other financial liabilities at amortized cost		
Trade and other payables excluding staff welfare benefit payable and other taxes payable.....	<u>29,428</u>	<u>54,891</u>

Company

Assets as per balance sheet

	As of June 30	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Loans and receivables		
Cash and cash equivalents	<u>8</u>	<u>7</u>

Liabilities as per balance sheet

	As of June 30	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Other financial liabilities at amortized cost		
Other payables excluding staff welfare benefit payable and other taxes payable	<u>11,332</u>	<u>18,598</u>

9 Trade and other receivables — Group

	As of June 30	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables		
Trade receivables	1,919	619
Less: provision for impairment	(1,636)	—
Trade receivables — net	<u>283</u>	<u>619</u>
Other receivables		
- due from related parties (note 24)	6,180	14,946
- due from third parties (note (a))	<u>21,095</u>	<u>22,027</u>
Other receivables	<u>27,275</u>	<u>36,973</u>
Total trade and other receivables	<u><u>27,558</u></u>	<u><u>37,592</u></u>

Note:

- (a) As of June 30, 2013 and 2014, other receivable due from third parties mainly comprise of government subsidy receivables amounting to RMB21,057,000 (note 15).

The carrying amounts of the Group's trade and other receivables approximate their fair values.

Trade receivables

The majority of the Group's revenue is received in cash. Revenue from education facilities leasing and commercial leasing for supporting facilities is settled by installments in accordance with the payment schedules specified in the agreements. The aging analysis of the trade receivables is as follows:

	As of June 30	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	217	36
3 to 6 months	23	—
6 to 12 months	43	531
Over 1 year	<u>1,636</u>	<u>52</u>
	<u>1,919</u>	<u>619</u>

As of June 30, 2013 and 2014, trade receivables of RMB217,000 and RMB36,000 within 3 months were fully performing.

As of June 30, 2013 and 2014, trade receivables of RMB66,000 and RMB583,000 were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The aging analysis of these trade receivables is as follows:

	As of June 30	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
3 to 6 months	23	—
6 to 12 months	43	531
Over 1 year	<u>—</u>	<u>52</u>
	<u>66</u>	<u>583</u>

As of June 30, 2014, there was no trade receivable impaired. As of June 30, 2013, trade receivables of RMB1,636,000 were impaired and fully provided for. It was assessed that all these receivables were not expected to be recovered. The aging of these receivables is as follows:

	As of June 30	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Over 1 year	<u>1,636</u>	<u>—</u>

Movements on the Group's provision for impairment of trade receivables are as follows:

	Year ended June 30	
	2013	2014
	RMB'000	RMB'000
Opening net book value	4,452	1,636
Provision for impairment recognized in the income statement	1,024	—
Transfer out to Excluded Business (note (i))	(3,840)	—
Reversal due to collection	—	(410)
Receivables written off against trade receivable as uncollectible	—	(1,226)
Closing net book value	<u>1,636</u>	<u>—</u>

Note:

- (i) As detailed in note 2.1, upon the completion of the Reorganization, certain assets were derecognized as they were retained by Langfang Higher Education and Langfang Education Facilities which are not companies comprising the Group. Trade receivables with carrying value of RMB222,000 (gross amount of RMB4,062,000 and provision for impairment of RMB3,840,000) were derecognized accordingly.

Other receivables

The aging analysis of other receivables is as follows:

	As of June 30	
	2013	2014
	RMB'000	RMB'000
Within 1 year.....	7,964	12,278
1-2 years.....	19,311	5,384
2-3 years.....	—	19,311
	<u>27,275</u>	<u>36,973</u>

The creation and release of provision for impaired receivables have been included in "other expenses" in the income statement (note 17). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

10 Cash and cash equivalents — Group

	As of June 30	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Cash at bank and in hand.....	<u>47,363</u>	<u>50,563</u>

Cash and cash equivalents of the Group are denominated in the following currencies:

	As of June 30	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
RMB (note(a))	47,355	50,556
HK\$	<u>8</u>	<u>7</u>
	<u>47,363</u>	<u>50,563</u>

Note:

- (a) The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

11 Share capital

	Number of ordinary shares	Share capital
	<i>Shares</i>	<i>HK\$</i>
Authorised: (note (a))		
Ordinary shares of HK\$1.00 each as at 11 June 2012 (date of incorporation) and June 30, 2012 (note (b)) ..	10,000	10,000
Sub-division of authorised shares into 100,000 shares of HK\$0.10 each on October 25, 2012 (note (c))	90,000	—
Increase of authorised shares capital to HK\$120,000,000 divided into 1,200,000,000 shares of HK\$0.10 each on October 25, 2012 (note (c))	<u>1,199,900,000</u>	<u>119,990,000</u>
Ordinary shares of HK\$0.10 each as at June 30, 2013..	<u>1,200,000,000</u>	<u>120,000,000</u>
Ordinary shares of HK\$0.10 each as at June 30, 2014 (note (d)).....	<u>—</u>	<u>—</u>

	Number of ordinary shares	Share capital	Share capital	Share premium
	<i>Shares</i>	<i>HK\$</i>	<i>RMB</i>	<i>RMB</i>
Issued and fully paid:				
As of June 11, 2012 (date of incorporation) and June 30, 2012.....	—	—	—	—
Issue of new shares (note (b)).....	10,000	10,000	8,000	—
Sub-division of issued shares (note (c)).....	<u>90,000</u>	<u>—</u>	<u>—</u>	<u>—</u>
Ordinary shares of HK\$0.10 each as of June 30, 2013	100,000	10,000	8,000	—
Issue of new shares (note (e)).....	100,000	10,000	8,000	331,882,000
Transition to no-par value regime on March 3, 2014 (note (f)).....	<u>—</u>	<u>414,852,500</u>	<u>331,882,000</u>	<u>(331,882,000)</u>
As of June 30, 2014	<u>200,000</u>	<u>414,872,500</u>	<u>331,898,000</u>	<u>—</u>

Notes:

- (a) Under the Companies Ordinance, which commenced operation on March 3, 2014, the concept of authorized share capital no longer exists.
- (b) The Company was incorporated on June 11, 2012 with an authorized share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each. The issued ordinary shares of HK\$10,000 (equivalent to RMB8,000) were fully paid by REC in December 2012.
- (c) On October 25, 2012, the authorised share of the Company was sub-divided into 100,000 shares of HK\$0.10 each. All 100,000 Shares were issued and allotted to REC. On the same day, the authorised share capital of the Company was further increased to HK\$120,000,000 divided into 1,200,000,000 shares of HK\$0.10 each.
- (d) In accordance with section 135 of the Companies Ordinance, the Company's shares no longer have a par or nominal value with effect from March 3, 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.
- (e) On February 28, 2014, the Company issued 100,000 shares at HK\$0.10 each to REC, by capitalizing the consideration payable amounting to RMB331,890,000 arising from the transfer of equity interests in Langfang Education Consultancy from REC's subsidiary, Oriental University City Education Consultancy (H.K.) Limited to the Company during the Reorganization (note 1.2). The surplus between the issued share and the consideration payable amounting to RMB331,882,000 was recognized as share premium.
- (f) In accordance with the transitional provisions set out in section 37 of Schedule 11 to the Companies Ordinance, on March 3, 2014, any amount standing to the credit of the share premium account has become part of the Company's share capital.

12 Reserves and retained earnings/(accumulated losses)

Group

	Other reserves	Retained earnings	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance as of July 1, 2012	639,365	773,198	1,412,563
Total comprehensive income for the year .	—	113,484	113,484
Deemed distribution to the shareholders (note (a)).....	<u>(378,500)</u>	<u>(384,696)</u>	<u>(763,196)</u>
Balance as of June 30, 2013	260,865	501,986	762,851
Total comprehensive income for the year .	—	40,405	40,405
Issue new shares (note 11(e))	<u>(331,890)</u>	<u>—</u>	<u>(331,890)</u>
Balance as of June 30, 2014	<u>(71,025)</u>	<u>542,391</u>	<u>471,366</u>

Note:

- (a) As part of the Reorganization, Langfang Higher Education transferred certain assets and contracts relating to the Listing Business to Langfang Education Consultancy. Upon the completion of the transfer in September 2012, Langfang Higher Education and Langfang Education Facilities were excluded in the Listing Group, the equity of Langfang Higher Education was derecognized from the balance sheet of the Group and regarded as deemed distribution to the shareholders (note 2.1).

Company

	Reserves	Accumulated losses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance as of July 1, 2012	—	—	—
Loss for the year	—	(7,979)	(7,979)
Novation of payables by shareholders (note (b)).....	<u>331,890</u>	<u>—</u>	<u>331,890</u>
Balance as of June 30, 2013	331,890	(7,979)	323,911
Loss for the year	—	(5,935)	(5,935)
Issue of new shares (note 11(e))	<u>(331,890)</u>	<u>—</u>	<u>(331,890)</u>
Balance as of June 30, 2014	<u>—</u>	<u>(13,914)</u>	<u>(13,914)</u>

Note:

- (b) Reserves of the Company represented the novation of consideration payable arising from the transfer of equity interests in Langfang Education Consultancy to the Company during the Reorganization (note 1.2). Such reserves have been transferred to share capital and share premium upon the allotment of 100,000 shares in the Company to REC (Note 11(e)).

13 Deferred income tax

According to the relevant approval from the in-charge tax bureau, Langfang Higher Education, Langfang Education Consulting and Langfang Education Facilities applied deemed profit basis (核定徵收) in PRC corporate income tax computation and filing during the Relevant Periods, the tax losses are not allowable to be carried forward against future taxable income under the deemed profit basis. Therefore, for the Relevant Periods, the Group did not recognize deferred income tax assets in respect of tax losses of Langfang Higher Education, Langfang Education Consulting and Langfang Education Facilities.

Taxable profits were computed under the deemed profit basis, therefore, there was no timing difference arising from tax deduction basis and no deferred tax assets were recognized on the temporary differences derived from the expenses deduction.

The analysis of deferred tax liabilities is as follows:

	As of June 30	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months		
- PRC corporate income tax	<u>19,024</u>	<u>20,404</u>

The movement in deferred income tax liabilities during the Relevant Periods is as follows:

Deferred income tax liabilities

	Temporary difference on recognition of fair value gain of investment properties	Land appreciation tax of investment properties	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As of July 1, 2012	22,307	58,975	81,282
Credited to the income statement	(1,951)	(58,975)	(60,926)
Deemed distribution to the shareholders (note (b))	<u>(1,332)</u>	—	<u>(1,332)</u>
As of June 30, 2013	19,024	—	19,024
Charged to the income statement	<u>1,380</u>	—	<u>1,380</u>
As of June 30, 2014	<u>20,404</u>	<u>—</u>	<u>20,404</u>

Notes:

- (a) Deferred income tax liabilities of RMB50,199,000 and RMB54,239,000 have not been recognized for the withholding income tax that would be payable on the unremitted earnings of certain subsidiaries as of June 30, 2013 and 2014. As the Group currently does not have any plans to declare or distribute dividends, the unremitted earnings totally amounted to RMB501,986,000 and RMB542,391,000 as of June 30, 2013 and 2014.
- (b) Before the Reorganization was completed in September 2012, certain income tax expenses attributable to Zhuyun and LOIT were computed under accounting book basis (查帳徵收). Deferred income tax generated from accounting book basis amounted RMB1,332,000 was derecognized upon completion of the Reorganization as disclosed in note 2.1.

14 Trade and other payables**Group**

	As of June 30	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	6,742	5,515
Other payables due to		
- related parties.....	9,945	14,232
- third parties	11,270	33,817
Staff welfare benefit payable	460	183
Accruals	1,471	1,327
Other taxes payable	2,696	2,627
	<u>32,584</u>	<u>57,701</u>

Company

	As of June 30	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Other payables due to		
- related parties.....	6,638	15,105
- third parties	4,694	3,493
	<u>11,332</u>	<u>18,598</u>

Trade payables are generated by the daily maintenance cost for the education facilities. The aging analysis of the trade payables based on invoice date is follows:

	As of June 30	
	2013	2014
	RMB'000	RMB'000
Within 3 months	2,813	1,418
3 to 6 months	1,794	1,345
6 to 12 months	2,135	2,752
	<u>6,742</u>	<u>5,515</u>

15 Government grant

	Year ended June 30	
	2013	2014
	RMB'000	RMB'000
Government subsidy for tax provisions relating to land rationalization (note (a))	143,698	—
Reversal of government subsidy for tax provision relating to land rationalization (note (b))	(92,414)	—
Subsidy for property taxes and land use taxes (note (c)).....	29,335	8,648
	<u>80,619</u>	<u>8,648</u>

Notes:

- (a) Pursuant to an approval circular obtained on June 28, 2012, the People's Government of Langfang City granted a special fund to subsidize the Group's relevant tax provisions arising from its restructuring and preparation for the listing. The fund can be used at the Group's own discretion. During the year ended June 30, 2013, the total income and other tax provisions arising from the land rationalization amounted to RMB143,698,000. Details of such tax provisions are as follows:

Tax provision	Calculation basis	Year ended June 30, 2013
		RMB'000
Business and surcharge	5.6% of transaction price	39,925
Land appreciation tax (note 20).....	30%-60% on the appreciation of land value	58,975
Stamp duties	0.05% of the transaction price	720
Deed taxes	4% of the transaction price	24,872
Corporate income tax	25% of deemed profit	19,206
		<u>143,698</u>

Accordingly, corresponding amounts of government grant were recognized in the income statement during the year ended June 30, 2013.

- (b) Subsequently in April 2013, the Group obtained approval from local tax authority according to which, the business tax and surcharges, deed tax and land appreciation tax arising from land transfer were exempted. As a result, the Group reversed the tax liabilities and the corresponding business tax and surcharges of RMB41,150,000, land appreciation tax of RMB26,392,000 and deed taxes of RMB24,872,000 and corresponding tax liabilities which still remained within the Group after the completion of the Reorganization. Same amount of government grants and other receivables of RMB92,414,000 was reversed.
- (c) During the years ended June 30, 2013 and 2014, the Group received grants from local government authority as subsidy for certain property taxes and land use taxes amounting to RMB29,335,000 and RMB8,648,000, respectively.

16 Other gains/(losses) — net

	Year ended June 30	
	2013	2014
	RMB'000	RMB'000
Gains on disposal of property and equipment.....	130	130
Net foreign exchange gain/(loss).....	346	(398)
Others.....	286	58
	<u>762</u>	<u>(210)</u>

17 Other expenses

Other expenses consisted of the following:

	Year ended June 30	
	2013	2014
	RMB'000	RMB'000
Auditor's remuneration.....	640	190
Rental expense (note 24(a))	2,788	1,361
Provision for/(reversal of) impairment of trade receivables (note 9).....	1,024	(410)
Utilities.....	471	57
Stamp duties	789	78
Insurance fee	390	71
Others.....	946	651
	<u>7,048</u>	<u>1,998</u>

18 Employee benefit expense — including directors' emoluments

	Year ended June 30	
	2013	2014
	RMB'000	RMB'000
Wages and salaries	5,739	2,676
Pension costs — defined contribution plans (note (a))...	356	130
Housing benefit	165	79
Medical benefit	125	53
Other allowances and benefits	423	145
	<u>6,808</u>	<u>3,083</u>

Notes:

(a) Pensions — defined contribution plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The gross retirement scheme contributions for the employees, which have been charged in the income statement of the Group for the Relevant Periods, amounted to RMB356,000 and RMB130,000, respectively.

(b) Directors' emoluments

Mr. Chew Hua Seng has been appointed as the director of the Company upon the incorporation. Mr. He Jun and Mr. Liu Yingchun were appointed as the directors on January 16, 2014. There is no payment during the Relevant Periods paid to Mr. Chew Hua Seng, whose emoluments and director fees were borne by REC. No emoluments and director fees of Mr. He Jun were incurred during the Relevant Periods.

The remuneration of Mr. Liu Yingchun since his appointment as director on January 16, 2014 for the Relevant Periods is set out below:

Name of Director	Year ended June 30	
	2013	2014
	RMB'000	RMB'000
Salary		
- Mr. Liu Yingchun	<u>—</u>	<u>375</u>

(c) **Five highest paid individuals**

For each of the years ended June 30, 2013 and 2014, the five individuals whose emoluments were the highest of the Group included nil and one director, respectively. The aggregate amounts of emoluments of the remaining five and four highest paid individuals for the Relevant Periods are set out as:

	Year ended June 30	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Basic salaries.....	<u>3,360</u>	<u>1,173</u>

The emoluments fell within the following bands:

	Number of individuals	
	Year ended June 30	
	2013	2014
Emolument bands (in HK\$)		
Nil - HK\$1,000,000 (equivalent to nil - RMB793,750)	4	4
HK\$1,000,001 - HK\$1,500,000 (equivalent to RMB793,751 - RMB1,190,625).....	<u>1</u>	<u>—</u>
	<u>5</u>	<u>4</u>

19 Finance income — net

	Year ended June 30	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expenses		
- Bank borrowings	<u>(4,008)</u>	<u>—</u>
Finance costs	<u>(4,008)</u>	<u>—</u>
Finance income		
- Interest income charged to a related party (note (a)).....	4,008	—
- Interest income on bank deposits	<u>25</u>	<u>1,235</u>
Finance income	<u>4,033</u>	<u>1,235</u>
Finance income — net	<u>25</u>	<u>1,235</u>

Note:

- (a) During year ended June 30, 2013, pursuant to an agreement between the Group and Zhuyun, Zhuyun agreed to pay the Group interest expenses of RMB4,008,000 for certain overdue consideration payables derived from the land transfer (note 24(a)).

20 Income tax (credit)/expenses

	Year ended June 30	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
- PRC corporate income tax	23,039	1,753
- PRC land appreciation tax	32,583	—
Deferred income tax		
- PRC corporate income tax	(1,951)	1,380
- PRC land appreciation tax	(58,975)	—
	<u>(5,304)</u>	<u>3,133</u>

The corporate income tax rate applicable to the group entities located in Mainland China is 25% pursuant to the Corporate Income Tax Law of the People's Republic of China (the "PRC CIT Law") effective on January 1, 2008.

Langfang Higher Education, Langfang Education Consultancy and Lang Fang Education Facilities have been approved by the in charge tax bureau to adopt the collection on a deemed profit basis (核定徵收) during the Relevant Period. The profit rate from the revenue is deemed as 10% under the deemed profit basis. The corporate income tax provision has been calculated at the applicable tax rate on the deemed profit for the year.

However, under the PRC CIT Law, the entities will not be allowed to adopt the deemed profit basis for CIT purpose after its successful listing. The corporate income tax should be levied according to accounting book (查帳徵收) going forward.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the applicable tax rate, being the weighted average tax rate prevailing in the territories in which the group companies operate, as follows:

	Year ended June 30	
	2013	2014
	RMB'000	RMB'000
Deemed profit basis		
Revenue.....	68,550	59,643
Interest income.....	4,033	1,235
Government grant.....	80,619	8,648
Fair value gain on investment properties (note 7).....	13,730	9,561
Changes in and transfer of investment properties subject to income tax (note a)	676,590	46,255
Total taxable income.....	843,522	125,342
Deemed profit rate.....	10%	10%
Deemed profit before tax	<u>84,352</u>	<u>12,534</u>
PRC corporate income tax calculated at domestic applicable tax rate	21,088	3,133
PRC land appreciation tax (note 15(b))	<u>(26,392)</u>	—
Income tax (credits)/expenses	<u>(5,304)</u>	<u>3,133</u>

Note:

- (a) Changes in and transfer of investment properties within the group companies and related parties are subject to PRC corporate income tax under deemed profit basis.

PRC land appreciation tax

PRC land appreciation tax is levied at progressive rate ranging from 30% to 60% on the appreciation of land value, being the estimated proceeds of sales of properties less deductible expenditures including land use rights and expenditures directly related to subject properties.

PRC withholding income tax

According to the Corporate Income Tax Law of the PRC, starting from January 1, 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after January 1, 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfill requirements under the tax treaty arrangements between the PRC and Hong Kong.

Hong Kong profits tax

No provision for Hong Kong profits tax has been made in these consolidated financial statements as the Company and the Group did not have assessable profit in Hong Kong during the Relevant Periods.

21 Earnings per share

For the purpose of computing earnings per share, 200,000 ordinary shares of the Company issued and fully paid as of June 30, 2014 (Note 11) were treated as if they had been in issue since July 1, 2012. Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the Relevant Periods.

	<u>Year ended June 30</u>	
	<u>2013</u>	<u>2014</u>
Profit attributable to equity holders of the Company (RMB)	113,484,000	40,405,000
Weighted average number of ordinary shares in issue .	<u>200,000</u>	<u>200,000</u>
Basic earnings per share for profit attributable to the shareholders of the Company during the year (expressed in RMB per share)	<u>567.42</u>	<u>202.03</u>

The earnings per share as presented above has not taken into account the proposed bonus issue of 134,800,000 shares pursuant to the shareholders' resolution dated December 17, 2014 because the proposed bonus issue has not become effective as of the date of this report.

The Company did not have any potential ordinary shares outstanding during the Relevant Periods. Diluted earnings per share is equal to basic earnings per share.

22 Cash generated from operations

	Year ended June 30	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	109,407	43,958
Adjustments for:		
- Depreciation	1,909	761
- Gain on disposal of property and equipment	(130)	(130)
- Finance income	(4,008)	(1,235)
- Finance costs	4,008	—
- Provision for impairment of receivables	1,024	(410)
- Foreign exchange (gain)/loss.....	(346)	398
- Fair value gains on investment properties.....	(13,730)	(9,561)
Changes in working capital:		
- Advance from customers	6	(248)
- Trade and other receivables	2,339	377
- Prepayment	(359)	2,543
- Trade and other payables.....	<u>(61,764)</u>	<u>(3,421)</u>
Cash generated from operations	<u>38,356</u>	<u>33,032</u>

Non-cash transactions

The major non-cash transactions comprise:

- (i) As stated in note 2.1, upon the completion of the Reorganization, the Group derecognized the assets amounting to RMB1,282,059,000 (amongst which, RMB7,994,000 was cash on hand) and liabilities amounting to RMB509,429,000 which were not relevant to the Listing Business going forward. Such effect on net assets amounting to RMB772,630,000 was directly deducted from equity and regarded as deemed distribution to the shareholders.

23 Contingencies

The Group has no significant contingent liabilities as of June 30, 2013 and 2014.

24 Related party transactions

The Group is controlled by REC (incorporated in Singapore), which owns 99% of the Company's shares. Mr. Chew Hua Seng, the founding shareholder of REC, is the ultimate beneficial owner of the Group.

(a) *Transactions with related parties*

Sales of service

During the year ended June 30, 2013, the Group provided education facilities rental service amounted to RMB1,102,000 to a relate party. And the Group ceased to provide such service since June 30, 2013 and no such rental income occurred during the year ended June 30, 2014.

Purchase of services

During the year ended June 30, 2013, the Group received the electricity and water supply services from a relate party but the relevant expenses were free of charge.

For the year ended June 30, 2013, the Group leased an office premise owned by Zhuyun with rentals of RMB186,000 per year. Such rental arrangement with Zhuyun was terminated in June 2013.

In June 2013, the Group entered into an agreement with Langfang Development Zone Shenglong Property Management Services Co., Ltd (“Shenglong Property Management”), it was agreed that (1) the service provided by Shenglong Property Management will be charged at RMB57,000 per year from July 1, 2013 to June 30, 2016 and (2) an office premise owned by Zhuyun will be leased to the Group through Shenglong Property Management from July 1, 2013 to June 30, 2016 with rentals of RMB66,000 per year.

During the year ended June 30, 2014, the service fee charged by Shenglong Property Management amounted to RMB57,000 and the rental expenses of the office premise charged by Shenglong Property Management amounted to RMB66,000.

Above agreement with Shenglong Property Management will be terminated from August 31, 2014.

The Group entered into an agreement with Zhuyun to lease dormitories for the Listing Business from July 2012 to December 2013. Rental expenses for the years ended June 30, 2013 and 2014 amounted to RMB2,589,000 and RMB1,295,000 respectively.

Interest income charged to a related party

As stated in note 2.1, the Group transferred certain land and properties to Zhuyun in the year ended June 30, 2012. In relation to such transaction, Zhuyun agreed to pay interest for certain portion of the overdue payables. Such interest income amounted to RMB4,008,000 for the year ended June 30, 2013. There was no such interest charge arrangement during the year ended June 30, 2014.

(b) Balances with related parties

The Group had the following significant non-trade balances with related parties:

	<u>As at June 30</u>	
	<u>2013</u>	<u>2014</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due from		
- Fellow subsidiaries (note (i))	<u>6,180</u>	<u>14,946</u>
Amounts due to		
- Ultimate holding company (note (ii))	<u>9,945</u>	<u>14,232</u>

Notes:

- (i) As of June 30, 2014, amounts due from related parties are cash advances to fellow subsidiaries (As of June 30, 2013: mainly consist of amount arising from the land title transfer as part of the Reorganization and cash advance to fellow subsidiaries). The balance as at June 30, 2014 has been settled prior to the date of this report.
- (ii) As of June 30, 2013 and 2014, amounts due to related parties represent the listing expenses that REC has paid on behalf of the Group.
- (iii) Amounts due from/to related parties are unsecured, interest-free and have no fixed terms of repayment.

(c) Key management compensation

The emoluments of the directors and senior executives (representing key management personnel) during the Relevant Periods are set out in note 18.

The director of the Company, Mr. Chew Hua Seng, is also a director of REC, whose emoluments were borne by REC during the Relevant Periods.

25 Events after the balance sheet date

As detailed in note 15, the Group has recognized government grants according to certain approval circulars issued by Langfang City Government and Langfang City Finance Ministry ("**Approval Circulars**"). As of June 30, 2014, the government grants receivable recognized according to the Approval Circulars amounted to RMB21,057,000, which was granted by a local authority to subsidize the corporate income taxes of RMB19,752,000 and stamp duties of RMB1,305,000 derived from the land title rationalization.

On November 27, 2014, the State Council issued the "Notice of the State Council on trimming and regulating preferential tax policies (《國務院關於清理規範稅收等優惠政策的通知》)" ("**Notice**"), which provided that preferential policies linked to tax payment and

non-tax incomes of enterprises and their investors (or administrators), including Levy First Refund Later (先徵後返), Disbursement in Income and Expenditure (列收列支), fiscal incentives or grants, reduction and exemption of land grant income by way of payment or grants formulated in violation of laws and regulations shall be abolished.

After consulting the Company's PRC legal advisor, the Directors considered that:

- the Approval Circulars previously obtained by Langfang Education Consultancy do not violate the relevant laws and regulations from the date of their issuance to the date of the issuance of the Notice, and are legally valid prior to the issuance of the Notice;
- There is no requirement in the Notice for corporations to refund those government grants which were already received prior to the issuance of the Notice, and accordingly that there is no obligation for Langfang Education Consultancy to refund those government grants it had received under the Approval Circulars;
- As of the date of this report, there is no further information in relation to the implementation measure of the Notice and it is uncertain if the Approval Circulars would be abolished. If there is any further implementation measure being put in place in Langfang city, Langfang City Government and Langfang City Finance Ministry may revoke the Approval Circulars in accordance with the Notice, under such circumstance, Langfang Education Consultancy would not be able to receive the outstanding government grants. Accordingly, under such circumstance, the Group will need to write off such government grants receivable of RMB21,057,000 in full.

26 Commitments

(a) *Operating lease commitments*

The Group leases dormitories and offices under operating lease agreements with Zhuyun and Shenglong Property Management (note 24(a)). The future aggregate minimum lease payments under operating leases are as follows:

	As of June 30	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
No later than 1 year	123	—
Later than 1 year and no later than 5 years	246	—
	<u>369</u>	<u>—</u>

(b) *Capital commitments*

Capital expenditure contracted for construction of investment properties as of June 30, 2014 but not yet incurred is as follows:

	<u>As of June 30</u>	
	<u>2013</u>	<u>2014</u>
	<i>RMB'000</i>	<i>RMB'000</i>
No later than 1 year	—	7,206
Later than 1 year and no later than 5 years	<u>—</u>	<u>2,125</u>
	<u>—</u>	<u>9,331</u>

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2014. No dividend has been declared, made or paid by the Company or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2014.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
 Hong Kong

The following information does not form part of the Accountants' Report prepared by PricewaterhouseCoopers, Certified Public Accountants, the reporting accountant of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this prospectus and the "Accountant's Report" set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 7.31 of the GEM Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Placing on the net tangible assets of the Group attributable to the equity holders of the Company as of June 30, 2014 as if the Placing had taken place on June 30, 2014 assuming the Offer Size Adjustment Option is not exercised.

This unaudited pro forma statement of 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 as of June 30, 2014 or at any future dates following the Placing. It is prepared based on the consolidated net assets of the Group as of June 30, 2014 as set out in the Accountant's Report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report.

	Audited consolidated net tangible assets of the Group attributable to the shareholders of the Company as of June 30, 2014 ⁽¹⁾	Estimated net proceeds from the Placing ⁽²⁾	Unaudited pro forma adjusted consolidated net tangible assets attributable to the shareholders of the Company as of June 30, 2014	Unaudited pro forma adjusted net tangible assets per Share ⁽³⁾	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB</i>	<i>HK\$</i>
Based on the minimum indicative Placing Price of HK\$2.60 per Share	803,264	70,714	873,978	4.86	6.07
Based on the maximum indicative Placing Price of HK\$2.68 per Share	803,264	73,594	876,858	4.87	6.09

Notes:

- (1) The audited consolidated net tangible assets attributable to the equity holders of the Company as of June 30, 2014 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 equity holders of the Company as of June 30, 2014 of RMB803,264,000 with no adjustment for the intangible assets as the Group does not have intangible assets.
- (2) The estimated net proceeds from the Placing are based on the indicative Placing Price of HK\$2.60 or HK\$2.68 per Share after deduction of the estimated underwriting fees and other related expenses payable by the Company and takes no account of any shares which may fall to be issued upon the exercise of the Offer Size Adjustment Option.
- (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 180,000,000 Shares were in issue assuming that the Placing has been completed on June 30, 2014 but takes no account of any Shares which may fall to be issued upon the exercise of the Share Option Scheme, the Offer Size Adjustment Option or any Share which may be allotted and issued or repurchased by the Company pursuant to the General Mandate to Issue Shares or the General Mandate to Repurchase Shares as described in the section headed "Share Capital" in this prospectus. For illustrative purpose, the unaudited pro forma adjusted net tangible assets per Share is translated from Renminbi into Hong Kong dollars at the exchange rate of HK\$1.00 to RMB0.8.
- (4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to June 30, 2014.

**B. REPORT FROM THE REPORTING ACCOUNTANT ON THE UNAUDITED PRO
FORMA FINANCIAL INFORMATION**

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A
PROSPECTUS**

TO THE DIRECTORS OF ORIENTAL UNIVERSITY CITY HOLDINGS (H.K.) LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Oriental University City Holdings (H.K.) Limited (the "**Company**") and its subsidiary (collectively the "**Group**") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as of June 30, 2014 and related notes as set out on pages II-1 and II-2 under the heading of "Unaudited Pro Forma Statement of Adjusted Net Tangible Assets" (the "**Unaudited Pro Forma Financial Information**") in Appendix II of the Company's prospectus dated December 31, 2014, in connection with the proposed placing of the shares of the Company (the "**Placing**"). The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described in notes as set out on pages II-1 and II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Placing on the Group's financial information as if the Placing had taken place at June 30, 2014. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial statements for the year ended June 30, 2014, 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 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**GEM 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 HKICPA.

*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM 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 comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM 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 Placing at June 30, 2014 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 judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, December 31, 2014

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this prospectus received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of value of the property interests of the Group as of October 31, 2014.

16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

December 31, 2014

The Directors
Oriental University City Holdings (H.K.) Limited
31/F, 148 Electric Road
North Point
Hong Kong

Dear Sirs,

Instructions, Purpose & Date of Valuation

In accordance with your instructions for us to value the properties held by Oriental University City Holdings (H.K.) Limited (referred to as the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”) have interests in the People’s Republic of China (the “**PRC**”) (as more particularly described in the valuation certificates), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary to provide you with our opinion of the values of such properties as of October 31, 2014 (the “**valuation date**”).

Definition of Market Value

Our valuation of each of the properties represents its market value which in accordance with The HKIS Valuation Standards 2012 Edition published 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”.

Valuation Basis and Assumptions

In valuing the properties, we have complied with the requirements set out in Chapter 8 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited published by The Stock Exchange of the Hong Kong Limited and the HKIS Valuation Standards 2012 Edition issued by the Hong Kong Institute of Surveyors.

Our valuations exclude any estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the properties in the PRC, we have assumed that, unless otherwise stated, the transferable land use rights of the properties for their respective terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Group and its legal adviser, Jingtian & Gongcheng Attorneys at Law (競天公誠律師事務所) regarding the title to each of the properties and the interests of the Group in the properties. In valuing the properties, we have assumed that the Group has an enforceable title to each of the properties and has free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired land use term as granted.

In respect of the properties situated in the PRC, the status of titles and grant of major certificates approvals and licenses, in accordance with the information provided by the Group are set out in the notes of the respective valuation certificate.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Method of Valuation

In valuing the properties in Group I and Group II, which are held by the Group for occupation and investment respectively in the PRC, we have used income approach on the basis of capitalization of net rental income derived from the existing tenancies with due allowance for reversionary income potential of the property or by reference to comparable market transactions.

In valuing the property in Group III, which is leased by the Group in the PRC, we consider that the property has no commercial value due mainly to the prohibition against assignment and subletting or otherwise to the lack of substantial profit rents.

Source of Information

We have been provided by the Group with extracts of documents in relation to the titles to the properties. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuations, we have relied to a very considerable extent on the information given to us by the Group in respect of the properties in the PRC and have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, completion date of buildings, number of car parking spaces, particulars of occupancy, site and floor areas, interest attributable to the Group and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificates are based on information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

Title Investigation

We have been provided with extracts of documents relating to the titles of the properties in the PRC, but no searches have been made in respect of the properties. We have not searched the original documents to verify ownership or to ascertain any amendment which may not appear on the copies handed to us. We are also unable to ascertain the title of the properties in the PRC and we have therefore relied on the advice given by the Group regarding the Group's interests in the PRC properties.

Site Inspection

We have inspected the exterior and, whenever possible, the interior of the properties in July 2014. Our inspection was carried out by our valuer, Mr. Peter Loi on July 11, 2014. Mr. Peter Loi is a professional member of The Hong Kong Institute of Surveyors and a Registered China Real Estate Appraiser. He has about 20 years' experience in property valuation in the PRC. However, we have not carried out investigation on site to determine the suitability of the soil conditions and the services, etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period. No structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to

report that the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the properties and we have assumed that the area shown on the documents handed to us are correct.

Currency

Unless otherwise stated, all money amounts indicated herein our valuations are in Renminbi (RMB), which is the official currency of the PRC.

We enclose herewith a summary of our valuations and our valuation certificates.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Andrew K. F. Chan
Registered Professional Surveyor (GP)
Registered China Real Estate Appraiser
MSc., M.H.K.I.S.
Senior Director

Note: Mr. Andrew K. F. Chan is a Registered Professional Surveyor (General Practice Division) who has over 27 years of experience in the valuation of properties in the PRC.

SUMMARY OF VALUATIONS

Group I — Property held and occupied by the Group in the PRC

Property	Market value in existing state as of October 31, 2014	Interest Attributable to the Group	Market value in existing state attributable to the Groups at October 31, 2014
	<i>RMB</i>	%	<i>RMB</i>
1. Levels 1 and 2, 100 Zhangheng Road, Oriental University City, Langfang Economic and Technology Development Zone, Langfang City, Hebei Province, the PRC	5,032,000	99	4,981,680
中國河北省廊坊市 廊坊經濟及技術開發區 東方大學城張衡路100號 第一層及第二層			
Sub-total of Group I :	<u>5,032,000</u>		<u>4,981,680</u>

Group II — Property held by the Group for investment in the PRC

Property	Market value in existing state as of October 31, 2014	Interest attributable to the Group	Market value in existing state attributable to the Group as of October 31, 2014
	<i>RMB</i>	%	<i>RMB</i>
2. Various land and buildings at Oriental University City, Langfang Economic and Technology Development Zone, Langfang City, Hebei Province, the PRC	824,626,000	99	816,379,740
中國河北省廊坊市 廊坊經濟及技術開發區 東方大學城內部份土地及房屋			
Sub-total of Group II:	<u>824,626,000</u>		<u>816,379,740</u>

Group III — Property leased by the Group in the PRC

Property	Market value in existing state as of October 31, 2014 <i>RMB</i>	Interest attributable to the Group %	Market value in existing state attributable to the Group as of October 31, 2014 <i>RMB</i>
3. A block of dormitory at Oriental University City, Langfang Economic and Technology Development Zone, Langfang City, Hebei Province, the PRC 中國河北省廊坊市 廊坊經濟及技術開發區 東方大學城內一棟宿舍樓	No commercial value	99	No commercial value
Sub-total of Group III:	No commercial value		No commercial value
Grand total of Groups I to III:	829,658,000		821,361,420

VALUATION CERTIFICATE

Group I — Property held and occupied by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of October 31, 2014
1. Levels 1 and 2, 100 Zhangheng Road, Oriental University City, Langfang Economic and Technology Development Zone, Langfang City, Hebei Province, the PRC 中國河北省廊坊市 廊坊經濟及技術開發 區東方大學城 張衡路100號 第一層及第二層	The subject university campus is developed on various parcels of adjoining land with a total site area of approximately 487,270.00 sq.m. in Oriental University City. The campus comprises various 1 to 6 story buildings completed in the period between 1999 and 2014. The property comprises Levels 1 and 2 of a 4-story building with a total gross floor area of approximately 1,802.94 sq.m. The property is held with land use rights for a term due to expire on July 13, 2053 for education use.	The property is occupied by the Group as office.	RMB5,032,000 (99% interest attributable to the Group: RMB4,981,680)

Notes:-

- (1) According to State-owned Land Use Rights Certificate No. (2007) 174 issued by Peoples' Government of Langfang City on November 9, 2007, the land use rights of the property with a total site area of 7,483.10 sq.m. have been vested in 廊坊開發區東方大學城教育諮詢有限公司 (Langfang Development Zone Oriental University City Education Consulting Co., Ltd.) for a term due to expire on July 13, 2053 for education use.
- (2) According to Building Ownership Certificate No. H4709 issued by Langfang Real Estate Administrative Bureau on March 3, 2008, the building ownership of the property with a total gross floor area of 3,605.87 sq.m. has been vested in 廊坊開發區東方大學城教育諮詢有限公司 (Langfang Development Zone Oriental University City Education Consulting Co., Ltd.) for office use.
- (3) According to Business License No. 130000400003614 dated October 21, 2011, 廊坊開發區東方大學城教育諮詢有限公司 (Langfang Development Zone Oriental University City Education Consulting Co., Ltd.) has been established as a limited company with a registered capital of RMB263,500,000 and an operating period from November 14, 2007 to January 29, 2038. The scope of business comprises logistic management, wholesale of educational and cultural goods, leasing activities of teaching buildings, dormitories held by the Group as well as supporting service.
- (4) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:-
 - (i) The State-owned Land Use Rights Certificate and Building Ownership Certificate of the property are legal, valid and enforceable under the PRC laws;
 - (ii) The land use rights and building ownership of the property have been vested in 廊坊開發區東方大學城教育諮詢有限公司 (Langfang Development Zone Oriental University City Education Consulting Co., Ltd.);

- (iii) 廊坊開發區東方大學城教育諮詢有限公司 (Langfang Development Zone Oriental University City Education Consulting Co., Ltd.) is the sole legal land user of the property; and
- (iv) 廊坊開發區東方大學城教育諮詢有限公司 (Langfang Development Zone Oriental University City Education Consulting Co., Ltd.) has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property.
- (5) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:-
- | | |
|---|-----|
| State-owned Land Use Rights Certificate | Yes |
| Building Ownership Certificate | Yes |
| Business License | Yes |

VALUATION CERTIFICATE

Group II — Property held by the Group for investment in the PRC

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Market value in existing state as of October 31, 2014</u>												
2. Various land and buildings at Oriental University City, Langfang Economic and Technology Development Zone, Langfang City, Hebei Province, the PRC 中國河北省 廊坊市 廊坊經濟及技術開發區 東方大學城內 部份土地及房屋	<p>The subject university campus is developed on various parcels of adjoining land with a total site area of approximately 487,270.00 sq.m. in Oriental University City.</p> <p>The campus comprises various 1 to 6 story buildings completed in the period between 1999 and 2014.</p> <p>The property comprises various commercial buildings, teaching buildings, dormitories and related ancillary facilities.</p> <p>The property has a total gross floor area of approximately 311,370.32 sq.m. with details as follows:-</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Use</th> <th>Approximate gross floor area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Commercial Buildings</td> <td>46,111.51</td> </tr> <tr> <td>Teaching Buildings</td> <td>117,649.68</td> </tr> <tr> <td>Dormitories</td> <td>144,490.43</td> </tr> <tr> <td>Ancillary Facilities</td> <td><u>3,118.70</u></td> </tr> <tr> <td>Total</td> <td><u>311,370.32</u></td> </tr> </tbody> </table> <p>The property is held with land use rights for terms of 50 years for education use. For details, please see Note (1).</p>	Use	Approximate gross floor area (sq.m.)	Commercial Buildings	46,111.51	Teaching Buildings	117,649.68	Dormitories	144,490.43	Ancillary Facilities	<u>3,118.70</u>	Total	<u>311,370.32</u>	<p>Portion of the property is leased to various tenants for the use of teaching buildings, dormitories and retail facilities.</p> <p>The remaining portion of the property was vacant.</p>	<p>RMB824,626,000</p> <p>(99% interest attributable to the Group: RMB816,379,740)</p>
Use	Approximate gross floor area (sq.m.)														
Commercial Buildings	46,111.51														
Teaching Buildings	117,649.68														
Dormitories	144,490.43														
Ancillary Facilities	<u>3,118.70</u>														
Total	<u>311,370.32</u>														

Notes:-

- (1) According to 17 State-owned Land Use Rights Certificates all issued by People's Government of Langfang City, the land use rights of the property with a total site area of approximately 487,270.00 sq.m. have been vested in 廊坊開發區東方大學城教育諮詢有限公司 (Langfang Development Zone Oriental University City Education Consulting Co., Ltd.) for education use with salient details as follows:-

No.	Certificate No.	Date of issue	Land use	Expiry date of land use term	Site area	
					sq.m.	mu
1	(2007) 174	November 9, 2007	Education	July 13, 2053	7,483.10	11.22
2	(2012) 079	June 15, 2012	Education	October 9, 2050	48,566.60	72.85
3	(2012) 082	June 15, 2012	Education	October 9, 2050	62,037.10	93.06
4	(2012) 129	August 8, 2012	Education	October 9, 2050	1,129.30	1.69
5	(2012) 130	August 8, 2012	Education	October 20, 2049	89,700.50	134.55
6	(2012) 131	August 8, 2012	Education	July 13, 2053	47,634.30	71.45
7	(2012) 132	August 8, 2012	Education	October 12, 2053	64,431.70	96.65
8	(2012) 133	August 8, 2012	Education	October 20, 2049	73,421.80	110.13
9	(2012) 134	August 8, 2012	Education	March 27, 2050	15,372.40	23.06
10	(2012) 135	August 8, 2012	Education	October 9, 2050	10,888.70	16.33
11	(2012) 136	August 8, 2012	Education	March 27, 2050	3,537.50	5.31
12	(2013) 070	August 16, 2013	Science and Education	October 9, 2050	43,069.10	64.60
13	(2013) 071	August 16, 2013	Science and Education	October 9, 2050	2,554.40	3.83
14	(2013) 072	August 16, 2013	Science and Education	October 20, 2049	1,281.80	1.92
15	(2013) 073	August 16, 2013	Science and Education	April 5, 2054	3,150.00	4.72
16	(2013) 074	August 16, 2013	Science and Education	July 13, 2053	6,659.10	9.99
17	(2013) 075	August 16, 2013	Science and Education	October 20, 2049	6,352.60	9.53
Total:					487,270.00	730.90

- (2) According to 55 Building Ownership Certificates all issued by Langfang Real Estate Administrative Bureau, the building ownership of the property with a total gross floor area of approximately 291,395.95 sq.m. has been vested in 廊坊開發區東方大學城教育諮詢有限公司 (Langfang Development Zone Oriental University City Education Consulting Co., Ltd.) with salient details as follows:-

No.	Certificate No.	Date of Issue	No. of story	Use	Gross floor area
					sq.m.
1	H4709	March 3, 2008	4	Office	3,605.87
2	H5448	September 14, 2012	5	Teaching Building	10,828.31
3	H5449	September 14, 2012	4	Teaching Building	3,486.54
4	H5450	September 14, 2012	4	Teaching Building	3,482.04
5	H5451	September 14, 2012	5	Teaching Building	8,712.63

APPENDIX III
PROPERTY VALUATION

No.	Certificate No.	Date of Issue	No. of story	Use	Gross floor area <i>sq.m.</i>
6	H5452	September 14, 2012	4	Canteen	3,981.31
7	H5453	September 14, 2012	3	Canteen	3,697.83
8	H5454	September 14, 2012	1	Electricity Distribution Room	233.03
9	H5455	September 14, 2012	1	Pump Room	31.83
10	H5456	September 14, 2012	5	Teaching Building	10,815.26
11	H5457	September 14, 2012	5	Teaching Building	10,813.29
12	H5458	September 14, 2012	5	Teaching Building	10,825.10
13	H5459	September 14, 2012	5	Teaching Building	8,679.22
14	H5460	September 14, 2012	5	Teaching Building	8,707.27
15	H5461	September 14, 2012	5	Teaching Building	8,664.21
16	H5462	September 14, 2012	3	Canteen	3,711.26
17	H5463	September 14, 2012	4	Canteen	3,979.40
18	H5464	September 14, 2012	3	Canteen	3,711.26
19	H5465	September 14, 2012	4	Experiment Building	8,892.21
20	H5466	September 14, 2012	5	Dormitory	5,922.35
21	H5467	September 14, 2012	5	Dormitory	3,490.29
22	H5468	September 14, 2012	5	Dormitory	2,869.36
23	H5469	September 14, 2012	5	Dormitory	5,914.93
24	H5470	September 14, 2012	4	Teaching Building	9,701.58
25	H5471	September 14, 2012	4	Teaching Building	9,707.45
26	H5472	September 14, 2012	4	Teaching Building	6,133.19
27	H5473	September 14, 2012	4	Teaching Building	9,691.54
28	H5474	September 14, 2012	4	Teaching Building	9,688.86
29	H5475	September 14, 2012	4	Teaching Building	9,724.49
30	H5476	September 14, 2012	1	Ancillary Facilities	196.97
31	H5477	September 14, 2012	1	Ancillary facilities	56.86
32	H5478	September 14, 2012	5	Dormitory	8,459.02
33	H5479	September 14, 2012	5	Dormitory	8,827.81
34	H5480	September 14, 2012	5	Dormitory	2,864.18
35	H5481	September 14, 2012	5	Dormitory	2,867.51
36	H5482	September 14, 2012	5	Dormitory	6,529.40
37	H5483	September 14, 2012	5	Dormitory	6,545.20
38	H5484	September 14, 2012	5	Dormitory	6,514.05
39	H5485	September 14, 2012	5	Dormitory	6,518.70
40	H5486	September 14, 2012	5	Dormitory	6,310.15
41	H5487	September 14, 2012	5	Dormitory	6,310.15
42	H5488	September 14, 2012	5	Dormitory	6,310.15
43	H5489	September 14, 2012	5	Dormitory	6,310.15
44	H5491	September 14, 2012	1	Electricity Distribution Room	232.81
45	H5492	September 14, 2012	5	Sales Centre	19,645.49
46	H5886	October 16, 2013	1	Electricity Distribution Room	268.44
47	H5887	October 16, 2013	1	Pump Room	31.64
48	H5888	October 16, 2013	3	Canteen	3,779.09
49	H5889	October 16, 2013	1	Others	1,209.93
50	H5890	October 16, 2013	1	Pump Room	31.90

APPENDIX III**PROPERTY VALUATION**

<u>No.</u>	<u>Certificate No.</u>	<u>Date of Issue</u>	<u>No. of story</u>	<u>Use</u>	<u>Gross floor area</u> <i>sq.m.</i>
51	H5891	October 16, 2013	1	Electricity Distribution Room	215.01
52	H5892	October 16, 2013	1	Electricity Distribution Room	264.40
53	H5893	October 16, 2013	1	Others	263.87
54	H5894	October 16, 2013	3	Dormitory	1,049.15
55	H5895	October 16, 2013	1	Public Toilet	82.01
				Total:	<u>291,395.95</u>

As advised by the Group, the use of the above 3 buildings with certificate nos. H5470, H5471 and H5473 have been changed to dormitory from teaching building.

- (3) According to Planning Permit for Construction Works No. 131001201300035 issued by 廊坊經濟技術開發區規劃建設分局 (Planning Sub-Bureau of Langfang Development Zone of Langfang City), the construction works situated at Oriental University City, with a total planned gross floor area of 26,900.54 sq.m., is in compliance with the urban planning requirements and has been approved.
- (4) According to Permit for Commencement of Construction Works No. 131000S141010101 dated January 20, 2014, the 5 dormitory buildings with a total gross floor area of 21,777.31 sq.m., is in compliance with the requirements for works commencement and have been permitted.
- (5) According to the Reply Letter No. (2014)34 dated October 16, 2014, the 5 dormitory buildings have been accepted for completion.
- (6) According to Business License No. 130000400003614 dated October 21, 2011, 廊坊開發區東方大學城教育諮詢有限公司 (Langfang Development Zone Oriental University City Education Consulting Co., Ltd.) was established as a limited company with a registered capital of RMB263,500,000 and an operating period from November 14, 2007 to January 29, 2038. The scope of business comprises logistic management, wholesale of educational and cultural goods, leasing activities of teaching buildings, dormitories held by the Group as well as supporting service.
- (7) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:-
- (i) The State-owned Land Use Rights Certificates and Building Ownership Certificates of the property are legal, valid and enforceable under the PRC laws;
 - (ii) The land use rights and building ownership of the property have been vested in 廊坊開發區東方大學城教育諮詢有限公司 (Langfang Development Zone Oriental University City Education Consulting Co., Ltd.);
 - (iii) 廊坊開發區東方大學城教育諮詢有限公司 (Langfang Development Zone Oriental University City Education Consulting Co., Ltd.) is the sole legal land user of the property; and
 - (iv) 廊坊開發區東方大學城教育諮詢有限公司 (Langfang Development Zone Oriental University City Education Consulting Co., Ltd.) has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property.

(8) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:-

State-owned Land Use Rights Certificates	Yes
Building Ownership Certificates	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Reply Letter	Yes
Business License	Yes

(9) Our major assumptions in our valuation method are as follows:

Use	Market monthly unit rent	Capitalization rate
	RMB/sq. m.	
Commercial	15	8.5%
Teaching	16 to 20	8.5%
Dormitory	14 to 20	8.5%

In undertaking our valuation, we have made reference to various recent lettings within the property as well as other similar properties within the same district. The monthly rental levels of those major retail lettings range from approximately RMB30 per sq.m. to RMB150 per sq.m.. The monthly rental levels of those major office lettings range from approximately RMB42 per sq.m. to RMB60 per sq.m.. The monthly rental levels of those major residential lettings range from approximately RMB16 per sq.m. to RMB20 per sq.m..

We have gathered and analyzed various recent sales transactions of shops, office and residential premises and noted that the capitalization rates implied in those transactions are generally within the range from 4% to 7.5% for retail, office and residential premises.

The above market rents assumed by us are consistent with the level of the recent lettings within the property and other similar properties within the same district as mentioned above. The capitalization rates used are reasonable having regard to the capitalization rates analyzed from sales of comparable properties which we have collected.

VALUATION CERTIFICATE

Group III — Property leased by the Group in the PRC

VALUATION CERTIFICATE

Property	Description and tenancy particulars	Market value in existing state as of October 31, 2014
<p>3. A block of dormitory at Oriental University City, Langfang Economic and Technology Development Zone, Langfang City, Hebei Province, the PRC</p> <p>中國河北省 廊坊市 廊坊經濟及技術開發區 東方大學城內 一棟宿舍樓</p>	<p>According to the Above Ground Building Exchange Use Agreement entered into between 廊坊鳳河國際高爾夫俱樂部有限公司 (Langfang Fenghe International Golf Club Co., Ltd.) and 廊坊開發區東方大學城教育諮詢有限公司 (Langfang Development Zone Oriental University City Education Consulting Co., Ltd.) in October 2012 and the supplement in 2014, both parties agreed to exchange use of their premises for the period between November 1, 2012 and October 31, 2015.</p> <p>廊坊鳳河國際高爾夫俱樂部有限公司 (Langfang Fenghe International Golf Club Co., Ltd.) is permitted to use the premises of Block No. 16 in Phase 1, Dormitory Building owned by 廊坊開發區東方大學城教育諮詢有限公司 (Langfang Development Zone Oriental University City Education Consulting Co., Ltd.) with a total gross floor area of approximately 6,310.15 sq.m. at nil rent.</p> <p>廊坊開發區東方大學城教育諮詢有限公司 (Langfang Development Zone Oriental University City Education Consulting Co., Ltd.) is permitted to use the property of Block No. 11 in Phase 1, Dormitory Building owned by 廊坊鳳河國際高爾夫俱樂部有限公司 (Langfang Fenghe International Golf Club Co., Ltd.) with a total gross floor area of approximately 6,310.15 sq.m. at nil rent.</p> <p>According to the PRC legal opinion, 廊坊鳳河國際高爾夫俱樂部有限公司 (Langfang Fenghe International Golf Club Co., Ltd.) has provided the Building Ownership Certificates of the property and is entitled to lease the property.</p> <p>The Above Ground Building Exchange Use Agreement is valid, legally binding and enforceable.</p>	<p>No commercial value</p>

APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY

The existing Articles of Association of our Company were adopted on December 17, 2014. The following is a summary of certain provisions of the Articles of Association.

ALTERATION OF CAPITAL

According to Article 68, our Company may from time to time alter its capital in any one or more of the ways permitted by the Companies Ordinance and every other ordinance (including subsidiary legislation, regulations or orders made thereunder) for the time being in force and applying or affecting our Company (together, the “**Statutes**”). Anything done in pursuance of Article 68 shall be done in any manner provided, and subject to any conditions imposed, by the Statutes, so far as they shall be applicable, and, so far as they shall not be applicable, in accordance with the terms of the resolution authorizing the same, and, so far as such resolution shall not be applicable, in such manner as our Directors deem most expedient.

The general meeting at which any resolution on the creation of any new shares is put may direct that the same or any of them shall be offered in the first instance to all the holders for the time being of any class of shares in the capital of our Company, in proportion to the number of shares of such class held by them respectively, or make any other provisions as to the issue and allotment of the new shares, and in the absence of any such direction, or so far as the same shall not extend, the new shares shall be at the disposal of our Directors, and Article 7 shall apply.

Our Company may by special resolution reduce its share capital or any other undistributable reserves in any manner subject to the provisions of the Statutes and the Articles and the GEM Listing Rules.

Subject always to the provisions of the Statutes, the GEM Listing Rules and the Articles, the Board may issue any Shares on terms that is to be redeemed or is liable to be redeemed at the option of our Company or its holder, and the Board may determine the terms, conditions and manner of redemption of the Shares, and our Company may purchase its own Shares of any class in the capital of our Company, including any redeemable shares or warrants or other securities carrying a right to subscribe for or purchase Shares of our Company issued by our Company and, should our Company acquire its own Shares or warrants or other such securities, neither our Company nor our Directors shall be required to select the shares or warrants to be acquired rateably or in any other particular manner as between the holders of shares or warrants of the same class or as between them and the holders of shares or warrants of any other class or in accordance with the rights as to dividends or capital conferred by any class of shares or warrants, provided that in the case of purchase of redeemable shares, (a) purchases not made through market or by tender shall be limited to a maximum price and (b) if purchases are by tender, tenders shall be available to all Shareholders holding redeemable Shares of our Company alike.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY

VARIATION OF CLASS RIGHTS

If at any time the share capital of our Company is divided into different classes of Shares, all or any of the special rights or privileges attaching to any class of Shares (unless otherwise provided by the terms of issue of the Shares of that class) may, subject to the provisions of the Companies Ordinance, be varied or abrogated either with the consent in writing of the holders of three-fourths of the issued Shares of representing at least 75% of the total voting rights of holders of Shares in that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of the relevant class (but not otherwise). Subject to the Statutes and the GEM Listing Rules, at every such separate general meeting all the provisions of the Articles of Association relating to general meetings of our Company or to the proceedings thereat shall apply, *mutatis mutandis*, except that:

- (a) the necessary quorum at any such meeting (other than an adjourned meeting) shall be two persons present in person or by proxy together holding at least one-third of the total voting rights of holders of Shares in that class;
- (b) at an adjourned meeting the necessary quorum shall be one person holding Shares of the class or his proxy;
- (c) the holders of Shares of the class shall, on a poll, have one vote in respect of every Share of the class held by them respectively; and
- (d) any one holder of Shares of the class whether present in person or by proxy may demand a poll.

TRANSFER OF SHARES

Subject to the Statutes and the restrictions in the Articles, all transfers of Shares shall be effected by an instrument of transfer and in any standard form prescribed by the Stock Exchange or in any other form which our Directors may approve and shall be executed under hand or, if the transferor or transferee is a clearing house (or its nominee(s)), the instrument of transfer shall be executed by hand or by machine imprinted signature or in such other manner of execution as the Board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferee in any case which it thinks fit in its discretion to do so. Without prejudice to the above, the Board may also resolve, either generally or in any particular case, upon request by either the transferor or transferee, to accept mechanically executed transfers. The transferor shall be deemed to remain the holder of the Shares concerned until the name of the transferee is entered into our Company's register of members in respect thereof. Nothing in the Articles shall preclude our Directors from recognizing a renunciation of the allotment or provisional allotment of any Share by the allottee in favor of some other person.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY

The Board may, subject to section 151 of the Companies Ordinance, in its absolute discretion decline to register any transfer of Shares (not being a fully paid up Share) to any person provided that it shall register any transfer of Shares for the purpose of enforcing a security interest over such Shares. The Board shall not register a transfer to a person who is known to them to be an infant or a person who is mentally incapacitated or under other legal disability but the Board shall not be bound to enquire into the age or soundness of mind of any transferee. In the case of a transfer to joint holders, the Board may also decline to register the transfer unless the number of transferees does not exceed four.

The Board may also decline to register any transfer unless:

- (a) a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to our Company in respect thereof;
- (b) the instrument of transfer is accompanied by the certificate of the Shares to which it relates, and such other evidence as our Directors may reasonably require to show the right of the transferor to make the transfer and is delivered to the registered office of our Company;
- (c) such other conditions as the Board may from time to time impose for the purpose of guarding against losses arising from forgery are satisfied;
- (d) the instrument of transfer is in respect of only one (1) class of Shares;
- (e) the Shares concerned are free of any lien in favor of our Company; and
- (f) if applicable, the instrument of transfer is duly and properly stamped.

Every instrument of transfer shall be left at the registered office of our Company for registration (or at such other place as the Board may appoint for such purpose) accompanied by the certificate of the Shares to be transferred and such other evidence as the Board may require to prove the title of the transferor or his right to transfer the Shares. If the Board refuses to register a transfer it shall within two (2) months after the date on which the transfer was lodged with our Company send to the transferor and the transferee notice of the refusal. Upon request by the transferor or transferee, our Directors must, within twenty-eight (28) days after receiving such request, send to the transferor or transferee (as the case may be) a statement of the reasons for the refusal. All instruments of transfer which are registered may be retained by our Company but any instrument of transfer which the Board may decline to register shall (except in the case of fraud or suspected fraud) be returned to the person depositing the same together with the share certificate within two (2) months after the date on which the transfer was lodged with our Company.

SHARE CERTIFICATES

Subject to the Companies Ordinance and the GEM Listing Rules, every certificate for Shares or warrants or debentures or representing any other form of securities of our Company may be issued under the common seal of our Company, and the provisions of Articles 161 to 164 concerning the sealing or execution of certificates shall be complied with whenever such certificates are issued. A share certificate shall specify the number and class of Shares and, if required, the distinctive numbers thereof, to which it relates, and the amount paid up thereon and may otherwise be in such form as the Board may from time to time determine. If at any time the share capital of our Company is divided into different classes of shares, every share certificate issued at that time shall comply with section 179 of the Companies Ordinance, and no certificate shall be issued in respect of more than one class of Shares. Subject to sections 162 to 169 of the Companies Ordinance, if a certificate for Shares or warrants is defaced, lost or destroyed, it may be replaced on payment of a fee, if any, not exceeding the maximum amount as the Stock Exchange may from time to time permit and on such terms, if any, as the Board thinks fit as to evidence and indemnity. The Board can also require the Shareholders to pay the out-of-pocket expenses of our Company incurred in investigating any evidence and in preparing the form of indemnity as the Board thinks fit.

VOTES OF MEMBERS

A resolution put to the vote of a meeting shall be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Procedural and administrative matters are those that (i) are not on the agenda of the general meeting or in any supplementary circular that may be issued by our Company to its Shareholders; and (ii) relate to the chairman's duties to maintain the orderly conduct of the meeting and/or allow the business of the meeting to be properly and effectively dealt with, whilst allowing all Shareholders a reasonable opportunity to express their views. 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:

- (a) the chairman of the meeting; or
- (b) at least three (3) Shareholders present in person (or in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy having the right to vote on the resolution; or
- (c) any Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy representing in aggregate at least 5% of the total voting rights of all the Shareholders having the right to attend and vote at the meeting.

Any instrument appointing a proxy may be in any usual or common form or in any other form which the Board may approve.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY

Subject to the provision of the Articles of Association and the Statutes and to any special rights or restrictions as to voting for the time being attached to any class or classes of Shares, on a show of hands every Shareholder present in person or by proxy or representative duly authorized under section 606 or 607 of the Companies Ordinance shall have one (1) vote, and on a poll every Shareholder who (being an individual) is present in person or by proxy or (being a corporation) is present by a duly authorized representative or by proxy at any general meeting shall have one (1) vote for each fully paid up Share of which he is the holder. A person entitled to cast more than one (1) vote upon a poll need not use all his votes or cast all the votes he uses in the same way.

Any corporation which is a Shareholder may, by resolution of its directors or other governing body, authorize such person as it thinks fit to act as its representative at any meeting of our Company or of any class of Shareholders, and the person so authorized shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual Shareholder.

Without prejudice to the generality of Article 108, if a clearing house recognized under the SFO or any other ordinance substituted therefor (a "**Clearing House**") (or its nominee(s)) is a Shareholder of our Company, it (or, as the case may be, its nominee) may authorize such person or persons as it thinks fit to act as its representative(s) or proxy(ies) at any general meeting of our Company or at any meeting of any class of Shareholders of our Company provided that, if more than one (1) person is so authorized, the authorization or proxy form shall specify the number and class of Shares in respect of which each such person is so authorized. A person so authorized under the provisions of the Articles of Association shall be entitled to exercise the same rights and powers on behalf of the Clearing House (or its nominee(s)) which he represents as that Clearing House (or its nominee(s)) could exercise as if such person were an individual Shareholder of our Company.

Where our Company has knowledge that any Shareholder is required under the GEM Listing Rules to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any vote(s) cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted.

BORROWING POWERS

The Board may exercise all powers of our Company to borrow money for the purposes of our Company, without limit and upon such terms as they may think fit, and to mortgage or charge its undertaking, property (both present and future) and uncalled capital, or any part thereof, and (subject, to the extent applicable, to the provisions of the Statutes) to issue bonds, debentures, debenture stock, guarantees and other securities, whether outright or as a security for any debt, liability or obligation of our Company or of any third party.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY

QUALIFICATION OF DIRECTORS

Unless otherwise determined by ordinary resolution of the Shareholders of our Company, the number of Directors shall not be less than the minimum required by the Companies Ordinance and there shall not be a maximum number of Directors. A Director need not be a Shareholder of our Company and shall not be required to hold any Shares by way of qualification, but shall be entitled to receive notice of and to attend and speak at all general meetings of our Company and at all separate meetings of the holders of any class of Shares of our Company.

DIRECTORS' APPOINTMENT, REMOVAL AND RETIREMENT

At each annual general meeting of our Company, one-third of our Directors for the time being shall retire from office by rotation but shall be eligible for re-election. Where the number of Directors is not three (3) or a number divisible by three (3), the number of Directors to retire will be the number which is nearest to but not less than one-third of the total number of Directors. If there are less than three (3) Directors, they shall all retire. The Directors to retire by rotation will be those Directors who have been Directors longest in office since they were last elected, or appointed by the Shareholders (as the case may be). If there are Directors who were last elected, or appointed by the Shareholders (as the case may be), on the same date, they can agree on who is to retire. If they do not agree, they must draw lots to decide. Every retiring Director shall be eligible for re-election. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Board may appoint any person as an additional Director or to fill a casual vacancy, provided that any person so appointed shall hold office only until the conclusion of the next following general meeting of our Company (in the case of filling a casual vacancy) or until the next following annual general meeting of our Company (in the case of an addition to the Board), and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of our Company before the expiration of his period of office.

DIRECTORS' REMUNERATION

Our Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst our Directors in such proportions and in such manner as our Directors may agree or, failing agreement, equally, except that if any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY

Any Director who holds any executive office or who serves on any committee, or who otherwise performs services which in the opinion of the Board are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, commission or otherwise as the Board may determine.

The Board may repay to any Director all such reasonable expenses as he may incur in attending and returning from meetings of the Board or of any committee of the Board or general meetings or otherwise in or about the business of our Company.

DIRECTORS' INTERESTS

A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by our Company or in which our Company may be interested as vendor, shareholder or otherwise and, subject to the Companies Ordinance, no such Director shall be accountable to our Company for any remuneration or benefits received by him as a director or officer of, or from his interest in, such other company unless our Company otherwise directs.

A Director may hold other office or place of profit under our Company (other than the office of auditor) in conjunction with his office of Director for such period (subject to the Statutes) and on such terms as to remuneration (whether by way of salary, commission, participation in profits or otherwise) and otherwise as the Board may determine. Subject to the Statutes, no Director or intending Director shall be disqualified by his office from contracting with our Company either with regard to his tenure of any such office or place of profit or as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of our Company in which any Director is in any way, whether directly or indirectly, interested (whether or not such contract or arrangement is with any person, company or partnership of or in which any Director shall be a Shareholder) be liable to be avoided on that account nor shall any Director so contracting or being so interested be liable to account to our Company for any profit realized by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established provided that such Director shall forthwith declare the nature of his interest in any contract or arrangement in which he is interested as required by and subject to the provisions of the Companies Ordinance and the Articles of Association.

Subject to the Companies Ordinance, if a Director or any of his close associates or an entity connected with the Director is in any way, whether directly or indirectly, interested in a transaction, arrangement or contract or proposed transaction, arrangement or contract with our Company that is significant in relation to our Company's business and the Director's interest or his close associate's interest or the interest of the entity connected with the Director is material, the Director shall declare the nature and extent of his interest or the interest of any of his close associates or entities connected with him in accordance with sections 536 to 538 of the Companies Ordinance and the Articles. A declaration of interest by a Director under Article 135(a) in a transaction, arrangement or contract that has been entered into must be made as soon as reasonably practicable and a declaration of interest by a Director under Article 135(a) in a proposed transaction, arrangement or contract must be made before our Company enters into the transaction, arrangement or contract.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY

Save as otherwise provided by the Articles of Association, a Director and his close associates shall not vote on any resolution of the Board nor be counted in the quorum in respect of any transaction, contract, arrangement or any other proposals or matters in which he or any of his close associates or any entity connected with him, is/are, to his knowledge materially interested, 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 in respect of the following matters:

- (a) any contract or arrangement for the giving by our Company of any security or indemnity either:
 - (i) to the Director or his close associate(s) or any entity connected with him 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 our Company or any of its subsidiaries;
 - (ii) to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his close associate(s) or any entity connected with him has/have himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (b) any contract, arrangement or proposal concerning an offer of Shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase where the Director or his close associate(s) or any entity connected with him is/are or is/ are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (c) any contract, arrangement or proposal concerning any other company in which the Director or his close associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or his close associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his close associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of any of his close associates is derived) or of the voting rights;
- (d) any proposal or arrangement concerning the benefit of employees of our Company or its subsidiaries including:
 - (i) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme involving the issue or grant of options over Shares or other securities, or the conditional right to obtain Shares or other securities, by our Company to, or for the benefit of, the employees of our Company or its subsidiaries under which the Director or his close associate(s) or any entity connected with him may benefit; or

APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY

- (ii) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates, any entity connected with them and employees of our Company or any of its subsidiaries and does not provide in respect of any Director, or his close associate(s) or any entity connected with him, as such any privilege or advantage not generally accorded to the class of persons to whom such scheme or fund relates; and

- (e) any contract or arrangement in which the Director or his close associate(s) or any entity connected with him is/are interested in the same manner as other holders of Shares or debentures or other securities of our Company by virtue only of his/their interest in Shares or debentures or other securities of our Company.

DIVIDENDS

Our Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors.

Subject to the rights of persons, if any, entitled to Shares with special rights as to dividend, all dividends shall be declared and paid according to the amounts paid or credited as paid on the Shares in respect whereof the dividend is paid, but no amount paid or credited as paid on a Share in advance of calls shall be treated for the purposes of the Articles of Association as paid on the Share. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the Shares during any portion or portions of the period in respect of which the dividend is paid; but if any Share is issued on terms providing that it shall rank for dividend as from a particular date such Share shall rank for dividend accordingly.

All dividends or bonuses unclaimed for one (1) year after having become payable may be invested or otherwise made use of by the Board for the benefit of our Company until claimed. Any dividends or bonuses unclaimed after a period of six (6) years after having become payable shall be forfeited and shall revert to our Company. The payment by our Company of any unclaimed dividend or other sum payable on or in respect of a Share into a separate account shall not constitute our Company a trustee in respect thereof for any person.

UNTRACEABLE MEMBERS

Without prejudice to the rights of our Company, our Company may cease sending such checks for dividend entitlements or dividend warrants by post if such checks or warrants have been left uncashed on two consecutive occasions. However, our Company may exercise the power to cease sending checks for dividend entitlements or dividend warrants after the first occasion on which such a check or warrant is returned undelivered.

Our Company may sell any Shares if:

- (i) during the relevant period at least three dividends or other distributions in respect of the Shares in question have become payable and no dividend or distribution during that period has been claimed;

APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY

- (ii) our Company has given notice of its intention to sell the Shares by way of an advertisement published in the newspapers in accordance with the requirements of the GEM Listing Rules and has notified the Stock Exchange and a period of three (3) months or such shorter period as may be allowed by the Stock Exchange has elapsed since the date of such advertisement; and
- (iii) so far as it is aware at the end of the relevant period, our Company has not at any time during the relevant period received any indication of the existence of the Shareholder or of any person who is entitled to such Shares by death, bankruptcy or operation of law.

For the purpose of the foregoing, the “relevant period” means the period commencing twelve (12) years before the date of publication of advertisement in paragraph (ii) above and ending at the expiry of the period referred to in that paragraph.

ACCOUNTS

The Board shall cause proper books of account to be kept in accordance with the Companies Ordinance and the books of account shall be kept at the registered office of our Company or, subject to Section 374 of the Companies Ordinance, at such other place or places as the Board thinks fit and shall always be open to inspection by any Director.

Subject to the requirements of the Statutes and to Article 190, a copy of the relevant reporting documents or the summary financial report shall, not less than twenty-one (21) days before the meeting, be delivered or sent by post to the registered address of every Shareholder and debenture holder of our Company, or in the case of a joint holding to that Shareholder or debenture holder (as the case may be) whose name stands first in the appropriate register of members in respect of the joint holding.

NOTICES

Subject to the Statutes and the GEM Listing Rules and except where otherwise expressly stated, any notice, document or other information to be given to or by any person pursuant to the Articles shall be in writing. A notice calling a meeting of the Board need not be in writing. Any notice, document or other information in writing may, in accordance with the Articles and subject to the Statutes and the GEM Listing Rules, be given in hard copy form, in electronic form or by electronic means, or made available on our Company’s website.

Subject to the Statutes and the GEM Listing Rules, a notice, document or any other information may be served on, delivered or made available to, any Shareholder by our Company either personally or by sending it by mail, postage prepaid (and, in any case where the registered address of a Shareholder is outside Hong Kong, by prepaid airmail), addressed to such Shareholder at his registered address or by leaving it at that address addressed to the Shareholder or by publishing it by way of advertisement in at least one English language newspaper and one Chinese language newspaper circulating in Hong Kong.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation**

Our Company was incorporated in Hong Kong with limited liability under the Companies Ordinance on June 11, 2012. Our Company's registered office is at 31st Floor, 148 Electric Road, North Point, Hong Kong. A summary of the Articles of Association of our Company is set out in the section headed "Summary of the constitution of our Company" in Appendix IV to this prospectus.

2. Changes in share capital

As of the date of incorporation of our Company, its authorized share capital was HK\$10,000 divided into 10,000 Shares of HK\$1.00 each. Following the coming into effect of the new Companies Ordinance (Chapter 622 of the Laws of Hong Kong) on March 3, 2014, the nominal value of the Shares of our Company was abolished pursuant to section 135 of the Companies Ordinance. The following sets out the changes in our Company's share capital since the date of its incorporation.

- (a) Upon incorporation of our Company, 10,000 Shares were issued and allotted to REC.
- (b) On October 25, 2012, the then authorized share capital of our Company was sub-divided into 100,000 Shares at the then par value of HK\$0.10 each, all of which were issued and allotted to REC.
- (c) On October 25, 2012, the then authorized share capital of our Company was further increased to HK\$120,000,000 divided into 1,200,000,000 Shares at the then par value of HK\$0.10 each, of which 100,000 Shares were issued and allotted to REC.
- (d) On February 28, 2014, 100,000 Shares were issued and allotted to REC by way of capitalization of a payable equivalent to approximately RMB331.9 million owed to REC.

Immediately following completion of the Placing (but not taking into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option), the share capital of our Company will be comprised of 180,000,000 Shares, all fully paid or credited as fully paid.

Save as disclosed above and as mentioned in the subsection headed "Written resolutions of the sole Shareholder" in this section, there has been no alteration in the share capital of our Company since its incorporation.

3. Written resolutions of the sole Shareholder

Pursuant to the written resolutions passed by the sole Shareholder of our Company on August 30, 2012:

- (a) we approved and adopted the memorandum of association and articles of association of our Company.

Pursuant to the written resolutions passed by the sole Shareholder of our Company on October 25, 2012:

- (b) the then authorized share capital of our Company was increased from HK\$10,000 divided into 10,000 Shares at the then par value of HK\$1.00 each to HK\$120,000,000 divided into 1,200,000,000 Shares at the then par value of HK\$0.10 each;
- (c) conditional on (i) the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue, Shares to be issued pursuant to a placing of 30,000,000 Shares and the Shares to be issued as mentioned in this prospectus; and (ii) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreement:
 - (i) the said placing was approved and the Directors were authorized to allot and issue the new Shares pursuant to the said placing;
 - (ii) the Offer Size Adjustment Option was approved and our Directors were authorized to effect the same and to allot and issue the Shares which are required to be issued upon the exercise of the Offer Size Adjustment Option;
 - (iii) conditional on the then share premium account of our Company being credited as a result of the issue of the 30,000,000 Shares by our Company pursuant to the said placing, our Directors were authorized to capitalize an amount of HK\$8,980,000 standing to the credit of the then share premium account of our Company by applying such sum in paying up in full at par 89,800,000 Shares, such Shares to be allotted and issued to our Shareholders as of such date to be determined by our Directors on a pro rata basis;
- (d) a general unconditional mandate was given to the Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a

dividend on Shares in accordance with the Articles or other similar arrangement or pursuant to a specific authority granted by the Shareholders of our Company in general meeting, unissued Shares of not exceeding 20% of the total number of Shares in issue immediately following completion of the said placing, such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;

- (e) a general unconditional mandate was given to the Directors authorizing them to exercise all powers of our Company to repurchase, on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following completion of the said placing, such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first; and
- (f) the general unconditional mandate mentioned in paragraph (d) above was extended by the addition to the total number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the total number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above.

Pursuant to the written resolutions passed by the sole Shareholder of our Company on December 17, 2014:

- (g) conditional on (i) the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue, Shares to be issued pursuant to the Placing and the Shares to be issued as mentioned in this prospectus; and (ii) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreement:
 - (i) the Placing was approved and the Directors were authorized to allot and issue the new Shares pursuant to the Placing;

- (ii) the Offer Size Adjustment Option was approved and our Directors were authorized to effect the same and to allot and issue the Shares which are required to be issued upon the exercise of the Offer Size Adjustment Option;
- (iii) our Directors were authorized to issue and allot 134,800,000 Shares to our Shareholder as of December 17, 2014 without payment and credited as fully paid Shares;
- (h) a general unconditional mandate was given to the Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or other similar arrangement or pursuant to a specific authority granted by the Shareholders of our Company in general meeting, unissued Shares of not exceeding 20% of the total number of Shares in issue immediately following completion of the Placing, such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;
- (i) a general unconditional mandate was given to the Directors authorizing them to exercise all powers of our Company to repurchase, on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following completion of the Placing, such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;
- (j) the general unconditional mandate mentioned in paragraph (h) above was extended by the addition to the total number of Shares in issue which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the total number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (i) above;

- (k) conditional on (i) the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue, Shares to be issued pursuant to the Placing and the Shares to be issued as mentioned in this prospectus; and (ii) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreement, the Articles of Association be adopted in substitution for and to the exclusion of the memorandum of association and articles of association of our Company previously adopted by our Company on August 30, 2012 with effect from the Listing Date; and
- (l) the written resolutions passed by the sole Shareholder of our Company on October 25, 2012 shall be revoked.

4. Corporate reorganization

In preparation for the Listing, certain companies within our Group underwent the Reorganization. For information relating to the Reorganization, please refer to the section headed “History and Development — Reorganization” in this prospectus.

5. Change in share capital of our subsidiary

Our subsidiary is set out in the section headed “Accountant’s Report” in Appendix I to this prospectus.

There has been no alteration in the share capital or registered capital of our subsidiary within the two years immediately preceding the date of this prospectus.

6. Particulars of our subsidiary

Set out below is a summary of the corporate information of our subsidiary established in the PRC.

Langfang Development Zone Oriental University City Education Consultancy Co., Ltd.
(廊坊開發區東方大學城教育諮詢有限公司)

Date of establishment:	November 14, 2007
Place of establishment:	PRC
Term:	From November 14, 2007 to January 29, 2038
Nature:	Limited liability company
Registered capital amount:	RMB263,500,000

Shareholder(s):	Our Company (99%), Shanghai Shengxin Consultancy (1%)
Scope of business:	Education consultancy, leasing of teaching buildings, dormitories and ancillary service facilities in our Campus Site

7. Repurchase of our Shares

Provisions of the GEM Listing Rules permit companies whose primary listing is on GEM to repurchase in cash their securities on GEM subject to certain restrictions, the most important of which are summarized below:

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) on GEM by a company with its primary listing on GEM must be approved in advance by an ordinary resolution of its shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the resolutions passed by the sole Shareholder of our Company on December 17, 2014, the Repurchase Mandate was granted to the Directors authorizing the repurchase of Shares by our Company on GEM or any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, not exceeding 10% of the total number of Shares in issue and to be issued as mentioned herein, at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by an applicable law or the Articles to be held, or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever event occurs the earliest.

(ii) Reasons for repurchase

Our Directors believe that it is in the best interests of our Company and our Shareholders as a whole to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and its Shareholders.

(iii) Source of funds

Repurchase must be funded out of funds legally available for such purpose in accordance with the Articles, the applicable laws of Hong Kong and the GEM Listing Rules. Our Company may not repurchase its own securities on GEM for a consideration other than cash or for

settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Based on our financial position as disclosed in this prospectus and taking into account our current working capital position, our Directors consider that, if the Repurchase Mandate was to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Company as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, generate a material adverse effect on our working capital requirements or our gearing position.

(iv) ***Exercise of the Repurchase Mandate***

If the Repurchase Mandate is exercised in full, on the basis of 180,000,000 Shares in issue immediately after completion of the Placing, our Directors would be authorized under the Repurchase Mandate to repurchase up to 18,000,000 Shares.

(v) ***Dealing restrictions***

Our Company may repurchase up to 10% of the total number of Shares in issue and to be issued immediately following completion of the Placing.

Our Company shall not repurchase the Shares on GEM if that repurchase would result in the number of the Shares which are in the hands of the public falling below the minimum percentage required by the Stock Exchange. Our Company may not make a new issue of Shares or announce a proposed new issue of Shares for a period of 30 days after any repurchase of Shares without the prior approval of the Stock Exchange. Our Company is also prohibited from repurchasing Shares on GEM at any time after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information is made publicly available.

(vi) ***General***

Our Directors have made an undertaking to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the applicable laws of Hong Kong and the Articles.

The GEM Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a connected person, and a connected person shall not knowingly sell Shares to our Company.

No connected person of our Company has notified us that he or she has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If, as a result of a securities repurchase pursuant to the Repurchase Mandate, a Shareholder's proportional interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert, could obtain or consolidate control of our Company and become obliged to make a mandatory takeover offer in accordance with Rule 26 of the Takeovers Code as a result of such increase. Our Directors are not aware of any other consequences which may arise under the Takeovers Code if the Repurchase Mandate is exercised.

B. INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of our Group within the two years preceding the date of this prospectus which are or may be material:

- (a) a state-owned land use right transfer agreement dated June 28, 2013 and entered into between Langfang Education Consultancy and Zhuyun, pursuant to which Langfang Education Consultancy agreed to transfer land use rights to Zhuyun for a consideration of RMB55,280,000;
- (b) a state-owned land use right transfer agreement dated June 28, 2013 and entered into between Zhuyun and Langfang Education Consultancy, pursuant to which Zhuyun agreed to transfer land use rights to Langfang Education Consultancy for a consideration of RMB40,600,000;
- (c) a state-owned land use right transfer agreement supplemental agreement dated January 31, 2013 and entered into between Langfang Higher Education and Langfang Education Consultancy, amending the state-owned land use right transfer agreement dated August 2, 2012 and entered into between Langfang Higher Education and Langfang Education Consultancy to reflect the revised consideration of RMB263,090,350.10;
- (d) a deed of assignment dated February 21, 2014 and entered into between OUC Cayman, REC, Education Consultancy (HK) and our Company in respect of the assignment of RMB331,889,634.80 from Education Consultancy (HK) to OUC Cayman and from OUC Cayman to REC;
- (e) the Deed of Non-compete;
- (f) the deed of indemnity dated December 22, 2014 entered into by the Controlling Shareholder in favor of our Company (for itself and as trustee for its subsidiary) referred to in the section headed "Other Information — Indemnity" of this Appendix under which the Controlling Shareholder has agreed to give certain indemnities in favor of our Group; and
- (g) the Underwriting Agreement.

2. Intellectual property rights of our Group

Trademarks

- (a) As of the Latest Practicable Date, we had obtained registration of the following trademarks.

No.	Trademark	Place of Registration	Owner(s)	Trademark No.	Class	Expiry Date
1.		Hong Kong	Our Company	302429000	16, 36	November 8, 2022
2.		Hong Kong	Our Company	302429019	16, 36	November 8, 2022

- (b) As of the Latest Practicable Date, our Group had applied for registration of the following trademarks.

No.	Trademark	Place of Application	Applicant	Application No.	Class	Application Date
1.		PRC	Langfang Education Consultancy	11618080	36	October 18, 2012
2.	OUC	PRC	Langfang Education Consultancy	12417603	36	April 12, 2013
3.		PRC	Langfang Education Consultancy	12417506	36	April 12, 2013

C. FURTHER INFORMATION ABOUT THE DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) *Disclosure of interests*

Immediately following completion of the Placing, the interests or short positions of the Directors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its 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 taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, once the Shares are listed will be as follows.

Name of Director	Nature of Interest	Number of Securities	Approximate percentage Shareholding in our Company
Mr. Chew Hua Seng ⁽¹⁾	Interest of controlled corporation	135,000,000	75%

Note:

- (1) REC, our associated corporation, is owned by Mr. Chew Hua Seng as to approximately 35.13% as at the Latest Practicable Date. Therefore Mr. Chew Hua Seng is taken to be interested in the number of Shares held by REC pursuant to Part XV of the SFO.

(b) Particulars of service contracts

Each of our executive Directors has entered into a service contract with our Company for a term of three years commencing from the date thereof, which may be terminated by not less than three months' notice in writing served by either party on the other.

Our non-executive Director has entered into a letter of appointment with our Company for an initial term of three years from the date thereof, and each of our independent non-executive Directors has entered into a letter of appointment with our Company for an initial term of three years commencing from the Listing Date.

Save as disclosed above, none of our Directors has or is proposed to have entered into any service agreements with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

(c) Directors' remuneration

The aggregate amounts of Directors' remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) which were paid to our Directors for the year ended June 30, 2013 and 2014 were nil and approximately RMB0.4 million, respectively.

It is estimated that remuneration and benefits in kind equivalent to approximately RMB1.0 million in aggregate will be paid and granted to our Directors by us in respect of the year ending June 30, 2015 under arrangements in force at the date of this prospectus.

2. Substantial Shareholders

Immediately following the completion of the Placing, the following persons (other than Directors and chief executives of our Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Name	Nature of Interest	Interests in Shares	Approximate percentage Shareholding
REC	Beneficial owner	135,000,000	75%

3. Disclaimer

Save as disclosed herein:

- (a) none of our Directors or chief executives of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporation (within the meaning 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 or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules;
- (b) none of our Directors or experts referred to under the heading "Consents of experts" in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) taking no account of Shares which may be taken up under the Placing, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Placing, have an interest or short position in the Shares or underlying Shares of our Company which

would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;

- (f) none of the experts referred to under the heading “Consents of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (g) save as disclosed in this prospectus, so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the GEM Listing Rules) or Shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme approved by the resolutions of our sole Shareholder on December 17, 2014.

(i) Conditions

The Share Option Scheme shall take effect conditional upon (a) the passing of an ordinary resolution to approve the Share Option Scheme by the Shareholders at our Company’s extraordinary general meeting and to authorize the Board to grant the options which may be granted under the Share Option Scheme (the “**Options**”) and to allot, issue and deal with the Shares which fall to be issued by our Company pursuant to the exercise of the Options thereunder; and (b) the Listing Division of the Stock Exchange granting approval of the listing of, and permission to deal in, on GEM of Stock Exchange, such number of Shares to be issued by our Company pursuant to the exercise of Options.

(ii) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable our Company to grant Options to selected Eligible Participants (as defined below) as incentives or rewards for their contribution to our Group and/or to enable our Group to recruit and retain high caliber employees and attract human resources that are valuable to our Group and any entity in which our Group holds any equity interest (“**Invested Entity**”).

(iii) Eligible Participants

The Board may, at its discretion, invite any full-time employee of our Company, or any of its subsidiaries or Invested Entities; and any Director (including executive, non-executive and independent non-executive Directors) of our Company, any of its subsidiaries or Invested Entities (“**Eligible Participant**”) to take up the Options.

(iv) Grant of Options

On and subject to the terms of the Share Option Scheme, the Board shall be entitled at any time and from time to time within ten (10) years after the date on which the Share Option Scheme is conditionally adopted by our Company at a general meeting of the Shareholders (the “**Adoption Date**”), to offer to grant to any Eligible Participant as the Board may in its absolute discretion select, and subject to such conditions as the Board may think fit, an Option to subscribe for such number of Shares as the Board may determine at the Subscription Price (as defined below) provided that the granting of an Option under the Share Option Scheme to any Eligible Participant who accepts the offer of the grant of any Option in accordance with the terms of the Share Option Scheme (a “**Grantee**”) which is a company or is a discretionary object of an Eligible Participant shall be subject to the execution by the Grantee or trustee and/or the beneficial owners in favor of our Company of an undertaking not to effect or permit any change in ultimate beneficial ownership of the Grantee so long as the Option so granted to the Grantee or any part thereof remains exercisable. For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who fall within any of the classes of Eligible Participants shall not, by itself, unless the Board otherwise determined, be construed as a grant of Option under the Share Option Scheme. The basis of eligibility of any of the class of Eligible Participants to the grant of any Option shall be determined by the Board from time to time on the basis of their contribution to the development and growth of our Group and any Invested Entity.

No offer of grant of Option shall be made after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision until such inside information has been published in accordance with the requirements of the GEM Listing Rules. In particular, no Option may be granted during the period of one month immediately preceding the earlier of (i) the date of the Board meeting for the approval of our Company’s results for any year, half-year, quarter-year or other interim period; and (ii) the deadline for our Company to publish an announcement of its results for any year, half-year, quarter-year or other interim period under the GEM Listing Rules, and ending on the date of the results announcement. The period during which no Option may be granted will cover any period of delay in the publication of a results announcement.

An offer of the grant of an Option shall be made to an Eligible Participant by letter in such form as the Board may from time to time determine requiring the Eligible Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme and shall remain open for acceptance by the Eligible Participant concerned for a period of thirty (30) days from the date upon which it is made provided that no such offer shall be open for acceptance after the tenth anniversary of the Adoption Date or after the Share Option Scheme has been terminated.

(v) Acceptance of Option

An Option shall be deemed to have been granted and accepted (with retrospective effect from the date on which such Option is offered to an Eligible Participant) when the duplicate letter comprising acceptance of the Option duly signed by the Grantee with the number of Shares in respect of which offer is accepted clearly stated therein, together with a remittance in favor of our Company of HK\$1.00 by way of consideration for the grant thereof is received by our Company. Such remittance shall in no circumstances be refundable.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of such number of Shares as represents a board lot for the time being for the purposes of trading on the Stock Exchange or an integral multiple thereof. To the extent that the offer of the grant of an Option is not accepted within thirty (30) days from the date upon which it is made, it will be deemed to have been irrevocably declined and lapsed automatically.

(vi) Grant of Options to Connected Persons

Each grant of Options to a Director, chief executive (other than a proposed Director or a proposed chief executive of our Company) or Substantial Shareholder or any of their respective associates, under the Share Option Scheme or any other share option scheme of our Company or any of its subsidiaries shall comply with the requirements of the GEM Listing Rules and shall be subject to approval by the independent non-executive Directors (excluding independent non-executive Director who is a Grantee of the Options).

In case of any change in the terms of Options granted to a Substantial Shareholder or an independent non-executive Director, or any of their respective associates; or where any grant of Options to a Substantial Shareholder or an independent non-executive Director, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% of the relevant class of Shares in issue; and
- (b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5,000,000,

such further grant of Options must be approved by the Shareholders. Our Company shall send a circular to all Shareholders, which must contain all relevant information and comply with all relevant requirements as set out in the GEM Listing Rules. All core connected persons of our Company must abstain from voting in favor at such general meeting, except that any core connected person may vote against the relevant resolution at the general meeting provided that his or her intention to do so has been stated in the circular in accordance with the GEM Listing Rules. Any vote taken at the meeting to approve the grant of such Options must be taken on a poll.

(vii) Subscription Price (the “Subscription Price”)

The Subscription Price in respect of any Option shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but in any case the Subscription Price shall be at least not lower than the higher of:

- (a) the closing price of the Shares as stated in the Stock Exchange’s daily quotation sheet on the date of grant, which must be a Business Day; and
- (b) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five (5) trading days immediately preceding the date of grant.

(viii) Exercise of Options

An Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any third party over or in relation to any Option. Any breach of the foregoing shall entitle our Company to cancel any outstanding Option or part thereof granted to such Grantee.

An Option may be exercised in whole or in part in accordance with the terms of the Share Option Scheme by the Grantee (or, as the case may be, his or her legal personal representative(s)) within the period during which the Option is exercisable as set out in the offer of the Option, which shall, at the discretion of the Directors, commence on the first anniversary after the date of the offer of the Option and expire no later than the fifth anniversary of the date of such offer in respect of any Option granted to a Grantee not holding a salaried office or employment in our Group, and expire no later than the tenth anniversary of the date of such offer in respect of any Option granted to a Grantee holding a salaried office or employment in our Group (the “**Option Period**”).

Subject to provisions of the Share Option Scheme, an Option may be exercised by the Grantee (or, as the case may be, his or her legal personal representative(s)) at any time during the Option Period in accordance with and subject to the following provisions:

- (a) if the Grantee is under employment with our Company and/or any of the subsidiaries or the Invested Entities, in the event of the Grantee ceasing to be an Eligible Participant by reason of his or her ill-health, injury or disability (in each case, evidenced to the satisfaction of the Board), redundancy or retirement, the Grantee may, subject to paragraph (xii)(a), exercise the Option (to the extent not already exercised) during the Option Period;

- (b) if the Grantee is under employment with our Company and/or any of the subsidiaries or the Invested Entities, in the event of the Grantee ceasing to be an Eligible Participant by reason of his or her death, the legal personal representative(s) of the Grantee may, subject to paragraph (xii)(a), exercise the Option up to the Grantee's entitlement at such date of cessation (to the extent not already exercised) during the Option Period;
- (c) in the event of a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavors to procure that such offer is extended to all the Grantees on the same terms, *mutatis mutandis*, and assuming that they will become, by the exercise in full of the Options granted to them, Shareholders of our Company. If such offer becomes or is declared unconditional, a Grantee shall be entitled to exercise his or her or its Option (to the extent not already exercised) to its full extent or to the extent specified in the Grantee's notice to our Company in exercise of his or her or its Option at any time before the close of such offer (or any revised offer);
- (d) in the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all Grantees (together with a notice of the existence of the provisions of this clause) and thereupon, each Grantee (or, as the case may be, his or her legal personal representative(s)) shall be entitled to exercise all or any of his or her or its Options (to the extent which has become exercisable and not already exercised) at any time not later than two (2) Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid, which Shares shall rank *pari passu* with all other Shares in issue on the date prior to the passing of the resolution to wind-up our Company to participate in the distribution of assets of our Company available in liquidation; and
- (e) in the event of a compromise or arrangement between our Company and its creditors (or any class of them) or between our Company and its members (or any class of them), in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme

or arrangement, and thereupon any Grantee (or, as the case may be, his or her legal personal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of the date falling two (2) calendar months thereafter and the date on which such compromise or arrangement is sanctioned by court be entitled to exercise his or her or its Option (to the extent which has become exercisable and not already exercised), but the exercise of the Option shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective. Our Company may thereafter require such Grantee to transfer or otherwise deal with the Shares issued as a result of such exercise of his or her or its Option so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

(ix) Vesting

The Options may be vested partially over such period as determined by the Board in its absolute discretion. The periods over which the Options will vest may exceed any minimum vesting periods prescribed by any laws, regulations or rules to which the Share Option Scheme may be subject, including the GEM Listing Rules or regulations of any stock exchange on which the Shares may be listed and quoted. Furthermore the Shares to be issued and allotted to a Grantee pursuant to the exercise of any Option under the Share Option Scheme may or may not at the discretion of the Board, be subject to any retention period.

(x) Performance target

Unless otherwise imposed by the Board pursuant to the provisions of the Share Option Scheme and stated in the offer of grant of an Option, there is no general requirement for any performance target that has to be achieved before the exercise of any Option.

(xi) Allotment of Shares

No dividends will be payable and no voting rights will be exercisable in relation to an Option that has not been exercised. The Shares to be issued and allotted upon the exercise of an Option will be subject to all the provisions of the Articles of Association of our Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment of the Shares (on exercise of the Option) (the “**Allotment Date**”) and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the Allotment Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the Allotment Date, provided always that when the Allotment Date falls on a day upon which the register of members of our Company is closed then the allotment upon the exercise of the Option shall become effective on the first Business Day on which the register of members of our Company is re-opened. A Share allotted upon the exercise of an Option shall not carry any dividend right and voting rights until the completion of the registration of the Grantee as the holder thereof.

(xii) Lapse of Options

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (a) the expiry of the Option Period;
- (b) subject to paragraphs (viii)(a), (viii)(b) and (xiii), upon the Grantee ceasing to be in the full-time employment of our Group for any reason whatsoever. The Grantee shall be deemed to have ceased to be so employed as of the earlier of the date of the notice of resignation of employment or the cessation of his or her employment with our Company and/or any of the subsidiaries or the Invested Entities, as the case may be;
- (c) the date on which the offer (or as the case may be, revised offer) referred to in paragraph (viii)(c), which has become or is declared unconditional, closes;
- (d) the date of the commencement of the winding-up of our Company referred to in paragraph (viii)(d);
- (e) upon the bankruptcy or insolvency of the Grantee or the happening of any other event which results in his or her or its being deprived of the legal or beneficial ownership of such Option;
- (f) in the event of any misconduct on the part of the Grantee as determined by the Board in its discretion;
- (g) in the event that the Board shall, at its discretion, deem it appropriate that such Option granted to a Grantee shall so lapse on the grounds that the purpose of the Share Option Scheme (as set out in paragraph (ii)) has not been met;
- (h) the date when the proposed compromise or arrangement becomes effective referred to in paragraph (viii)(e);
- (i) the date on which the Grantee commits a breach of paragraph (viii) or the Options are cancelled in accordance with paragraph (xx); or
- (j) if the Directors at their absolute discretion determine that the Grantee (other than an Eligible Participant) or his or her or its associate has committed any breach of any contract entered into between the Grantee or his or her or its associate on the one part and any member of our Group or any Invested Entity on the other part, the Directors shall determine that the outstanding Options granted to the Grantee (whether exercisable or not) shall lapse and in such event, his or her or its Options will lapse automatically and will not in any event be exercisable on or after the date on which the Directors have so determined.

(xiii) End of directorship

If, for any reason whatsoever, a Grantee, being an executive or non-executive Director of our Group on the date of grant, ceases to be an executive Director or, as the case may be, non-executive Director of our Group, the Board shall have absolute discretion to decide on and in all matters in connection with whether all Options granted to such Grantee will, notwithstanding such cessation, continue to be exercisable within the relevant Option Period after such Grantee ceases to be a Director of our Group.

(xiv) Maximum number of Shares

- (a) The total number of Shares in respect of which Options (including both exercised and outstanding Options) may be granted under the Share Option Scheme and any other share option schemes of our Company shall not, subject to paragraph (xvi), in aggregate exceed 10% of the total number of Shares in issue on the date on which the Share Option Scheme is adopted by the Shareholders unless our Company seeks the approval of the Shareholders in general meeting for refreshing the 10% limit under the Share Option Scheme provided that Options lapsed in accordance with the terms of the Share Option Scheme or any other share option scheme(s) of our Company will not be counted for the purpose of calculating the 10% limit under this paragraph (xiv)(a).
- (b) Our Company may seek approval of the Shareholders in general meeting for refreshing the 10% limit such that the total number of Shares in respect of which Options may be granted under the Share Option Scheme and any other share option scheme(s) of our Company as “refreshed” shall not exceed 10% of the total number of Shares in issue as of the date of the approval of the Shareholders provided that Options previously granted under the Share Option Scheme or any other share option schemes of our Company (including Options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other share option scheme(s) of our Company) will not be counted for the purpose of calculating the limit as “refreshed”.
- (c) Our Company may seek separate approval by the Shareholders in general meeting for granting Options beyond the 10% limit provided that the Grantee(s) of such Option(s) must be specifically identified by our Company before such approval is sought.
- (d) Notwithstanding anything to the contrary therein, the maximum number of Shares which may be issued upon exercise of all outstanding Options granted under the Share Option Scheme and any other share option scheme(s) of our Company must not exceed 30% of the total number of Shares in issue from time to time. No Option may be granted under the Share Option Scheme or any other share option scheme(s) of our Company if this will result in the limit set out in this paragraph (xiv)(d) being exceeded.

(xv) Maximum entitlement of a Grantee

- (a) Subject to paragraph (xv)(b), no Eligible Participant shall be granted an Option if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of the Options granted to such Eligible Participant (including both exercised and outstanding Options) in any 12-month period exceeding 1% of the total number of Shares in issue.
- (b) Where any further grant of Options to an Eligible Participant, if exercised in full, would result in the total number of Shares already issued or to be issued upon exercise of all Options granted and to be granted to such Eligible Participant (including exercised, cancelled and outstanding Options) in any 12-month period up to and including the date of such further grant exceeding 1% of the total number of Shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such Eligible Participant and his close associates abstaining from voting. Our Company must send a circular to the Shareholders and the circular must disclose the identity of the Eligible Participant, the number and terms of the Options to be granted and Options previously granted to such Eligible Participant and the information required under the GEM Listing Rules.
- (c) Subject to paragraphs (xiv), (xv)(a) and (xv)(b), the number of Shares subject to Options and to the Share Option Scheme may be adjusted, in such manner as our Company's independent financial advisor or auditors, as the Board may select, (acting as experts and not as arbitrators) shall certify in writing to the Board to be in their opinion appropriate, fair and reasonable in accordance with paragraph (xvi).

(xvi) Effects of alterations to capital structure

In the event of any alteration in the capital structure of our Company whilst any Option remains exercisable, whether by way of capitalization of profits or reserves, rights issue or other similar offer of securities to holders of Shares, consolidation, subdivision or reduction or similar reorganization of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which our Company is a party), such corresponding alterations (if any) shall be made in:

- (a) the number of Shares subject to any Option so far as unexercised; and/or
- (b) the Subscription Price; and/or
- (c) the method of exercise of the Option; and/or
- (d) the maximum number of Shares referred to in paragraphs (xiv) and (xv),

in accordance with the GEM Listing Rules, as an independent financial advisor or the auditors (as the Board may select) shall certify in writing to the Board to be in their opinion appropriate,

fair and reasonable, provided that any alteration shall be made on the basis that the proportion of the issued share capital of our Company to which a Grantee is entitled after such alteration shall remain the same as that to which he or she or it was entitled before such alteration and that the aggregate Subscription Price payable by a Grantee on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event, but so that no such adjustment will be required in circumstances where there is an issue of Shares or other securities of our Group as consideration in a transaction.

(xvii) Disputes

Any dispute arising in connection with the Share Option Scheme (whether as to the number of Shares being the subject of an Option, the amount of the Subscription Price, or otherwise) shall be referred to the decision of the independent financial advisor or the auditors (as the Board may select) who shall act as experts and not as arbitrators and whose decision shall, in the absence of manifest error, be final, conclusive and binding on all persons who may be affected thereby.

(xviii) Alteration of the provisions of the Share Option Scheme

The Share Option Scheme may be altered in any respect by a resolution of the Board except that:

- (a) any changes to the definitions of “Eligible Participant” and “Grantee” and “Option Period”;
- (b) any material alteration to the terms and conditions of the Share Option Scheme;
- (c) any change to the terms of Options granted (except where the alterations take effect pursuant to the terms of the Share Option Scheme);
- (d) any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme;
- (e) any alteration to the provisions of the Share Option Scheme in relation to the matters set out in Rule 23.03 of the GEM Listing Rules to the advantage of the Grantee; and
- (f) any alteration to the termination provisions of the Share Option Scheme,

must be approved by an ordinary resolution of the Shareholders in general meeting at which any persons to whom or for whose benefit the Shares may be issued under the Share Option Scheme and their respective associates shall abstain from voting provided that the amended terms of the Share Option Scheme or the Options shall remain in compliance with the requirements of Chapter 23 of the GEM Listing Rules and that no such alteration shall operate to adversely affect the terms of issue of any Option granted or agreed to be granted prior to

such alteration or to reduce the proportion of the equity capital to which any person was entitled pursuant to such Option prior to such alteration except with the consent or sanction in writing of such number of Grantees as shall together hold Options in respect of not less than three-fourths of all Shares then subject to Options granted under the Share Option Scheme and provided further that any alterations to the terms and conditions of the Share Option Scheme which are of a material nature shall first be approved by the Stock Exchange.

Our Company must provide to all Grantees all details relating to changes in the terms of the Share Option Scheme during the life of the Share Option Scheme immediately upon such changes taking effect.

(xix) Termination

Our Company, by resolution in general meeting, or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further Option will be offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of the Options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provision of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xx) Cancellation of Options

Our Company may cancel an Option granted but not exercised with the approval of the Grantee of such Option. Cancelled Options may be re-issued after such cancellation has been approved provided that re-issued Options shall only be granted in compliance with the terms of the Share Option Scheme.

E. OTHER INFORMATION

1. Indemnity

Our Controlling Shareholder has entered into a deed of indemnity (the “**Deed of Indemnity**”) (being a material contract referred to in the subsection headed “B. Information about the Business — 1. Summary of material contracts” of this Appendix) to provide the following indemnities in favor of our Group. Our Directors have been advised that no material liability for estate duty is likely to fall on us or our subsidiary.

Under the Deed of Indemnity, the Controlling Shareholder will, amongst others, indemnify each of the members of our Group against taxation falling on any member of our Group resulting from or by reference to any income, profits or gains accrued or received (or deemed to be so earned, accrued or received) on or before the date when the Placing becomes unconditional. The Controlling Shareholder further undertakes to indemnify each of the members of our Group against any losses, damages, costs or expenses which may be suffered or incurred in connection with any form of taxation or taxation claim.

The Controlling Shareholder will, however, not be liable under the Deed of Indemnity for taxation where, among other things, (a) provision has been made for such taxation in the audited accounts of our Group; and (b) the taxation arises or is incurred as a result of a retrospective change in law or regulation or the interpretation thereof or practice by the relevant tax authority coming into force after the date on which the Placing becomes unconditional or to the extent that the taxation arises or is increased by an increase in rates of taxation after the date on which the Placing becomes unconditional with retrospective effect.

In the event the Controlling Shareholder has indemnified our Group for any tax liability and payment arising from any additional assessment by any tax authority pursuant to the Deed of Indemnity referred to above, our Company shall disclose such fact and relevant details by way of an announcement to the public immediately after the payment of indemnification by the Controlling Shareholder.

Our Controlling Shareholder has further undertaken to our Group that, in the event that (i) the special government grant of approximately RMB21.1 million (the “**Special Government Grant**”) provided by the People’s Government of Langfang City in respect of tax provisions and stamp duties arising from the transfer of land, buildings and structures as part of the Reorganization is revoked as a result of the “Notice of the State Council on trimming and regulating preferential tax policies (《國務院關於清理規範稅收等優惠政策的通知》)” issued by the State Council, and (ii) our Group is required to pay the corporate income tax of approximately RMB19.8 million and stamp duties of approximately RMB1.3million in relation to the land rationalization which remained outstanding as of June 30, 2014, our Controlling Shareholder will indemnify our Group against the aforesaid amount of approximately RMB21.1 million and all losses, damages, costs or expenses which may be suffered or incurred in connection with it.

The Controlling Shareholder has also undertaken to indemnify our Group against all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines incurred or suffered by our Group as a result of or in connection with the VIE Arrangement or the Consultancy and Management Agreement.

2. Litigation

As of the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against any member of our Group that would have a material adverse effect on our Group’s results of operations or financial condition.

3. Preliminary expenses

The preliminary expenses incurred by our Company were approximately HK\$16,000 and are payable by our Company.

4. Promoter

Our Company does not have any promoter.

5. The Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Division for the listing of, and permission to deal in, the Shares in issue and any Shares to be issued pursuant to the Placing. All necessary arrangements have been made to enable such Shares to be admitted into CCASS. The Sole Sponsor has met the criteria under GEM Listing Rule 6A.07 and is an independent sponsor to our Company. A sponsor's fee of US\$380,000 was paid to the Sole Sponsor.

6. No material adverse change

Save as disclosed in the section headed "Summary — Recent Developments and No Material Adverse Change" and "Risk Factors — Risks relating to our business — Our financial performance for the six months ending December 31, 2014 and for the year ending June 30, 2015 will be adversely affected due to additional listing expenses.", our Directors confirm that there has been no material adverse change in our financial or trading position since June 30, 2014 (being the date on which our latest audited consolidated financial statements were made up) up to the Latest Practicable Date.

7. Compliance Advisor

Our Company has appointed BNP Paribas as our compliance advisor upon Listing in compliance with Rule 6A.19 of the GEM Listing Rules.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance thereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of section 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Registration of procedures

Our register of members will be maintained in Hong Kong by the Hong Kong Share Registrar.

10. Qualification of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus.

Name	Qualifications
BNP Paribas	Licensed corporation under the SFO to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities as defined under the SFO
PricewaterhouseCoopers	Certified Public Accountants
DTZ Debenham Tie Leung Limited	Property Valuer
Jingtian & Gongcheng Attorneys at Law	PRC Legal Advisors

11. Consents of experts

Each of the experts named in paragraph 11 of this Appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

12. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, Chapter 32L of the Laws of Hong Kong.

13. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
- (i) no share or loan capital of our Company or our subsidiary has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or our subsidiary is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or our subsidiary; and

- (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or our subsidiary;

- (b) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;

- (c) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 24 months preceding the date of this prospectus;

- (d) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and

- (e) our Company has no outstanding convertible debt securities or debentures.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the written consents referred to in the section headed “Statutory and General Information — E. Other information — 11. Consents of experts” in Appendix V to this prospectus, and copies of the material contracts referred to in the section headed “Statutory and General Information — B. Information about the business — 1. Summary of material contracts” in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Morrison & Foerster, 33rd Floor, Edinburgh Tower, The Landmark, 15 Queen’s Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus.

- (a) our 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 report from PricewaterhouseCoopers in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (d) the audited financial statements of the companies comprising our Group for the two years ended June 30, 2013 and 2014 (or for the period since their respective dates of incorporation where they are shorter);
- (e) the letter, summary of values and valuation certificates relating to our property interests prepared by DTZ Debenham Tie Leung Limited, independent property valuer, the texts of which are set out in Appendix III to this prospectus and the full valuation report of DTZ Debenham Tie Leung Limited referred to in Appendix III;
- (f) the PRC legal opinions issued by our PRC Legal Advisors, in respect of our Group’s business operations and property interests in China;
- (g) the material contracts referred to in the section headed “Statutory and General Information — B. Information about the business — 1. Summary of material contracts” in Appendix V to this prospectus;
- (h) the written consents referred to in the section headed “Statutory and General Information — E. Other information — 11. Consents of experts” in Appendix V to this prospectus;

- (i) the rules of the Share Option Scheme; and

- (j) the service contracts referred to in the section headed “Statutory and General Information — C. Further information about the Directors and Substantial Shareholders — 1. Directors — (b) Particulars of service contracts” in Appendix V to this prospectus.



Oriental
UniversityCity
东方大学城

Oriental University City Holdings (H.K.) Limited
東方大學城控股(香港)有限公司