You should carefully read and consider all of the information in this document including the risks and uncertainties described below before deciding to make any investment in our Shares. Our business, financial condition or results of operations could be materially adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks and uncertainties. As a result you may lose part or all of your investment.

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

RISKS RELATING TO OUR BUSINESS AND OUR INDUSTRY

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

The tuition fees and boarding fees we charge at our schools are among the most significant factors affecting our profitability. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, tuition fees represented 91.2%, 91.7%, 91.3% and 90.8% of our total revenue, respectively, and boarding fees accounted for 6.6%, 6.1%, 6.2% and 6.8% of our revenue, respectively. Our tuition fees and boarding fees are primarily determined based on, among other things, the demand for our educational programmes, the cost of our operations, the geographic markets where we operate our schools, the fees charged by our competitors, our pricing strategy to gain market share and general economic conditions in China and the geographical markets where we operate our schools.

Our tuition fees and boarding fees were historically subject to a fee charge permit system which was cancelled nationwide on 1 January 2016. The governments of Jiangxi and Guangdong provinces subsequently promulgated detailed regulations in 2015 and 2016, respectively, stipulating that after making public announcement, private schools may determine at their own discretion the level of tuition fees and boarding fees. For more details, see the section headed "Regulations – Regulations on Private Education in the PRC." Although regulatory approval on the level of tuition fees and boarding fees is no longer required in Jiangxi and Guangdong provinces, we cannot assure you that other types of regulatory pricing control will not be promulgated in the future. If any other types of regulatory control on the level or types of fees private schools may charge are promulgated in the future, it will directly impact our growth potential.

In addition, even if we can now determine the level of tuition fees and boarding fees at our own discretion, we also cannot assure you that we will be able to maintain or raise the level of tuition fees and boarding fees we charge at our schools in a sustainable manner in the future due to various reasons or even if we are able to maintain or raise the level of tuition fees and boarding fees, we cannot assure you that we will be able to maintain our competitiveness and our ability in attracting students to apply for our schools at such increased level of fee. Our business, financial position and results of operations may be materially and adversely affected if we fail to maintain or raise the level of tuition fees and boarding fees or attract sufficient prospective students.

Furthermore, some of our students may experience financial difficulties in paying tuition fees and boarding fees. If such students are unable to make full payments in a timely manner, we may have to recognise impairment losses on trade receivables, which could have a material and adverse impact on our results of operations and financial condition. For the years ended 31 December 2014, 2015 and 2016, we recognised impairment loss on trade receivables of RMB0.3 million, RMB4.1 million and RMB0.4 million, respectively.

We generate all of our revenue from a limited number of schools in two provinces.

During the Track Record Period, we generated all of our revenue from one school in Jiangxi province, i.e. Jiangxi University of Technology, and one school in Guangdong province, i.e. Guangdong Baiyun University. We further obtained control of Baiyun Technician College, which is also located in Guangdong province, after the Track Record Period on 14 August 2017. If any of our schools experiences an event that materially and negatively affects its student enrolment, tuition fees, school operations or reputation in general, our business, financial condition and results of operations may be materially and adversely affected. Geographically, while we admit students from various provinces, municipalities or autonomous regions in China, a majority of our students are from Jiangxi and Guangdong provinces, as well as neighbouring provinces, municipalities or autonomous regions. If any of the areas in which we operate experiences an event that materially and negatively affects its education industry or our schools, such as an economic downturn, a natural disaster or an outbreak of a contagious disease, or if any governmental authorities of the provinces in which we operate adopt regulations that place additional restrictions or burdens on our schools or on the education industry in general, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may expand our school network through acquisitions or cooperation with third party partners and may not be able to successfully execute such expansion strategy.

One of our growth strategies is to grow our business by acquiring or cooperating with other schools. We believe we face challenges in integrating the business operations and management philosophies of acquired schools. The benefits from future acquisitions depend, to a significant extent, on our ability to effectively integrate the management, operations, technology and personnel of the acquired schools. The acquisition and integration of acquired schools is a complex, time-consuming and expensive process that, without proper planning and implementation, could significantly disrupt our business operations and reputation. The main challenges involved in integrating acquired schools including:

- retaining qualified teaching staff and existing students;
- consolidating educational services offered by the acquired schools;
- compliance with regulatory requirements;
- the acquired schools may have a culture that is adverse to change and not receptive to our education values and methods;
- integrating information technology platforms and administrative infrastructure with minimal disruptions to the existing operations of the acquired schools;

- minimising the diversion of our management's attention from on-going business concerns;
- minimising disruptions to existing student's curricula and ensuring their ability to progress through the education system is not hindered as a result of the acquisition; and
- ensuring and demonstrating to our stakeholders that the new acquisitions will not result in any adverse changes to our established brand image, reputation, teaching quality or standards.

Apart from the obtaining of control of Baiyun Technician College, we do not have prior experience in acquiring schools and we cannot assure you that we will be able to identify suitable acquisition targets and that our due diligence efforts will reveal all material deficiencies in the target schools. We may not successfully integrate our operations and the operations of the schools we acquire in a timely manner, or at all, and we may not realise the anticipated benefits or synergies of the acquisitions to the extent, or in the timeframe we anticipated, in which case there may be material adverse effects on our business, financial condition and results of operations. We cannot assure you that we will be able to manage or minimise disruptions to the acquired schools as a result of a change in management. Failure to do so may result in adverse effect on our brand and reputation.

In August 2017, the NDRC, MOFCOM, PBOC and the Ministry of Foreign Affairs (外交部) issued the Opinion on Further Guiding and Regulating Direction of Overseas Investment (關於進一步引導和規範境外投資方向的指導意見) (the "**Opinion**") for the purposes of providing further guidance and regulation on overseas investments. The Opinion sets out, among other things, certain categories of overseas investments that should be "encouraged," "restricted" or "prohibited." We expect the PRC government will implement more concrete measures and step up its efforts in scrutinising and regulating overseas investments going forward. It is uncertain which category our future overseas expansion plans will fall into. We cannot assure you that our future overseas expansion plans will not be adversely affected by the Opinion or the relevant policies and measures implemented by the PRC government. Any PRC regulatory intervention may delay our future overseas expansion plans or render them infeasible, and may therefore have a material adverse effect on our future prospects.

In addition to acquisition, we are also planning to expand our school network and replicate our success by cooperating with third party partners and leveraging our brand and reputation. Through such cooperation, we plan to seek potential third party partners to provide land use rights to the campus sites and build the necessary school facilities that meet our standards while we will provide teaching resources and school management and operation expertise. However, we do not have prior experience in such cooperation and we cannot assure you that we will be able to identify suitable opportunities and execute such strategy effectively. We also cannot assure that we will be able to realise our expected returns from such cooperation. We only operate our business to Jiangxi and Guangdong provinces and may not be able to replicate or adapt our business model in other provinces in the PRC where demographics and regulatory requirements may vary.

If we are not able to execute our expansion strategy effectively, our reputation and student enrolment potential may be negatively affected, which may have a material and adverse effect on our business operations and financial condition.

The goodwill and intangible assets arising from obtaining control of Baiyun Technician College represent a significant portion of the assets on our consolidated balance sheet. If we determine our goodwill and intangible assets to be impaired, our results of operations and financial condition may be adversely affected.

On 14 August 2017, we obtained control of Baiyun Technician College and, as a result, recognised a significant amount of goodwill and intangible assets that represent a significant portion of the assets on our consolidated balance sheet. The trademark of Baiyun Technician College and student roster, representing the secured enrolment in Baiyun Technician College's vocational training programmes, constitute the pro forma intangible assets (other than goodwill) of the enlarged group as of 30 June 2017. Based on the unaudited pro forma consolidated financial information of the enlarged group (as if the obtaining of control of Baiyun Technician College by our Group had taken place on 1 January 2016) for the year ended 31 December 2016 and the six months ended 30 June 2017, the pro forma goodwill and intangible assets (other than goodwill) of the enlarged group amounted to RMB344.1 million and RMB229.3 million, respectively, accounting for 26.5% and 17.7% of the pro forma total assets of the enlarged group, respectively.

The value of goodwill and intangible assets arising from our obtaining control of Baiyun Technician College is based on forecasts, which are in turn based on a number of assumptions. In particular, we have assumed the trademark "白雲技校" owned by Baiyun Technician College has an indefinite economic life and the student roster of Baiyun Technician College has an expected economic life of approximately four years. If any of these assumptions does not materialise, or if the performance of our business is not consistent with such assumptions, we may be required to have a significant write-off of our goodwill and intangible assets and record an impairment loss, which could in turn adversely affect our results of operations.

We will determine whether goodwill and certain intangible assets are impaired at least on an annual basis and there are inherent uncertainties relating to these factors and to our management's judgment in applying these factors to the impairment assessment. We could be required to evaluate the impairment prior to the annual assessment if there are any impairment indicators, including disruptions to the operations of Baiyun Technician College, unexpected significant declines in operating results or a decline in our market capitalisation, any of which could be caused by our failure to successfully manage Baiyun Technician College.

We may also suffer from significant impairment loss even if we determine to slightly amend any assumption used in our impairment testing. For example, according to our sensitivity analysis (see "Financial Information – Financial Information of Baiyun Technician College – Sensitivity Analysis of Assessment of Impairment on Goodwill and Intangible Assets"), a 5% increase in discount rate would result in an expected impairment of approximately RMB40.3 million. We may suffer impairment loss even if the performance of Baiyun Technician College is within the management's expectation, but does not align with market. If we record an impairment loss as a result of these or other factors, our results of operations and financial condition may be adversely affected. Impairment loss could also negatively affect our financial ratios, limit our ability to obtain financing and adversely affect our financial position. Any potential change in the amortisation period of intangible assets could also increase the amortisation expenses charged to our profit or loss following our regular assessment, which could in turn adversely affect our results of operations.

In connection with us obtaining control of Baiyun Technician College, Mr. Xie has provided a profit guarantee in favour of us (see "History, Reorganisation and Corporate Structure – Obtaining Control of Baiyun Technician College"). However, we cannot assure you that the amount we are able to recover under the profit guarantee, if any, will be sufficient to cover any impairment loss we may be required to recognise in connection with the goodwill and intangible assets arising from our obtaining control of Baiyun Technician College.

We may not be able to manage our growth successfully or effectively by expanding our existing operations and increasing our school capacity and utilisation rate, which may hinder our ability to capitalise on new business opportunities.

One of our business strategies is to further increase the capacity and improve the utilisation rate of our existing schools. For more information, see "Business – Our Business Strategies." We may not succeed in expanding our existing school operations due to a number of factors, including failure to do the following:

- increase student enrolment in our existing schools;
- admit all qualified students who would like to enrol in our schools due to the capacity constraints of our school facilities;
- identify cities with sufficient growth potential in which we can establish new schools;
- identify suitable acquisition targets;
- effectively execute our expansion plans;
- acquire or lease suitable land sites in the cities to which we plan to expand our operations;
- obtain government support or to partner with local governments in cities where we already have schools or in cities or areas to which we plan to expand our operations;
- further promote ourselves in existing markets or effectively market our schools or brand in new markets;
- replicate our successful growth model in new regions or markets;
- effectively integrate any future acquisitions into our Group;
- continue to enhance our course materials or adapt our course materials to changing student needs and teaching methods; and
- achieve the benefits we expect from our expansion.

Our expansion plans and the increase in student enrolment may result in substantially higher demands for resources such as teachers, facilities and management personnel, making more difficult for us to maintain the teaching quality and study environment of our schools and requiring our management to devote significantly more time and resources to manage our operations. To support our growth, we may also need to incur significant expenditures for, among other things, management and staff recruitment, acquisition of other schools, facilities maintenance and expansion, and the construction and operation of new campuses. We may not be able to secure adequate funding to fund our planned operations. See "– We may not be able to secure additional funding to fund our planned operations."

The growth of our business operation is, to a certain extent, limited by demographics. Although we admit students across all provinces, municipalities, and autonomous regions in China, a substantial amount of our students are admitted from the local or neighbouring provinces, municipalities or autonomous regions. Even if we are able to increase capacity at our schools, we cannot assure you that there is sufficient demand from these locations to support our growth. If we fail to successfully expand our existing operations, we may not be able to maintain our growth rate and, as a result, our business, financial condition and results of operations may be materially and adversely affected.

We may not be able to successfully increase student enrolment at our schools due to the constraint of our school capacity and approvals from government authorities, such as admission quotas, which may hinder our ability to expand our business.

One of the most significant factors affecting our profitability is the number of students enrolled at our schools. Our student enrolment may be restrained by the capacity of our schools. Our schools' educational facilities are limited in space and size. We may not be able to admit all qualified students who would like to enrol in our schools due to the capacity constraints of our current school facilities. Furthermore, without building additional facilities such as classrooms and dormitories or relocating to another site with more capacity in the local area, we may not be able to effectively expand our capacity at our current campuses. If we fail to expand our capacity as quickly as the demand for our services grows, or if we otherwise fail to grow by acquiring or building additional schools or campuses, we may not be able to admit more potential students, and our results of operations and business prospects could be adversely affected.

Apart from capacity constraints, the number of students our schools are able to admit each school year is set and approved by the relevant PRC education authorities. According to the Opinions of the Ministry of Education on Further Regulating Higher Education Enrolment Programme (《教育部關於進一步規範高等教育招生計劃管理工作的意見》), student enrolment for graduate and undergraduate programmes is subject to the approval of the MOE, while student enrolment for junior college programmes is subject to the approval of the relevant provincial education authorities. With an aim to further promoting equal access to education in different areas in China, the Notice of the Ministry of Education on Enrolment of Ordinary Colleges and Universities issued in 2017 (《教育部關於做好 2017 年普通高校招生的通知》) instructs universities and colleges to continue to implement the "Support for the Midwest Admissions Programme" and to further increase student enrolment quota in the provinces in the central and western regions of China where the enrolment rate is currently relatively low compared to other more developed regions. However, we cannot assure you that we will be able to successfully increase student enrolment capacity at our schools, which is subject to the approvals of the relevant government authorities and beyond our control.

The private higher education business is relatively new and may not gain wide acceptance in China.

Our future success is highly dependent on the acceptance, development and expansion of the market for private education services in China. The private educational services market began to develop in the early 1990s and has grown significantly due to favourable policies adopted by the PRC government. In 1997, the State Council of the PRC promulgated the first regulation to promote the private education industry in China. However, providing private education services for the purpose of seeking reasonable returns was only permitted in China starting from 2003 when the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》) became effective.

The development of the private education industry has been accompanied by significant press coverage and public debate concerning the management and operations of private schools and universities. Despite the penetration rate of private higher education as a whole in China has reached 21.9% in 2016, we believe there remains considerable uncertainty as to acceptance of private higher education in the PRC. At the school operation level, we need to compete for quality students and teachers with government-operated education institutions. These institutions in general have traditionally enjoyed better acceptance and preferential government policies than private education institutions in China. Recent education reforms have enabled private education institutions to compete on a more level playing field with government-operated institutions. For further details, see "Regulations – Regulations on Private Education in the PRC." We cannot assure you that further policy reforms will continue to be conducive to the development of private education in the PRC. If the private education business model fails to gain attraction or wide acceptance among the general public in China, especially among students and their parents, or if the regulatory environment otherwise becomes less favourable in the future, we may be unable to grow our business.

We face intense competition from existing players and industry consolidation in the PRC higher education industry, which could lead to adverse pricing pressure, reduced operating margins, loss of market share, departures of qualified employees and increased capital expenditures.

According to the Frost & Sullivan Report, although the high barriers to entry deter new competitors from entering the higher education industry in the PRC, there is intense competition from existing market players, particularly those with a sizeable operation and established reputation, and industry consolidation. According to the Frost & Sullivan Report, the higher education industry in the PRC is highly fragmented and is going through a stage of structural adjustment with leading players continuing to develop with the primary strategy of pursuing growth through mergers and acquisitions, and we expect competition among established players in this industry to persist and intensify. As part of our growth strategy, we also plan to add suitable universities, junior colleges and/or technical schools to our school network through acquisition, cooperation or other means (see "Business – Our Business Strategies – Expand our school network through acquisition and business cooperation"). We compete with other market players in the industry, who may have more resources and experience in mergers and acquisitions, for suitable acquisition or cooperation targets. If we are not able to execute such growth strategy effectively due to our limited prior experience in such transactions, limited resources or any other reasons, our growth prospects could be adversely affected. We generally compete with established public and private universities and colleges that offer higher education programmes. We compete with these schools in many aspects, including reputation, innovation, the quality of the programmes and curriculum offerings, expertise and reputation of teachers, the level of tuition fees and boarding fees, as well as school location and condition of facilities.

Our competitors may offer similar or superior curricula, school support and marketing approaches, with different pricing and service packages that may have greater appeal than our offerings. In addition, some of our competitors may have more resources than we do and may be able to devote greater resources than we can to the development and promotion of their schools and respond more quickly than we can to changes in student demands, admissions criteria, market needs or new technologies. In particular, public schools may receive preferential treatments from governmental authorities, such as government subsidies and tax exemptions, and may be able to offer quality educational programmes at lower prices than we do. In addition, the expenditure for PRC public education system continues to increase which we believe may lead to improvements in terms of resources, admission policies and teaching quality and approaches, which may lead to increased competition for us. If public schools relax their admission criteria, offer more diversified curricula or improve their campus facilities, they may become more attractive to students and, as a result, student enrolment in our schools may decrease.

As a result, we may have to reduce tuition fees or boarding fees or increase capital expenditure in response to competition to retain or attract students or pursue new market opportunities. If we are unable to successfully compete for new students, maintain or increase our level of tuition fees and boarding fees, attract and retain competent teachers or other key personnel, enhance the quality of our educational services or control costs of our operations, our business and results of operations may be materially and adversely affected.

Our business relies on our ability to recruit and retain dedicated and qualified teachers.

We rely substantially on our teachers to provide educational services to our students. Our teachers are therefore critical to maintaining the quality of our programmes and curriculum and to upholding our reputation. As of 31 August 2017, we had a team of 3,520 teachers (including the teachers of Baiyun Technician College, the control of which we obtained in August 2017). In order to deliver high quality education consistently, we are required to retain and attract qualified teachers who share our educational philosophy and meet our high standards. Furthermore, the highly technical nature of some of our course offerings require teachers with expertise in the relevant subject areas. However, there is a limited supply of qualified teachers with the necessary experience and expertise to teach our courses. As a result, we may not be able to hire or retain sufficient number of qualified teachers to keep pace with our anticipated growth while maintaining consistent quality of our education programmes across our schools. If we fail to manage our teachers effectively or provide competitive compensation and benefits packages to attract and retain qualified teachers, the quality of our services may deteriorate, and our reputation, business and results of operations may be materially and adversely affected.

Our continuing success depends on our ability to attract and retain our senior management and other qualified school management personnel.

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

Our business is heavily dependent on our reputation and any damage to our reputation would materially and adversely affect our business. Negative publicity concerning our schools or our Group may adversely affect our reputation, business, growth prospect and our ability to recruit qualified teachers and staff.

We are a leading large scale private higher education group in China, operating a list of well-recognised and time-honoured private higher education institutions. We focus on offering high quality education through innovation. We believe that our success heavily depends on the market recognition of the brand and reputation of our schools and our Group. Our ability to maintain our reputation depends on a number of factors, some of which are beyond our control. As we continue to grow in size and expand our programmes and curriculum offerings, it may become difficult to maintain the quality and consistency of the services we offer, which may result in diminishing confidence in our brand names.

Numerous factors can potentially impact our reputation, including but not limited to, students' and parents' satisfaction levels with our curricula, teachers and teaching quality, the academic performance achieved by our students, the number of our graduates being able to secure satisfactory employment, accidents on campus, teacher or student scandals, negative press, disruptions to our educational services, failure to pass an inspection by a government education authority, loss of certifications and approvals required for our operation and unaffiliated parties using our brand without adhering to our standards of education. In particular, actions of our students and teachers may negatively affect our reputation. For example, in 2013, certain teachers and students of Jiangxi University of Technology colluded to cheat on the National Higher Education Entrance Examination for Adults. Some of the teachers were investigated and sentenced to imprisonment by the relevant authorities. Although we did not perpetrate this incident, we suffered a certain degree of reputational damage. As a result of the incident, Jiangxi University of Technology was removed from the list of approved entrance examination centres for adults and was disqualified from admitting students for adult higher education for the year of 2014. After the incident, we carried out a series of measures to prevent a recurrence of the incident in the future. For example, we have employed the use of technological equipment and implemented strict rules with a view to countering cheating activities. See the section headed "Business – Internal Control and Risk Management – Internal Control". We are committed to continuously enhancing our ethical education for teachers and students. However, in some cases, it is very difficult for us to discover cheating activities especially when they are conducted in an unprecedented manner. Despite our efforts in countering cheating activities, we cannot guarantee you that similar incidents will not occur in the future. If we are unable to sustain or strengthen our reputation and brand recognition or our reputation is damaged, we may not be able to maintain or increase student enrolment, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our new student enrolment has historically been driven primarily by word-of-mouth referrals. Therefore reputation is extremely important to our schools and our future success. In the meanwhile, we also employ other marketing methods to promote our brand from time to time, such as school websites, promotional materials both online and offline. However, there is no assurance that our marketing efforts will be successful or sufficient in maintaining or further promoting our brand or in helping us to maintain our competitiveness. If we are unable to further enhance our reputation and increase market awareness of our programmes and services, or if we are required to incur excessive marketing and promotional expenses in order to remain competitive, our business, financial condition and results of operations may be materially and adversely affected. There was negative publicity about our schools in the past. We may also be subject to additional negative publicity in the future, which, even if untrue, may damage our brand image and reputation, deter prospective students and teachers from attending or joining our schools and take up excessive time of our management and other resources. As a result, our business, financial condition and results of operations may be materially and adversely affected.

Our graduates' employment rates and average starting salaries may decrease and satisfaction with our schools may otherwise decline.

We position our schools as private higher education institutions that equip graduates with the practical skills desired by employers in industries with significant recruitment demands, which enhances the competitive advantages of our students in the job market as they are able to smoothly transition into the working environment and embark on new tasks after graduation. We believe that, as a result, graduates of our schools have been able to achieve relatively high employment rates, which in turn attracts an increasing number of applications for our schools.

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

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

We could be held liable for the accidents or injuries or other harm to students or other people at our schools, including those caused by or otherwise arising in connection with our school facilities or employees. We could also face claims alleging that we were negligent or we provided inadequate maintenance for our school facilities or supervision of our employees and may therefore be held liable for accidents or injuries suffered by our students or other people at our schools. In addition, if any of our students or teachers is involved in any physical confrontation or act of violence, we could face allegations that we failed to provide adequate security or were otherwise responsible for his or her actions. We may also face reputation risks if our students or employees suffer injuries outside our school campuses. Such incidents may discourage prospective students from applying to or attending our schools. For example, a student at Guangdong Baiyun University and a student at Jiangxi University of Technology committed suicide during the Track Record Period. Although our universities were not liable for these incidents, negative press releases regarding this incident still caused certain negative impact on our universities. Furthermore, although we maintain liability insurance, the insurance coverage may not be adequate to fully protect us from these kinds of claims and liabilities. In addition, we may not be able to obtain liability insurance in the future at reasonable prices or at all. A liability claim against us or any of our employees could adversely affect our reputation and student enrolment and retention. Even if it is unsuccessful, such a claim could create unfavourable publicity, cause us to incur substantial expenses and divert the time and attention of our management, all of which may have material adverse effects on our business, financial condition, results of operations and prospects.

We could be liable and suffer reputational harm if a third-party service provider provides inferior food catering services harming our students, which may have a material adverse effect on our business and reputation.

We outsource part of the meal catering services at our schools to Independent Third Parties which operate canteens on our campuses for our students. While we have internal control over the quality of these service providers, such as conducting due diligence in relation to the requisite licences and qualifications of the providers, it is impracticable for us to monitor the day-to-day operations of our service providers. As such, we cannot assure you that incident caused by poor food quality related issues will not occur in the future and, if we are unable to manage these incidents effectively, we could be exposed to reputational and legal risks as a result of such incidents, which could materially and adversely affect our business and reputation.

We are subject to uncertainties brought by the Amendment of Law for Promoting Private Education of the PRC.

Our business is regulated by, among others, the Law for Promoting Private Education of the PRC. The Decision on Amending the Law for Promoting Private Education was promulgated on 7 November 2016 and came into force on 1 September 2017. It classifies private schools into non-profit schools and for-profit schools by whether they are established and operated for profit-making purposes. The sponsors of private schools may at their own discretion choose to establish non-profit or for-profit private schools, with the exception of schools providing compulsory education, which can only be established as non-profit schools.

The Decision on Amending the Law for Promoting Private Education was recently promulgated and PRC government authorities may further formulate regulations to implement it. It remains uncertain as to whether new regulations could have any material adverse impact on our business. There is also significant uncertainty as to tax or other preferential treatments that our schools can enjoy (as non-profit private schools or for-profit schools which we choose to register) after the Decision on Amending the Law for Promoting Private Education and the relevant regulations come into force. In addition, there are uncertainties regarding the interpretation and enforcement of the Decision on Amending the Law for Promoting Private Education and the relevant regulations by government authorities. Should we fail to fully comply with the Decision on Amending the Law for Promoting Private Education or any relevant regulations as interpreted by the relevant government authorities, we may be subject to administrative fines or penalties or other negative consequences which could materially and adversely affect our brand name and reputation, as well as our business, financial condition and results of operations.

On 30 December 2016, the Implementation Regulations for Classification Registration of Private Schools (《民辦學校分類登記實施細則》) (the "**Classification Registration Rules**") was promulgated by five PRC government authorities, including the MOE. According to the Classification Registration Rules, the existing private schools are required to choose to register either as non-profit or for-profit private schools with competent government authorities. If our schools elect to register as for-profit schools, we are required to (i) undertake financial liquidation, (ii) clarify the ownership of land, school premises and properties we accumulated during our operations, (iii) pay relevant taxes and fees, and (iv) obtain a new private school operation permit and re-register with relevant authorities. As of the Latest Practicable Date, the Classification Registration Rules had not yet come into effect. We are still unable to predict or estimate the potential costs and expenses in choosing and adjusting our structure. We may incur significant administration and financial costs when the Classification Registration Rules come into effect and we are required to complete the re-registration process, which may materially and adversely affect our business, financial condition and results of operations. However, we cannot assure you that the implementation of the relevant rules and regulations by the competent authorities will not deviate from we were given to understand.

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

For campuses and school facilities constructed and developed for our schools, we are required to obtain various permits, certificates and other approvals from the relevant authorities, including but not limited to land use right certificates, planning permits, construction permits, approvals for passing environmental impact assessments, environmental protection acceptance check, approvals for passing fire control design assessments, approvals for passing fire control acceptance check, registration for passing acceptance inspections upon construction completion, as well as building ownership certificates. If we encounter difficulties in obtaining any required permits, certificates and approvals for the construction and development of our new campuses, the time of new campuses being put into use and our student recruitment for the new campuses may be delayed, which may negatively affect the effectiveness of our growth strategies. In particular, we were allocated the Zhongluotan Land from the relevant government authorities, which is expected to be used for the construction of a new campus of Guangdong Baiyun University. We cannot assure you that we will be able to complete the construction before our expected completion date, which may result in a significant delay in the commencement of operation of the new campus of Guangdong Baiyun University.

Some of the properties we use for our operations are not in compliance with applicable laws and regulations in the PRC. See "Business – Properties" for further details. As of the Latest Practicable Date, we had not (i) obtained land use right certificates for land with an aggregate site area of 28,218.0 sq.m., representing approximately 1.7% of the aggregate site area of all the land owned by us; (ii) obtained building ownership certificates for buildings with an aggregate GFA of 179,982.25 sq,m., representing approximately 21.6% of the aggregate GFA of all the buildings owned and used by us; and (iii) complied with the fire control assessment requirements for buildings with an aggregate GFA of 176,995.65 sq.m., representing approximately 21.3% of the aggregate GFA of all the buildings owned and used by us. As a result, our right to use these properties may be limited or challenged by the relevant government authorities or third parties. The risks in connection with the non-compliance issues concerning these properties generally include the following:

- for the properties that we have put into use without obtaining the land use right certificates, our rights to the land may be challenged by third parties, and the land administrative authorities may also order us to return the land that is illegally occupied and a fine may be imposed concurrently;

- for the properties of which we have commenced construction without obtaining the certificates for passing fire control design assessments or put into use without obtaining the approvals for passing fire control acceptance check, we may be subject to a fine ranging between RMB30,000 to RMB300,000 and/or suspension of the construction or usage of the relevant properties before the incident is rectified;

- for the properties that we have put into use without passing construction completion inspections, we may be required to make corrections, subject to a fine ranging between 2% to 4% of the total price of the construction contract of the affected premises and liable for compensation of the relevant loss and damage caused;

- for the properties that we have started construction activities without obtaining the construction planning certificates, we may be required to demolish the relevant buildings or groups of buildings and be subject to fines of up to 10% of the construction costs of the buildings or groups of buildings, respectively;

- for the properties that we have started construction activities without obtaining the construction permit, we may be required to make corrections within a time limit and be subject to fines between 1% to 2% of the overall construction contract cost; and

- for the properties that have not complied with fire control assessment procedures, we may be subject to the risk of being prohibited from using such properties and a fine between RMB30,000 and RMB300,000 per building.

In particular, the non-compliance issues concerning certain land and buildings used by our Guangdong Baiyun University and Baiyun Technician College involve a considerable GFA relative to the corresponding campus and any regulatory enforcement action may potentially result in material disruptions to our operations at Guangdong Baiyun University or Baiyun Technician College, which may in turn have a material adverse effect on our financial condition. We may be required by the relevant government authorities to cease the use of the relevant buildings, demolish the relevant buildings and/or adopt other corrective measures of similar effect. Although our PRC Legal Adviser is of the view that such risk is remote, we cannot assure you that it will not, in whole or in part, materialise. The relocation plan for the existing operations of the relevant buildings to the new campus to be constructed on the Zhongluotan Land may be materially disruptive to our operations and the learning environment of our students. The relocation plan may also experience significant delay for various reasons that we may have limited or no control over, including any delay in obtaining the relevant certificates and permits required for the construction of the new buildings and facilities to commence, delay in compliance with various inspection and assessment procedures before any school building or facility can be put to use and delay or default by our building contractors. We have limited prior experience in executing and implementing any relocation plan of this scale. As such, we cannot assure you that the relocation plan will be implemented and executed successfully (or at all) as scheduled and that the relocation plan will be an adequate mitigation against the potential risks of non-compliance. We may face regulatory enforcement actions from the relevant government authorities before the implementation of the relocation plan is complete. Construction of the new campus on the Zhongluotan Land involves substantial capital expenditure and we cannot assure you that the actual expenditure will not exceed the budgeted investment amount. See "Business – Our Business Strategies – Develop new school campus to further increase our capacity and student body." Any material deviation from the budgeted expenditure may have a material adverse effect on our financial position and the progress of our relocation plan.

Furthermore, we cannot assure you that any remedial measures in connection with our properties will be implemented as intended, or at all. We cannot assure you that we will not encounter any impediment in re-applying for the relevant certificates, permits or licences. We may also incur substantial costs when implementing such remedial measures, which could adversely affect our financial position. Our remedial measures may also divert management attention and other resources.

Jiangxi University of Technology, Guangdong Baiyun University and Baiyun Technician College had not passed the environmental protection inspection assessment as required under the PRC environmental protection laws and regulations until 2016, 2017 and 2017, respectively, when such non-compliance was rectified. As advised by our PRC Legal Adviser, for construction projects of which we have commenced construction prior to submitting the environmental impact assessments, we may be subject to a fine between 1% to 5% of the overall investment amount for such construction project and be ordered to adopt remedial measures, and for construction projects that we have put into use without passing environmental protection inspection assessment, we may be subject to no more than RMB100,000 in fine and/or temporary suspension of the usage of the relevant construction projects before rectification. Although our PRC Legal Adviser is of the view that the risk of us being penalised by the relevant authorities due to such historical non-compliance is remote given that all construction projects of our schools subsequently passed the relevant assessments, we cannot assure you that the relevant authorities will not interpret, implement and enforce the relevant rules and regulations differently.

In the event that we lose the rights to any of our land and buildings, our use of such land and buildings may become limited, or we may be forced to relocate our schools and incur additional costs, in which case there will be disruptions to our school operations and our business, financial condition and results of operations may be materially and adversely affected. If any of the above risks materialises, our business, financial condition and results of operations may be materially and adversely affected.

We may not be able to obtain all necessary approvals, licences and permits and to make all necessary registrations and filings for our education services in the PRC.

We are required to obtain and maintain various approvals, licences and permits and to fulfil registration and filing requirements in order to conduct and operate our education and related services. For example, to establish and operate a school, we are required to obtain and/or renew, among others, a private school operation permit from the local education bureau (in the case of universities) or the human resources and social security bureau (in the case of technical schools) and to register with the local civil affairs bureau to obtain a certificate of registration for a privately-run non-enterprise unit, or legal entity. In addition, we need to pass annual inspections conducted by the local civil affairs bureau and local education bureau or human resources and social security bureau. We also need to obtain approvals from the local education authorities (in the case of universities) or the human resources and social security bureau (in the case of technical schools) as to the scale and scope of our student recruitment activities. We had obtained all material requisite permits and completed the necessary filings, renewals and registrations for our schools during the Track Record Period. However, there is no assurance that we will be able to obtain all required permits on a timely basis going forward given the wide discretion the local authorities may have in interpreting, implementing and enforcing the relevant rules and regulations, as well as other factors beyond our control and anticipation.

The unavailability of any favourable regulatory treatment, particularly government grants could adversely affect our business, financial condition and results of operations.

We enjoy certain favourable regulatory treatment, particularly government grants, which are offered primarily for the purpose of promoting the development of private higher education institutions. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, we recorded government grants in the total amount of approximately nil, RMB0.1 million, RMB2.5 million and RMB2.3 million, respectively. See "Financial Information – Financial Information of Our Group Comprising Two Schools during the Track Record Period – Key Components of Our Results of Operations – Other Income" for further details.

However, it is in the relevant government authorities' sole and absolute discretion, subject to relevant PRC laws, regulations and policies, to determine whether and when to provide government grants to us, if at all. We cannot assure you that we will be able to receive government grants in the future. Furthermore, any unexpected changes in the PRC laws, regulations and policies may result in uncertainty in the availability of government grants or any other favourable treatment to us. If we are unable to obtain or maintain government grants or any other favourable treatment in the future in the same amount or at all, the reduction in the amount of government grants or other favourable treatment received by us may impact our Group's results of operations and cash flows and we may experience decreases in profitability, and our business, financial condition and results of operations could be adversely affected.

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

We may, from time to time, be involved in disputes with and subject to claims by parents and students, teachers and other school personnel, our suppliers and other parties involved in our business. We cannot assure you that when legal actions arise in the ordinary course of our business, any of the legal actions will be resolved in our favour. In the event that such legal actions cannot be resolved in our favour, we may be subject to uncertainties as to the outcome of such legal proceedings and our business operations may be disrupted. Legal or other proceedings involving us may, among others, result in us incurring significant costs, divert management's attention and other resources, negatively affect our business operations, cause negative publicity against us or damage our reputation, regardless whether we are successful in defending such claims or proceedings. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We had net current liabilities as of 31 December 2014 and 2015 and 31 October 2017. We may be exposed to liquidation risks, and our business, financial condition and results of operation may be materially and adversely affected as a result.

As of 31 December 2014 and 2015, we had net current liabilities of RMB92.8 million and RMB118.8 million, respectively. We had net current liabilities as of each of these dates primarily because we recognised advanced payments of tuition fees and boarding fees received from students as deferred revenue (which were recorded as current liabilities) and utilised a portion of the cash from such payments to make advances to our Directors (which were recorded as non-current assets as such advances were not repayable within one year) and finance the construction of our school buildings and facilities (which were recorded as non-current assets). As of 31 December 2016 and 30 June 2017, we had net current assets of RMB259.0 million and RMB499.1 million, primarily because of an increase in amounts due from directors that were recorded as current assets as they became repayable within one year. As of 31 October 2017, based on the unaudited management accounts prepared by our Company, we had net current liabilities of approximately RMB256.4 million (unaudited and for reference only) primarily because (i) we obtained control of Baiyun Technician College in August 2017, the consideration of which was financed out of our current assets, and most of the relevant assets recognised, particularly goodwill and intangible assets and property, plant and equipment relating to Baiyun Technician College, were primarily recorded as our non-current assets; and (ii) certain bank borrowing became repayable within one year as of 31 October 2017 as it approached maturity. In view of these circumstances, our Directors have considered our future liquidity and performance and our available sources of finance and confirm that we will have sufficient financial resources to meet our financial obligations as they fall due in the next twelve months by taking into account our cash flow projection, the expected net proceeds from the Global Offering, unutilised bank facilities, and our future capital expenditure in respect of our non-cancellable capital commitments. For additional information on our liquidity position, see "Financial Information – Financial Information of Our Group Comprising Two Schools During the Track Record Period – Net Current Assets and Liabilities." We may be exposed to liquidation risks, and our business, financial condition and results of operation may be materially and adversely affected as a result of our net current liability positions.

We cannot assure you that we will always be able to obtain adequate financing to meet our future working capital requirements and we may have net current liabilities in the future. The inability to obtain additional short-term bank loans, loans or other additional financing on a timely basis, on acceptable terms or at all would materially and adversely affect our ability to satisfy our working capital requirements. In addition, we cannot assure you that we will be able to obtain additional working capital to execute our growth strategies, or that future expansion of our school network will not materially and adversely impact the current or future level of working capital. Furthermore, we provide refund to students who withdraw from our schools. For more information, please see the section headed "Business – Our schools – Overview – Tuition Fees and Boarding Fees." Although we have a limited number of students that withdraw from our schools in the past, if an unusually large number of students withdraw from our schools in the future, our financial position may be adversely impacted.

We had negative net operating cash flows for the six months ended 30 June 2016 and 2017.

For the six months ended 30 June 2016 and 2017, we recorded negative net cash flows from operating activities of RMB152.4 million and RMB74.4 million, respectively. Our negative net operating cash flows were primarily attributable to the decreases in deferred revenue of RMB349.9 million and RMB308.2 million for the six months ended 30 June 2016 and 2017, respectively and the increases in trade receivables, deposits, prepayments and other receivables of RMB58.7 million and RMB10.4 million for the six months ended 30 June 2016 and 2017, respectively. We had decreases in deferred revenue because most prepaid tuition fees became recognised as revenue by 30 June of each school year. During the Track Record Period, we funded our capital expenditure primarily with our internal resources and partially with external bank loans and other borrowings. We cannot assure you that we will not experience negative net operating cash flows in the future, and if such situation is not managed properly, it may in turn negatively affect our operations. Our future liquidity, the payment of trade payables, other payables and accruals, as well as the repayment of any potential debt obligations as and when they become due, will primarily depend on our ability to maintain adequate cash inflows from operating activities and possibly proceeds from external financings. If we are unable to maintain adequate cash inflows, we may not be able to meet our payment obligations to support our operations. As a result, our business, financial position, results of operations and prospects may be adversely affected.

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

We have experienced a steady growth in revenue during the Track Record Period. Our historical growth was driven by the increases in the number of students enrolled at our schools and the level of tuition fees we charged. Our financial condition and results of operations may fluctuate due to a number of other factors, many of which are beyond our control, including: (i) our ability to maintain and increase student enrolment at our schools and maintain and raise tuition fees and boarding fees; (ii) general economic and social conditions in China and in the regions where we operate our schools; (iii) the PRC government regulations or actions pertaining to private higher education; (iv) increased competition; (v) expansion and related costs in a given period; (vi) perception and acceptance of private higher education in China by students and their parents; and (vii) our ability to control our cost of revenue and other operating costs, and enhance our operational efficiency. In addition, we may not be successful in continuing to increase the number of students admitted to the schools we operate due to, among other things, student enrolment quota assigned by the relevant local PRC educational authorities and our limited capacity, and we may not be as successful in carrying out our growth strategies and expansion plans. Execution of our growth strategies and expansion plans may also have an impact on our financial and operating results. In particular, establishing or acquiring new schools is capital intensive and it may take a long time to achieve profitability, if at all.

Pursuant to the exclusive education services agreement between Jiangxi University of Technology and Baiyun Technician College dated 28 December 2007, we had received consulting fee income from Baiyun Technician College during the Track Record Period. See the section headed "History, Reorganisation and Corporate Structure – Inter-School Cooperation." For each of the three years ended 31 December 2016 and the six months ended 30 June 2017, such consultancy income amounted to approximately RMB14.1 million, RMB32.3 million, RMB47.2 million and RMB5.3 million respectively. In August 2017, we obtained control of Baiyun Technician College. See

"History, Reorganisation and Corporate Structure – Obtaining Control of Baiyun Technician College." As a result, Baiyun Technician College will be operated under the structure of our Group with its financial statements consolidated into our Group's. We will no longer receive any consultancy fee income from Baiyun Technician College going forward. Deterioration in the financial performance of Baiyun Technician College may have a negative impact on the Group's position as a whole.

During the Track Record Period, we had made advances to our Directors. These advances were non-trade in nature and non-interest bearing. For each reporting period during the Track Record Period, we had recognised imputed interest income on advances to our Directors under IFRS. However, such imputed interest income is only a hypothetical income under IFRS and had not resulted in actual cash receipts during the Track Record Period. For each of the three years ended 31 December 2016 and the six months ended 30 June 2017, our imputed interest income was approximately RMB1.1 million, RMB5.5 million, RMB14.1 million and RMB8.1 million, respectively. As all the amounts due from our Directors had been settled as of the Latest Practicable Date, we will not continue to recognise imputed interest income on advances to our Directors following the Listing. This may affect our financial position, particularly our net profit. See "Financial Information – Non-IFRS Measure" for our Adjusted Net Profit that illustrates the effect of, among other things, imputed interest income on our net profit.

Our profit for the year ended 31 December 2017 is also expected to be adversely affected by the recognition of non-recurring expenses, including the estimated listing expenses of approximately RMB119.4 million (assuming an Offer Price of HK$6.44, being the mid-point of the indicative Offer Price range between HK$5.86 and HK$7.02, and assuming that the Over-allotment Option is not exercised at all) in relation to the Global Offering. Our Company may not be able to set-off or satisfactorily mitigate the adverse effect caused by these non-recurring items, which may materially and adversely affect our financial performance and results of operations.

We also expect our capital expenditures to increase as Guangdong Baiyun University is planning to construct a new campus on the Zhongluotan Land (See "Business – Our Business Strategies – Develop new school campus to further increase our capacity and student body"), which may result in increases in our depreciation in the coming years. We may also need to obtain additional bank loans and other borrowings to finance the construction of the new campus, which may result in an increase in our finance cost as well. We cannot assure you that we will be able to effectively control such costs and expenses. Failure to do so may materially affect our profitability.

In addition, we were not required to pay any PRC income tax in respect of the tuition fees and boarding fees we received for providing formal academic education during the Track Record Period. However, after our corporate reorganisation (see "History, Reorganisation and Corporate Structure – Corporate Reorganisation"), our WFOE became subject to an enterprise income tax rate of 15% and value added tax of 6% in the PRC. Applicable tax rates may be subject to change in the future. If the applicable enterprise income tax rate and/or value-added tax rate increase in the future, our profitability may be adversely affected.

Moreover, we may not sustain our past growth rates in the future, and we may not sustain our profitability on a quarterly, interim or annual basis in the future. We generally require students to pay tuition fees and boarding fees for the entire school year upfront prior to the commencement of the school year, and recognise revenue for the tuition fees and boarding fees proportionately over the relevant period of the applicable school programme. However, our costs and expenses do not necessarily correspond with our recognition of revenue. Our interim results, growth rates and profitability may not be indicative of our annual results or our future results, and our historical interim and annual results, growth rates and profitability may not be indicative of our future performance for the corresponding periods. See "Financial Information" for further details. The market price and trading volume of our Shares could be subject to significant volatility should our earnings fail to meet the expectations of the investment community. Any of these events could cause the price of our Shares to materially decrease.

The assets held by our schools may not be pledged as collateral in connection with securing bank loans and other borrowings, which reduces our schools' ability to obtain financing to fund their operations.

According to the PRC Security Law (《中華人民共和國擔保法》) and the PRC Property Law (《中華人民共和國物權法》), mortgages, pledges or other encumbrances may not be created on properties which are used for public welfare facilities. The buildings or groups of buildings that certain of our schools own and occupy may be deemed as "public welfare facilities" under the Law for Promoting Private Education (2003), which provides that private education is considered in the nature of "public welfare". Accordingly, educational facilities of schools may not be mortgaged, which to a certain extent limit such schools' ability to obtain financing to fund their operations. Even if security interests are intended to be created based on such properties under any loan agreement to be entered into between any of our schools and potential lenders, such security interests may not be valid or enforceable under the PRC laws and regulations. In addition, it is possible that a government authority, including any PRC court or administrative authority, may consider the security interests created on such facilities to be in violation of PRC laws if we and the lenders have any dispute with regards to the relevant loans under the applicable loan agreements or if the validity of the pledges are otherwise challenged. In such case, it is likely that such security interests will not be enforceable and we may be requested by our lenders to provide other forms of guarantees or prepay the outstanding balance of the loans immediately, which may materially and adversely affect the business operations of the relevant schools and our financial condition.

We may not be able to secure additional funding to fund our planned operations.

The establishment and operation of a private higher education institution requires significant initial capital investment, including the costs of acquiring land for the school site, constructing school facilities, purchasing equipment and hiring qualified teaching and administrative staff. We will need to secure additional funding to fund our future capital expenditures for expanding our school network coverage and for further expanding our service offerings. Historically, we have funded our operations primarily with cash generated from our operations and proceeds from bank loans. We cannot assure you that we will be able to secure additional funding on terms acceptable to us or in a timely manner, or at all. If our internally generated capital resources and available credit facilities are insufficient to finance our capital expenditure and growth plans, we may have to seek additional financing from third parties, including banks, venture capital funds and other strategic investors. We may also consider raising funds through issuance of new shares, which would lead to dilution of our existing Shareholders' interests in our Company. If we are unable to obtain financing in a timely manner, at a reasonable cost and on acceptable terms, we may be forced to delay, downsize or abandon such plans, and as a result our business, financial condition and results of operations, as well as our future prospects may be materially and adversely affected.

We lease several of our school premises and may not be able to control the quality, maintenance and management of these school premises, nor can we ensure we will be able to find suitable premises to replace our existing school premises if our leases are terminated.

Our schools lease a number of properties from certain Independent Third Parties. As of the Latest Practicable Date, our schools leased eight properties for various purposes. See "Business – Properties" for further details. Such school premises and school buildings and facilities were developed and are maintained by our landlords. Accordingly, we are not in a position to effectively control the quality, maintenance and management of such premises, buildings and facilities. In the event that the quality of the school premises, buildings and facilities deteriorates, or if any or all of our landlords fail to properly maintain and renovate such premises, buildings or facilities in a timely manner, or at all, the operations of our schools could be materially and adversely affected. In addition, if any of our landlords terminates the existing lease agreements, refuses to continue to lease the premises to our schools when such lease agreements expire, or increase rent to a level unacceptable to us, we will be forced to relocate to other locations. We may not be able to find suitable premises for such relocation without incurring significant time and costs, or at all. If this occurs, our business, financial condition and results of operations could be materially and adversely affected.

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

As of the Latest Practicable Date, we had not been provided with the building ownership certificates by the landlords for three leased properties. In addition, with respect to one of these leased properties with permitted use of "industrial", we are in contravention of such property's permitted use by using it as student dormitories. As advised by our PRC Legal Adviser, the validity of the underlying lease agreements for these leased properties is uncertain and any successful challenge could render such lease agreements void. There is a risk that the landlords from whom we lease such properties may not have the valid building ownership certificates for the premises they lease to us, or otherwise may not have the right to lease such premises to us. According to our PRC Legal Adviser, in the event those landlords do not have valid building ownership certificates, the relevant lease agreements may be deemed invalid or may encounter challenges from property owners or other third parties to the lessor's rights. If any of our leases were terminated or deemed invalid for any reason, we may be forced to relocate the affected premises and incur significant expenses, in which case our business, operations and financial condition may be adversely affected. We may not be able to identify alternative premises for immediate relocation, or at all.

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

The property valuation report set out in Appendix III with respect to the appraised values of our properties is based on various assumptions, which are subjective and uncertain in nature. The assumptions that Cushman & Wakefield Limited used in the property valuation report include, among others: (i) the transferable land use rights of the properties for their respective terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid, and (ii) the Group has an enforceable title to each of the properties and has free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired land use term as granted.

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

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

Maintaining our network security and internal controls over access rights is of critical importance to us because proprietary and confidential information, such as names, addresses, and other personal information of our students and teachers, is primarily stored in our computer databases located at each of our schools. If our security measures fail to preserve the confidentiality of such information as a result of actions by third parties, employee error, malfeasance or otherwise, third parties may receive or be able to access such information, which could subject us to liabilities, interrupt our business and adversely impact our reputation. In addition, we run the risk that our employees or third parties could misappropriate or illegally disclose confidential educational information in our possession. As a result, we may be required to expend significant resources to provide additional protection from the threat of these security breaches or to alleviate problems caused by these breaches.

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

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

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

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

We may be exposed to intellectual property right infringement or misappropriation claims by third parties when we develop and use our own educational materials, technology, know-how and brand. As of the Latest Practicable Date, we had not encountered any material intellectual property infringement claims. However, there is no assurance that we will not be subject to third parties' claims of infringement of their proprietary intellectual property rights in the future. Even if we defend ourselves vigorously in such litigations or legal proceedings, there is no assurance that we will prevail in these matters. Participation in such litigations and legal proceedings may also cause us to incur substantial expenses and divert the time and attention of our management. An adverse determination in any such litigations or proceedings could subject us to significant liability to third parties, require us to obtain licences from third parties, pay ongoing royalties, or subject us to injunctions prohibiting the distribution and marketing of our brands or services. In case we lose the ability to use the related materials, contents or technology, the quality of our educational programmes could be adversely affected. Any similar claim against us, even without any merit, could also damage our reputation and brand image. Any such event could have a material and adverse effect on our business, financial condition and results of operations.

We may grant employees share options and other share-based compensation, which may materially impact our results of operations in the future.

We adopted the Share Option Schemes and Share Award Scheme in November 2017. Pursuant to the Post-IPO Share Option Scheme, we may issue options to subscribe for Shares to our Directors, senior management, employees, consultants and certain external parties for their contribution to our Group and to attract and retain key personnel (see "Appendix V – D. Share Option Schemes and Share Award Scheme – 3. Post-IPO Share Option Scheme"). Pursuant to the Pre-IPO Share Option Scheme, share options to subscribe for an aggregate of 45,500,000 Shares was approved by the Board to be made on the date immediately before the Listing Date (see "Appendix V – D. Share Option Schemes and Share Award Scheme – 1. Pre-IPO Share Option Scheme"). The grant of share options or any issue of award shares would have an adverse impact to our profits. Moreover, any exercise of the share options we have granted or will grant in the future or any issue of award shares will increase the number of our Shares and result in a dilution in the shareholding of our Shareholders in our Company. Any sale of additional Shares acquired upon the exercise of the share options or any issue of award shares may adversely affect the market price of our Shares.

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

PRC laws and regulations require us to pay several statutory social welfare benefits for our employees, including pension insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance and housing provident fund. According to relevant PRC laws and regulations, the amount we are required to contribute for each of our employees should be calculated based on the employee's actual salary level of previous year, and be subject to a minimum and maximum as from time to time prescribed by local authorities.

During the Track Record Period, we had not made the required contributions to the social insurance plans and the housing provident fund for some of our employees in Jiangxi University of Technology and Guangdong Baiyun University. Baiyun Technician College, the control of which we obtained in August 2017, had similar issues during the Track Record Period. For more information, see "Business – Employees."

We cannot assure you that our employees will not complain to the relevant authorities regarding the basis of how we had made the contributions for them, which may in turn result in the relevant authorities ordering us to make supplemental contribution and/or imposing penalties and overdue fines on us, among other things. Such regulatory intervention may adversely affect our financial condition.

Our insurance coverage may not be sufficient.

We maintain certain insurance policies, such as school liability insurance, to safeguard against certain risks and unexpected events. For more details, see "Business – Insurance." However, we cannot assure you that our insurance coverage in terms of amount and scope is sufficient. We are exposed to various risks associated with our business and operations. Such risks include but are not limited to, accidents, fires, explosions or injuries in our schools, loss of key management and personnel, business interruption, natural disasters, terrorist attacks and social instability or any other events beyond our control. The insurance industry in China is still at an early stage of development. Insurance companies in China generally offer limited business-related insurance products and such products typically command a high premium that may not be justifiable from a cost-benefit perspective. We do not have any business disruption insurance, product liability insurance or key-man life insurance. Accordingly, any business disruption, litigation or legal proceedings or natural disaster, such as epidemics, pandemics or earthquakes, or exit of our key management personnel or joining our competitors, or other events beyond our control could result in substantial costs and the diversion of our resources. Any materialisation of the foregoing risks that we are not adequately covered for, or at all, may adversely affect our business, financial condition and results of operations.

RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

The PRC government may find that the agreements that establish the structure for operating our business in China do not comply with applicable PRC laws and regulations, which may subject us to severe penalties and our business may be materially and adversely affected.

We are a Cayman Islands company and as such we are classified as a foreign enterprise under PRC laws. Foreign investment in the education industry in China is extensively regulated and subject to numerous restrictions. Under the Foreign Investment Industries Guidance Catalogue (as amended in 2017) (《外商投資產業指導目錄》(2017年修訂)), higher education is a restricted industry for foreign investors. Foreign investors are allowed to invest in the higher education industry only in the form of cooperative joint venture in which the PRC party must play a dominant role. Furthermore, under the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education issued by the MOE on 18 June 2012 (《關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》), the foreign portion of the total investment in a Sino-foreign joint venture educational institution shall be lower than 50%. According to the Regulation on Operating Sino-foreign Schools of the PRC (《中華人民共和國中外合作辦學條例》), which was promulgated by the State Council on 1 March 2003 and became effective on 1 September 2003, foreign investors invested in higher education must be foreign education institutions with relevant qualifications and experience. For more details, see "Regulations – Foreign Investment in Education in the PRC." In light of these restrictions, we are ineligible to independently operate higher education institutions or control them through holding equity interests.

Our wholly-owned subsidiary WFOE entered into the Contractual Arrangements pursuant to which it is entitled to receive substantially all of the economic benefits from our consolidated affiliated entities. For a description of such Contractual Arrangements, see "Contractual Arrangements." We have been and are expected to continue to be dependent on our Contractual Arrangements to operate our education business. If the Contractual Arrangements that establish the structure for operating our China business are found to be in violation of any existing or future PRC laws, rules or regulations or fail to obtain or maintain any of the required permits or approvals, we may not be able to consolidate the results of operations of our consolidated affiliated entities. The relevant PRC regulatory authorities, including the MOE, would have broad discretion in dealing with such violations, including:

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

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

The Draft FIL proposes significant changes to the PRC foreign investment legal regime, which will likely to have a significant impact on businesses in China controlled by foreign invested enterprises through contractual arrangements, such as our business.

On 19 January 2015, the MOFCOM published the Draft Foreign Investment Law of the PRC (《中華人民共和國外國投資法(草案徵求意見稿)》), or the "**Draft FIL**". The Draft FIL is intended to replace the current laws and implementing rules governing the foreign investments in China. The Draft FIL proposes significant changes to the existing PRC foreign investment legal regime and introduced the concept of "actual control" determined by the identity of the ultimate natural person or enterprise that controls the domestic enterprise. If an enterprise is actually controlled by a foreign investor through contractual arrangements, it may be regarded as a foreign investment entity ("**FIE**") and be restricted or prohibited from investment in certain industries listed on the negative list as published by the PRC government unless permission from the competent authority is obtained. According to the negative list published by the PRC government on 28 June 2017 and that became effective on 28 July 2017, the education business that we operate is classified as a "restricted business." In addition, the Draft FIL also provides that the FIEs operating in the industries on the negative list are required to complete the entry clearance procedure and obtain other approvals that are not required for PRC domestic entities. As a result, certain FIEs in the industries on the negative list may not be able to continue to conduct their business through contractual arrangements.

Although the Draft FIL has been released for consultation purposes, there remain substantial uncertainties regarding its final content, adoption timeline or effective date. Furthermore, several issues have yet to be clarified at the current stage, including, among others, (i) the level of "actual control" required to be qualified as a domestic enterprise and (ii) how existing domestic enterprises that are controlled by foreign investors through contractual arrangements are to be handled. Due to these uncertainties, we cannot determine whether the new foreign investment law, when it is adopted and becomes effective, will have a material impact on our corporate structure and business. In the event that the Contractual Arrangements through which we operate our education business are not treated as a domestic investment under the new foreign investment law as finally enacted, such Contractual Arrangements may be deemed invalid and illegal and we may be required to unwind the Contractual Arrangements and/or dispose of such education business. As we primarily conduct our education business and operate in the PRC, any such event could have a material and adverse effect on our business, financial condition and results of operations. We may no longer be able to consolidate the financial results of our consolidated affiliated entities and we would have to derecognise their assets and liabilities according to the relevant accounting standards and, as a result, recognise an investment loss.

The Contractual Arrangements may not be as effective in providing us with control over our consolidated affiliated entities as direct ownership.

We have relied and expect to continue to rely on the Contractual Arrangements to operate our education business in China. For a description of these Contractual Arrangements, see "Contractual Arrangements." These Contractual Arrangements may not be as effective in providing us with control over our consolidated affiliated entities as equity ownership. Under the current Contractual Arrangements, as a legal matter, if our consolidated affiliated entities or their shareholders fail to perform their respective obligations under these Contractual Arrangements, we cannot direct corporate actions of our consolidated affiliated entities as the direct ownership otherwise could and therefore we may not be able to maintain an effective control over the operations of our consolidated affiliated entities. If we were to lose effective control over our consolidated affiliated entities, we would no longer be able to consolidate their results of operations, which would materially and adversely affect our financial condition and results of operations.

The beneficial owners of our consolidated affiliated entities may have conflicts of interest with us, which may materially and adversely affect our business and financial condition.

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

The sponsor interests in Jiangxi University of Technology held by Mr. Yu and in Guangdong Baiyun University held by Mr. Xie are not capable of being pledged in favour of our WFOE under PRC laws. Our Contractual Arrangements with respect to these universities contain alternative arrangements that may not achieve the level of protection equivalent to typical contractual arrangements with equity pledge arrangements.

A set of contractual arrangements adopted for the purpose of controlling an entity typically includes equity pledge arrangements in favour of the controlling entity to prevent the registered legal owners of the controlled entity from transferring their legal interests without authorisation by the controlling entity. Such equity pledge arrangements also serve as collateral to secure the controlled entity's obligations under the relevant contractual arrangement. Our Jiangxi University of Technology and Guangdong Baiyun University are higher education institutions in the PRC, and the relevant sponsor interests are not capable of being pledged in favour of our WFOE under PRC laws. As a result, we have adopted alternative measures in our Contractual Arrangements, including (i) the pledge of receivables of the universities in favour of our WFOE; (ii) the pledge of proceeds from the sale or transfer of the sponsor interests in Guangdong Baiyun University by Mr. Xie and in Jiangxi University of Technology by Mr. Yu; (iii) the operation of a jointly controlled account for receiving (a) receivables from tuition fees, boarding fees, and other income from the schools and (b) any proceeds from the sale or transfer of the sponsor interests in Guangdong Baiyun University or Jiangxi University of Technology by Mr. Xie or Mr. Yu (as the case may be); (iv) our WFOE's possession of the original registration documents and seals required by the relevant authorities to effect a legal transfer of sponsor interest; (v) obtaining control over the boards of each university through powers of attorney executed by each directors appointed by the school sponsors of the universities; and (vi) internal control measures that enable our independent non-executive Directors to maintain close oversight and intervene if necessary. See "Contractual Arrangements" for further details.

These measures, however, have certain inherent risks when compared to typical contractual arrangements with equity pledge arrangements. In particular, the value of the receivables of the universities pledged in favour of our WFOE may be less than the value of the sponsor interests, hence, the maximum amount recoverable by our WFOE under the pledge of receivables may be less than the value of the sponsor interests. Any claim in excess of the value of the receivables pledged could be deemed to be unsecured debts by the PRC courts and may significantly undermine our recovery prospects. Moreover, due to the nature of the operation of the universities, student tuition fees and boarding fees are generally received on a periodical basis as opposed to a recurrent basis throughout the year, thus, there may be uncertainties as to when and whether our WFOE will be able to recover tangible proceeds from the universities in the event that such security interest is enforced. In terms of our internal control measures adopted, we cannot assure you that they will always be effective in preventing unauthorised legal transfer of the sponsor interests by Mr. Yu or Mr. Xie, who are our Controlling Shareholders and can exert significant influence on our Group, including our WFOE that is in possession of the relevant registration documents and seals to effect a legal transfer of the sponsor interests. Our internal control measures designed with the assistance of an independent internal control consultant provide our independent non-executive Directors with authority to intervene in any attempted unauthorised transfer of the sponsor interests, however, we cannot assure you that they will always be able to maintain a close oversight over the affairs of the universities, particularly on an operational level, and detect improprieties and take actions promptly.

Our exercise of the option to acquire the sponsor interests or equity interests of our consolidated affiliated entities may be subject to certain limitations and we may incur substantial costs.

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

Any failure by our consolidated affiliated entities or their respective school sponsors/shareholders to perform their obligations under our Contractual Arrangements would potentially lead to the incurrence of additional costs and the expending of substantial resources on our part to enforce such arrangements, temporary or permanent loss of control over our primary operations or loss of access to our primary sources of revenue.

Under the current Contractual Arrangements, if any of our consolidated affiliated entities or their respective school sponsors/shareholders fails to perform their respective obligations under these Contractual Arrangements, we may incur substantial costs and resources to enforce such arrangements.

The Contractual Arrangements are governed by PRC laws and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts will likely be interpreted in accordance with PRC laws and any disputes will likely be resolved in accordance with PRC legal procedures. Under PRC laws, rulings by arbitrators are final and the parties to a dispute cannot appeal the arbitration results in any court based on the substance of the case. The prevailing party may enforce the arbitration award by instituting arbitration award recognition proceedings with a competent PRC court. The legal environment in the PRC is not as developed as in other jurisdictions, such as Hong Kong and the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce these Contractual Arrangements. If we are unable to enforce these Contractual Arrangements, we may not be able to exert effective control over our consolidated affiliated entities and their shareholders. As a result, our business and operations could be severely disrupted, which could damage our reputation and materially and adversely affect our business, financial condition, results of operations and prospects.

The Contractual Arrangements may be subject to the scrutiny of the PRC tax authorities and additional tax may be imposed, which may materially and adversely affect our results of operations.

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the exclusive technical service and management consultancy agreements we have with our consolidated affiliated entities are not at arm's-length price and adjust any of those entities' income in the form of a transfer pricing adjustment. See "Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements – Exclusive Technical Services and Management Consultancy Agreements" for further details. A transfer pricing adjustment could increase our tax liabilities. In addition, PRC tax authorities may take the view that our subsidiaries or consolidated affiliated entities have improperly minimised their tax obligations, and we may not be able to rectify any such incident within the limited timeline required by PRC tax authorities. As a result, the PRC tax authorities may impose late payment fees and other penalties on us for under-paid taxes, which could materially and adversely affect our business, financial condition and results of operations.

Certain terms of the Contractual Arrangements may not be enforceable under PRC laws.

The Contractual Arrangements provide for dispute resolution by way of arbitration in accordance with the arbitration rules of the China International Economic and Trade Arbitration Commission in Beijing, the PRC. The Contractual Arrangements provide that the arbitral body may award remedies over the equity interests and/or assets of our consolidated affiliated entities, injunctive relief and/or winding up of our consolidated affiliated entities. In addition, the Contractual Arrangements provide that courts in Hong Kong and the Cayman Islands, among others, are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, we have been advised by our PRC Legal Adviser that the above-mentioned provisions contained in the Contractual Arrangements may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final winding-up order to preserve the assets of or any equity interest in our consolidated affiliated entities in case of disputes. Therefore, such remedies may not be available to us, notwithstanding the relevant contractual provisions contained in the Contractual Arrangements. PRC laws allow an arbitral body to award the transfer of assets of or equity interests in our consolidated affiliated entities in favour of an aggrieved party. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support the award of an arbitral body when deciding whether to take enforcement measures. Under PRC laws, courts of judicial authorities in the PRC generally do not grant injunctive relief or the winding-up order as interim remedies to preserve the assets or equity interests in favour of any aggrieved party. Our PRC Legal Adviser is also of the view that, even though the Contractual Arrangements provide that courts in Hong Kong and the Cayman Islands, among others, may grant and/or enforce interim remedies in support of arbitration, such interim remedies (even if so granted by courts in Hong Kong or the Cayman Islands in favour of an aggrieved party) may not be recognised or enforced by PRC courts. As a result, in the event that any of our consolidated affiliated entities or their shareholders breaches any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our consolidated affiliated entities and conduct our education business could be materially and adversely affected. See "Contractual Arrangements – Operation of the Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements – Dispute Resolution" for details regarding the enforceability of the dispute resolution provisions in the Contractual Arrangements as opined by our PRC Legal Adviser.

We rely on dividend and other payments from WFOE to pay dividends and other cash distributions to our Shareholders and any limitation on the ability of WFOE to pay dividends to us would materially and adversely limit our ability to pay dividends to our Shareholders.

Our Company is a holding company and our ability to pay dividends and other cash distributions to our Shareholders, service any debt we may incur and meet our other cash requirements depends significantly on our ability to receive dividends and other distributions from WFOE, our PRC subsidiary. The amount of dividends paid to our Company by WFOE depends solely on the service fees paid to WFOE by our consolidated affiliated entities. However, there are restrictions under PRC laws for the payment of dividends to us by WFOE. For example, relevant PRC laws and regulations permit payments of dividends by WFOE only out of its retained earnings, if any, as determined in accordance with PRC accounting standards and regulations and WFOE shall make up its losses of previous years when conducting outward remittance. Under PRC laws and regulations, WFOE is required to set aside at least 10% of its after-tax profits based on PRC accounting standards each year to fund a statutory reserve, until the accumulated amount of such reserve has exceeded 50% of its registered capital. Consequently, WFOE is restricted in its ability to transfer a portion of its net assets to us or any of our other subsidiaries in the form of dividends, loans or advances. The foregoing restrictions on the ability of WFOE to pay dividends to us and the limitations on the ability of consolidated affiliated entities to pay service fees to WFOE could materially and adversely limit our ability to service any debt obligations we may incur outside of China or pay dividends to holders of our Shares.

Our consolidated affiliated entities may be subject to limitations on their ability to operate private education business or make payments to related parties.

The principal regulations governing private education in China are the Law for Promoting Private Education (《中華人民共和國民辦教育促進法》), which became effective in 2003, was amended in 2013 and was further amended in 2016 (such amendment became effective in September 2017), and the Implementation Rules for the Law for Promoting Private Education (《中華人民共和國民辦教育促進法實施條例》) (the "**Implementation Rules**"). Under these regulations, a private school may elect to be a school that does not require reasonable returns or a school that requires reasonable returns. A private school that does not require reasonable returns cannot distribute dividends to its school sponsors. At the end of each year, a private school is required to allocate a certain amount to its development fund for the construction or maintenance of the school or procurement or upgrade of educational equipment. For a private school that requires reasonable returns, this amount is at least 25% of the annual net income of the school. For a private school that does not require reasonable returns, this amount is at least 25% of the annual increase in the net assets of the school, if any. A private school that requires reasonable returns must publicly disclose such election and additional information required under the regulations. A private school should consider factors such as the school's tuition fees, ratio of the funds used for education-related activities to the course fees collected, admission standards and educational quality when determining the percentage of the school's net income that would be distributed to the investors as reasonable returns. Sponsors of all of our schools have elected not to require reasonable returns. Current PRC laws and regulations do not distinguish between the requirements or restrictions on a private school's ability to operate its education business based on its status as a school of which the sponsors require reasonable returns or a school of which the sponsors do not require reasonable returns.

Pursuant to the Decision on Amending the Law for Promoting Private Education, sponsors of private school may choose to establish non-profit or for-profit private schools (with the exception that schools providing compulsory education can only be established as non-profit entities) and will no longer be required to indicate whether they require reasonable returns or not. Sponsors of for-profit private schools are entitled to retain the profits and proceeds from the schools and the operation surplus may be allocated to the sponsors pursuant to the PRC Company Law and other relevant laws and regulations. Sponsors of non-profit private schools are not entitled to any distribution of profits or revenue from the non-profit schools they operate and all operation surpluses of the schools shall be used for the operation of the schools. However, the Decision on Amending the Law for Promoting Private Education remains silent on the requirement of the development fund of the non-profit schools or for-profit schools. For further details of the Decision on Amending the Law for Promoting Private Education, see "Regulations."

As a holding company, our ability to pay dividends and other cash distributions to our Shareholders depends solely on our ability to receive dividends and other distributions from WFOE, which in turn depends on the service fees paid to WFOE from our consolidated affiliated entities. Our PRC Legal Adviser advises us that WFOE's right to receive the service fees from our consolidated affiliated entities does not contravene any PRC laws and regulations. For further details regarding our PRC Legal Adviser's view on the legality of the payment of service fees under the Contractual Arrangements, see "Contractual Arrangements – Legality of the Contractual Arrangements."

However, if the relevant PRC government authorities take a different view, they may seek to confiscate any or all of the service fees that have been paid by our schools to WFOE, even retrospectively, to the extent that such service fees are tantamount to "reasonable returns" taken by the sponsors of these schools in violation of PRC laws and regulations. As a result, our ability to pay dividends and other cash distributions to our Shareholders may be substantially limited.

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

Our consolidated affiliated entities hold assets that are essential to the operation of our business, including operating permits and licences, real estate leases, buildings, groups of buildings and other educational facilities related to the schools. Under the business cooperation agreements, Mr. Yu, Mr. Xie, Huafang Education, Lihe Education, Jiangxi University of Technology, Guangdong Baiyun University, Baiyun Technician College and their subsidiaries may not unilaterally, without our consent, decide to voluntarily liquidate any of our consolidated affiliated entities.

If any of these entities goes bankrupt and all or part of their assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. If any of our consolidated affiliated entities undergoes a voluntary or involuntary liquidation proceeding, its shareholders or unrelated third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO DOING BUSINESS IN CHINA

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

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

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

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

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

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

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

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

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

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

Failure to comply with PRC regulations regarding the registration requirements for employee share ownership plans or share option plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies (the "Stock Option Rules") (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》). Under the Stock Option Rules and other relevant rules and regulations, PRC residents who participate in stock incentive plan in an overseas publicly-listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly-listed company or another qualified institution selected by the PRC subsidiary, to conduct SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. We and our PRC employees who have been granted share options will be subject to these regulations upon the completion of the Global Offering. Failure of our PRC share option holders to complete their SAFE registrations may subject these PRC residents to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute dividends to us, or otherwise materially and adversely affect our business, financial condition and results of operations.

Restrictions on currency exchange under PRC laws may limit our ability to convert cash derived from our operating activities into foreign currencies and may materially and adversely affect the value of your investment.

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Substantially all of our revenue is denominated in Renminbi. Under our current corporate structure, our income is primarily derived from dividend payments from WFOE, our PRC subsidiary. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiary and our affiliated entities to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations, if any. Under the existing PRC foreign exchange regulations, the Renminbi is currently convertible, without prior approval from SAFE, under current account transactions, including profit distributions, interest payments and expenditures from trade-related transactions, as long as certain procedural requirements are complied with. However, approval from and registration with the SAFE and other PRC regulatory authorities are required to convert Renminbi into foreign currencies and remit out of China for capital account transactions, which includes foreign direct investment and 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. Any existing and future restrictions on currency exchange in China may limit our ability to convert cash derived from our operating activities into foreign currencies to fund expenditures denominated in foreign currencies. If the foreign exchange restrictions in China prevent us from obtaining Hong Kong dollars or other foreign currencies we need, we may not be able to pay dividends in Hong Kong dollars or other foreign currencies to our Shareholders. Furthermore, foreign exchange control in respect of the capital account transactions could affect our PRC subsidiary's and consolidated affiliated entities' ability to obtain foreign exchange or conversion into Renminbi through debt or equity financing, including by means of loans or capital contributions from us.

Fluctuations in exchange rates may result in foreign currency exchange losses and may have a material adverse effect on your investment.

The change in the value of Renminbi against the Hong Kong dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions and China's foreign exchange policies. From 1995 until July 2005, the conversion of the Renminbi into foreign currencies in the PRC, including the Hong Kong dollar and U.S. dollar, has been based on fixed rates set by the PBOC. The PRC government, however, has, with effect from 21 July 2005, reformed the exchange rate regime by moving into a managed floating exchange regime based on market supply and demand with reference to a basket of currencies. On 19 June 2010, the PBOC announced that it intends to further reform the Renminbi exchange rate regime by enhancing the flexibility of the Renminbi exchange rate. Following this announcement, the Renminbi had appreciated from approximately RMB6.83 per U.S. dollar to RMB6.21 per U.S. Dollar as of 15 June 2015. On 11 August 2015, the PBOC further enlarged the floating band for trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar to 2.0% around the closing price in the previous trading session, and Renminbi depreciated against the U.S. dollar by approximately 1.62% as compared to the previous day, and further depreciated nearly 1.0% on the next day. On 30 November 2015, the Executive Board of the International Monetary Fund (the "IMF") completed the regular five-year review of the basket of currencies that make up the Special Drawing Right (the "SDR") and decided that with effect from 1 October 2016, Renminbi is determined to be a freely usable currency and will be included in the Special Drawing Right basket as a fifth currency, along with the U.S. dollar, the Euro, the Japanese yen and the British pound. With the development of the foreign exchange market and progress towards interest rate liberalisation and Renminbi internationalisation, the PRC government may in the future announce further changes to the exchange rate system and we cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the Hong Kong dollar or the U.S. dollar in the future.

Substantially all of our revenue and costs are denominated in Renminbi and most of our financial assets are also denominated in Renminbi. We rely entirely on dividends and other fees paid to us by our PRC subsidiary and our consolidated affiliated entities. Our proceeds from the Global Offering will be denominated in Hong Kong dollars. Any significant change in the exchange rates of the Hong Kong dollar against Renminbi may materially and adversely affect the value of and any dividends payable on, our Shares in Hong Kong dollars. For example, a further appreciation of Renminbi against the Hong Kong dollar would make any new Renminbi-denominated investments or expenditures more costly to us, to the extent that we need to convert Hong Kong dollars into Renminbi for such purposes. An appreciation of Renminbi against the Hong Kong dollar would also result in foreign currency translation losses for financial reporting purposes when we translate our Hong Kong dollar denominated financial assets into Renminbi. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our Shares or for other business purposes, appreciation of the Hong Kong dollar against Renminbi would have a negative effect on the Hong Kong dollar amount available to us.

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

The economy of China has been experiencing significant growth, leading to inflation and increased labour costs. According to the National Bureau of Statistics of China, the year-over-year percent change in the consumer price index in China was 2.0% in 2016. China's overall economy and the average wage in the PRC are expected to continue to grow. Future increases in China's inflation and material increases in the cost of labour may materially and adversely affect our profitability and results of operations unless we are able to pass on these costs to our students by increasing tuition fees.

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

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

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

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

The legal framework to which we are subject is materially different from that in Hong Kong, the United States and other jurisdictions with respect to certain areas, including the protection of minority shareholders. In addition, the mechanisms for enforcement of rights under the corporate governance framework to which our Company is subject are also relatively undeveloped and untested. However, according to the PRC Company Law, shareholders may commence a derivative action against the directors, supervisors, officers or any third party on behalf of a company under certain circumstances.

On 14 July 2006, the Supreme People's Court of the PRC and the Government of Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院互相認可和執行當事人協議管轄的民商事案件判決的安排》). Under this arrangement, where any designated people's court in the PRC or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing by the parties, any party concerned may apply to the relevant people's court in the PRC or Hong Kong court for recognition and enforcement of the judgment. Although this arrangement became effective on 1 August 2008, the outcome and effectiveness of any action brought under the arrangement may still be uncertain.

Almost all of our senior management members reside in the PRC, and substantially all of our assets, and substantially all of the assets of those persons are located in the PRC. Therefore, it may be difficult for investors to effect service of process upon those persons within the PRC or to enforce against us or them in the PRC any judgments obtained from non-PRC courts. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the Cayman Islands, the United States, the United Kingdom, Japan and many other developed countries. Therefore, recognition and enforcement in China of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

If we are classified as a PRC "resident enterprise", holders of our Shares may be subject to a PRC withholding tax upon the dividends payable by us and upon gain from the sale of our Shares.

Under the Enterprise Income Tax Law (《中華人民共和國企業所得税法》), or the EIT Law, and its implementing regulations, an enterprise established outside China with its "*de facto* management body" within China is considered a "resident enterprise" in China and will be subject to the PRC enterprise income tax at the rate of 25% on its worldwide income. The tax authority will normally review factors such as the routine operation of the organisational body that effectively manages the enterprise's production and business operations, locations of personnel holding decision-making power, location of finance and accounting functions and properties of the enterprise. The EIT Law's implementation regulations define the term "*de facto* management bodies" as "establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise." The State Administration of Taxation, or the SAT, issued the Notice regarding the Determination of Chinese-Controlled Overseas Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of *De Facto* Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), or the SAT Circular 82, on 22 April 2009. The SAT Circular 82 provides certain specific criteria for determining whether the "*de facto* management body" of a Chinese-controlled offshore incorporated enterprise is located inside China, stating that only a company meeting all the criteria would be deemed having its *de facto* management body within China. One of the criteria is that a company's major assets, accounting books and minutes and files of its board and shareholders' meetings are located or kept in the PRC. In addition, the SAT issued a bulletin on 3 August 2011, effective from 1 September 2011, providing further guidance on the implementation of the SAT Circular 82. This bulletin clarifies matters including residence status determination, post-determination administration and competent tax authorities. Although both the SAT Circular 82 and the bulletin only apply to offshore enterprises controlled by PRC enterprises and there are currently no further detailed rules or precedents applicable to us governing the procedures and specific criteria for determining "*de facto* management body" for companies like ours, the determination criteria set forth in SAT Circular 82 and the bulletin may reflect the SAT's general position on how the "*de facto* management body" test should be applied in determining the tax residency status of offshore enterprises and how the administration measures should be implemented with respect to such enterprises, regardless of whether they are controlled by PRC enterprises or PRC individuals.

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

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

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

According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. The sponsors of all of our schools have elected not to require reasonable returns. As a result, our schools are eligible to enjoy income tax exemption treatment. We have conducted interviews with the local tax bureaux in the places where we operate our schools, and they confirmed, among other things, that income from provision of academic qualification education services are exempt from PRC enterprise income tax during the Track Record Period. However, there is a possibility that the PRC government may promulgate relevant tax regulations that will eliminate such preferential tax treatment, or the local tax bureaux may change their policy, in each such case, we will be subject to PRC enterprise income tax going forward. Pursuant to the Amendment which will come into effect on 1 September 2017, private schools will be entitled to preferential tax treatments, among which non-profit private schools will be entitled to the same preferential tax treatment as public schools. The taxation policies applicable to for-profit private schools after the Decision on Amending the Law for Promoting Private Education taking effect are yet to be introduced. Therefore, the preferential tax treatment of our schools after the Decision on Amending the Law for Promoting Private Education comes into full force will be subject to (i) the decision we make to operate our schools as for-profit or non-profit schools, and (ii) the tax treatment of the for-profit schools which is expected to be further stipulated in the relevant regulations related to the Decision on Amending the Law for Promoting Private Education that are to be introduced. There is no guarantee that the preferential tax treatment that currently applies to our schools will not change after the Decision on Amending the Law for Promoting Private Education comes into effect. In addition, following the execution of the Contractual Arrangements, WFOE will be subject to an income tax rate of 15% and value-added tax of 6% in China.

These preferential tax treatments may be subject to change and we cannot provide any assurance that the preferential tax rate applicable to WFOE will continue to apply in the future, and WFOE may therefore be required to pay a higher rate of income tax in the future. Moreover, pursuant to Notice of the Ministry of Finance and the State Administration of Taxation on Full Launch of the Pilot Programme of Replacing Business Tax with Value-Added Tax (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》) which came into effect on 1 May 2016, formal educational services provided by schools that provide formal education are exempted from the value-added tax. As a result, formal educational services provided by our schools are exempted from the value-added tax. However, the discontinuation of any preferential tax treatment currently available to us or the determination of any of the relevant tax authorities that any of the preferential tax treatment we have enjoyed or currently enjoy is not in compliance with the PRC laws would cause our effective tax rate to increase, which would increase our tax expenses and reduce our net profit.

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

Our business could be materially and adversely affected by natural disasters, such as earthquakes, floods, landslides, outbreaks of health epidemics such as avian influenza and severe acute respiratory syndrome, or SARS, and Influenza A virus, such as H5N1 subtype and H5N2 subtype flu viruses, the Ebola virus, the Zika virus, as well as terrorist attacks, other acts of violence or war or social instability in the regions in which we operate or those generally affecting China. In particular, as we provide on-campus accommodation to our students, teachers and staff, the boarding environment exposes our students, teachers and staff to risks of epidemics or pandemics and makes it more difficult for us to take preventive measures if an epidemic or pandemic were to occur. Any of the above may cause material disruptions to our operations, such as temporary closure of our schools, which in turn may materially and adversely affect our financial condition and results of operations. If any of these occurs, our schools and facilities may suffer damage or be required to temporarily or permanently close and our business operations may be suspended or terminated. Our students, teachers and staff may also be negatively affected by such events. In addition, any of these could adversely affect the PRC economy and demographics of the affected region, and could in turn lead to significant declines in the number of students applying to or enrolled in our schools. If any of these events occur, our business, financial condition and results of operations could be materially and adversely affected.

RISKS RELATING TO THE GLOBAL OFFERING

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

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

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

- changes in our operating results;
- changes in financial estimates by securities analysts;
- announcements made by us or our competitors;
- regulatory developments in China affecting us, our industry or our Contractual Arrangements;
- investors' perception of us and of the investment environment in Asia, including Hong Kong and China;
- changes in the economic performance or market valuations of other education companies;

- the depth and liquidity of the market for our Shares;
- additions to or departures of, members of our senior management;
- release or expiry of lock-up or other transfer restrictions on our Shares;
- sale or anticipated sale of additional Shares; and
- the general economy and other factors.

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

You will incur immediate and significant dilution and may experience further dilution if we issue additional Shares or other equity securities in the future, including pursuant to the Share Option Schemes and Share Award Scheme.

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

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

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

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

Our management may spend the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favourable return to our Shareholders. We plan to use the net proceeds from the Global Offering, including but not limited to acquisition of or cooperation with other universities to supplement our school network and repayment of bank loans. For details, see "Future Plans and Use of Proceeds – Use of Proceeds." However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, whose judgment you must depend on, for the specific uses we will make of the net proceeds from this Global Offering.

Our Controlling Shareholders have significant influence over our Company and their interests may not be aligned with the interests of our other Shareholders.

Immediately following the Global Offering, our ultimate Controlling Shareholders, Mr. Yu and Mr. Xie, who are parties acting in concert, will control in aggregate 75% of our Shares, assuming the Over-allotment Option is not exercised at all and without taking into account any Shares which may be issued upon the exercise of any options granted under the Share Option Schemes and any grants under the Share Award Scheme. Our Controlling Shareholders will, through their voting power at the Shareholders' meetings and its position on the Board, have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional shares or other equity securities, timing and amount of dividend payments, amendment to our Memorandum and Articles of Association and our management. Our Controlling Shareholders may not act in the best interests of our minority Shareholders. In addition, without the consent of our Controlling Shareholders, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as part of a sale of our Company and may significantly reduce the price of our Shares.

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

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

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

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

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

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

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

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