

現代教育

Modern Education Group Limited
現代教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1082

Global Offering



*Sole Global Coordinator, Sole Bookrunner,
Joint Lead Managers and Joint Sponsors*

 Kingsway Group

Joint Lead Managers and Joint Sponsors

 第一上海
FIRST SHANGHAI GROUP

IMPORTANT

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



Modern Education Group Limited

現代教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	116,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	11,600,000 Shares (subject to reallocation)
Number of International Offer Shares	:	104,400,000 Shares (subject to reallocation and the Over-allotment Option)
Offer Price	:	HK\$1.30 per Offer Share, plus brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	:	HK\$0.10 per Share
Stock code	:	1082

Sole Global Coordinator and Sole Bookrunner



KingswayGroup

Kingsway Financial Services Group Limited

Joint Lead Managers



KingswayGroup

Kingsway Financial Services Group Limited



First Shanghai Securities Limited

Joint Sponsors



KingswayGroup

Kingsway Capital Limited



First Shanghai Capital Limited

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

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

Investors applying for Hong Kong Offer Shares must pay, on application, the Offer Price of HK\$1.30 for each Hong Kong Offer Share together with a brokerage fee of 1%, SFC transaction levy of 0.003% and a Stock Exchange trading fee of 0.005%.

The Sole Global Coordinator, on behalf of the Underwriters, may, with our consent, reduce the number of Offer Shares below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, notice of the reduction in the number of Offer Shares will be published in the South China Morning Post (in English) and the Hong Kong Economic Journal (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Such notice will also be available at the website of the Stock Exchange at www.hkexnews.hk and our website at www.moderneducationgroup.com. If applications for Hong Kong Offer Shares have been submitted prior to the last day for lodging applications under the Hong Kong Public Offering, then even if the number of Offer Shares is so reduced, such applications cannot be subsequently withdrawn. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

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

Prospective investors of the Hong Kong Offer Shares should note that the obligations of the Hong Kong Underwriter under the Hong Kong Underwriting Agreement to subscribe, and to procure subscribers for, the Hong Kong Offer Shares, are subject to termination by the Sole Global Coordinator (on behalf of the Underwriters) if certain events shall occur prior to 8:00 a.m. (Hong Kong time) on the day on which trading in the Shares commences on the Stock Exchange. Such grounds are set out in the section headed "Underwriting" in this prospectus. It is important that you refer to that section for further details.

20 June 2011

IMPORTANT

The Company will be relying on section 9A of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) and will be issuing the **WHITE, YELLOW** and **PINK** Application Forms without them being accompanied by a printed prospectus. **The contents of this prospectus are identical to the electronic form prospectus.** From 9:00 a.m. on Monday, 20 June 2011 until 12:00 noon on Thursday, 23 June 2011, an electronic form of this prospectus can be accessed and downloaded from the websites of the Company at <http://moderneducationgroup.com>, under the “Investor Relations>HKIPO Prospectus” section and the Stock Exchange at www.hkexnews.hk, under the “HKExnews>Listed Company Information>Latest Listed Company Information” section, respectively.

Members of the public who wish to obtain a copy of this printed prospectus may obtain a copy, free of charge, upon request during normal business hours from 9:00 a.m. on Monday, 20 June 2011 until 12:00 noon on Thursday, 23 June 2011 at the following locations:

1. any of the following branches of **Bank of China (Hong Kong) Limited**:
 - (a) Bank of China Tower Branch, 3/F, 1 Garden Road, Central, Hong Kong;
 - (b) Tsim Sha Tsui East Branch, Shop G02-03, Inter-Continental Plaza, 94 Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong;
 - (c) Fo Tan Branch, No.2, 1/F, Shatin Galleria, 18-24 Shan Mei Street, Fo Tan, New Territories, Hong Kong;
2. any of the following addresses of the Joint Sponsors:
 - (a) **Kingsway Capital Limited**, 5/F, Hutchison House, 10 Harcourt Road, Central, Hong Kong;
 - (b) **First Shanghai Capital Limited**, 19/F, Wing On House, 71 Des Voeux Road Central, Hong Kong; and
3. the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong.

Details of where printed Prospectus may be obtained will be displayed prominently at every location where Application Forms may be lodged.

During normal business hours from 9:00 a.m. on Monday, 20 June 2011 until 12:00 noon on Thursday, 23 June 2011 (or until 5:00 p.m. on Wednesday, 22 June 2011 at the location where **PINK** Application Forms are distributed), at least three copies of the printed prospectus will be available for inspection at every location where the **WHITE, YELLOW** or **PINK** Application Forms are distributed as set out in the section headed “How to Apply for Hong Kong Offer Shares”.

EXPECTED TIMETABLE

Date⁽¹⁾

2011

Latest time to lodge **PINK** Application Forms 5:00 p.m. on Wednesday, 22 June

Application lists of the Hong Kong Public

Offering open⁽²⁾ 11:45 a.m. on Thursday, 23 June

Latest time to lodge **WHITE** and **YELLOW**

Application Forms 12:00 noon on Thursday, 23 June

Application lists close 12:00 noon on Thursday, 23 June

Announcement of:

- the level of the indications of interest in the International Offering;
- the level of applications under the Hong Kong Public Offering; and
- the basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Journal (in Chinese) on or before Thursday, 30 June

Announcement of result of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where applicable) available through a variety of channels, including the websites of the Stock Exchange at www.hkexnews.hk, our Company at www.moderneducationgroup.com and our designated results of allocations website at www.tricor.com.hk/ipo/result, as described in the paragraph headed "VII. Publication of Results; Despatch/Collection of Share Certificates and Refunds of Application Monies" in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus Thursday, 30 June

Despatch of Share certificates and refund cheques (if applicable) on or before⁽³⁾ Thursday, 30 June

Dealings in Shares on the Stock Exchange expected to commence on Monday, 4 July

EXPECTED TIMETABLE

Notes:

- (1) All times refer to Hong Kong local time, except otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus. If there is any change in the above expected timetable, we will issue a separate announcement in Hong Kong to be published in the South China Morning Post (in English) and the Hong Kong Economic Journal (in Chinese).
- (2) If there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 23 June 2011, the application lists will not open on that day. Please refer to the section headed “How to Apply for Hong Kong Offer Shares – III. When May Applications Be Made – Effect of bad weather on the opening of the application lists” in this prospectus.
- (3) Share certificates are expected to be issued on Thursday, 30 June 2011.

Share certificates will only become valid certificates of title if the Hong Kong Public Offering has become unconditional in all respects and neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement has been terminated in accordance with its terms, which is expected to be at or around 8:00 a.m., on Monday, 4 July 2011. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may lead to delay in encashment of or may invalidate the refund cheque.

You should read carefully the sections headed “Underwriting”, “How to Apply for Hong Kong Offer Shares”, and “Structure of the Global Offering” in this prospectus for details relating to the structure of the Global Offering, how to apply for Hong Kong Offer Shares and the expected timetable including, inter alia, applicable conditions, the effect of bad weather, and the despatch of refund cheques and Share certificates.

We will publish an announcement in case there is any change in the expected timetable of the Hong Kong Public Offering as described above.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by the Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with different information. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Global Coordinator, the Sole Bookrunner, the Joint Sponsors, the Joint Lead Managers, the Underwriters, any of our or their respective directors or advisors, or any other person or party involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you and is qualified by, and should be read in conjunction with, the full text of this prospectus. You should read the entire prospectus, including the appendices hereto, which constitute an integral part of this prospectus, before you decide to invest in the Offer Shares.

There are risks associated with an investment. Some of the particular risks associated with an investment in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a provider of tutoring services in Hong Kong. As at 31 May 2011, we had 151 registered classrooms and a maximum number of 4,336 pupils were permitted in our classrooms (including ME Centres and MBE Centres) at the same time according to EDB. We offer a wide range of education programmes and services consisting of secondary tutoring services, secondary day school education, English language training and test preparation courses, and other programmes and services. For the three years ended 30 June 2008, 2009 and 2010 and the six months ended 31 December 2010, we had approximately 0.72 million, 0.78 million, 0.76 million and 0.25 million course enrolments, respectively, in our education programmes and services and our total revenue for the corresponding periods amounted to approximately HK\$309.4 million, HK\$360.4 million, HK\$353.2 million and HK\$123.7 million, respectively.

Our revenue was contributed by (i) secondary tutoring services, (ii) secondary day school education, (iii) English language training and test preparation courses, and (iv) technical consultation, management and software licencing services during the Track Record Period as set out in the table below:

	Year ended 30 June						Six months ended 31 December			
	2008		2009		2010		2009		2010	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000 (unaudited)	%	HK\$'000	%
Secondary Tutoring Services	288,904	93.4	324,651	90.1	308,492	87.3	157,407	88.3	99,538	80.5
Secondary Day School Education	19,455	6.3	26,350	7.3	33,130	9.4	15,146	8.5	15,082	12.2
English Language Training and Test Preparation Courses	1,027	0.3	9,415	2.6	10,712	3.0	5,746	3.2	7,898	6.4
Technical consultation, management and software licencing services	-	-	-	-	879	0.3	-	-	1,203	0.9
Total	309,386	100.0	360,416	100.0	353,213	100.0	178,299	100.0	123,721	100.0

SUMMARY

Expected Impact of the 334 System

With the introduction of the 334 System, the last cohort of school candidates had sat for HKCEE in 2010. In between the change of examination systems, a last round of HKCEE was held from March to May in 2011 in certain subjects to accommodate the needs of private candidates who wished to sit for HKCEE, before the first HKDSE to be held in 2012. Given the circumstance that a large number of students did not sit for the last round of HKCEE in 2011, our course enrolments and revenue for secondary tutoring services in relation to HKCEE have substantially declined.

Our total number of course enrolments for the six months ended 31 December 2009 was approximately 0.38 million and the number had decreased by approximately 34.2% to approximately 0.25 million for the six months ended 31 December 2010. In particular, due to the abolishment of HKCEE, the number of course enrolments for our Form 5/Secondary 5 tutoring services had decreased by approximately 68.8% from approximately 0.16 million (Form 5 under the old system) to approximately 0.05 million (Secondary 5 under the 334 System) for the six months ended 31 December 2009 and 2010 respectively, and the revenue generated had substantially decreased by approximately 71.9% from approximately HK\$62.0 million (Form 5 under the old system) to approximately HK\$17.4 million (Secondary 5 under the 334 system) for the six months ended 31 December 2009 and 2010 respectively. The number of course enrolments for our Form 5/Secondary 5 day school education had decreased by approximately 38.5% from approximately 2,600 (Form 5 under the old system) to approximately 1,600 (Secondary 5 under the 334 system) for the six months ended 31 December 2009 and 2010 respectively, and the revenue generated had also decreased by approximately 30.3% from approximately HK\$6.6 million (Form 5 under the old system) to approximately HK\$4.6 million (Secondary 5 under the 334 system) for the six months ended 31 December 2009 and 2010 respectively. As a result, we believe such decline in course enrolments would lead to a substantial decrease in our revenue and net profit for the year ending 30 June 2011. Based on the Group's unaudited management account, our total revenue for the nine months ended 31 March 2011 was approximately HK\$210.9 million.

In the transitional period for the school year 2011/2012, there will be Secondary 5, Secondary 6 and Form 7 levels. Form 7 students will be taking the last round of HKALE & HKASLE in April 2012. We expect that subsequent to the substantial decrease in course enrolments and number of students for the school year 2010/2011 due to the abolishment of HKCEE, we will be able to benefit from the co-existence of the Secondary 5, Secondary 6 and Form 7 levels, which will lead to a rise in our course enrolments and number of students for the school year 2011/2012. For the financial year ending 30 June 2013, the Directors expect that the Group's total course enrolments could be adversely affected as compared with those of the preceding financial year due to the abolishment of Form 7 under the 334 System.

SUMMARY

According to the Synovate Report, there were a total of approximately 113,530 Secondary 5 to 6 students in Hong Kong when the school year 2010/2011 commenced in September 2010 and the number of Secondary 6 students for the school year 2011/2012 is forecast to increase by approximately 27% to about 80,404 students, as compared with about 63,625 Form 6 and 7 students in the school year 2010/2011. Despite the fact that the number of students taking public examinations will decrease under the 334 System due to the number of public examinations being reduced from two to one, we believe opportunities lie where the Secondary 6 students will be taking or retaking the one public examination, HKDSE. With the introduction of HKDSE starting from the financial year ending 30 June 2012, the Directors expect the demand for Secondary 6 courses will increase substantially as compared with that of the financial year ending 30 June 2011. This is principally attributable to two reasons:

- 1) the total number of Secondary 6 students will increase substantially since all students will have a chance to study up to Secondary 6 under the 334 System with the abolishment of the HKCEE. According to the HKEAA, the number of students taking the new HKDSE in 2012 will more than double as compared with that of day school candidates taking the HKALE & HKASLE in 2010. With reference to past statistics from EDB, a large number of students will not be able to proceed to Form 6 after HKCEE under the old academic structure and we believe that the 334 System offers an opportunity in the way that the number of Secondary 6 students will very likely be more than the number of Form 6 and Form 7 students in aggregate under the old system.
- 2) the enrolment rate of tutoring courses for Secondary 6 students is likely to increase as compared with that of the previous year as the new HKDSE will become the principal performance indicator for admission to higher education in Hong Kong. Students may put greater effort in this examination. Based on the Group's experience, enrolment rates tend to increase when the university entrance examinations are approaching.

Further, under the 334 System, students will be studying and preparing for HKDSE starting from Secondary 4 until the public examination at the end of Secondary 6 and we believe students may start attending our tutoring courses in Secondary 4 until they finish taking HKDSE.

Furthermore, under the 334 System, certain new areas and subjects are incorporated into the New Senior Secondary curriculum. Apart from the Chinese language, the English language and mathematics, liberal studies has also been made one of the core subjects which every Secondary 4 to 6 student has to take. We believe this additional core subject will essentially lead to an increase in our course enrolments in relation to the liberal studies courses. We also intend to expand our market share and potential student base by opening 3 to 5 ME Centres in Hong Kong after the Listing and we will continue to diversify our programmes and services through the introduction of bridging courses. Please refer to the section headed "Business – Future Plans and Use of Proceeds" of this prospectus for further information.

SUMMARY

Our Network

As at the Latest Practicable Date, we offered our programmes and services through a physical network of 15 ME Centres operating under our “Modern Education” (現代教育) or “Modern College” (現代書院) brand. In addition, we had 5 MBE Centres and 11 MBE Franchised Centres operating under our “Modern Bachelor Education” (現代小學士) or “New Era Bachelor Education Centre” (新世代學士教室) brand.

All of our centres bearing the “Modern Education” (現代教育), “Modern College” (現代書院) and “Modern Bachelor Education” (現代小學士) brands are each having similar exterior and interior designs to enhance our customers’ awareness of our brands. All of our ME Centres and MBE Centres are located on leased properties occupying an aggregate gross/saleable floor area of 119,620 sq.ft., four of which have an individual gross/saleable floor area of over 10,000 sq.ft.

The following table sets out the number of ME Centres in Hong Kong and the respective number of registered classrooms and the maximum number of students permitted in the classrooms (including laboratory) during the Track Record Period and as at Latest Practicable Date:

	Year ended 30 June		Six months ended 31 December		As at the Latest Practicable Date
	2008	2009	2010	2010	
Number of centres					
ME Centres (<i>Note 1</i>)	12	14	15	15	15
<i>Secondary Tutoring Services</i>	12	14	15	15	15
<i>Secondary Day School Education</i>	10	11	10	11	11
Number of registered classrooms					
ME Centres (<i>Note 1</i>)	110	128	137	137	136
<i>Secondary Tutoring Services</i>	110	128	137	137	136
<i>Secondary Day School Education</i>	98	108	105	113	112
Maximum number of students permitted in the classrooms					
ME Centres (<i>Note 1</i>)	3,265	3,904	4,175	4,175	4,137
<i>Secondary Tutoring Services</i>	3,265	3,904	4,175	4,175	4,137
<i>Secondary Day School Education</i>	2,976	3,291	3,219	3,536	3,498

SUMMARY

	Year ended 30 June			Six months ended 31 December 2010	From 1 July 2010 to the Latest Practicable Date
	2008	2009	2010		
Occupancy rate of the classrooms					
<i>Secondary Tutoring Services (Note 2, 4)</i>					
July to September	43.1%	35.6%	35.3%	22.0%	22.0%
October to December	57.9%	52.9%	47.9%	31.3%	31.3%
January to March	68.3%	62.4%	55.2%	N/A	36.0%
April to June	32.9%	31.3%	26.2%	N/A	27.2%
 <i>Secondary Day School Education (Note 3)</i>					
	28.7%	32.8%	39.6%	33.7%	34.1%

Note 1: All of the ME Centres are used for the provision of secondary tutoring services but only some of the selected ME Centres are used for the provision of secondary day school education.

Note 2: Being total course enrolments for the quarter divided by the maximum number of students permitted in the classrooms for the quarter, assuming the Group would conduct 1 class per week per course and 4 classes daily during Monday to Friday and 8 classes daily during Saturday and Sunday.

Note 3: Being the number of students enrolled divided by the maximum number of students permitted in the classrooms during the respective school terms, which commence from September till April, May or June.

Note 4: The general decrease in the occupancy rates for the year ended 30 June 2009 as compared with those for the year ended 30 June 2008 was mainly due to a larger increase in the maximum number of students permitted in the classrooms than the course enrolments when the Group expanded and opened new ME Centres.

The general decrease in the occupancy rates for the year ended 30 June 2010 as compared with those for the year ended 30 June 2009 was mainly due to the increase in the maximum number of students permitted in the classrooms as driven by the parallel running and new openings of ME Centres but decrease in course enrolments resulting from the combined effect of the 334 System to Secondary 4 course enrolments and the departure of one of our Top Five Tutors ("Tutor A").

The general decrease in the occupancy rates for the period ended 31 December 2010 as compared with those for the year ended 30 June 2010 was mainly due to a larger decrease in course enrolments than the maximum number of students permitted in the classrooms given the Group's closure of the parallel-run ME Centres and the impact of 334 System on Secondary 5 course enrolments.

SUMMARY

The actual operation of our primary homework tutoring services commenced on 1 January 2011. As at the Latest Practicable Date, we had 5 MBE Centres and 11 MBE Franchised Centres. Details of the MBE Centres and MBE Franchised Centres are as follows:

	MBE Centres <i>(Note 1)</i>	MBE Franchised Centres <i>(Note 1)</i>
Total number of registered classrooms	15	31
Maximum number of students permitted	199	278
Occupancy rate <i>(Note 2)</i>	36.0%	19.6%

Note 1: exclusive of the MBE Franchised Centres located in Lei King Wan and Tsuen Wan (Riviera Garden), which were applying to the EDB for certificates of accommodation.

Note 2: being total course enrolments for the period from 1 January 2011 to 31 March 2011 divided by the maximum number of students permitted in the classrooms for the period, assuming that Bachelor Education and the franchisees would conduct 3 classes per week per course enrolment and 5 classes daily during Monday to Friday, 7 classes on Saturday and 4 classes on Sunday.

Going forward, after Listing, we intend to further expand our existing businesses by opening 3 to 5 new ME Centres and 6 to 10 new MBE Centres on Hong Kong. Please refer to the sections headed “Business – Our Future Plans and Strategies” and “Future Plans and Use of Proceeds” in this prospectus for further information.

Secondary Tutoring Services

Our secondary tutoring services are offered under our “Modern Education” (現代教育) brand, under which we provide supplementary education services for secondary school students from Form 1 to Form 7 (or with the 334 System, Secondary 1 to Secondary 6), with an emphasis on improving students’ internal school performance and preparing them for public examinations, HKCEE and HKALE & HKASLE (or with the 334 System, HKDSE).

A substantial part of our revenue was derived from our secondary tutoring services, which amounted to approximately HK\$288.9 million, HK\$324.7 million, HK\$308.5 million and HK\$99.5 million for the three years ended 30 June 2008, 2009 and 2010 and the six months ended 31 December 2010 and amounted to approximately 93.4%, 90.1%, 87.3% and 80.5% of our total revenue respectively.

SUMMARY

The following tables set forth the number of course enrolments, number of students, number of tutors, the average course fees, average class size of and revenue generated from each category of secondary tutoring services during the Track Record Period:

	Year ended 30 June			Six months ended 31 December
	2008	2009	2010	2010
Number of course enrolments				
<i>(in thousands)</i>				
Regular courses	485	547	493	173
Intensive courses	76	74	88	–
Summer courses	46	51	58	32
T.I.P.S. courses	24	25	19	–
Special courses	82	71	84	35
Number of students				
<i>(in thousands)</i>				
<i>(Note 1)</i>				
Regular courses	100	107	100	56
Intensive courses	72	68	80	–
Summer courses	26	27	31	17
T.I.P.S. courses	21	22	17	–
Special courses	66	56	63	29
Number of tutors				
<i>(Note 2)</i>				
Regular courses	49	51	52	48
Intensive courses	35	38	46	–
Summer courses	33	34	46	40
T.I.P.S. courses	21	23	24	–
Special courses	19	23	29	22
Average course fees				
<i>(HK\$) (Note 3)</i>				
Regular courses	441	454	461	463
Intensive courses	469	463	430	–
Summer courses	386	396	400	384
T.I.P.S. courses	347	349	359	–
Special courses	159	184	157	202

SUMMARY

	Year ended 30 June			Six months ended 31 December
	2008	2009	2010	2010
Average class size				
<i>(Note 4)</i>				
Regular courses	28	24	20	16
Intensive courses	24	17	15	–
Summer courses	19	18	17	10
T.I.P.S. courses	36	33	35	–
Special courses	25	27	27	22
 Revenue generated				
<i>(in HK\$'million)</i>				
Regular courses	214.1	248.5	227.4	80.2
Intensive courses	35.6	34.3	37.9	–
Summer courses	17.8	20.2	23.2	12.3
T.I.P.S. courses	8.3	8.7	6.8	–
Special courses	13.1	13.0	13.2	7.0

Note 1: Students can enrol in more than one category of courses and hence the sum of the number of students enrolled in regular courses, intensive courses, summer courses, T.I.P.S. courses and special courses does not equal the total number of students for the year/period.

Note 2: Tutors may provide secondary tutoring services for all or certain categories of courses. As such, the sum of the number of tutors for the provision of regular courses, intensive courses, summer courses, T.I.P.S. courses and special courses does not equal the total number of tutors for the three years ended 30 June 2008, 2009 and 2010 and the six months ended 31 December 2010, being 54, 61, 52 and 51 respectively.

Note 3: Being revenue divided by course enrolments for the year/period. For courses lasting for one month per enrolment, the average course fee equals monthly fee.

Note 4: Being the number of course enrolments divided by the number of classes held during the year/period. During the Track Record Period, the actual size of each class ranged from 3 to 45 students.

Note 5: Intensive and T.I.P.S. courses normally run from January to May, several months or weeks before an in-school or public examination.

With the implementation of the 334 System, school candidates had already sat for the last HKCEE in 2010, which led to a substantial decrease in the course enrolments, number of students, average class size and revenue generated of secondary tutoring services for the six months ended 31 December 2010.

The Directors expect that the number of regular, summer and special courses will more or less remain stable under the 334 System, but the number of Secondary 6 intensive and T.I.P.S. courses under the 334 System will be higher than those of the Form 7 intensive and T.I.P.S. courses under the HKALE & HKASLE system due to the fact that there will be more Secondary 6 students starting from the financial year ending 30 June 2012 than Form 7 students under the HKALE system. However, the number of intensive and T.I.P.S. courses for Secondary 5 students will decrease with the abolishment of the HKCEE.

SUMMARY

The following table sets forth the number of course enrolments and revenue generated from the respective school levels under our secondary tutoring services during the Track Record Period:

	Year ended 30 June						Six months ended 31 December	
	2008		2009		2010		2010	
	<i>Course</i>		<i>Course</i>		<i>Course</i>		<i>Course</i>	
	<i>Enrolments</i>	<i>Revenue</i>	<i>Enrolments</i>	<i>Revenue</i>	<i>Enrolments</i>	<i>Revenue</i>	<i>Enrolments</i>	<i>Revenue</i>
	<i>(in (HK\$' million)</i>	<i>(in (HK\$' million)</i>	<i>(in (HK\$' million)</i>	<i>(in (HK\$' million)</i>	<i>(in (HK\$' million)</i>	<i>(in (HK\$' million)</i>	<i>(in (HK\$' million)</i>	
Secondary/Form 1 to 3 & general courses (<i>Note</i>)	41	17.4	48	18.9	43	17.0	18	7.1
Form 4	104	37.9	101	39.9	–	–	–	–
Form 5	274	107.5	308	125.9	316	125.9	–	–
Form 6	116	51.2	120	56.8	137	63.2	52	23.7
Form 7	178	74.9	191	83.2	189	81.4	96	43.1
Secondary 4	–	–	–	–	57	21.0	23	8.2
Secondary 5	–	–	–	–	–	–	51	17.4

Note: General courses refer to courses, seminars and workshops offered generally to all levels of secondary students but not specifically to a particular level, such as grammar courses.

With the implementation of the 334 System, school candidates had already sat for the last HKCEE in 2010, which led to a substantial decrease in course enrolments and revenue in the six months ended 31 December 2010.

Secondary Day School Education

All of our secondary day schools are operated by Modern College (現代書院) under our “Modern College” (現代書院) brand. We currently provide instruction at the Secondary 5, Form 6 and Form 7 levels in a full-day, standard schooling format. Our secondary day schools were established with an aim to rebuilding our students’ confidence in learning and providing them with an opportunity to further their secondary school education in a full-day and formal academic environment.

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For the three years ended 30 June 2008, 2009 and 2010 and the six months ended 31 December 2010, we derived revenue of approximately HK\$19.5 million, HK\$26.4 million, HK\$33.1 million and HK\$15.1 million respectively from our secondary day school education which accounted for approximately 6.3%, 7.3%, 9.4% and 12.2% of our total revenue respectively. The following table sets forth the number of course enrolments and revenue generated from the respective school levels under our secondary day school education during the Track Record Period:

	2008		Year ended 30 June				Six months ended	
			2009		2010		31 December	
Course	Enrolments	Revenue	Enrolments	Revenue	Enrolments	Revenue	Enrolments	Revenue
	(in thousands)	(HK\$' million)	(in thousands)	(HK\$' million)	(in thousands)	(HK\$' million)	(in thousands)	(HK\$' million)
Secondary/Form 5	4.2	9.2	5.7	13.7	5.7	14.4	1.6	4.6
Secondary/Form 6	1.3	3.8	2.5	7.4	3.6	11.0	1.6	4.7
Form 7	2.1	6.5	1.6	5.2	2.2	7.7	1.6	5.7

The revenue generated from secondary day school education increased in the two years ended 30 June 2009 and 2010 because of the increase in course enrolments and increase in average course fee paid by students. The number of our day school students dropped in the 10/11 financial year mainly because fewer students took our Secondary 5 day school programmes under the 334 System than those taking our Form 5 day school programmes in the 09/10 financial year. Compared with the six months ended 31 December 2009, there was no significant change in revenue for the six months ended 31 December 2010, which remained at approximately HK\$15.1 million, as the decrease in course enrolments was offset by the increase in average course fee.

English Language Training and Test Preparation Courses

Our English language training and test preparation courses are offered by Modern Education (現代教育) under our “Modern Education” (現代教育) brand. Since 2005, we have been providing English language training as well as test preparation courses on international English language standardized tests and examinations such as IELTS and TOEFL, at our ME Centres. After obtaining approval from the Labour and Welfare Bureau in 2007, we began providing The International English Language Testing System (IELTS) Preparation Course and Diploma in Work Place English TOEIC Preparatory Course in Hong Kong, which are courses reimbursable by the Government under the CEF.

PRC Operations

In September 2008, Modern Education HK entered into the Cooperative Framework Agreement on the acquisition of Beijing Yasi School, an entity offering standardised test preparation courses on, for example, IELTS and TOEFL, in the PRC with Ms. Huang Hui, Mr.

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Liu Hongbo and Mr. Yang Qi. Pursuant to the Cooperative Framework Agreement, Mr. Liu Hongbo and Mr. Yang Qi will cooperate with Modern Education HK and Ms. Huang Hui in transferring their interests in Beijing Yasi School and setting up certain offshore companies to facilitate a share swap plan. A restructuring plan was further agreed and executed among the involved parties of Beijing Yasi School. The 100% equity interest of Beijing Yasi School was transferred to a PRC domestic limited company, namely Beijing Siya, which is held by Ms. Huang Hui, Mr. Liu Hongbo and Mr. Cai Hongxiong in the shareholding percentage of 65%, 26.5% and 8.5% respectively. As at the Latest Practicable Date, no party thereof has further performed any terms relating to the share swap plan under the Cooperative Framework Agreement due to change of holder of interest in Beijing Yasi School and change of shareholding structure of Beijing Siya. As advised by our PRC Legal Advisors, pursuant to the Cooperative Framework Agreement, a party is entitled to terminate such agreement after prior notice, if any other party fails to perform their respective obligations under the agreement, which results in no further performance of the agreement. On 19 May 2011, letters have been sent to Mr. Liu Hongbo and Mr. Yang Qi requesting them to perform the obligations relating to the establishment of offshore companies under the Cooperative Framework Agreement. On 25 May 2011, since no action had been taken by Mr. Liu Hongbo and Mr. Yang Q and no response was received from them, further termination letters have been sent to them informing them that the Cooperative Framework Agreement should be deemed to be terminated upon receipt by them of the termination letters. For details in relation to the Cooperative Framework Agreement and the specific risks involved, please refer to the sections headed “Business – PRC Operations” and “Risk Factors – We may be subject to claims in relation to termination of the Cooperative Framework Agreement” of this prospectus.

In 2010, we started our PRC business by way of cooperative arrangement with Ms. Huang Hui comprising an advance to Ms. Huang Hui, the Option Agreement and the Exclusive Technical Consultation and Management Services Agreement and Software Licence Agreement to Beijing Yasi School. As advised by our PRC Legal Advisors, such cooperative arrangement has complied with relevant laws and regulations in the PRC, while Ms. Huang Hui and other PRC residents involved will have to go through necessary registration and approval procedure in due performance of the Option Agreement in accordance with relevant laws and regulations in the PRC if and when we exercise the option. Besides, Ms. Huang Hui also needs to file a registration application for the advance from the Group to local authorities of foreign exchange pursuant to relevant laws and regulations in the PRC. Otherwise, Ms. Huang Hui will probably be subject to administrative penalty. To the best knowledge of the Directors, Ms. Huang Hui has not yet filed the required registration application as at the Latest Practicable Date. However, according to applicable PRC laws and regulations, the Company will not be subject to any administrative penalty as a result of failing to file such registration application by Ms. Huang Hui.

In 2008 and 2009, we advanced approximately HK\$16.9 million in aggregate to Ms. Huang Hui for investment in Beijing Yasi School and Beijing Siya. We did not make any investment in Beijing Yasi School and have no interest in it. The Option Agreement has been entered into between Ms. Huang Hui and us pursuant to which we have been granted an option to purchase 65% equity interest in Beijing Siya. Pursuant to the relevant PRC laws and

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regulations, as a foreign investor, the Group is not allowed to own 100% interest in a cooperatively-run school, and as a Sino-foreign cooperatively-run school, it cannot get involved in the profit-making activities. However, school sponsors are allowed to have a reasonable return after approval from authorities. Although the Group is qualified to apply for direct ownership of an education business in the PRC under sino-foreign cooperation arrangement, the Group currently has not decided whether and when to operate a school in the PRC by exercising the option under the Option Agreement. As the Group has no prior presence in the PRC market, the Group would prefer to take a conservative approach in developing its business in the PRC and intends to gain more practical knowledge and experience through the existing PRC Operations. In addition, the exercise of the option to purchase 65% equity interest is subject to, inter alia, consents of other shareholders of Beijing Siya. If the transfer of equity interest in Beijing Siya cannot be completed due to the disagreement of other shareholders, we will continue to rely on the existing arrangement under the Exclusive Technical Consultation and Management Service Agreement and the Software License Agreement to provide services to Beijing Yasi School. These two agreements will expire on 30 June 2013 and whether they will be renewed upon expiration depends on negotiation between the parties at that time.

In January 2010, we commenced our operations in the PRC private education services market in the areas of Beijing through providing technical consultation, management services and software licencing to Beijing Yasi School. Programmes and services of Beijing Yasi School are offered under the “BJ IELTS” (北京雅思) brand, commonly known as the “Beiya” (北雅) brand. Beijing Yasi School is currently providing English training courses in Chaoyang district and Haidian district but it has only obtained permit for running schools in Chaoyang district but not in Haidian district. We expect Beijing Yasi School to file registration materials to apply for a permit for running the teaching centers in Haidian District by the end of June 2011. If Beijing Yasi School is unable to complete the registration for its teaching centers outside the approved district, there is a possibility that Beijing Yasi School will be ordered to stop running the schools outside the approved district by relevant education authorities, which, if occurred, will affect our revenue. Nevertheless, as advised by our PRC Legal Advisors, we will not be subject to any legal liability or penalty if Beijing Yasi School fails to obtain permit for running school in Haidian District.

Our decision in providing technical consultation, management services and software licencing to non-public schools in the PRC was due to experience which we learnt from other companies providing these services with similar cooperative arrangement in the PRC, and after a failed attempt to acquire a school licence in Shenzhen in April 2008, as the counterparty was unable to materialise the transfer of the licence within the prescribed timeframe, in which we did not incur any loss. To avoid incurring extra costs, we thought it would be desirable to make reference to these cooperative arrangements operated by companies with similar businesses as we do. As a result, a further attempt had also been made in 2010 in which we proposed to provide technical consultation and management services to a PRC individual, who intended to establish a non-public school in the area of Guangzhou. However, due to his inability to obtain the requisite licence for running of a school from the PRC authority, our technical consultation and management services provided to him were terminated. Our PRC Legal Advisors also advise that the Exclusive Technical Consultation and Management Service Agreement and the

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Software Licence Agreement may be subject to audits or challenges by the PRC tax authorities under relevant PRC law and regulation. If the PRC tax authorities determine that these two agreements are not arm's-length transactions, it could adjust in the form of a transfer pricing adjustment and thus impose additional tax liabilities on Jingli Beiya or Beijing Yasi School.

Advance to Ms. Huang Hui

To eliminate the risk that the approximately HK\$16.9 million advance to Ms. Huang Hui may not be recovered, the Group had discussed with Ms. Huang Hui and the shareholders of Sino Network about the immediate repayment of the advances before Listing. Ms. Huang Hui was not able to repay the advance before Listing. In view of the short period of time and given there was retained profit, the Group has declared a dividend of approximately HK\$18.2 million to the shareholders of Sino Network in June 2011 by way of distribution in specie and in cash. The shareholders of Sino Network, except Primo Result, received distribution of the Group's advance to Ms. Huang Hui of approximately HK\$16.9 million by way of dividend in specie, whereas Primo Result received cash dividend of approximately HK\$1.4 million. The Group will not bear any liability and will not be responsible for any losses in the event that Ms. Huang Hui does not fully repay the advance to the shareholders of Sino Network (except Primo Result) in future.

Primary Homework Tutoring Services

In January 2011, we commenced the provision of primary homework tutoring services after indirect acquisition of Bachelor Education. We provide education services for primary school students from Primary 1 to 6 levels, which include supervising and tutoring on day-to-day schoolwork and helping to improve students' performance in internal school examinations.

Future Plans and Strategies

According to the Synovate Report, due to a decrease in the birth rate in Hong Kong, it is forecast that the number of secondary school students will decrease until it reaches a minimum level of approximately 339,600 in the school year 2016/2017 and will thereafter experience a steady increase starting from the school year 2017/2018 onwards as the birth rate stopped dropping since 2004. To cope with the forecast decrease of secondary school students in Hong Kong as well as to increase our revenue in general, we decided to diversify our programmes and services to attract students to enrol in our courses and use our services. The provision of CEF reimbursable courses, primary homework tutoring services and expansion of operations to PRC are examples of diversification of our business. In addition, we entered into a cooperation agreement with an overseas studies consultation company in Hong Kong on 20 May 2011 for expansion to the overseas studies consultation services market. For further details in relation to our future plans and strategies, please refer to the section headed "Business – Our Future Plans and Strategies" of this prospectus.

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Our Brand

We believe our “Modern Education” (現代教育) brand, in particular, is one of the leading brands in Hong Kong’s private education services sector, as evidenced by the recognition as a “Trusted Brand” (信譽品牌) in 2008, 2009 and 2010 by Readers Digest (讀者文摘) and being voted as “The Best for Home 10-11” Award (香港家庭最愛品牌大賞10-11) organised by Take me Home Community Post (Take me Home • 生活區報) in 2010. The “Trusted Brand” recognition was given based on the customer surveys conducted by Readers Digest (讀者文摘) during the relevant period. Of all the providers of private education services in Hong Kong, we were one of the two institutions being awarded the recognition. “The Best for Home 10-11” Award was given based on votes cast by readers of Take me Home Community Post. Of all the providers of private education services in Hong Kong, we were the only institution being given such award in 2010.

OUR COMPETITIVE STRENGTHS

The Directors believe that the key competitive advantages of the Group include:

- A Tutoring Services Provider with the Largest Number of Licensed Centres Providing Secondary Tutoring Services in Hong Kong
- Strong Brands
- Diverse Selection of Education Services
- Proven Profitable Business Model
- High Teaching Quality and Diverse Products
- Experienced Team of Entrepreneurial Management Personnel

OUR FUTURE PLANS AND STRATEGIES

The Group intends to capitalise on its competitive advantages set out above by pursuing the following core strategies:

In Hong Kong

- Further Expansion of our Existing Businesses in Hong Kong
- Vertical Expansion into Adjacent Education Services Markets
- Overseas Studies Consultation Services Market
- Provision of Bridging Courses

In the PRC

- Extending Geographic Network into Adjacent Markets with High-growth Potential
- Further Developing Our Presence in the PRC through the Provision of Consultation and Management Services

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OUR SHAREHOLDING

Set out below are the respective shareholding structure of the Company immediately before and after the Global Offering but without taking in account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any Shares that may be issued under the Share Option Scheme:

Name of Shareholder	Immediately before the Global Offering		Immediately after the Global Offering	
	Number of Shares held	Approximate percentage of shareholding in the Company	Number of Shares held	Approximate percentage of shareholding in the Company
<i>Controlling Shareholders</i>				
Speedy Harvest (Note 1)	157,405,421	55.42%	157,405,421	39.35%
Mr. Ng Kam Lun (Note 1)	157,405,421	55.42%	157,405,421	39.35%
<i>Initial Shareholders</i>				
Beautiful Choice (Note 2)	47,221,626	16.63%	47,221,626	11.81%
Mr. Lee (Note 2)	47,221,626	16.63%	47,221,626	11.81%
Ms. Chu (Note 2)	47,221,626	16.63%	47,221,626	11.81%
Classic King (Note 3)	41,819,066	14.73%	41,819,066	10.45%
Mr. Ng Norman (Note 3)	41,819,066	14.73%	41,819,066	10.45%
Ultra Strong (Note 4)	11,719,088	4.13%	11,719,088	2.93%
Mr. KW Ng, Ms. Lau and Ms. Ng (Note 4)	11,719,088	4.13%	11,719,088	2.93%
Creative Master (Note 5)	4,529,214	1.59%	4,529,214	1.13%
Ms. Yiu (Note 5)	4,529,214	1.59%	4,529,214	1.13%
<i>Other Shareholders</i>				
Primo Result (Note 6)	21,305,585	7.50%	21,305,585	5.33%
Public Shareholders	–	–	116,000,000	29.00%
Total:	<u>284,000,000</u>	<u>100.00%</u>	<u>400,000,000</u>	<u>100.00%</u>

Notes:

- The entire issued share capital of Speedy Harvest is beneficially owned by Mr. Ng Kam Lun, who is deemed to be interested in the Shares held by Speedy Harvest under the SFO upon Listing.
- The entire issued share capital of Beautiful Choice is beneficially owned by Mr. Lee as to 60% and Ms. Chu as to 40%, who are deemed to be interested in the Shares held by Beautiful Choice under the SFO upon Listing.
- The entire issued share capital of Classic King is beneficially owned by Mr. Ng Norman, who is deemed to be interested in the Shares held by Classic King under the SFO upon Listing.
- Mr. KW Ng is holding Ultra Strong for himself as to 73.7%, and is holding on trust for Ms. Lau as to 17.3% and for Ms. Ng as to 9%. Accordingly, Mr. KW Ng is deemed to be interested in the Shares held by Ultra Strong under the SFO upon Listing.
- The entire issued share capital of Creative Master is beneficially owned by Ms. Yiu, who is deemed to be interested in the Shares held by Creative Master under the SFO upon Listing.
- The entire issued share capital of Primo Result is beneficially owned by SW Kingsway Capital Holdings Limited. Primo Result is the investor of the Group prior to the Global Offering. For background of Primo Result, please refer to the subsection headed “Investor of our Group” in the section of “History and Corporate Structure”.

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SUMMARY OF FINANCIAL INFORMATION

Prospective investors should read the summary of financial information set out below in conjunction with the Group's combined financial information set out in "Appendix I – Accountants' Report" in this prospectus.

The table below provides a summary of the results of operations for the Group prepared on a consistent basis for the three years ended 30 June 2008, 2009 and 2010 and the six months ended 31 December 2009 and 2010 and a summary of the state of affairs of the Group as at 30 June 2008, 2009 and 2010 and 31 December 2009 and 2010. The information has been extracted from "Appendix I – Accountants' Report" to this prospectus and has been prepared on the basis described in the section headed "Notes to the Financial Information" in "Appendix I – Accountants' Report" to this prospectus.

Combined Statements of Comprehensive Income

	Year ended 30 June			Six months ended 31 December	
	2008	2009	2010	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)				
Revenue	309,386	360,416	353,213	178,299	123,721
Other income and expenses	1,111	1,672	79	563	3,023
Staff costs	(44,284)	(49,544)	(58,361)	(27,979)	(25,680)
Tutor contractor fee	(120,118)	(137,266)	(122,225)	(62,013)	(36,966)
Operating lease payments	(30,658)	(36,936)	(51,270)	(25,038)	(23,763)
Marketing expenses	(15,170)	(17,266)	(20,597)	(16,328)	(11,198)
Printing costs	(607)	(558)	(583)	(331)	(166)
Depreciation	(5,306)	(7,166)	(9,443)	(4,448)	(4,776)
Other operating expenses	(28,645)	(38,463)	(42,054)	(19,037)	(16,379)
Finance costs	(372)	(253)	(224)	(123)	(101)
Profit before taxation	65,337	74,636	48,535	23,565	7,715
Taxation	(10,795)	(12,327)	(8,477)	(4,015)	(1,346)
Profit for the year/period	54,542	62,309	40,058	19,550	6,369
Other comprehensive income					
Exchange differences arising on translation of PRC operation	–	–	12	–	79
Total comprehensive income for the year/period	54,542	62,309	40,070	19,550	6,448

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	Year ended 30 June			Six months ended 31 December	
	2008	2009	2010	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Profit for the year/period attributable to:					
Owners of the Company	49,982	57,725	40,076	19,683	6,369
Non-controlling interests	<u>4,560</u>	<u>4,584</u>	<u>(18)</u>	<u>(133)</u>	<u>–</u>
	<u>54,542</u>	<u>62,309</u>	<u>40,058</u>	<u>19,550</u>	<u>6,369</u>
Total comprehensive income (expense) attributable to:					
Owners of the Company	49,982	57,725	40,088	19,683	6,448
Non-controlling interests	<u>4,560</u>	<u>4,584</u>	<u>(18)</u>	<u>(133)</u>	<u>–</u>
	<u>54,542</u>	<u>62,309</u>	<u>40,070</u>	<u>19,550</u>	<u>6,448</u>
Earnings per share – basic (<i>HK\$</i>)	<u>0.20</u>	<u>0.23</u>	<u>0.15</u>	<u>0.08</u>	<u>0.02</u>

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Combined Statements of Financial Position

	2008 HK\$'000	As at 30 June 2009 2010 HK\$'000 HK\$'000		As at 31 December 2010 HK\$'000
Non-current assets				
Property, plant and equipment	27,465	23,541	29,503	26,862
Intangible assets	–	–	–	4,936
Amount due from a related party	–	16,874	16,874	16,874
Deferred tax assets	200	88	102	581
	<u>27,665</u>	<u>40,503</u>	<u>46,479</u>	<u>49,253</u>
Current assets				
Trade and other receivables	23,005	23,909	23,925	29,143
Amounts due from related parties	35,006	13,057	3,458	2,085
Held-for-trading investments	77	–	–	–
Derivative financial instruments	–	–	–	3,308
Tax recoverable	52	–	–	–
Pledged bank deposits	–	1,037	1,037	1,037
Bank balances and cash	19,751	10,787	21,922	20,082
	<u>77,891</u>	<u>48,790</u>	<u>50,342</u>	<u>55,655</u>
Current liabilities				
Other payables	13,362	14,172	13,438	16,843
Deferred income	8,108	10,134	5,404	13,101
Tax payable	13,799	16,699	10,457	3,095
Amounts due to related parties	3,176	1,351	5,024	18,983
Obligations under finance leases	1,262	705	1,000	583
Bank overdrafts	–	411	–	–
Bank borrowing	–	–	–	210
	<u>39,707</u>	<u>43,472</u>	<u>35,323</u>	<u>52,815</u>
Net current assets	<u>38,184</u>	<u>5,318</u>	<u>15,019</u>	<u>2,840</u>
Total assets less current liabilities	<u>65,849</u>	<u>45,821</u>	<u>61,498</u>	<u>52,093</u>
Non-current liabilities				
Obligations under finance leases	1,836	1,005	1,114	621
Deferred tax liabilities	378	397	258	1,021
Provision for long service payments	684	1,066	1,703	1,685
	<u>2,898</u>	<u>2,468</u>	<u>3,075</u>	<u>3,327</u>
Net assets	<u>62,951</u>	<u>43,353</u>	<u>58,423</u>	<u>48,766</u>
Capital and reserves				
Paid-in capital	79	79	109	109
Reserves	59,044	41,459	58,314	46,862
Equity attributable to owners of the Company	59,123	41,538	58,423	46,971
Non-controlling interests	3,828	1,815	–	1,795
Total equity	<u>62,951</u>	<u>43,353</u>	<u>58,423</u>	<u>48,766</u>

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GLOBAL OFFERING STATISTICS

Combined profit attributable to owners of the Company for the year ended 30 June 2010	HK\$40,076,000
Unaudited pro forma combined earnings per Share for the year ended 30 June 2010 (<i>Note 1</i>)	HK\$0.11

**Based on the
Offer Price of HK\$1.30**

Market capitalisation (<i>Note 2</i>)	Approximately HK\$520.0 million
Unaudited pro forma adjusted net tangible asset value per Share (<i>Note 3</i>)	Approximately HK\$0.44

Notes:

1. The calculation of unaudited pro forma combined earnings per Share for the year ended 30 June 2010 is based on the combined profit attributable to owners of the Company for the year ended 30 June 2010 and a weighted average of 375,858,752 Shares, representing a weighted average of 259,858,752 Shares as stated in Note 14 to the Accountants' Report in Appendix I to this prospectus, adjusted as if the Global Offering of 116,000,000 Shares had been completed on 1 July 2009. The calculation takes no account of any Shares which may fall to be issued upon exercise of the Over-allotment Option.
2. The market capitalisation of the Company is calculated based on the Offer Price of HK\$1.30 per Offer Share and a total of 400,000,000 Shares in issue and to be issued immediately after completion of the Global Offering. Such number of Shares does not take into account of any Shares which may fall to be allotted and issued upon exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.
3. The unaudited pro forma adjusted net tangible asset value per Share is arrived at after making the adjustments referred to in Appendix II to this prospectus and on the basis of 400,000,000 Shares in issue and to be issued immediately after completion of the Global Offering but takes no account of any Shares which may fall to be allotted and issued upon exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.

DIVIDEND AND DIVIDEND POLICY

We declared dividends of approximately HK\$31.5 million, HK\$82.4 million, HK\$25.0 million and HK\$17.9 million during the three years ended 30 June 2008, 2009, and 2010 and for the six months ended 31 December 2010, respectively. A bank loan of HK\$12 million was drawn in January 2011 to settle part of the declared dividends. A dividend of HK\$40 million was further declared by the directors of Sino Network on 21 April 2011, which was settled by an interest-bearing loan drawn in May 2011 borrowed from a licensed money lender under the Money Lenders Ordinance (Cap.163 of the laws of Hong Kong). Such lender is an Independent Third Party and offered more flexible repayment terms as compared to those offered by bank. This loan will be repaid by part of the proceeds from the Global Offering. In June 2011, to eliminate the risk that the approximately HK\$16.9 million advance to Ms. Huang Hui may not be recovered, the Group had discussed with Ms. Huang Hui and the shareholders of Sino Network about the immediate repayment of the advances before Listing. Ms. Huang Hui was not able to repay the advance before Listing. In view of the short period of time and given there

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was retained profit, a dividend of approximately HK\$18.2 million was declared by the directors of Sino Network comprising (i) distribution of the Group's advance to Ms. Huang Hui of approximately HK\$16.9 million to its shareholders (except Primo Result) by way of dividend in specie and (ii) cash of approximately HK\$1.4 million to Primo Result financed by internal resources, including but not limited to retained profit up to the payment date. Also, the Group has declared a cash dividend of approximately HK\$1.1 million in June 2010. All of the dividends declared have been fully settled prior to the Listing. Past payments and of dividends are not indicative of our future dividend policy.

We currently do not have any plans to distribute regular dividends immediately after the Listing, although this is subject to change. Our Board may declare dividends in the future after taking into account our operations, earnings, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Law, including the approval of our Shareholders. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board.

USE OF PROCEEDS

Based on an Offer Price of HK\$1.30 per Offer Share, we estimate that we will receive net proceeds from the Global Offering of approximately HK\$130 million from the 116,000,000 Offer Shares to be offered by the Company, after deducting underwriting fees and expenses payable by us and assuming the Over-allotment Option is not exercised.

We intend to use these net proceeds for the following purposes:

- approximately 38% (or approximately HK\$50 million) will be used for the repayment of loans drawn down in January and May 2011 to settle the dividends declared in 2010 and 2011 respectively;
- approximately 12% (or approximately HK\$15 million) will be used for opening 3 to 5 new ME Centres in Hong Kong for the provision of secondary tutoring services, secondary day school education and English language test preparation courses. We plan to open at least one new ME Centre per school year starting from the school year 2012/2013 to 2014/2015. The main reason for the intention of the Group to open 3 to 5 ME Centres in Hong Kong is to expand our centre network into some potential districts such as the Islands, North, Sai Kung, Yuen Long, Central and Western or Southern Districts to (a) better serve our students and (b) attract more students or capture more market share. In relation to the costs for setting up each new ME Centre, we plan to use approximately HK\$3 million in setting up each new ME Centre, which will include costs for the first month's rental, three months' rental deposit, renovation, equipment and working capital. Hence, we expect to use an aggregate of approximately HK\$15 million in setting up 5 new ME Centres;

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- approximately 5% (or approximately HK\$6 million) will be used for opening 6 to 10 new MBE Centres in Hong Kong for the provision of primary homework tutoring services, skill courses and test preparation courses. We plan to open at least one new MBE Centre per quarter starting from the school year 2011/2012 to 2012/2013. In relation to the costs for setting up each new MBE Centre, we estimate that approximately HK\$600,000 will be used as costs for the first month's rental, three months' rental deposit, renovation and working capital. Hence, we expect to use an aggregate of approximately HK\$6 million in setting up 10 MBE Centres;
- approximately 26% (or approximately HK\$34 million) will be used for strategic merger and acquisition of players with experience in the education related industries in Hong Kong and/or the PRC but we do not yet have any target for potential merger and acquisition;
- approximately 5% (or approximately HK\$6 million) will be used as initial setup cost for the provision of overseas studies consultancy services in Hong Kong and/or the PRC. We intend to commence provision of overseas studies consultancy services in Hong Kong and/or the PRC within the coming 1 to 3 years. In doing so, we plan to recruit around 10 personnel who have experience in the related fields and a manager to lead this team. We expect to incur approximately HK\$6 million as administration and marketing costs and as working capital for the first year. Hence, we expect to use approximately HK\$6 million as initial costs for this purpose;
- approximately 3% (or approximately HK\$4 million) will be used for offering test preparation or bridging courses for students in the PRC and/or Hong Kong targeting to study overseas. We plan to start conducting bridging courses at our existing ME Centre in Mongkok and to start conducting test preparation courses, for example SAT and AP in Hong Kong and/or in the areas of Guangzhou, Shenzhen and Beijing, the PRC within the coming 1 to 3 years. We expect to use approximately HK\$4 million as costs for administrative expenses, salary payment for the first year, marketing expenses, course development costs and as working capital. Hence, we intend to use in aggregate of approximately HK\$4 million for this purpose; and
- approximately 11% (or approximately HK\$15 million) will be used for setting up learning centres for children in the PRC. We plan to set up 5 learning centres for children within the coming 4 years. For the setting up of each of the new centres, we estimate to use approximately HK\$3 million as costs for the first month's rental, three months' rental deposit, renovation and marketing expenses and as working capital. Hence, we expect to use an aggregate of approximately HK\$15 million in setting up 5 learning centres.

If the Over-allotment Option is exercised in full, we estimate that we will receive net proceeds of approximately HK\$152 million at the Offer Price of HK\$1.30 per Offer Share, after deducting the estimated underwriting fees and expenses payable by us. Any additional net proceeds received from the exercise of the Over-allotment Option will be applied pro rata to the abovementioned purposes.

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Should our Directors decide to re-allocate the intended use of proceeds to our other business plans and/or new projects to a material extent and/or there is to be any material modification to the use of proceeds as described above, we will make appropriate announcement(s) in due course.

To the extent that the proceeds from the Global Offering are not immediately applied for the above purposes, we intend to place the proceeds, insofar as permitted by applicable laws and regulations, in short-term deposit interest-bearing bank accounts with authorised financial institutions and/or licenced banks in Hong Kong. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

RISK FACTORS

The Group believes that there is a range of risks involved in its operations. They can be broadly categorised into: (i) risks related to our business, (ii) risks related to agreements in the PRC, (iii) risks related to doing business in the PRC, and (iv) risks relating to our Global Offering. Set out below is a summary of the risks referred to above. For further details, please refer to the section headed “Risk Factors” in this prospectus.

Risks related to our business

- Financial results for the year ending 30 June 2011 may substantially decrease due to the decrease in course enrolments and number of students resulting from the abolishment of HKCEE and expenses incurred in relation to the Listing.
- The number of course enrolments and the number of students may decrease for the school year 2012/2013 due to the abolishment of HKALE & HKASLE.
- The total number of secondary school students in Hong Kong will decrease gradually due to a greater birth rate drop than the stable increase of immigrants.
- Our operation is subject to registration with EDB. If we are not able to register with EDB or the registration or exemption currently enjoyed by us is cancelled by the relevant regulatory authorities, our operation will have to be suspended and our business and operating results may be materially and adversely affected.
- Two of our MBE Franchised Centres are applying for the requisite certificates of accommodation. If these MBE Franchised Centres are ordered to be closed down by EDB, our reputation could be adversely affected.
- We may not be able to receive full amount of agreed consideration upon exercise of the put option to sell the 60% shareholding interest of Able Investment back to the BE Initial Shareholders when the performance target of Bachelor Education is not achieved.
- Failure to adequately and promptly respond to changes in Hong Kong’s education system may adversely affect our business.

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- If we are not able to continue to attract students to enrol in our courses at commercially viable fee levels, our revenues may decline and we may not be able to maintain our profitability.
- We have substantial reliance on our tutors, and if we are not able to attract and retain qualified tutors, in particular our Top Five Tutors, we may not be able to maintain consistent teaching quality throughout our school network and our brand, secondary tutoring services business and operating results could be materially and adversely affected.
- We depend heavily on the success of our secondary tutoring services in Hong Kong. Any event negatively affecting our secondary tutoring services in Hong Kong could have a material adverse effect on our overall business and results of operations.
- Our business depends on our “Modern Education” (現代教育) brand, and if we are not able to maintain our brand or if there is any publication containing any negative accusation against us, including but not limited to infringement of intellectual property rights, leakage of examination questions, unlawful early admission of students or disputes with tutors, our image, business and operating results could be harmed.
- We may not be able to renew leases or licences or control rent increases at our existing learning centres or to obtain leases at prime locations for new learning centres at reasonable prices and our licences to occupy our existing learning centres may not be enforceable as the landlords of such premises have refused to novate some of the existing leases to us.
- Heavy advertising and campaigns may not lead to higher course enrolments or increase in our revenue.
- Failure to effectively and efficiently manage the expansion of our business and network could materially and adversely affect our ability to capitalise on new business opportunities.
- We may not be able to successfully identify and acquire new programmes or businesses.
- We may not have sufficient expertise to expand into new businesses and may need to rely on the knowledge, manpower and experience of third parties.
- New programmes and services that we develop may compete with our current programmes and services.
- If we fail to successfully execute our business strategies, we may not be able to continue to attract students to enrol in our courses without a significant decrease in course fee, and our business could be materially and adversely affected.

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- We face significant competition in each major programme we offer and each geographical location in which we operate, and if we fail to compete effectively, we may lose our market share and our profitability could be adversely affected.
- Intellectual property infringement claims against us and/or our tutors could materially and adversely affect our business and operating results.
- Intellectual property infringements or other contractual disputes between us and our tutors could materially and adversely affect our business and operating results.
- Protection of intellectual property rights may not prevent our competitors from using our course materials, which could weaken our competitive position and harm our business and results of operations.
- Our business is subject to seasonal fluctuations which may cause our operating results to fluctuate from quarter to quarter.
- Our historical financial and operating results are not indicative of future performance.
- We have borrowings of approximately HK\$50 million in aggregate outstanding as at the Latest Practicable Date. Such borrowings are classified as current liabilities and we have a net current liability position. We intend to use approximately 38% of the net proceeds we receive from the Global Offering for the repayment of these borrowings.
- Our success depends on the continuing efforts of our senior management team and other key personnel and our business may be harmed if we lose their services.
- Claims could be brought against us in connection with injuries suffered by students or other people at our premises which could adversely affect our reputation and our financial results.
- We may face labour or other nature of disputes that could interfere with our operations and business.
- System disruptions to our computer systems and computer networks could damage our operations.
- Any leakage of personal data of our students could damage our business and operations.
- Uncertainty and adverse changes in the economy could have a material adverse impact on our business and operating results.
- We face risks related to health epidemics and other outbreaks. Any future outbreak of any communicable diseases in Hong Kong and the PRC could severely disrupt our business and operations.

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Risks related to agreements in the PRC

- We may be subject to claims in relation to termination of the Cooperative Framework Agreement.
- If the PRC authorities determine any of the exclusive technical consultation, management services and software licencing agreements with Beijing Yasi School or the Cooperative Framework Agreement to be unenforceable, our business and operating results could be affected.
- Our agreements with Beijing Yasi School may be subject to scrutiny by the PRC tax authorities and we could be required to pay additional taxes, which could reduce our net income and the value of our Shares.
- If Beijing Yasi School fails to obtain permit for running schools in Haidian District, our business with Beijing Yasi School will be adversely affected.
- Beijing Yasi School has entered into a number of cooperation agreements with third party non-public schools. If the PRC authorities determine that the cooperation agreements do not comply with applicable regulations, our business could be adversely affected.

Risks related to doing business in the PRC

- The PRC's economic, political and social conditions, as well as governmental policies, could affect the financial markets in the PRC, our liquidity and access to capital and our ability to operate our business.
- Changes in PRC government policies on foreign investment in the PRC may affect our business and results of operations.
- Uncertainties with respect to the PRC legal system could materially and adversely affect us.
- The dividends we receive from our PRC subsidiary may be subject to PRC tax under the new EIT law, which would have a material adverse effect on our results of operations.
- The New M&A Rule establishes more complex procedures for some acquisitions of PRC companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in the PRC.
- Beijing Yasi School may be subject to significant limitations on its ability to operate non-public schools or make payments to related parties or otherwise be materially and adversely affected by changes in PRC laws and regulations.

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- PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from making loans or additional capital contributions to our PRC operating subsidiaries and affiliated entities, which could materially and adversely affect our liquidity and our ability to fund and expand our business.
- Government control of foreign currency conversion may affect the value of your investment.

Risks relating to our Global Offering

- There has been no prior public market for our Shares, and their liquidity and market price may be volatile.
- Purchasers of the Offer Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.
- Future sales by our existing Shareholders of a substantial number of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares.
- Our Controlling Shareholders and our Initial Shareholders have substantial control over our Company and their interests may not be aligned with the interests of our other shareholders.
- We cannot guarantee the accuracy of facts and other statistics with respect to Hong Kong and the PRC, the economy of Hong Kong and the PRC and the education industry contained in this prospectus.
- Investors should read the entire prospectus carefully and should not consider any particular statements in this prospectus or in published media reports or other publicly available information without carefully considering the risks and other information contained in this prospectus.
- There will be a time gap between the commencement of the Hong Kong Public Offering and trading of our Shares.

DEFINITIONS

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

“Able Investment”	Able Investment Development Limited, a company incorporated under the laws of BVI with limited liability on 1 July 2009, in which 60% of its issued share capital is owned by Sino Network with the remaining 11.25%, 9.58%, 9.58% and 9.59% held by Ms. Mok Sze Wan, Mr. Ng Hoi Tin, Mr. Ng Ping Lun and Ms. Poon Wai Sze respectively
“AI Acquisition Agreement”	a share purchase agreement dated 22 December 2010 entered into among Six Stars, Ms. Yiu, Sino Network, Able Investment, Ms. Poon Wai Sze, Ms. Mok Sze Wan, Mr. Ng Hoi Tin and Mr. Ng Ping Lun with respect to the acquisition of 60% shareholding interest in Able Investment by Sino Network
“Amber Well”	Amber Well Limited, a company incorporated in Hong Kong with limited liability on 20 October 2009 and is a wholly-owned subsidiary of Sino Network
“Amendment Agreement”	an amendment agreement dated 14 June 2011 entered into among Primo Result, Mr. Ng Kam Lun, Mr. Lee, Mr. Ng Norman, Ms. Ng, Mr. KW Ng and Sino Network to amend certain terms of the Investment Agreement
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and PINK Application Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
“Articles of Association” or “Articles”	the articles of association of our Company adopted on 11 June 2011, as amended or supplemented from time to time, a summary of which is set out in Appendix IV to this prospectus
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Audited NPAT”	the audited NPAT duly approved by the board of directors of Bachelor Education for the financial year ended for each financial year

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“Bachelor Education”	Bachelor Education Centre Limited, a company incorporated in Hong Kong with limited liability on 16 February 2007, the entire issued share capital of which is owned by Able Investment
“BE Initial Shareholders”	Ms. Mok Sze Wan, Mr. Ng Hoi Tin, Mr. Ng Ping Lun and Ms. Poon Wai Sze, being the initial shareholders of Bachelor Education at the time of its incorporation
“Beautiful Choice”	Beautiful Choice Investments Limited, a company incorporated in BVI with limited liability on 25 June 2009, in which 60% of its issued share capital is owned by Mr. Lee whereas the remaining 40% is owned by Ms. Chu
“Beijing Yasi School”	北京市朝陽區雅思培訓學校 (Beijing Chaoyang Yasi Training School*), a non-public school established on 14 September 1999, in which 100% of its interest is held by Beijing Siya
“Beijing Siya”	北京京力思雅教育諮詢有限公司 (Beijing Jingli Siya Education Consulting Limited Co.*), a company incorporated in the PRC with limited liability on 20 July 2009 and is owned as to 65%, 26.5% and 8.5% by Ms. Huang Hui, Mr. Liu Hongbo and Mr. Cai Hongxiong respectively
“Beijing Strength”	Beijing Strength Limited, a company incorporated in the BVI with limited liability on 8 August 2008 and is a wholly-owned subsidiary of Sino Network
“Board”	the board of Directors of our Company
“Business Day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“Business Idol”	Business Idol Limited, a company incorporated in the BVI with limited liability on 1 July 2009 and is a wholly-owned subsidiary of Sino Network
“BVI”	the British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

DEFINITIONS

“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, CCASS Custodian Participant or a CCASS Investor Participant
“Classic King”	Classic King Development Limited, a company incorporated in BVI with limited liability on 1 July 2009, and the entire issued share capital of which is owned by Mr. Ng Norman
“Companies Law”	the Companies Law (2010 Revision) (as consolidated and revised from time to time) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”, “we” or “us”	Modern Education Group Limited (現代教育集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 26 January 2011, and except where the context indicates otherwise, (i) all of its subsidiaries and the businesses in which they are engaged in; and (ii) where the context refers to anytime prior to its incorporation, the businesses which its predecessors or the predecessors of its present subsidiaries were engaged in and which were subsequently assumed by it
“Connected Person(s)” or “connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto in the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise and in the case of our Company, refers to Speedy Harvest and Mr. Ng Kam Lun

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“Cooperative Framework Agreement”	the cooperative framework agreement entered into between Modern Education HK, Ms. Huang Hui, Mr. Liu Hongbo and Mr. Yang Qi on 19 September 2008
“Copyright Ordinance”	the Copyright Ordinance (Chapter 528 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Creative Master”	Creative Master Holdings Limited, a company incorporated in BVI with limited liability on 1 July 2010, and the entire issued share capital of which is owned by Ms. Yiu
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for, among other things, the supervision and regulation of the Chinese national securities markets
“Director(s)”	the directors of our Company
“EDB”	the Education Bureau of the Government of Hong Kong
“Education (Exemption) Order”	the Education (Exemption) Private Schools Offering Non-Formal Curriculum) Order (Chapter 279F of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Education Ordinance”	the Education Ordinance (Chapter 279 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Education Regulations”	the Education Regulations (Chapter 279A of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Eligible Employee(s)”	full-time eligible employees of the Company or any of its subsidiaries (excluding the Directors or chief executive of the Company or any of its subsidiaries, the existing beneficial owners of Shares and their respective associates or connected persons) who are entitled to make application for the Hong Kong Offer Shares using the PINK Application Forms

DEFINITIONS

“Exclusive Technical Consultation and Management Service Agreement”	the exclusive technical consultation and management service agreement entered into by Jingli Beiya and Beijing Yasi School on 15 June 2010
“Express Education”	Express Education Limited, a company incorporated in the BVI with limited liability on 8 May 1997 and is a wholly-owned subsidiary of Sino Network
“First BEC Acquisition Agreement”	a sale and purchase agreement dated 14 August 2010 entered into among Able Investment, Bachelor Education, Ms. Poon Wai Sze, Ms. Mok Sze Wan, Mr. Ng Hoi Tin and Mr. Ng Ping Lun with respect to the acquisition of 60% shareholding interest in Bachelor Education by Able Investment
“First Shanghai Capital Limited”	First Shanghai Capital Limited, a licenced corporation under the SFO to engage in type 6 (advising on corporate finance) of the regulated activity (as defined under the SFO)
“First Shanghai Securities Limited”	First Shanghai Securities Limited, a licenced corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) of the regulated activities (as defined under the SFO)
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Government” or “Hong Kong Government”	the Government of Hong Kong
“Group” or “our Group”	the Company and its subsidiaries
“Guangzhou Tianli”	廣州天力教育諮詢有限公司 (Guangzhou Tianli Education Consulting Limited Co.*), a company incorporated in the PRC with limited liability on 27 April 2010 and is a wholly foreign-owned subsidiary of Sky Link
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards

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“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Hong Kong Legal Advisors”	Stephen Mok & Co in association with Eversheds LLP
“Hong Kong Offer Shares”	the 11,600,000 new Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus)
“Hong Kong Public Offering”	the offer for subscription of the Hong Kong Offer Shares to the public in Hong Kong at the Offer Price, subject to and in accordance with the terms and conditions set out in this prospectus and the Application Forms
“Hong Kong Underwriter”	the underwriter of the Hong Kong Public Offering whose names are set out in the section headed “Underwriting – Hong Kong Underwriter” in this prospectus
“Hong Kong Underwriting Agreement”	the Hong Kong underwriting agreement entered into on 17 June 2011 relating to the Hong Kong Public Offering entered into, amongst others, between our Company, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Joint Sponsors, the Controlling Shareholders, the Initial Shareholders and the Hong Kong Underwriter
“Independent Third Party(ies)”	party or parties that is or are not connected with us, any directors, chief executives, controlling shareholders, substantial shareholders, their respective subsidiaries or any of their respective associates

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“INED(s)” or “independent non-executive Director(s)”	independent non-executive Director(s)
“Initial Shareholders”	Mr. Lee, Ms. Chu, Beautiful Choice, Mr. Ng Norman, Classic King, Mr. KW Ng, Ms. Ng, Ms. Lau, Ultra Strong, Ms. Yiu and Creative Master
“Intelligent Education”	Intelligent Education Limited, a company incorporated in Hong Kong with limited liability on 21 August 2000 and is a wholly-owned subsidiary of Sino Network
“International Offer Shares”	the 104,400,000 new Shares being offered by our Company for subscription under the International Offering, together, where relevant, with any additional Shares issued pursuant to the exercise of the Over-allotment Option, the number of which is further subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus
“International Offering”	the conditional offering of the International Offer Shares by the International Underwriter with professional and institutional investors for cash at the Offer Price, as further described in the section headed “Structure of the Global Offering” in this prospectus
“International Underwriter”	the international underwriter expected to enter into the International Underwriting Agreement to underwrite the International Offering whose names are set out in the section headed “Underwriting – International Underwriter” in this prospectus
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering expected to be entered into, amongst others, between our Company, the Controlling Shareholders, the Initial Shareholders, the International Underwriter, the Sole Global Coordinator, the Sole Bookrunner and the Joint Lead Managers on or about 23 June 2011
“Investment Agreement”	a sale and purchase agreement dated 11 January 2011 entered into among Primo Result, Mr. Ng Kam Lun, Mr. Lee, Mr. Ng Norman, Ms. Ng, Mr. KW Ng and Sino Network with respect to the acquisition of an aggregate 7.5% shareholding interest in Sino Network by Primo Result

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“Jingli Beiya”	京力北雅(北京)教育諮詢有限公司 (Jingli Beiya (Beijing) Education Consulting Limited Co.*), a company incorporated in the PRC with limited liability on 21 September 2009 and is a wholly foreign-owned subsidiary of Modern Beiya, which in turn is a subsidiary of Beijing Strength
“Joint Lead Managers”	Kingsway Financial Services Group Limited and First Shanghai Securities Limited
“Joint Sponsors”	Kingsway Capital Limited and First Shanghai Capital Limited
“Kingsway Capital Limited”	a licenced corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities (as defined under the SFO)
“Kingsway Financial Services Group Limited”	Kingsway Financial Services Group Limited, a licenced corporation under the SFO to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) of the regulated activities (as defined under the SFO)
“Labour and Welfare Bureau”	the Labour and Welfare Bureau of the Hong Kong Government
“Latest Practicable Date”	13 June 2011, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“leased premise(s)”	premise(s) which is/are leased by Modern Education HK, Amber Well or Intelligent Education (as the case may be) from the landlord(s) of such premise(s)
“licenced premise(s)”	premise(s) where licence(s) to occupy is/are granted by the landlord(s) or tenant(s) of such premise(s) to Modern Education HK, Sino Network or Intelligent Education (as the case may be)
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange

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“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date, expected to be on or about 4 July 2011, on which dealings in the Shares first commence on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the Growth Enterprise Market
“MBE Centre(s)”	our self-operated learning centre(s) in Hong Kong operating under our “Modern Bachelor Education” (現代小學士) brand, which offer primary homework tutoring services, skill courses and/or test preparation courses and classrooms located at our MBE Centre(s) may sometimes be utilised for the provision of special courses for our secondary tutoring services
“MBE Franchised Centre(s)”	our franchised learning centre(s) in Hong Kong operated by our franchisee(s) under our “Modern Bachelor Education” (現代小學士) or “New Era Bachelor Education Centre” (新世代學士教室) brand, which offer primary homework tutoring services, skill course and/or test preparation courses

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“ME Centre(s)”	our learning centre(s) in Hong Kong operating under our “Modern Education” (現代教育) or “Modern College” (現代書院) brand, which offer secondary tutoring services, secondary day school education and/or the English language test preparation courses and classrooms located at our ME Centres in Tseung Kwan O and Ngau Tau Kok may sometimes be utilised for the provision of primary homework tutoring services. For the avoidance of doubt, calculation of the number of ME Centres is based on the physical location of the centres. As at the Latest Practicable Date, we obtained 19 certificates of registration of a school from EDB, pursuant to which, we operated 15 ME Centres
“Ministry of Commerce” or “MOFCOM”	中華人民共和國商務部 (The Ministry of Commerce of the PRC)
“Modern Bachelor Education” or “(現代小學士)”	Modern Bachelor Education (現代小學士)
“Modern Beiya”	Modern Beiya (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability on 4 December 2008 and is a wholly-owned subsidiary of Beijing Strength
“Modern College” or “(現代書院)”	Modern College (現代書院)
“Modern Education” or “(現代教育)”	Modern Education Centre (現代教育中心)
“Modern Education HK”	Modern Education (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability on 5 June 2002 and is a wholly-owned subsidiary of Sino Network
“Modern English”	Modern English Group Limited, a company incorporated in Hong Kong with limited liability on 11 March 2009 and is a wholly-owned subsidiary of Sino Network
“Mr. Frederick Li”	Mr. Li Yue Chiu, Frederick (李汝釗先生), a member of our senior management and the spouse of Ms. Yiu

DEFINITIONS

“Mr. KW Ng”	Mr. Ng Kam Wing (吳錦榮先生), the Initial Shareholder and the brother of Mr. Ng Kam Lun, Mr. Ng Norman and Ms. Ng. He is the son of Ms. Lau
“Mr. Lee”	Mr. Lee Wai Lok, Ignatious (李偉樂先生), the Initial Shareholder and our chief operating officer and executive Director. He is the son of Ms. Chu
“Mr. Ng Hoi Tin”	Mr. Ng Hoi Tin (吳海天先生), a director and shareholder holding 9.58% of the issued share capital of Able Investment
“Mr. Ng Kam Lun”	Mr. Ng Kam Lun, Eric (吳錦倫先生), commonly known as Ken Sir, the Controlling Shareholder and our chairman and executive Director and brother of Mr. KW Ng, Mr. Ng Norman and Ms. Ng. He is the son of Ms. Lau
“Mr. Ng Norman”	Mr. Ng Norman (吳樂憫先生), formerly known as Mr. Ng Kam Chiu Norman (吳錦照先生), the Initial Shareholder and our chief financial officer and executive Director and brother of Mr. Ng Kam Lun, Mr. KW Ng and Ms. Ng. He is the son of Ms. Lau
“Mr. Ng Ping Lun”	Mr. Ng Ping Lun (吳炳倫先生), an Independent Third Party and a shareholder holding 9.58% of the issued share capital of Able Investment
“Ms. Chu”	Ms. Chu Wai Ling (朱惠玲女士), the Initial Shareholder and the mother of Mr. Lee
“Ms. Lau”	Ms. Lau Yue Lan (劉汝蘭女士), the Initial Shareholder and the mother of Mr. Ng Kam Lun, Mr. KW Ng, Mr. Ng Norman and Ms. Ng
“Ms. Mok Sze Wan”	Ms. Mok Sze Wan (莫詩韻女士), a director and shareholder holding 11.25% of the issued share capital of Able Investment
“Ms. Ng”	Ms. Ng Choi Fong (吳彩芳女士), the Initial Shareholder, the daughter of Ms. Lau and the sister of Mr. Ng Kam Lun, Mr. Ng Norman and Mr. KW Ng

DEFINITIONS

“Ms. Poon Wai Sze”	Ms. Poon Wai Sze (潘慧思女士), an Independent Third Party and a shareholder holding 9.59% of the issued share capital of Able Investment
“Ms. Yiu”	Ms. Yiu Wai Yee, Catherine (姚慧儀女士), the Initial Shareholder and our chief executive officer and executive Director and the spouse of Mr. Frederick Li
“Non-competition Deed”	a deed of non-competition dated 7 June 2011 entered into between our Company and each of the Controlling Shareholders, Beautiful Choice, Mr. Lee, Ms. Chu, Classic King, Mr. Ng Norman, Ultra Strong, Mr. KW Ng, Ms. Lau, Ms. Ng, Creative Master and Ms. Yiu, details of which are set out in the paragraph headed “Non-competition undertaking” under the sub-section headed “Independence From Controlling Shareholders” under the section headed “Controlling Shareholders” in this prospectus
“NPAT”	the net profit after tax of Bachelor Education
“NPC”	中華人民共和國全國人民代表大會 (The National People’s Congress of the PRC)
“Offer Price”	the price per Offer Share (exclusive of brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) of HK\$1.30
“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares, where relevant, with any Shares being issued pursuant to the exercise of the Over-allotment Option
“Option Agreement”	an option agreement entered into between Modern Beiya and Ms. Huang Hui on 10 June 2011, pursuant to which Ms. Huang Hui irrevocably granted Modern Beiya or its designated person an exclusive option to purchase 65% of the equity interests in Beijing Siya
“Original AI Acquisition Agreement”	a sale and purchase agreement dated 8 October 2010 entered into among Ms. Mok Sze Wan, Mr. Ng Hoi Tin, Mr. Ng Ping Lun, Ms. Poon Wai Sze, Able Investment and Six Stars with respect to the acquisition of 60% shareholding interest in Able Investment by Six Stars

DEFINITIONS

“Over-allotment Option”	the option to be granted by us to the International Underwriter exercisable by the Sole Global Coordinator on behalf of the International Underwriter, pursuant to which we may be required to allot and issue up to an aggregate of 17,400,000 additional Shares (representing 15% of the Shares initially being offered under the Global Offering) to cover over-allocations in the International Offering, details of which are described in the section headed “Structure of the Global Offering” in this prospectus
“PBOC”	中國人民銀行 (the People’s Bank of China), the central bank of the PRC
“PRC” or “China”	the People’s Republic of China, for the purpose of this prospectus only, excludes Hong Kong, Macau and Taiwan
“PRC GAAP”	generally accepted accounting principles in the PRC
“PRC Legal Advisors”	Jingtian & Gongcheng
“PRC Operations”	our business operations in the PRC providing technical consultation, management services and software licencing to Beijing Yasi School
“Primo Result”	Primo Result Limited, a company incorporated in Hong Kong with limited liability on 30 November 2010 and an indirect wholly-owned subsidiary of SW Kingsway Capital Holdings Limited, a company the shares of which are listed on the Main Board
“Prospectus” or “prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“Reorganisation”	the reorganisation that resulted in our current group structure as described in the sections headed “History and Corporate Structure – Corporate Reorganisation” and “Appendix V – Statutory and General Information” in this prospectus
“SAFE”	中華人民共和國國家外匯管理局 (State Administration of Foreign Exchange of the PRC)

DEFINITIONS

“SAIC”	中華人民共和國國家工商行政管理總局 (State Administration for Industry and Commerce)
“Second BEC Acquisition Agreement”	a sale and purchase agreement dated 2 October 2010 entered into among Able Investment, Bachelor Education, Ms. Poon Wai Sze, Ms. Mok Sze Wan, Mr. Ng Hoi Tin and Mr. Ng Ping Lun with respect to the acquisition of 100% shareholding interest in Bachelor Education by Able Investment
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of nominal value of HK\$0.10 each in the capital of our Company
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on 11 June 2011, further details of which are described in the section headed “Appendix V – Statutory and General Information” in this prospectus
“Share Swap Agreement”	a share swap agreement dated 7 June 2011 entered into among Mr. Ng Kam Lun, Mr. Lee, Ms. Chu, Mr. Ng Norman, Mr. KW Ng, Ms. Lau, Ms. Ng, Ms. Yiu, Primo Result and the Company with respect to the acquisition of 100% shareholding interest in Sino Network by the Company
“Shareholder(s)”	holder(s) of our Share(s)
“Sino Network”	Sino Network Group Limited, a company incorporated in BVI with limited liability on 2 July 2003 and is a wholly-owned subsidiary of the Company
“Six Stars”	Six Stars Consultants Limited, a company incorporated in Hong Kong with limited liability on 24 January 2008, and the entire issued share capital of which is owned by Ms. Yiu

DEFINITIONS

“Sky Link”	Sky Link Management Limited, a company incorporated in Hong Kong with limited liability on 21 October 2009 and is a wholly-owned subsidiary of Sino Network
“Software Licence Agreement”	the software licence agreement entered into by Jingli Beiya and Beijing Yasi School on 15 June 2010
“Sole Bookrunner” or “Sole Global Coordinator”	Kingsway Financial Services Group Limited
“Speedy Harvest”	Speedy Harvest Investments Limited, an investment company incorporated under the laws of BVI with limited liability on 2 November 2010 and is wholly owned by Mr. Ng Kam Lun
“State Council”	中華人民共和國國務院 (the State Council of the PRC)
“Stock Borrowing Agreement”	the stock borrowing agreement entered into between the Sole Global Coordinator, Speedy Harvest and Mr. Ng Kam Lun on or about 17 June 2011
“Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Strategic Fortune”	Strategic Fortune Limited, a company incorporated under the laws of the BVI with limited liability on 13 October 2006 and is wholly owned by Mr. Ng Kam Lun
“Subsidiary(ies)”	has the meaning ascribed to it in section 2 of the Companies Ordinance
“substantial shareholder(s)” or “Substantial Shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Synovate Report”	a market research report entitled “Market Landscape for Private Tuitions in Hong Kong and English Learning Institutes in China” dated 13 June 2011 prepared by Synovate Limited, a global market research company which provides market, consumer, and industry researches and is an Independent Third Party
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers, as approved by the SFC and as amended from time to time

DEFINITIONS

“Top Five Tutors”	the tutors or the companies controlled by the tutors who had received the five highest tutor contractor fee from the Group during each of the financial years ended 30 June 2008, 2009 and 2010 and the six months ended 31 December 2010. The tutor contractor fee arises from services provided by the leader tutors, their team members and teaching assistants
“Track Record Period”	the three financial years ended 30 June 2008, 2009 and 2010 and the six months ended 31 December 2010
“Ultra Strong”	Ultra Strong Group Limited, a company incorporated in BVI with limited liability on 2 November 2010, and the entire issued share capital of which is owned by Mr. KW Ng, of which 17.3% and 9% of issued share capital of Ultra Strong are held by Mr. KW Ng on trust for Ms. Lau and Ms. Ng respectively
“Underwriters”	the Hong Kong Underwriter and the International Underwriter
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“U.S.”	United States of America
“US\$” or “United States dollars”	United States dollars, the lawful currency of the United States of America
“WFOE”	wholly foreign-owned enterprise
“Wise Action”	Wise Action Limited, a company incorporated in Hong Kong with limited liability on 21 June 2000 and is a wholly-owned subsidiary of Sino Network
“%”	per cent
“sq. ft.”	square feet
“sq. m.”	square metres(s)

DEFINITIONS

Unless expressly stated or the context requires otherwise:

- *all percentages and figures, including share ownership and operating data, have been rounded, and accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items;*
- *where information is presented in thousands or millions of units, amounts may have been rounded up or down; and*
- *all references to any shareholdings in our Company assume no exercise of the Over-allotment Option unless otherwise specified.*

For ease of reference, the names of the PRC established companies or entities have been included in the prospectus in both the Chinese and English languages. The name in Chinese language is the official name of each such company or entity, while the name in the English language is an unofficial translation, and in the event of inconsistency, the Chinese version shall prevail.

** For identification purpose only*

GLOSSARY OF TECHNICAL TERMS

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

“334 System”	the new Hong Kong academic structure, consisting of 3 years of junior secondary education (S1 to S3), 3 years of senior secondary education (S4 to S6) and 4 years of tertiary education, implemented by EDB in September 2009
“AP”	Advanced Placement, a curriculum in the United States which offers standardized courses to high school students that are generally recognised to be equivalent to undergraduate courses in college
“CAGR”	compound annual growth rate
“Cambridge Young Learners’ English Tests” or “YLE”	Cambridge Young Learners’ English Tests, one of the ESOL Examinations tests administered by the University of Cambridge
“CEF”	Continuing Education Fund, a fund established and managed by the OCEF
“certificate(s) of accommodation” or “Certificate(s) of Accommodation”	certificate(s) of accommodation issued by EDB specifying, inter alia, the maximum number of pupils permitted in every classroom of a certain school
“certificate(s) of registration of a school” or “Certificate(s) of Registration of a School”	certificate(s) of registration of a school issued by EDB certifying the registration of school under section 13 of the Education Ordinance
“course enrolment(s)”	enrolment(s) to our course(s), and for the avoidance of doubt, a student may enrol in a number of our courses resulting in a number of enrolments. As such, the number of enrolment(s) may not correspond with the number of student(s)
“EIT”	enterprise income tax
“EPS”	Easy Pay System
“ESOL Examinations”	tests or examinations administered by the University of Cambridge

GLOSSARY OF TECHNICAL TERMS

“fees certificate(s)” or “Fees Certificate(s)”	fees certificate(s) issued by EDB containing, inter alia, the name of school, name of supervisor/chairperson, address of school, course name(s), tuition fees per instalment and number of instalment
“Form (1, 2, 3, 4, 5, 6 or 7)” or “F (1, 2, 3, 4, 5, 6 or 7)”	the respective Form 1 to 7 (as the case may be) secondary school levels prior to the implementation of the 334 System
“HKALE”	Hong Kong Advanced Level Examination administered by HKEAA
“HKASLE”	Hong Kong Advanced Subsidiary Level Examination administered by HKEAA
“HKCEE”	Hong Kong Certificate of Education Examination administered by HKEAA
“HKDSE”	Hong Kong Diploma of Secondary Education administered by HKEAA
“HKEAA”	Hong Kong Examination and Assessment Authority
“IELTS”	International English Language Testing System, an international standardised test of English language proficiency. The test is jointly managed by University of Cambridge ESOL Examinations, the British Council and IDP Education Pty Ltd, and was established in 1989
“Key English Test” or “KET”	Key English Test, a test on the English language abilities of young secondary language learners, administered by the University of Cambridge
“Modern-C”	our proprietary operational and resource management software system developed in house
“New Academic Structure” or “NAS”	the new Hong Kong academic structure, also known as the 334 System, implemented by EDB in September 2009, consisting of 3 years of junior secondary education (S1 to S3), 3 years of senior secondary education (S4 to S6) and 4 years of tertiary education
“New Senior Secondary” or “NSS”	the Hong Kong new senior secondary school level, consisting of 3 years of senior secondary education (S4 to S6), implemented by EDB in September 2009

GLOSSARY OF TECHNICAL TERMS

“OCEF”	the Office of the Continuing Education Fund of the Government of Hong Kong
“primary homework tutoring services”	tutoring services on day-to-day schoolwork of primary school students in Hong Kong
“PSNFC(s)”	Private school(s) offering non-formal curriculum
“SAT”	SAT Reasoning Test, a standardized test for college admissions in the United States. The test is owned, published, and developed by the College Board, a not-for-profit organisation in the United States. The test is intended to assess a student’s readiness for college. It was first introduced in 1901, and its name and scoring have changed several times
“Secondary (1, 2, 3, 4, 5 or 6)” or “S (1, 2, 3, 4, 5 or 6)”	the respective secondary 1 to 6 (as the case may be) school levels under the 334 System
“secondary day school education”	secondary school education under the formal secondary school curriculum set forth by EDB
“secondary tutoring services”	tutoring services provided by chained private educational institution on subjects taught under the formal secondary school curriculum set forth by EDB
“TOEFL”	Test of English as a Foreign Language
“TOEIC”	Test of English for International Communication

FORWARD-LOOKING STATEMENTS

This prospectus contains statements that are, or may be deemed to be, “forward-looking statements”. They appear in a number of places throughout this prospectus and include, but are not limited to, statements regarding the Group’s intentions, beliefs or current expectations concerning, among other things, the Group’s business, business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, financial position, liquidity, prospects and other matters.

These forward-looking statements may be identified by the use of forward-looking terminology, including the terms “anticipate”, “believe”, “estimate”, “project”, “could”, “predict”, “potential”, “continue”, “expect”, “intend”, “may”, “plan”, “seek”, “will”, “would”, “should” or in each case, their negative or other variations, or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements, including, among others, those relating to our future business prospects, capital expenditures, cash flows, working capital, liquidity and capital resources involve a number of risks, uncertainties and other factors, some of which are beyond our control, that may cause our actual results, performance or achievements or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance to differ materially from those in the forward-looking statements include, among others, the following:

- future development, trends and conditions of our industry;
- our business prospects;
- the competitive markets for our services and the actions and development of our competitors;
- financial condition and performance;
- general political and economic conditions;
- expansion or consolidation or other trends in our industry;
- exchange rate fluctuations;
- our ability to successfully implement our business plan and strategies;
- our ability to obtain or extend the terms of the licences necessary for the operation of our business;
- developments in, or changes to, laws, regulations, governmental policies, taxation or accounting standards or practices affecting our operations;

FORWARD-LOOKING STATEMENTS

- our success in accurately identifying future risks to our business and managing the risks of the aforementioned factors; and
- other factors discussed in sections headed “Risk Factors”, “Business” and “Financial Information”.

Forward-looking statements may and often do differ materially from actual results. We caution you not to place undue reliance on these forward-looking statements, which reflect our management’s view only as of the date of this prospectus and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to our Group’s business. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

RISK FACTORS

Investing in the Shares involves certain risks. Before deciding to invest in the Shares, you should carefully consider all of the information in this prospectus, including, but not limited to, the following risk factors, in light of the circumstances and your own investment objectives. Our business, financial condition or results of operations could be materially and adversely affected by the occurrence of any of the risks and uncertainties described below. The trading price of the Shares may decline due to any of the risks and uncertainties and you may lose all or part of your investment.

You should pay particular attention to the fact that part of our business is located in the PRC and is governed by a legal and regulatory environment that may differ significantly from what prevails in other countries.

RISKS RELATED TO OUR BUSINESS

Financial results for the year ending 30 June 2011 may substantially decrease due to the decrease in course enrolments and number of students resulting from the abolishment of HKCEE and expenses incurred in relation to the Listing.

With the introduction of the New Academic Structure, the last cohort of school candidates had sat for HKCEE in 2010. In between the change of examination systems, a last round of HKCEE was held from March to May in 2011 in certain subjects to accommodate the needs of private candidates who wished to sit for HKCEE, before the first HKDSE to be held in 2012. Given the circumstance that a large number of students did not sit for the last round of HKCEE in 2011, our course enrolments for secondary tutoring services in relation to HKCEE have substantially declined.

Our total number of course enrolments for the six months ended 31 December 2009 was approximately 0.38 million and the number had decreased by approximately 34.2% to approximately 0.25 million for the six months ended 31 December 2010. In particular, due to the abolishment of HKCEE, the number of course enrolments for our Form 5/Secondary 5 tutoring services had decreased by approximately 68.8% from approximately 0.16 million (Form 5 under the old system) to approximately 0.05 million (Secondary 5 under the 334 system) for the six months ended 31 December 2009 and 2010 respectively, and the revenue generated had substantially decreased by approximately 71.9% from approximately HK\$62.0 million (Form 5 under the old system) to approximately HK\$17.4 million (Secondary 5 under the 334 System) for the six months ended 31 December 2009 and 2010 respectively. The number of course enrolments for our Form 5/Secondary 5 day school education had decreased by approximately 38.5% from approximately 2,600 (Form 5 under the old system) to approximately 1,600 (Secondary 5 under the 334 system) for the six months ended 31 December 2009 and 2010 respectively, and the revenue generated had also decreased by approximately 30.3% from approximately HK\$6.6 million (Form 5 under the old system) to approximately HK\$4.6 million (Secondary 5 under the 334 system) for the six months ended 31 December 2009 and 2010 respectively. As a result, we believe such decline in course

RISK FACTORS

enrolments would lead to a substantial decrease in our revenue and net profit for the year ending 30 June 2011. Based on the Group's unaudited management account, our total revenue for the nine months ended 31 March 2011 was HK\$210.9 million.

Besides, part of the expenses incurred in relation to the Listing of not more than HK\$6 million based on our preliminary estimation would be charged to our statement of comprehensive income, we believe this will in turn lead to a decrease in our profit for the year ending 30 June 2011.

The number of course enrolments and the number of students may decrease for the school year 2012/2013 due to the abolishment of HKALE & HKASLE.

In the transitional period for the school year 2011/2012, there will be Secondary 5, Secondary 6 and Form 7 levels. Form 7 students will be taking the last round of HKALE & HKASLE in April 2012. We expect that subsequent to the substantial decrease in course enrolments and the number of students for the school year 2010/2011 due to the abolishment of HKCEE, we will be able to benefit from the co-existence of the Secondary 5, Secondary 6 and Form 7 levels, which will lead to a rise in our course enrolments and number of students for the school year 2011/2012. Nevertheless, we believe that the number of course enrolments and number of students may decrease after the school year 2011/2012 due to the cancellation of Form 7 level.

The total number of secondary school students in Hong Kong will decrease gradually due to a greater birth rate drop than the stable increase of immigrants.

For the school year 2010/2011, about 99% of total secondary school students are enrolled in day schools with the remaining 1% in evening schools. In recent years, immigrants from the PRC have contributed to the number of local secondary school students. Nonetheless, due to the significant and sustained decrease in birth rate in Hong Kong, the number of secondary school students has been gradually declining since the school year 2007/2008. In the school year 2007/2008, there were approximately 472,622 secondary school students in Hong Kong whereas in the school year 2010/2011, the number dropped to approximately 449,737. According to the Synovate Report, the number of secondary school students is forecast to continue to decrease till it reaches a minimum level of approximately 339,600 in the school year 2016/2017 and will thereafter experience steady increase starting from the school year 2017/2018 onwards. According to the Synovate Report, the reason for the forecast increase of secondary school students starting from the year 2017/2018 is due to statistics showing the birth rate has stopped dropping since 2004.

Due to the forecast decrease in the number of secondary school students, we believe this may lead to a decrease in the number of our students and course enrolments and may in turn affect our operating results.

RISK FACTORS

Our operation is subject to registration with EDB. If we are not able to register with EDB or the registration or exemption currently enjoyed by us is cancelled by the relevant regulatory authorities, our operation will have to be suspended and our business and operating results may be materially and adversely affected.

Secondary Day school

Our secondary day schools are registered under the Education Ordinance. We have registered all our secondary day schools with EDB and obtained the certificate of registration of a school. We have also obtained the relevant certificates of accommodation and fees certificates for all our secondary day schools. There is no assurance that we could obtain approval for changes of fees certificates and that the other certificates will not be cancelled by the relevant regulatory authorities. If we are not able to obtain the abovementioned certificates or if the certificate(s) of registration of a school is cancelled by the relevant regulatory authorities, our operation will have to be suspended and our business and operating results may be materially and adversely affected.

Private tutorial classes

Except for the MBE Franchised Centres located in Lei King Wan and Tsuen Wan (Riviera Garden), which are applying for certificates of accommodation, our ME Centres, MBE Centres and MBE Franchised Centres offering private tutorial classes have obtained certificates of registration of a school and certificates of accommodation. Our ME Centres offering secondary tutoring services are categorised as private schools offering non-formal curriculum registered under the Education Ordinance and are able to enjoy exemption from certain provisions under the Education Ordinance, the Education Regulations and/or the Education (Exemption) Order. There is no assurance that we could obtain the abovementioned certificates and/or exemptions and that the certificates and/or exemptions will not be cancelled by the relevant regulatory authorities. If we are not able to obtain the abovementioned certificates and/or exemptions or our existing certificates and/or exemptions are cancelled, operation in those centres will have to be suspended and our business and operating results may be adversely affected.

Two of our MBE Franchised Centres are applying for the requisite certificates of accommodation. If these MBE Franchised Centres are ordered to be closed down by EDB, our reputation could be adversely affected.

Part of our businesses in the provision of primary homework tutoring services was offered by our franchisees through the operation of MBE Franchised Centres. It is the responsibility of the franchisees to observe and comply with the applicable laws and regulations in Hong Kong, in particular, the Education Ordinance and Education Regulations. As stated under the section headed “Regulatory Overview” of this prospectus, according to the Education Ordinance, a “school” means an institution, organisation or establishment which provides for 20 or more persons during any one day or eight or more persons at any one time, any nursery, kindergarten, primary, secondary or post secondary education or any other educational course by any means, including correspondence delivered by hand or through the postal services.

RISK FACTORS

As at the Latest Practicable Date, two of our MBE Franchised Centres, each of which is providing education services for less than 20 persons during any one day or less than eight persons at any one time, were applying for certificates of accommodation in order to expand to operate as a school as governed by and within the meaning ascribed thereto under the Education Ordinance. In this respect, we had reminded these franchisees in writing of their obligation to observe and comply with the applicable laws and regulations in Hong Kong. Nevertheless, we are unable to control whether these franchisees and/or the MBE Franchised Centres would in fact comply with the relevant legal provisions. Since the commencement of the Group's provision of primary homework tutoring services from 1 January 2011 to the Latest Practicable Date, we were not aware of any breach of the relevant legal provisions by the franchisees. In case these MBE Franchised Centres were ordered to be closed down by EDB, our reputation could be adversely affected.

We may not be able to receive full amount of agreed consideration upon exercise of the put option to sell the 60% shareholding interest of Able Investment back to the BE Initial Shareholders when the performance target of Bachelor Education is not achieved.

Six Stars, Able Investment and the BE Initial Shareholders entered into the Original AI Acquisition Agreement on 8 October 2010, pursuant to which the BE Initial Shareholders agreed to sell to Six Stars an aggregate of 6,000 shares of Able Investment, representing 60% of its entire issued share capital at a maximum consideration of HK\$8 million. Subsequent to the Original AI Acquisition Agreement, Sino Network, Six Stars, Ms. Yiu, Able Investment and the BE Initial Shareholders entered into the AI Acquisition Agreement with respect to the sale and purchase of the said 6,000 shares in Able Investment from Six Stars to Sino Network which shall replace Six Stars as a party to the Original AI Acquisition Agreement and observe, perform and discharge all the obligations and take up all rights of Six Stars under the Original AI Acquisition Agreement.

We were granted by the BE Initial Shareholders a put option for five years which will expire on 31 December 2015, to sell back to the BE Initial Shareholders all or any of 60% of the issued share capital of Able Investment if the accumulated NPAT for the year is less than 60% of the guaranteed rate as projected and specified under the Original AI Acquisition Agreement. The consideration of the put option shall be the sum of those parts of the consideration under the Original AI Acquisition Agreement which have been paid by us and 60% of the net asset value of Bachelor Education as at the date of exercising the put option by us.

In the event that the performance target of Bachelor Education, the subsidiary of Able Investment, is not achieved and we exercise the put option to sell all or any of 60% issued share capital of Able Investment back to the BE Initial Shareholder, we cannot assure whether we can receive full amount of the agreed consideration of the put option as the BE Initial Shareholders may possibly have difficulty in financing the payments. In the event that Able Investment, together with its subsidiary, is operating at a substantial loss while we are unable to receive full amount of the agreed consideration for the put option, our financial condition and results of operations could be adversely affected.

RISK FACTORS

Failure to adequately and promptly respond to changes in Hong Kong's education system may adversely affect our business.

The education system in Hong Kong has undergone significant structural changes in the past, and may continue to be subject to such changes in the future. For example, in September 2009, EDB implemented the New Academic Structure under which the number of years of secondary education is reduced from seven to six. As a result, the two former public examinations, namely HKCEE and HKALE & HKASLE have been replaced by one public examination, namely HKDSE. With the New Senior Secondary academic structure and curriculum, the traditional arts and science streaming was abolished. Apart from taking the four core subjects (Chinese language, English language, mathematics and liberal studies), students can choose two to three elective subjects from different key learning areas, applied learning courses and/or other language courses.

As a result, the number of our course enrolments and number of our students may decrease due to the reduction of the number of public examinations and years of secondary education. Additionally, there may be changes in the assessment methodology or examination content. These changes require our tutors to continually update their teaching materials and methods. Any inability to track and respond to these changes in a timely and cost-effective manner would make our programmes and services less attractive to students, which could materially and adversely affect our reputation and ability to continue to attract students.

If we are not able to continue to attract students to enrol in our courses at commercially viable fee levels, our revenue may decline and we may not be able to maintain our profitability.

The success of our business depends primarily on the number of course enrolments in our courses and the amount of course fees that students are willing to pay. For the three years ended 30 June 2008, 2009 and 2010 and the six months ended 31 December 2010, we had approximately 0.72 million, 0.78 million, 0.76 million and 0.25 million course enrolments, and the average course fees paid by the students were approximately HK\$430, HK\$460, HK\$460 and HK\$490, respectively. Therefore, our ability to continue to maintain and attract students to enrol in our courses at commercially viable fee levels is critical to the continual success and growth of our business. This in turn will depend on several factors, including, amongst others, our ability to develop new programmes and enhance existing programmes to respond to changes in market trends, education system and curriculum and student demands, expand our geographic coverage, manage our growth while maintaining the consistency of our teaching quality, effectively market our programmes to a broader base of prospective students, develop additional high-quality course content and respond to market competition. Any inability to maintain or achieve the aforesaid could materially and adversely affect our revenue and profitability.

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We have substantial reliance on our tutors, and if we are not able to attract and retain qualified tutors, in particular our Top Five Tutors, we may not be able to maintain consistent teaching quality throughout our school network and our brand, secondary tutoring services business and operating results could be materially and adversely affected.

In view of our business nature, our tutors are critical to maintaining the quality of our programmes and services and maintaining our brand and reputation, as they interact with our students on a regular basis. Further, we rely substantially on our tutors for the provision of secondary tutoring services to our students. For the three years ended 30 June 2008, 2009 and 2010 and the six months ended 31 December 2010, we had 54, 61, 52 and 51 tutors, respectively. The table below shows the changes in the number of tutors during such period:

	Year ended 30 June 2008	Year ended 30 June 2009	Year ended 30 June 2010	6 months ended 31 December 2010
Number of tutors joining the Group	10	15	4	1
Number of tutors leaving the Group	6	8	13	2
Total number of tutors as at year end date	54	61	52	51

The reason for the increase in the number of tutors from 54 as at 30 June 2008 to 61 as at 30 June 2009 was primarily due to the natural growth and normal turnover of tutors in our business operations. Also, we engaged new tutors to provide tutoring services on subjects introduced under the 334 System, in particular, liberal studies and business, accounting and financial studies. We recorded an overall decrease in the number of tutors from 61 as at 30 June 2009 to 52 as at 30 June 2010 and such decrease was mainly due to relatively less new tutors joining us compared with previous years and departure of tutors because of (i) normal turnover upon expiry of service contracts; (ii) early termination of service contracts pursuant to exit clauses relating to minimum monthly fees, by mutual agreement (with or without compensation) or breach of contract. We need to retain and attract qualified tutors who have a strong command of the subject areas taught in our courses. The number of tutors with the necessary experience and skills to teach our courses is limited and we must provide competitive compensation packages to attract and retain qualified tutors.

Our brand, reputation, business and success depend heavily upon the continuing cooperation with a number of our Top Five Tutors. For the three years ended 30 June 2008, 2009 and 2010 and the six months ended 31 December 2010, the revenue generated by our Top Five Tutors accounted for approximately 48.9%, 43.6%, 39.6% and 45.6%, respectively, of our total revenue. During the Track Record Period, Tutor A left us during the year ended 30 June 2010. We recorded a decrease of approximately HK\$16.2 million, representing approximately

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5.0% decrease in revenue from the provision of secondary tutoring services from the year ended 30 June 2009 to the year ended 30 June 2010. Such decrease was mainly due to (i) the departure of Tutor A; and (ii) the drop in Form 4/Secondary 4 course enrolments from approximately 0.10 million for the year ended 30 June 2009 to approximately 0.06 million for the year ended 30 June 2010, given Secondary 4 school students under the 334 System would not sit for HKCEE in Form 5 but HKDSE in Secondary 6. If we are unable to continue to renew the service contracts with one or more of our Top Five Tutors, or if we are unable to renew their service contracts in a timely manner or on commercially acceptable terms, or if any of their service contracts is terminated before its expiration, we may not be able to replace them easily and retain existing students who are currently taking courses offered by them. Our business could be disrupted and our financial condition and results of operations could be materially and adversely affected.

In addition, criteria such as commitment and dedication are difficult to ascertain during the recruitment process. We may not be able to attract, hire and retain enough qualified tutors to keep pace with our growth while maintaining consistent teaching quality across many different schools, learning centres and programmes in different geographic locations. Shortages of qualified tutors or decreases in the quality of instruction, whether actual or perceived in one or more of our courses, could materially and adversely affect our business.

We depend heavily on the success of our secondary tutoring services in Hong Kong. Any event negatively affecting our secondary tutoring services in Hong Kong could have a material adverse effect on our overall business and results of operations.

We derived approximately 93.4%, 90.1%, 87.3% and 80.5% of our total revenue in the three years ended 30 June 2008, 2009 and 2010 and the six months ended 31 December 2010, respectively, from our secondary tutoring services in Hong Kong. We expect that the secondary tutoring services will continue to be a substantial and important source of our revenue in the near future. While we have been developing various other programmes and expanding our geographic coverage and will continue to diversify our revenue sources, the new programmes may not increase to a level that would enable us to reduce our dependence on secondary tutoring services in Hong Kong. If we experience an event negatively affecting our tutoring services, such as a serious economic downturn, a natural disaster or outbreak of contagious disease, our overall business and results of operations could be materially and adversely affected.

In addition, other risks set out under this “Risk Factors” section of this prospectus may negatively affect our secondary tutoring services in Hong Kong. In particular, we rely on our tutors to provide secondary tutoring services and if we are not able to attract or retain qualified tutors or if we are not able to maintain consistent teaching quality or the image and reputation of our tutors, our secondary tutoring business in Hong Kong will be adversely affected. During the year ended 30 June 2010, the decrease in our revenue from secondary tutoring services by approximately HK\$16.2 million was mainly due to the combined effect of early contract termination with Tutor A in early 2010 and the drop in Form 4/Secondary 4 course enrolments, given Secondary 4 school students under the 334 System would not sit for HKCEE in Secondary 5 but HKDSE in Secondary 6.

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Our business depends on our “Modern Education” (現代教育) brand, and if we are not able to maintain our brand or if there is any publication containing any negative accusation against us, including but not limited to infringement of intellectual property rights, leakage of examination questions, unlawful early admission of students or disputes with tutors, our image, business and operating results could be harmed.

We believe that market awareness of our “Modern Education” (現代教育) brand has contributed significantly to the success of our business. We also believe that maintaining and enhancing our “Modern Education” (現代教育) brand is critical to maintaining our competitive advantage. If the value of our brand or image is diminished or if our brand does not continue to attract students, our business, financial condition and results of operations could be materially and adversely affected.

We believe that public awareness of our tutors has contributed significantly to the success of our business. As at the Latest Practicable Date, we had 17 tutors, who are authors of published textbooks, practice books and/or newspaper columns, and not less than 15 of our tutors have, on various occasions, been interviewed by and appeared on the media, which includes, television and radio broadcasting stations, newspapers and magazines. If we are not able to preserve the good image of our tutors or if any of our tutors receives negative press or report due to their own behaviour, whether related to our business or otherwise, the association between our tutors and us could materially and adversely affect our brand, business and operating results.

We offer a diverse set of programmes and services to students by different tutors in Hong Kong. As we continue to grow in size, expand our programmes and services and extend our geographic coverage, maintaining quality and consistency may become more difficult to achieve. We have incurred significant brand promotion expenses to date, but we cannot guarantee that our marketing efforts will be successful in further promoting our brand to remain competitive. If we are unable to further enhance our brand recognition and increase awareness of our programmes and services, despite incurring substantial marketing and promotion expenses, our business and results of operations could be materially and adversely affected.

In addition, any intellectual property infringement claims against us and/or our tutors or any accusation as to any leakage of examination questions, unlawful early admission of students or any disputes between us and our tutors, or any publication containing such events could materially and adversely affect the image of the Group. For further information in relation to intellectual property rights infringement, please refer to the sections headed “Risk Factors – Intellectual property infringement claims against us and/or our tutors could materially and adversely affect our business and operating results” and “Risk Factors – Intellectual property infringements or other contractual disputes between us and our tutors could materially and adversely affect our business and operating results” of this prospectus.

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We may not be able to renew leases or licences or control rent increases at our existing learning centres or to obtain leases at prime locations for new learning centres at reasonable prices and our licences to occupy our existing learning centres may not be enforceable as the landlords of such premises have refused to novate some of the existing leases to us.

All of our learning centres are presently located on leased or licenced premises. At the end of the lease or licence term, we may not be able to renew such leases or licences and may therefore be required to relocate. Further, as at the Latest Practicable Date, our schools and learning centres occupied total gross/saleable floor area of approximately 119,620 sq. ft., of which approximately 41,971 sq. ft. were licensed to us in which the landlords of such premises have refused to novate the relevant existing leases to us and have not provided licence or consent for us to use, possess or occupy such premises, which involve 7 of our ME Centres, and therefore in breach of the underlying leases that may entitle the landlord to terminate them. As such, the agreements that granted us the licence to use the premises may not be enforceable against the relevant tenants and we may be evicted from the premises by the relevant landlords. For the three years ended 30 June 2008, 2009 and 2010 and the six months ended 31 December 2010, such ME Centres contributed 47.7%, 46.4%, 45.9% and 43.9% of our revenue for the same periods. Hence, we may be required at any time to vacate the premises and the ME Centres at these premises and may be required to relocate to other locations. The Directors confirm that the relevant landlords have not terminated any leases with us or the connected persons of the Group nor have we been evicted from any premises under the relevant leases.

Moreover, we or our connected persons may not be able to renew the leases or licences at the existing locations on same or better terms, and the landlords may increase the rent significantly. Leases or licences which are subject to renewal at fair market value or with scheduled rental increase could result in substantial rental increase. We compete with numerous other retailers and learning centres for premises situated in prime locations. As a result, if we or our connected persons are not able to enter into leases or licences for our learning centres on commercially acceptable terms at our desired locations, it could materially and adversely affect our business and operating results.

Heavy advertising and campaigns may not lead to higher course enrolments or increase in our revenue.

To further increase public awareness of our business and enhance our brand recognition, one of our business strategies is to advertise and hold marketing campaigns. We advertise through third party websites, newspapers and magazines, television, billboard and media advertisements on public transportation in Hong Kong. We hold campaigns and promotional events jointly with other companies to advertise our programmes and services. For the three years ended 30 June 2008, 2009 and 2010 and the six months ended 31 December 2010, our marketing expenses amounted to approximately HK\$15.2 million, HK\$17.3 million, HK\$20.6 million and HK\$11.2 million, respectively. Nonetheless, despite our efforts and substantial costs incurred in advertising and campaigns, it may not necessarily lead to higher course enrolments which in turn may not lead to an increase in our revenue.

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Failure to effectively and efficiently manage the expansion of our business and network could materially and adversely affect our ability to capitalise on new business opportunities.

Since our inception in 1997, our network has expanded and as at the Latest Practicable Date, we had 15 ME Centres, 5 MBE Centres and 11 MBE Franchised Centres scattered across different districts of Hong Kong. We had 11 secondary day schools located at 11 of our ME Centres. In addition, we provided technical consultation and management service and software licencing to private education centres in Beijing, the PRC.

We plan to expand our operations and business in different geographic locations in Hong Kong. This expansion will result, in substantial demand in recruiting additional qualified tutors, management staff, operational, technological and other resources. Our planned expansion will also place significant demand on us to maintain the consistency of our teaching quality to ensure that our brand does not suffer as a result of any decrease, whether actual or perceived, in our teaching quality. To manage and support our growth, we need to improve our existing operational, administrative and technological systems and our financial and management controls, and recruit additional and retain qualified tutors, teachers and management personnel as well as other administrative and sales and marketing personnel, particularly as we expand into new markets. We cannot assure you that we will be able to effectively and efficiently manage the growth of our operations and integrate new schools and learning centres into our operations. Any failure to effectively and efficiently manage our expansion could materially and adversely affect our ability to capitalise on new business opportunities, which in turn may have a material adverse impact on our financial condition and results of operations.

We may not be able to successfully identify and acquire new programmes or businesses.

Our strategies include acquisition of new programmes or businesses from third parties. While we do not have any acquisition targets at the moment, any future growth through acquisition will depend upon the availability of suitable candidates at reasonable prices and upon commercially acceptable terms and conditions. We may not be able to identify any suitable candidates. Even if a candidate is identified, we may not be able to enter into arrangements on commercially reasonable terms. Furthermore, the negotiation and completion of potential acquisitions could cause significant diversion of management's time and resources and potential disruption of our ongoing business. We may not realize the anticipated benefit of any acquisition or investment. If we acquire programmes or businesses, we will face risks, uncertainties and disruptions associated with the integration process, including difficulties in the integration of the operations of an acquired company, integration of acquired programme with our programmes, diversion of our management's attention from other business concerns, the potential loss of key employees or customers of the acquired business, the potential involvement of the acquired company in any claims or litigation, and impairment charges if future acquisitions are not as successful as we originally anticipate. In addition, our operating results may suffer because of acquisition-related costs or amortisation expenses or charges relating to the acquired intangible assets. Any failure to successfully integrate programmes or

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businesses that we may acquire could have a material adverse effect on our business and results of operations. Furthermore, we may have to incur borrowings or issue equity securities to pay for future acquisitions or investments, the issuance of which could be dilutive to our existing shareholders.

We may not have sufficient expertise to expand into new businesses and may need to rely on the knowledge, manpower and experience of third parties.

Our business and main source of revenue primarily lie with our expertise in the provision of secondary tutoring services in Hong Kong. To date, we have an operating history of over 13 years and have made notable expansion both in terms of the number of our learning centres and geographical coverage. Leveraging our experience in the private education industry, we expanded into the primary homework tutoring business in January 2011. Through acquisition of suitable target, we were able to acquire the expertise, knowledge and manpower from the existing service provider without having to invest heavily or incur substantial costs in adapting to and exploration of the new market. Consequently, our future plans and strategies for the expansion into the provision of overseas studies consultation services and pre-school or kindergarten education businesses will possibly be similar to the current mode of business which we have for our primary homework tutoring business.

Having said that, since we do not internally possess the relevant expertise, knowledge and manpower in relation to the provision of these new services, we run the risk of being over reliant on the targets we acquire or the joint-venture partners. If our cooperation does not proceed smoothly, our business and operating results may be materially and adversely affected.

New programmes and services that we develop may compete with our current programmes and services.

We may develop new programmes and services to meet changes in student demands and respond to changes in testing materials, admissions standards, market needs and trends and technological changes. While some of our programmes and services that we develop may expand our current programmes and services and increase course enrolments, others may compete with or duplicate with our existing programmes and services without increasing our total course enrolments. For example, if we start offering bridging courses to help students to further their tertiary studies overseas, there may be fewer students willing to take up our secondary day school education and secondary tutoring services. If we are unable to expand our programmes and service and increase our total course enrolments and profitability at the same time, our business and growth could be adversely affected.

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If we fail to successfully execute our business strategies, we may not be able to continue to attract students to enrol in our courses without a significant decrease in course fee, and our business could be materially and adversely affected.

Our business strategies include expanding our programmes and service, and our network of schools, learning centres in a cost-effective and timely manner. The expansion of our programmes and service and geographical coverage may not succeed due to competition, our failure to effectively market our new programmes and services while maintain their quality and consistency, or other factors. In addition, we may not be able to identify new locations with sufficient growth potential to expand our network, and we may fail to attract students and increase course enrolments or recruit and retain qualified teachers for our new schools and learning centres. Furthermore, we may not be able to develop additional content for our programmes in a timely manner, to keep pace with changes in market requirements. If we fail to successfully execute our business strategies, we may not be able to continue to attract students to enrol in our courses without a significant decrease in course fees, and our business and prospects could be materially and adversely affected.

We face significant competition in each major programme we offer and each geographical location in which we operate, and if we fail to compete effectively, we may lose our market share and our profitability could be adversely affected.

The private education sector in Hong Kong is highly competitive, and we expect competition in this sector to persist and intensify. We face competition in each major programme we offer and each geographic market in which we operate. Additionally, certain of our competitors focus on similar programmes and services as we provide.

Our course enrolments may decrease due to intense competition. Some of our competitors may be able to devote greater resources than we can to the development, promotion and sale of their programmes and services and respond more quickly than we can to changes in student needs, testing materials, admissions standards, market needs or new technologies. In addition, we face competition from many different smaller sized organisations that focus on some of our targeted markets, which may be able to respond more promptly to changes in student preferences in these markets. We may be required to reduce course fees or increase spending in response to competition in order to retain or attract students or pursue new market opportunities. As a result, our revenue and profitability may decrease. We cannot assure you that we will be able to compete successfully against current or future competitors. If we are unable to maintain our competitive position or otherwise respond to market competition effectively, we may lose our market share and our profitability could be adversely affected.

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Intellectual property infringement claims against us and/or our tutors could materially and adversely affect our business and operating results.

Our tutors are responsible for the course materials, notes and homework assignments used in our tutoring and the English training services in Hong Kong. Upon entering into service contracts with us, our tutors must confirm and certify that all teaching materials and notes that they use do not violate any applicable laws on intellectual property rights. To prevent non-compliance with any laws on intellectual property rights, we remind our tutors of the laws and regulations governing the intellectual property rights in Hong Kong by sending them newsletters regularly. To protect our interest in case of intellectual property infringements by our tutors, every tutor by virtue of the service agreement entered into with the Group has to undertake to fully indemnify us in respect of any infringement of copyrights and thus the Group will not be liable for any intellectual property infringement claims against our tutors. Nonetheless, we and/or our tutors have been subject to intellectual property infringement claims from third parties in the past. During the Track Record Period, there were two intellectual property claims against us and/or our tutors and three intellectual property claims against us alone.

Intellectual Property Claims Against Us and/or Our Tutors

In October 2009, HKEAA informed us that the teaching notes of Tutor A were in breach of the “Licence for Use or Copying of HKCEE, HKALE Question Papers by Private Schools Offering Non-Formal Curriculum” (the “Licence”) granted to us by HKEAA. It was alleged by HKEAA that the said teaching notes had reproduced contents of HKEAA’s publications which were not covered by the Licence and that the teaching notes did not contain the required form of copyright acknowledgement. HKEAA requested us to immediately cease to use, issue, reproduce and/or otherwise deal with the said teaching notes or other materials which reproduced HKEAA’s publications except in accordance with the Licence. In November 2009, we have ceased to use, issue, reproduce the said teaching notes and confirmed to HKEAA that we would observe the terms of the Licence and other directions when using or reproducing HKEAA’s publications. As at the Latest Practicable Date, no further action or legal proceeding had been taken or initiated against us and apart from the legal costs of HK\$2,000 incurred in relation to responding HKEAA’s allegation which had been fully reimbursed by the Tutor A to us, we had not incurred and we do not expect to incur any other costs, expenses and liabilities in relation to this matter.

In December 2010, a publisher informed us that infringement was found in the teaching materials prepared and/or used by us and/or one of our tutors (“Tutor B”). It was alleged that due to the infringement by us and/or Tutor B, the publisher demanded, amongst others, that we were to give and to procure Tutor B to give a written acknowledgement of the aforesaid infringement, a written apology and to provide a confirmation confirming the number of copies of infringing work and whether any consideration was paid by the distributees for the copies of the infringing work. In the same month, we responded stating that we had requested Tutor B to make immediate remediation and that we had no copies of the alleged infringing work in our possession. We also stated that Tutor B is an independent contractor and that Tutor B had

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provided undertaking to fully and effectively indemnify us in respect of any infringement of any copyrights. We had also forwarded to the publisher a written confirmation, apology and acknowledgment of the alleged infringement given by the Tutor B. Based on the written confirmation given by the Tutor B, no monetary consideration was received by him from the students in relation to the distributions of the copies of the infringing work. As at the Latest Practicable, no further action or legal proceeding had been taken or initiated against us and we had not incurred and do not expect to incur any costs, expenses and liabilities in relation to this matter. Therefore, no reimbursement of costs and expenses were made by Tutor B.

We cannot assure you that the course materials, notes and homework assignments used for our tutoring and English training services in Hong Kong will not infringe or be alleged to infringe the copyright of any third parties. We cannot assure you that all our tutors will strictly comply with the contractual terms. However, measures exist to verify the contents of teaching materials to reduce such risk. For details in relation to the checking of teaching notes and materials, please refer to the section headed “Business – Our Operations – Printing” of this prospectus. As a result, we may be subject to claims and become liable for the intellectual property rights infringement, defamation, negligence or other actions of our tutors by, amongst others, education institutions and organisations, content providers and publishers, competitors and others. Any claims against our tutors or us, with or without merit, could be time-consuming and costly to defend or litigate, divert our management’s attention and resources or result in the loss of goodwill associated with our brands. If a lawsuit against us is successful, we may be required to pay substantial damages and/or enter into royalty or licence agreements that may not be based upon commercially reasonable terms, or we may be unable to enter into such agreements at all.

Intellectual Property Claims Against Us

In addition, we were subject to a intellectual property infringement claim by a manufacturing company as at the Latest Practicable Date. In July 2010, the manufacturing company alleged that we were displaying a check (the “Check”) confusingly similar to its trade mark (the “Trademark”). As such, they demanded from us (i) an undertaking not to use/display the Check, (ii) to perform all matters referred to in the undertaking, (iii) to reimburse them all costs incurred in relation to the matter, and (iv) to pay damages. As at the Latest Practicable Date, no further action or legal proceeding had been taken or initiated against us and apart from the legal costs of HK\$7,500 incurred in relation to the engagement of the legal representative, we had not incurred and we do not expect to incur any other costs, expenses and liabilities in relation to this matter. Nevertheless, we cannot assure you that the manufacturing company will not initiate a legal proceeding against us in relation to this matter. If the claim against us is successful, we may be required to pay substantial damages and our business and operating results could be materially and adversely affected. Further, all of our advertisements, publications, uniform clothing and other materials displaying the Check may have to be destroyed and replaced.

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Since the Check has not been registered as a trademark in Hong Kong, it is possible that we may face intellectual property infringement claims from other third parties in the future which may lead to further disputes or litigation.

In January 2011, HKEAA informed us that we had posted an advertisement on our website which contained certain unauthorised copy of HKEAA's examination paper. HKEAA demanded us to remove and deliver to them all remaining copies of the said advertisement and to stop further use of the same. In February 2011, we responded that we pledged not to use the said advertisement in the future and that we had no copies left of the advertisement. As at the Latest Practicable Date, no further action or legal proceeding had been taken or initiated against us, no penalty has been imposed on us and we had not incurred and do not expect to incur any costs, expenses and liabilities in relation to this matter.

In the future, we or our tutors may increasingly be subject to intellectual property infringement claims as we increase the number and types of programmes and services that we offer and as we engage new tutors. If intellectual property rights of others are infringed, we may also lose the right to offer some of our programmes or services or be required to make changes to our course materials. As a result, the scope of our course materials could be reduced, which could materially and adversely affect the effectiveness of our teaching, limit our ability to attract new students, harm our reputation and have a material adverse effect on our results of operations and financial position.

Intellectual property infringements or other contractual disputes between us and our tutors could materially and adversely affect our business and operating results.

Intellectual property infringement or other contractual disputes may arise between us and our tutors. As at the Latest Practicable Date, there was one intellectual property infringement dispute in relation to advertisement placed by us and/or the use of teaching materials produced by the tutors. In October 2009, one of our tutors ("Tutor C") alleged, amongst others, that we had been continuously possessing, using and exploiting his/her materials and that we had continuously held out Tutor C to be our tutor after termination of the contract for services with Tutor C. Tutor C demanded from us a statutory declaration of destruction of all materials belonging to him/her. In the same month, we replied in responded denying the allegation and that we were not obliged to deliver any statutory declaration of destruction of all materials. As at the Latest Practicable Date, no legal proceeding had been initiated. Apart from the legal costs already incurred in relation to the correspondence between us and Tutor C, we had not incurred and we do not expect to incur any other costs, expenses and liabilities in relation to this matter.

In January 2010, we had initiated legal proceeding against Tutor A for breach of service contract. For further details in relation to this litigation, please refer to the sections headed "Business – Legal Proceedings" and "Statutory and General Information – Litigation" in Appendix V to this prospectus.

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In the future, we may increasingly be subject to intellectual property infringement claims or other actions as we increase the number and types of programmes and services that we offer and as we engage new tutors. We may also lose the right to offer some of our programmes or services or be required to make changes to our course materials. As a result, the scope of our course materials could be reduced, which could materially and adversely affect the effectiveness of our teaching, limit our ability to attract new students, harm our reputation and have a material adverse effect on our results of operations and financial position.

Protection of intellectual property rights may not prevent our competitors from using our course materials, which could weaken our competitive position and harm our business and results of operations.

Our success depends, among other things, on the protection of copyrights of course materials and other intellectual property rights that distinguish our programmes from those of our competitors. Our tutors and we rely, and plan to continue to rely, on a combination of trademark, copyright and other intellectual property laws as well as confidentiality agreements to establish and protect the proprietary rights. The relevant agreements and other steps our tutors and we have taken to protect the intellectual property, however, may not prevent misappropriation of the intellectual property or deter independent third-party development of similar intellectual property. For example, our students may disseminate the lecture notes or class materials through the Internet or other media without our consent. If our tutors or we fail to prevent the infringement of intellectual property rights successfully, the rights could be diminished and our competitive position could suffer, which could harm our business and results of operations.

Preventing intellectual property infringements, particularly in the PRC, is difficult and time-consuming and continued unauthorised use of our intellectual property by unrelated third parties may damage our reputation and brands. Historically, the PRC has not protected intellectual property rights to the same extent as Hong Kong, and infringement of intellectual property rights continues to pose a serious risk of doing business in China. Furthermore, the application of laws governing intellectual property rights in Hong Kong, the PRC and abroad may evolve and the extent of intellectual property rights protection offered and exercised by different jurisdiction may differ. If we are unable to adequately protect our trademarks, copyrights and other intellectual property rights, we may lose these rights and our business may suffer materially.

Our business is subject to seasonal fluctuations which may cause our operating results to fluctuate from quarter to quarter.

We have experienced, and expect to continue to experience, seasonal fluctuations in our revenue and results of operations, primarily due to seasonal changes in course enrolments in our secondary tutoring services. Historically, we recorded greater revenue from our Hong Kong business during the second and third quarters of our financial year (or from October to March), we believe it was due to students enrolling in our secondary tutorial courses (regular courses) or secondary day school education in tandem with the Hong Kong academic school year, as

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well as our secondary tutorial courses (intensive courses) in the third quarter of our financial year (or from January to March) to prepare for public examinations. Our expenses, however, vary significantly and do not necessarily correspond with changes in our course enrolments and revenue. We expect quarterly fluctuations in our revenue and results of operations to continue. If our revenue grows, these seasonal fluctuations may become more pronounced.

Our historical financial and operating results are not indicative of future performance.

Our financial and operating results may not meet the expectations of public market analysts or investors. In addition to the seasonal fluctuations described above, our revenue, expenses and operating results may vary from quarter to quarter and from year to year in response to a variety of other factors beyond our control, including:

- our ability to increase course enrolments and course fees;
- general economic conditions and regulations or actions pertaining to the provision of private education services in Hong Kong and the PRC;
- changes in consumers' spending patterns;
- our ability to control cost of revenue and operating expenses; and
- non-recurring charges incurred in connection with acquisitions or other extraordinary transactions or unexpected circumstances.

Owing to these factors, among others, we believe that even quarter-to-quarter comparisons of our operating results may not be indicative of our future performance and you should not rely on these comparisons to predict the future performance of our shares. In addition, our past results may not be indicative of future performance because of the unpredictability of performance of our new businesses.

We have borrowings of approximately HK\$50 million in aggregate outstanding as at the Latest Practicable Date. Such borrowings are classified as current liabilities and we have a net current liability position. We intend to use approximately 38% of the net proceeds we receive from the Global Offering for the repayment of these borrowings.

As at the Latest Practicable Date, we had approximately HK\$50 million of outstanding borrowings which were drawn down to settle dividends declared in 2010 and 2011 respectively, of which approximately HK\$10 million carried interest at 2% per annum and HK\$40 million carried interest at 6% per annum. Such borrowings are classified as current liabilities and we have a net current liability position. We may therefore not have sufficient funding to meet our short-term liabilities. We intend to use approximately 38% of the net proceeds of the Global Offering to repay all of these borrowings and reduce our current liabilities. As such, a substantial part of the net proceeds of the Global Offering will not be utilised for the development or expansion of our business, services or programmes. We cannot assure you that we will not borrow from banks or financial institutions in the future to finance our growth or

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for other purposes relating to our business and operation. Our future indebtedness and related obligations could have serious consequences on us, which for example may (i) limit our ability to obtain additional financing to fund growth, working capital and capital expenditures or to meet debt service or other cash requirements, (ii) expose us to the risk of increased interest costs if the underlying interest rates rise significantly, (iii) restrict our ability to make distributions to our Shareholders, (iv) limit our ability to invest operating cash flow in our business due to debt service requirements, or (iv) increase our vulnerability to economic downturns and changing market conditions.

Our ability to meet any future indebtedness and related obligations will depend on a number of factors, which include prevailing economic and financial conditions and our past performance. If we do not have enough cash to satisfy such obligations, we may be required to refinance all or part of our debt and if we default in performing any of the obligations, our results of operations and financial condition could be materially and adversely affected.

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

Our future success depends heavily upon the continuing services of the members of our senior executive, including our founder and chairman, Mr. Ng Kam Lun, our chief executive officer and executive Director, Ms. Yiu, our chief operations officer and executive Director, Mr. Lee, who have been with us for over 10 years, and our chief financial officer and executive Director, Mr. Ng Norman, who has been with us since 2004. If one or more of our senior executives or other key personnel are unable or unwilling to continue their present positions, we may not be able to replace them easily, and our business may be disrupted and our financial condition and results of operations may be materially and adversely affected. Our remuneration package may not be competitive enough to successfully recruit experienced management personnel, and we may not be able to retain the services of our senior executives or key personnel, or attract and retain high-quality senior executives or key personnel in the future. In addition, if any member of our senior management team or any of our other key personnel joins a competitor or forms a competing company, we may lose tutors, teachers, students, key professionals and staff members. Each of our Directors has entered into a confidentiality and non-competition agreement in which within a specified period, the Director shall not engage in businesses that may compete with us. Nonetheless, if any dispute arises between any of our senior executives or key personnel and us, it may be difficult to enforce these agreements against these individuals.

Claims could be brought against us in connection with injuries suffered by students or other people at our premises which could adversely affect our reputation and our financial results.

We could be held liable for accidents and injuries that occur at premises occupied by us which are caused by our negligence, for example, failure to provide adequate supervision or failure to maintain a safe environment. A successful liability claim against us could adversely affect our reputation and our financial results. Even if unsuccessful, such a claim could cause unfavourable publicity, require substantial cost to defend and divert the time and attention of our management.

RISK FACTORS

We may face labour or other nature of disputes that could interfere with our operations and business.

In the ordinary course of business, we may be named as a party in regulatory or legal actions, claims and disputes in connection with our business activities. These actions may include employment-related claims and contractual disputes or claims for personal injury or property damage or actions by regulatory or tax authorities. While we believe we have a satisfactory relationship with our employees and tutors, we may nevertheless be subject to the risk of labour disputes and adverse employee relationships. These potential disputes and adverse relationships could result in work stoppage or other events that could disrupt our business operations, which could have a material adverse effect on our business, financial condition or results of operations.

System disruptions to our computer systems and computer networks could damage our operations.

We have developed a computer programme, Modern-C, to assist us in the running of our day-to-day business cost-effectively and to accommodate future growth. The performance and reliability of Modern-C is critical to our business operation, in particular, registration of students' profiles, course enrolment and attendance record. However, our computer systems and operations could be vulnerable to interruption or malfunction due to events beyond our control and we cannot assure you that we will not incur any damage or interruption caused by power outages, computer viruses, hardware and software failures, telecommunications failures, fires and other similar events to Modern-C in the future. Any interruption to any of our computer system or operations could have a material adverse effect on our business operations.

Our computer networks may be vulnerable to unauthorised access, computer hackers, computer viruses and other security problems. A user who circumvents security measures could misappropriate proprietary information or cause interruptions or malfunctions in operations. Any leakage or misappropriation of information from our system could have a material and adverse effect on our reputation and business operations. As a result, we may be required to expend significant resources to guard against the threat of these security breaches or to alleviate problems caused by these breaches.

Any leakage of personal data of our students could damage our business and operations.

All of the personal data and information of our students are manually entered into Modern-C by our staff at the registration counter. Our authorised staff has the authority to access to and view these personal data and information subject to the guidelines set forth by us. Any leakage of these personal data and information could materially and adversely damage our business and operations.

RISK FACTORS

Uncertainty and adverse changes in the economy could have a material adverse impact on our business and operating results.

We mainly generate our revenue from fees paid by students enrolling in our courses, and number of course enrolment may depend on the level of disposable income and consumption behaviour of our students or their households. Uncertainty or adverse changes in the economy could lead to a significant decline in disposable income, which, in turn, could result in a decline in our course enrolment. Any decrease in our course enrolment could have a material adverse impact on our operating results and financial condition. Uncertainty and adverse changes in the economy could also increase costs associated with developing our programmes and services, increase the cost and decrease the availability of potential sources of financing, and increase our exposure to material losses from our investments, any of which could have a material adverse impact on our financial condition and operating results. It is uncertain when a global financial crisis will occur and how long will the crisis continue, the degree of adverse impact it will have on the global economy in general and the economy in Hong Kong and the PRC in particular and how extensive it may negatively impact our business, financial conditions and results of operations.

We face risks related to health epidemics and other outbreaks. Any future outbreak of any communicable diseases in Hong Kong and the PRC could severely disrupt our business and operations.

Any outbreak of communicable disease in Hong Kong and the PRC could have a material and adverse effect on the overall business sentiment and economic environment in Hong Kong and the PRC, which in turn may have a material and adverse impact on domestic consumption in, and possibly the overall GDP growth of, Hong Kong and the PRC. Any contraction or slow down in the growth of domestic consumption and possible slowdown in the GDP growth of Hong Kong and the PRC could adversely affect our prospects, future growth and overall financial condition. In addition, if any of our students or our employees are affected by any communicable disease outbreaks, we may be required to temporarily shut down the affected school or offices to prevent the spread of the disease. This could adversely affect and/or disrupt our business operations and the relevant facilities and impact our results of operations and financial condition.

In 2003, Hong Kong, the PRC and other countries experienced an outbreak of a new and highly contagious form of atypical pneumonia now known as severe acute respiratory syndrome (“SARS”). During April and May of 2003, many businesses in Hong Kong and the PRC were temporarily closed to prevent transmission of SARS. Since 2005, there have been reports on the occurrences of avian influenza in various parts of the PRC, including a few confirmed human cases that resulted in fatalities. In addition, in 2009, occurrences of Influenza A (H1N1) were reported in Hong Kong and other parts of the PRC. Any prolonged outbreak of SARS, Influenza A (H1N1), or other communicable diseases in Hong Kong and the PRC could require the temporary closure of our schools and learning centres. Such closures could severely disrupt our business operations and materially adversely affect our results of operations. Although we had not recorded any material and adverse effect on our Group due

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to the occurrence of Influenza A, we have adopted written preventive measures or contingency plans to combat future outbreak of communicable diseases. However, we have no control over the Government's decision relating to suspension of schools and classes, which could materially and adversely affect our business operations and financial results.

RISKS RELATED TO AGREEMENTS IN THE PRC

We may be subject to claims in relation to termination of the Cooperative Framework Agreement.

Modern Education HK entered into the Cooperative Framework Agreement relating to the acquisition of Beijing Yasi School with Ms. Huang Hui, Mr. Liu Hongbo and Mr. Yang Qi on 19 September 2008. At that time, Mr. Liu Hongbo was holding 23% equity interest in Beijing Yasi School while Mr. Yang Qi and Ms. Huang Hui had no interest in Beijing Yasi School. According to the Cooperative Framework Agreement, Mr. Liu Hongbo and Mr. Yang Qi will acquire equity interest from school sponsors of Beijing Yasi School and will cooperate with Modern Education HK and Ms. Huang Hui in transferring their interests in Beijing Yasi School to Modern Education HK in accordance with the conditions and procedures set out in the agreement. Besides, Mr. Liu Hongbo and Mr. Yang Qi will jointly establish an off-shore company with Modern Education HK, and provide education support services to Beijing Yasi School through WFOE which shall be wholly owned by the off-shore company.

In view of the change of holder of interest in Beijing Yasi School and change of shareholding structure of Beijing Siya and the fact that Mr. Liu Hongbo and Mr. Yang Qi have yet to set up the offshore company, the Directors consider that Mr. Liu Hongbo and Mr. Yang Qi would be in difficulty to perform their respective obligations under the Cooperative Framework Agreement. As advised by our PRC Legal Advisors, pursuant to the Cooperative Framework Agreement, a party is entitled to terminate such agreement after prior notice, if any other party fails to perform their respective obligations under the agreement which results in no further performance of the agreement. On 19 May 2011, letters have been sent to Mr. Liu Hongbo and Mr. Yang Qi requesting them to perform the obligations relating to the establishment of offshore companies under the Cooperative Framework Agreement within five days. On 25 May 2011, since no action had been taken by Mr. Liu Hongbo and Mr. Yang Qi and no response was received from them, further termination letters have been sent to them informing them that the Cooperative Framework Agreement should be deemed to be terminated upon receipt by them of the termination letters. Our PRC Legal Advisors are of the view that as no further agreement to the Cooperative Framework Agreement has been entered into and notices of termination have been served, the Cooperative Framework Agreement shall be deemed to be terminated upon receipt of the second letters by Liu Hongbo and Yang Qi unless any of them raises any objection to the termination within three months.

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We believe we had duly performed our obligations according to the Cooperative Framework Agreement. Nevertheless, we could be subject to claims brought by Mr. Liu Hongbo or Mr. Yang Qi in relation to termination of the Cooperative Framework Agreement. As at the Latest Practicable Date, no claims or proceedings have been brought against the Group in respect of the Cooperative Framework Agreement. In the event of any dispute arising from the performance of the Cooperative Framework Agreement, the Controlling Shareholders agree to jointly and severally indemnify the Group against any costs, expenses and losses suffered by the Group due to the termination or non-performance of the Cooperative Framework Agreement.

If the PRC authorities determine any of the exclusive technical consultation, management services and software licencing agreements with Beijing Yasi School or the Cooperative Framework Agreement to be unenforceable, our business and operating results could be affected.

Our PRC Legal Advisors are of the opinion that the entering into of the Cooperative Framework Agreement complied with the relevant laws and regulations of the PRC and the terms and conditions set forth in the Cooperative Framework Agreement is legally enforceable under PRC laws. Likewise, our PRC Legal Advisors confirm that the provisions under the Exclusive Technical Consultation and Management Service Agreement and the Software License Agreement with Beijing Yasi School are in compliance with the relevant PRC laws and regulations. However, we cannot guarantee that the PRC authorities will have the same view and opinion as our PRC Legal Advisors and if the PRC authorities determine that any of the exclusive technical consultation, management services and software licencing agreements with Beijing Yasi School or the Cooperative Framework Agreement to be unenforceable, our business and operating results could be adversely affected.

Our agreements with Beijing Yasi School may be subject to scrutiny by the PRC tax authorities and we could be required to pay additional taxes, which could reduce our net income and the value of our Shares.

Agreements and transactions among related parties may be subject to audits or challenges by the PRC tax authorities. If the PRC tax authorities determine that the agreements between Jingli Beiya and Beijing Yasi School are not arm's-length transactions, the PRC tax authorities could adjust in the form of a transfer pricing adjustment. According to our PRC Legal Advisors, if the PRC tax authorities determine that the agreements between Jingli Beiya and Beijing Yasi School are not arm's length transactions and adjustment is made in accordance with reasonable methods, the tax liabilities of Jingli Beiya or Beijing Yasi School might be increased. Besides, as advised by our PRC Legal Advisors, there is no explicit explanation for "arm's-length" transaction under the applicable PRC laws and regulations, so the Group's maximum exposure in relation to the possible transfer pricing issue cannot be adequately evaluated.

RISK FACTORS

If Beijing Yasi School fails to obtain permit for running schools in Haidian District, our business with Beijing Yasi School will be adversely affected.

Beijing Yasi School has obtained permit for running schools from Chaoyang District Education Commission. However, some of Beijing Yasi School's teaching centers are located in Haidian district, which is outside the approved district, and it has not obtained permit for running schools in Haidian district. We expect Beijing Yasi School to file application materials of permit for running of a school for the teaching centers in Haidian District by the end of June 2011. According to the official information disclosure from Haidian District Education Committee in the PRC, the materials to be submitted include the House Ownership Certificates of the teaching centers which Beijing Yasi School rented from third parties. Beijing Yasi School only received the relevant House Ownership Certificates of its teaching centers in June 2011 and as at the Latest Practicable Date, it was preparing for the application materials to be submitted to Haidian District Education Committee. According to the official information disclosure of Haidian District Education Committee, it will take no more than 52 working days for a conclusion to be made as to whether a permit for running schools will be issued. According to the Non-state Education Promotion Law of the People's Republic of China, "Where any social body or individual runs non-state schools without permission, the relevant administrative departments shall order it to obtain relevant permit within a time limit. Among them, those are in consistence with the requirements for a non-public school of the relevant laws and regulations may make up for handling the examination and approval procedures. If overdue, those falls short of the requirements for a non-public school shall be ordered to stop running the school. If they have caused economic losses, they shall bear the liability for compensation in accordance with the law." As confirmed by Beijing Yasi School, they have not been requested to rectify or punished for aforesaid activities by education authorities, nor have been punished for exceeding approved business scope or other activities. Except as disclosed aforesaid, Beijing Yasi School has acquired necessary permit to run the school in Chaoyang district. If Beijing Yasi School is unable to complete the registration for its teaching centers outside approved site and make rectification as requested by local education authorities, there is a possibility that Beijing Yasi School will be ordered to stop running the schools outside the approved site by relevant education authorities.

Pursuant to our Exclusive Technical Consultation and Management Service Agreement and Software License Agreement with Beijing Yasi School, Beijing Yasi School shall be legally registered and in good standing of PRC laws and regulations. As advised by our PRC Legal Advisors, the Group will not be held liability for Beijing Yasi School's violation of relevant PRC laws and regulations, including, among others, operation without necessary licences and permits. In addition, the Group is entitled to ask Beijing Yasi School to assume responsibility and make compensations to us according to the Exclusive Technical Consultation and Management Service Agreement and Software License Agreement. Nonetheless, if Beijing Yasi School fails to obtain/maintain its permit for running schools, our business with Beijing Yasi School will be adversely affected.

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Beijing Yasi School has entered into a number of cooperation agreements with third party non-public schools. If the PRC authorities determine that the cooperation agreements do not comply with applicable regulations, our business could be adversely affected.

Beijing Yasi School has entered into a number of cooperation agreements with third party non-public schools in the PRC. Under these agreements, Beijing Yasi School agreed to provide course materials to the cooperative schools and train teachers for the cooperative schools in consideration of service fees. Beijing Yasi School required each of the cooperative schools to confirm that it has a permit to operate a non-public school and has been registered as a private non-enterprise institution. However, Beijing Yasi School has no control over the cooperative schools. We cannot assure you that the cooperative schools have all the necessary permits, licences or registrations. Our PRC Legal Advisors confirm that, Beijing Yasi School will not be held liable if the cooperative schools do not comply with all applicable PRC laws and regulations. Nevertheless, given the absence of detailed implementing rules, if the PRC authorities determine that the cooperation agreements do not comply with applicable regulations, business of Beijing Yasi School will be adversely affected. As Beijing Yasi School is the operating company of Beijing Siya, a company which 65% registered capital is subject to the Option Agreement, our business may be adversely affected.

RISKS RELATED TO DOING BUSINESS IN THE PRC

The PRC's economic, political and social conditions, as well as governmental policies, could affect the financial markets in the PRC, our liquidity and access to capital and our ability to operate our business.

We plan to continue to expand our business into new geographical areas in the PRC. Accordingly, our results of operations, financial condition and prospects are subject to economic, political and legal developments in the PRC. The PRC's economy differs from the economies of developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While the PRC economy has experienced significant growth in the past 30 years, growth has been uneven across different regions and among various economic sectors of the PRC. The PRC government has implemented various measures to encourage economic development and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. More generally, if the business environment in the PRC deteriorates from the perspective of domestic or international investors, our business in the PRC may also be adversely affected.

RISK FACTORS

Changes in PRC government policies on foreign investment in the PRC may affect our business and results of operations.

As foreign invested enterprises, our wholly owned subsidiaries, Jingli Beiya and Guangzhou Tianli, are subject to restrictions on foreign investment imposed by PRC laws from time to time. For instance, under the 《外商投資產業指導目錄》 (Foreign Investment Industrial Guidance Catalogue), some industries are categorised as sectors which are encouraged, restricted or prohibited for foreign investment.

According to the latest version of the 《外商投資產業指導目錄》 (Foreign Investment Industrial Guidance Catalogue), which became effective on 1 December 2007, our business does not belong to the prohibited or the restricted category. As this catalogue is updated every few years, there can be no assurance that the PRC government will not change its policies in a manner that would cause part or all of our businesses to fall within the restricted or prohibited categories. If any of our businesses becomes prohibited or if we cannot obtain approval from relevant approval authorities to engage in businesses which become restricted for foreign investors, we may be forced to sell or restructure our businesses which have become restricted or prohibited for foreign investment. If we are forced to adjust our corporate structure or business line as a result of changes in government policy on foreign investment, our business, financial condition and results of operations may be affected.

Uncertainties with respect to the PRC legal system could materially and adversely affect us.

PRC laws and regulations govern our operations in the PRC. Our subsidiaries are generally subject to laws and regulations applicable to foreign investments in the PRC and, in particular, laws applicable to wholly foreign-owned enterprises. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in the PRC. However, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties, 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.

The dividends we receive from our PRC subsidiary may be subject to PRC tax under the new EIT law, which would have a material adverse effect on our results of operations.

Under the new EIT law, dividends, interests, rents and royalties payable by a foreign invested enterprise in the PRC to its foreign investor who is a non-resident enterprise, as well as gains on transfers of shares of a foreign-invested enterprise in the PRC by such a foreign investor, will be subject to a 10% withholding tax, unless such non-resident enterprise's jurisdiction of incorporation has a tax treaty with the PRC that provides for a reduced rate of withholding tax. Modern Beiya and Sky Link, the shareholders of the entire equity interests of Jingli Beiya and Guangzhou Tianli, respectively, are incorporated in Hong Kong. According to

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the 《內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排》 (Mainland and Hong Kong Special Administrative Region Arrangement on Avoiding Double Taxation or Evasion of Taxation on Income) agreed between the PRC and Hong Kong in August 2006, dividends paid by a foreign-invested enterprise in the PRC to its direct holding company in Hong Kong will be subject to withholding tax at a rate of not more than 5% (if the foreign investor owns directly at least 25% of the shares of the foreign-invested enterprise). Therefore, this new withholding tax imposed on dividends paid to us by our PRC subsidiaries would reduce our net income in the event we decide to declare a dividend, which may have an adverse effect on our operating results.

The New M&A Rule establishes more complex procedures for some acquisitions of PRC companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in the PRC.

On 8 August 2006, six PRC regulatory agencies, namely, the Ministry of Commerce, 國務院國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of the State Council), 國家稅務總局 (the State Administration for Taxation), 國家工商行政管理總局 (the State Administration for Industry and Commerce), the CSRC, and SAFE, jointly adopted 《關於外國投資者併購境內企業的規定》 (the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors) (the “New M&A Rule”), which became effective on 8 September 2006. This New M&A Rule establishes additional procedures and requirements that could make certain acquisitions of PRC companies by foreign entities, such as ours, more time-consuming and complex, including requirements in some instances that the approval of the Ministry of Commerce shall be required for transactions involving the shares of an offshore listed company being used as the acquisition consideration by foreign entities. In the future, we may grow our business in part by acquiring complementary businesses. Complying with the requirements of the New M&A Rule to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the Ministry of Commerce, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

Beijing Yasi School may be subject to significant limitations on its ability to operate non-public schools or make payments to related parties or otherwise be materially and adversely affected by changes in PRC laws and regulations.

The principal regulations governing private education in the PRC are 《民辦教育促進法》 (The Law for Promoting Non-Public Schools), promulgated in 2003 and 《民辦教育促進法實施細則》 (The Implementation Rules for The Law for Promoting Non-Public Schools), promulgated in 2004. Under these regulations, a non-public school may elect to be a school that does not require reasonable returns or a school that requires reasonable returns. At the end of each fiscal year, every non-public school is required to allocate a certain amount to its development fund for the construction or maintenance of the school or procurement or upgrade of educational equipment. In the case of a non-public school that requires reasonable returns, this amount shall be not less than 25% of annual net income of the school, while in the case

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of a non-public school that does not require reasonable returns, this amount shall be equivalent to not less than 25% of the annual increase in the net assets of the school, if any. A non-public school that requires reasonable returns must publicly disclose such election and additional information required under the regulations. A non-public school shall consider factors such as the school's tuition, ratio of the funds used for education-related activities to the course fees collected, admission standards and education quality when determining the percentage of the school's net income that would be distributed to the investors as reasonable returns. However, none of the current PRC laws and regulations provides a formula or guidelines for determining "reasonable returns". In addition, none of the current PRC laws and regulations sets forth different requirements or restrictions on a non-public school's ability to operate its education business based on such school's status as a school that requires reasonable returns or a school that does not require reasonable returns.

With regard to income tax, according to 《民辦教育促進法實施細則》 (The Implementation Rules for The Law for Promoting Non-Public Schools), non-public schools that do not require reasonable returns are entitled to the same preferential tax treatment as public schools, while preferential tax treatment policies applicable to non-public schools requiring reasonable returns are separately formulated by the relevant authorities under the State Council. To date, however, no separate regulations or policies have been promulgated by the relevant authorities in this regard. Beijing Yasi School is registered as school that requires reasonable returns. The current PRC laws and regulations governing private education may be amended or replaced by new laws and regulations that (i) impose significant limitations on the ability of non-public schools to operate their business, charge course fees or make payments to related parties for services received, (ii) specify the formula for calculating "reasonable returns". We cannot predict the timing and effects of any such amendments or new laws and regulations. Changes in PRC laws and regulations governing private education or otherwise affecting operations of Beijing Yasi School could affect our business prospects and results of operations.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from making loans or additional capital contributions to our PRC operating subsidiaries and affiliated entities, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

We may make loans to our consolidated affiliated entities. Loans by us to Jingli Beiya and Guangzhou Tianli, which are domestic PRC entities, must be approved by the relevant government authorities and must also be registered with SAFE or its local counterpart.

We may also decide to establish other wholly-owned subsidiaries by means of capital contributions. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to Jingli Beiya, Guangzhou Tianli or our future subsidiaries. If we fail to receive such registrations or approvals, our ability to capitalise our PRC operations may be negatively affected, which could adversely affect our ability to fund and expand our business.

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Government control of foreign currency conversion may affect the value of your investment.

The PRC Government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive a minor portion of our revenues in RMB. Although a minor portion of our revenue derived from our subsidiaries in the PRC, shortages in the availability of foreign currency may restrict the ability of our subsidiaries in the PRC to remit sufficient foreign currency to pay dividends or other payments to our Company, or otherwise satisfy their foreign currency denominated obligations, if any.

RISKS RELATING TO OUR GLOBAL OFFERING

There has been no prior public market for our Shares, and their liquidity and market price may be volatile.

Prior to the Global Offering, there has been no public market for our Shares. The Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for listing of, and permission to deal in, our Shares on the Stock Exchange. However, there is no assurance that the Global Offering will result in the development of an active and liquid public trading market for our Shares. The market price, liquidity and trading volume of our Shares may be volatile. We cannot assure you that our Shareholders will be able to sell their Shares or achieve their desired price and as a result, Shareholders may not be able to sell their Shares at prices equal to or greater than the price they paid for the Offer Shares under the Global Offering. Factors that may affect the volume and price at which our Shares will be traded include, among other things, variations in our sales, earnings, cash flows and costs, announcements of new investments and changes in laws and regulations in China. We cannot assure you that these developments will not occur in the future.

Purchasers of the Offer Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

The Offer Price of the Offer Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, purchasers of the Offer Shares in the Global Offering will experience an immediate dilution in the unaudited pro forma adjusted net tangible asset value per Share. In order to raise capital and expand our business, we may consider offering and issuing additional Shares or equity-linked securities in the future. We may also allot and issue additional Shares pursuant to the exercise of options to be granted under our Share Option Scheme, or pursuant to the exercise of the Over-allotment Option. Purchasers of our Offer Shares may experience further dilution in the net tangible asset value per Share if we issue additional Shares in the future at a price lower than the net tangible asset value per Share.

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Future sales by our existing Shareholders of a substantial number of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares.

Future sales of a substantial number of our Shares by our existing Shareholders, or the possibility of such sales, could negatively impact the market price of our Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate. Shares held by our Controlling Shareholders, Initial Shareholders and Primo Result are subject to certain lock-up undertakings for periods ranging from six to twelve months after the date of Listing, details of which are set out in the section headed “Underwriting” in this prospectus. We cannot assure you that our Controlling Shareholders and Initial Shareholders will not dispose of any Shares in the future.

Our Controlling Shareholders and our Initial Shareholders have substantial control over our Company and their interests may not be aligned with the interests of our other Shareholders.

Immediately following the Global Offering (not taking into account any Shares that may be issued upon exercise of the options granted or to be granted under the Share Option Scheme), our Controlling Shareholders and our Initial Shareholders, will beneficially own an aggregate of approximately 65.67% of our Company’s outstanding Shares if the Over-allotment Option is not exercised, or an aggregate of approximately 62.94% if the Over-allotment Option is exercised in full.

As a result, by virtue of their controlling ownership of our share capital, our Controlling Shareholders and our Initial Shareholders will be able to exert significant influence over our business and otherwise on matters of significance to us and other shareholders by voting at the general meetings of shareholders, including:

- election of directors;
- selection of senior management;
- amount and timing of dividend payments and other distributions;
- acquisition of or merger with another entity;
- overall strategic and investment decisions;
- issuance of securities and adjustment to our capital structure; and
- amendments to our articles of association.

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The interests of our Controlling Shareholders and our Initial Shareholders may differ from the interests of our other Shareholders and our Controlling Shareholders and our Initial Shareholders are free to exercise their votes according to their interests. Our Controlling Shareholders and our Initial Shareholders will have the power to prevent or cause a change in control of our Company. Without the consent of our Controlling Shareholders and our Initial Shareholders, we may be prevented from entering into transactions that could be beneficial to us and our other Shareholders. In connection with the Global Offering, our Controlling Shareholders, Beautiful Choice, Mr. Lee, Ms. Chu, Classic King, Mr. Ng Norman, Ultra Strong, Mr. KW Ng, Ms. Lau, Ms. Ng, Creative Master and Ms. Yiu have given an undertaking in the Non-competition Deed that each of them will not, whether as principal or agent and whether undertaken directly or indirectly (including through any of their respective associate, subsidiary, partnership, joint venture or other contractual arrangement) and whether for profit or otherwise, carry on, engage, invest, participate or otherwise be interested in any business which is, in each case, the same as, similar to or in direct or indirect competition with any business relating to private education services and such other business conducted or carried on by our Group from time to time. To the extent the interests of our Controlling Shareholders and our Initial Shareholders conflict with the interests of other Shareholders, the interests of other shareholders can be disadvantaged and harmed.

We cannot guarantee the accuracy of facts and other statistics with respect to Hong Kong and the PRC, the economy of Hong Kong and the PRC and the education industry contained in this prospectus.

We have derived certain facts and other statistics in this prospectus relating to Hong Kong and the PRC, the economy of Hong Kong and the PRC and the education industry from various publications, government publications or communications with various government agencies that we believe to be reliable, including a report we commissioned from Synovate Limited, an Independent Third Party. However, we cannot guarantee the quality or reliability of such source materials. While our Directors have taken reasonable care in the reproduction of the information and have no reason to believe that such information is false or misleading, they have not been prepared or independently verified by us, the Underwriters or any of our or their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics. The facts and other statistics include the facts and statistics included in the sections entitled “Risk Factors”, “Industry Overview”, and “Business”. Due to possible flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and you should not place undue reliance on them. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

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Investors should read the entire prospectus carefully and should not consider any particular statements in this prospectus or in published media reports or other publicly available information without carefully considering the risks and other information contained in this prospectus.

There may have been prior to the publication of this prospectus, and there may be subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media or otherwise publicly available, nor the fairness or appropriateness of any estimates/forecasts, views or opinions expressed by the press or other media or otherwise publicly available regarding our Shares or the Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions whether to invest in our Shares or in the Global Offering. You should rely solely upon the information contained in this prospectus, the application forms and any formal announcements made by us in making your investment decision regarding our Shares.

There will be a time gap between the commencement of the Hong Kong Public Offering and trading of our Shares.

Our Hong Kong Public Offering will commence on Monday, 20 June 2011 while the application results will only be announced on Thursday, 30 June 2011 with our Listing on Monday, 4 July 2011. The applicants will not be entitled to any interest from the date of payment of application monies to the date of refund of application monies (where applicable). Accordingly, successful applicants are subject to the risk that the price of our Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur during such period.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Joint Sponsors, the Underwriters, any of their respective directors, officers, agents, employees or advisers or any other party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus, and the procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and in the relevant Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering. Details of the terms of the Global Offering are described in the section headed "Structure of the Global Offering" in this prospectus.

The Listing is sponsored by the Joint Sponsors. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriter under the terms of the Hong Kong Underwriting Agreement. The International Underwriting Agreement is expected to be entered into on or about 23 June 2011. For details of the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES

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

No action has been taken in any jurisdiction other than Hong Kong to permit an offering of the Hong Kong Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Hong Kong Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Shares in issue, the Offer Shares (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and any Shares which may be issued upon the exercise of any options to be granted under the Share Option Scheme.

None of our Shares or loan capital are listed on or dealt in on any other exchange and no such listing or permission to list is being or proposed to be sought in the near future.

SHARES WILL BE ELIGIBLE FOR CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange and the compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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

All necessary arrangements have been made for our Shares to be admitted into CCASS. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek the advice of your stockbrokers or other professional advisers.

PROFESSIONAL TAX ADVICE RECOMMENDED

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

OVER-ALLOCATION AND STABILISATION

In connection with the Global Offering, the Sole Global Coordinator (on behalf of the International Underwriter) or any person acting for it may over-allot or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there is no obligation on the Sole Global Coordinator or any person acting for it to do this. Such stabilising action, if taken, may be discontinued at any time and is required to be brought to an end after a limited period.

In connection with the Global Offering, our Company intends to grant to the Sole Global Coordinator (on behalf of the International Underwriter) the Over-allotment Option, which will be exercisable in full or in part by the Sole Global Coordinator (on behalf of the International Underwriter) no later than 30 days after the last day for the lodging of applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, our Company may be required to issue and allot at the Offer Price up to an aggregate of 17,400,000 additional Shares, representing 15% of the total number of Share initially available under the Global Offering, in connection with over-allocation in the International Offering, if any.

Further details with respect to stabilisation and the Over-allotment Option are set out in the section headed “Structure of the Global Offering” of this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

REGISTER OF MEMBERS AND STAMP DUTY

Our Company's Hong Kong register of members will be maintained by our Hong Kong Branch Share Registrar, Tricor Investor Services Limited in Hong Kong. The Company's principal register of members will be maintained by Maples Fund Services (Cayman) Limited in the Cayman Islands. Only shares registered on the Company's branch register of members maintained in Hong Kong may be traded on the Stock Exchange.

Dealings in the Shares registered on the register of members of the Company in Hong Kong will be subject to Hong Kong stamp duty.

CURRENCY TRANSLATIONS

Unless otherwise specified, amounts denominated in Hong Kong dollars and US\$ have been translated, for the purpose of illustration only, into Renminbi, and vice versa, in this prospectus at the following rates as at Latest Practicable Date:

HK\$1	:	RMB0.83373
HK\$7.7833	:	US\$1

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

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. If there is any inconsistency between the Chinese names of the Chinese entities mentioned in this prospectus and their English translations, the Chinese names shall prevail.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

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

STRUCTURE OF THE GLOBAL OFFERING

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

ROUNDING

In this prospectus, because certain amounts have been rounded, totals of columns or rows of numbers in tables may not be equal to the apparent of the individual items, and actual number may differ from those contained herein due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Ng Kam Lun, Eric (吳錦倫)	Flat A, 57/F, Block 1, The Arch No. 1 Austin Road West Kowloon Hong Kong	Chinese
Yiu Wai Yee, Catherine (姚慧儀)	Flat E, 8/F, Block 18 Wonderland Villas Kwai Chung New Territories Hong Kong	Chinese
Ng Norman (吳樂憫) (formerly known as Ng Kam Chiu Norman (吳錦照))	2109, 21/F, Tower 1 The Metropolis Residence 8 Metropolis Drive Hung Hom Kowloon Hong Kong	British
Lee Wai Lok, Ignatious (李偉樂)	Flat B, 17/F, Block 2 The Redhill Peninsula Pak Pat Shan Road Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Address	Nationality
<i>Independent non-executive Directors</i>		
Chan Mei Bo, Mabel (陳美寶)	Unit 1, 18/F Block B, Villa Monterosa 41A Stubbs Road Hong Kong	Chinese
Yu Cheeric James (alias Yu Cheeric) (余致力)	Flat G, 18/F, Tower 6 Island Harbourview 11 Hoi Fan Road Tai Kok Tsui Kowloon Hong Kong	American
Choi Kin Cheong (崔建昌)	Flat A, 27/F, Block 6 Ocean Shores Phase 1 88 O King Road Tseung Kwan O New Territories Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED

**Sole Global Coordinator
and Sole Bookrunner**

Kingsway Financial Services Group Limited
5/F, Hutchison House
10 Harcourt Road
Central
Hong Kong

Joint Sponsors

Kingsway Capital Limited
5/F, Hutchison House
10 Harcourt Road
Central
Hong Kong

First Shanghai Capital Limited
19/F, Wing On House
71 Des Voeux Road Central
Hong Kong

Joint Lead Managers

Kingsway Financial Services Group Limited
5/F, Hutchison House
10 Harcourt Road
Central
Hong Kong

First Shanghai Securities Limited
19/F, Wing On House
71 Des Voeux Road Central
Hong Kong

Auditors and reporting accountants

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
88 Queensway
Hong Kong

Legal advisors to our Company

As to Hong Kong law:
Stephen Mok & Co in association with
Eversheds LLP
Suites 2101-2106 & 2110
Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

As to PRC law:

Jingtian & Gongcheng
34/F, Tower 3
China Central Place
77 Jianguo Road
Beijing
PRC

As to Cayman Islands law:

Maples and Calder
53/F The Center
99 Queen's Road Central
Hong Kong

Legal advisors to the Joint Sponsors

As to Hong Kong law:

P. C. Woo & Co.
12/F, Prince's Building
10 Chater Road
Central
Hong Kong

Property valuer

Vigers Appraisal & Consulting Limited
10/F, The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong

Receiving bankers

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

**Cayman Islands principal share
registrar and transfer office**

Maples Fund Services (Cayman) Limited
PO Box 1093
Boundary Hall, Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

**Branch share registrar and transfer
office in Hong Kong**

Tricor Investor Services Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

CORPORATE INFORMATION

Registered office	Maples Corporate Services Limited PO Box 309, Uglan House Grand Cayman KY1-1104 Cayman Islands
Head Office and principal place of business in Hong Kong	Suite 2701, 27/F Tower 2, Nina Tower 8 Yeung Uk Road Tsuen Wan New Territories Hong Kong
Website address	<u>www.moderneducationgroup.com</u> ⁽¹⁾
Company secretary	Yiu Wai Yee, Catherine, CPA
Authorised representatives	Yiu Wai Yee, Catherine Flat E, 8/F, Block 18 Wonderland Villas Kwai Chung New Territories Hong Kong Lee Wai Lok, Ignatious Flat B, 17/F, Block 2 The Redhill Peninsula Pak Pat Shun Road Hong Kong
Audit Committee	Chan Mei Bo, Mabel (<i>Chairman</i>) Yu Cheeric James Choi Kin Cheong
Remuneration Committee	Yu Cheeric James (<i>Chairman</i>) Chan Mei Bo, Mabel Choi Kin Cheong Lee Wai Lok, Ignatious
Compliance adviser	Kingsway Capital Limited 5/F, Hutchison House 10 Harcourt Road Central Hong Kong
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited Level 10 HSBC Main Building 1 Queen's Road Central Hong Kong

Note:

(1) The information contained on the website of our Company does not form part of this prospectus.

INDUSTRY OVERVIEW

This section contains information and statistics in relation to the education system in Hong Kong and the PRC in which we operate that are derived from a report we commissioned from Synovate Limited (“Synovate”). Unless otherwise referred to, the information contained herein is extracted from the Synovate’s report (the “Synovate Report”). We believe that the sources of the information contained herein are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Joint Sponsors, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy.

SYNOVATE REPORT

On 14 April 2010, we engaged the business consulting unit of Synovate Limited to undertake a study on the tutoring business market in Hong Kong and China at a fee of approximately HK\$338,000. The study is set out in the Synovate Report. Our Directors confirm that Synovate Limited, including all of its subsidiaries, divisions and units, is independent of and not connect with us in any way.

Synovate Limited, on behalf of itself, its subsidiaries and units, confirms that the Synovate Report was prepared in its ordinary course of business, and has given its consent for us to quote from the Synovate Report and to use information contained in the Synovate Report in this prospectus.

The information contained in the Synovate Report is derived by means of data and intelligence gathering methodology which includes (i) desk research conducted by the business consulting unit of Synovate Limited including specialized industry literature, government/regulatory sources, online data sources, third-party reports and surveys, industry reports and analyst reports, industry associations and the database maintained by Synovate Limited; and (ii) primary research by having interviews with key stakeholders and industry experts, including private and non-private managerial executives and curriculum planners, private secondary school supervisors and person in charge, private and non-private English language learning institutes managerial executives and curriculum planners, education departments officials and related authorities, tutoring and teacher’s associations and other referred experts in Hong Kong and China.

According to Synovate Report, in deriving the market value of secondary tutoring business, primary tutoring business and private English learning business, the following assumptions have been adopted:

- 1) the economy maintain a steady growth across the forecast period;
- 2) the demand for tutoring business in Hong Kong is assumed to rise with more new players entering the market and the commencement of the new academic structure in the school year 2009/2010;

INDUSTRY OVERVIEW

- 3) there is no external shock such as financial crisis or the wide outbreak of diseases to affect the demand and supply of tutoring business in Hong Kong and the PRC over during the forecast period;
- 4) The forecast Hong Kong dollar value is based on the current Hong Kong dollar value in 2010, with inflation factor input to the forecasting model.

The following parameters have been considered in estimating the market value of secondary tutoring business, primary tutoring business and private English learning business:

- 1) total primary and secondary student population in Hong Kong and the PRC;
- 2) number of primary and secondary tutoring centers and branches in Hong Kong;
- 3) number of English test preparation providers in the PRC;
- 4) number of private secondary school (day and evening) and students in Hong Kong;
- 5) total tutoring center capacity in Hong Kong;
- 6) student enrollment for each tutoring business providers in Hong Kong and number of test takers of various tests in the PRC;
- 7) revenues for the leading tutoring service providers in Hong Kong and the PRC;
- 8) student spending on tutoring service in Hong Kong and PRC, with consideration of inflation factor

Synovate Limited was formed in 2003 and is a research institute with close to 6,000 employees worldwide and coverage in over 100 cities spanning over 62 countries. It is a market research unit of Aegis Group plc, a company listed on the London Stock Exchange. Services of the business consulting unit of Synovate Limited include market profiling, market sizing, share and segmentation analysis, distribution and value analysis, competitor tracking and corporate intelligence.

In relation to the education industry in the past, Synovate Limited has also carried out a number of market studies within the Asia-Pacific region including market entry study of the English education, E-learning, distance learning market as well as competitive analysis of the vocational, non-vocational and soft skills training market.

INDUSTRY OVERVIEW

This prospectus contains some information extracted from the Synovate Report, and they are in sections headed “Summary”, “Industry Overview”, “Business” and “Financial Information”.

OVERVIEW OF THE HONG KONG EDUCATION SYSTEM

According to the EDB, in 2004, the Hong Kong government approved the education reform with the vision to align Hong Kong with a number of the important education systems of other countries in the world. Such reform, among others, includes:

(1) Greater chance of further education

Upon the nine-year free and universal education (primary to junior secondary), free senior secondary education has been offered through public schools since the school year 2008/2009.

(2) Enhancement of English ability

The fine-tune of the medium of instruction for secondary school will be effective from the school year 2010/2011, starting from Secondary 1 students, in order to enhance the biliterate and trilingual abilities. This policy allows secondary schools to appropriately and professionally diversify the medium of instruction among non-language subjects.

(3) Diversification of education

The introduction of new academic structure, 334 System, which is aimed to provide a vibrant, flexible, coherent, and diversified education system to widen the knowledge of the students and to attain all-rounded development in order to get prepared for the future challenges.

Starting from the school year 2009/2010, the new academic structure, 334 System, for secondary and university education system is replacing the original academic structure, the “3223” structure.

The “3223” structure included 7 years of secondary education and 3 years of university education, under which Form 5 students had to take HKCEE in order to proceed to Form 6 and Form 7 students had to take HKAL in order to meet university entrance criteria.

INDUSTRY OVERVIEW

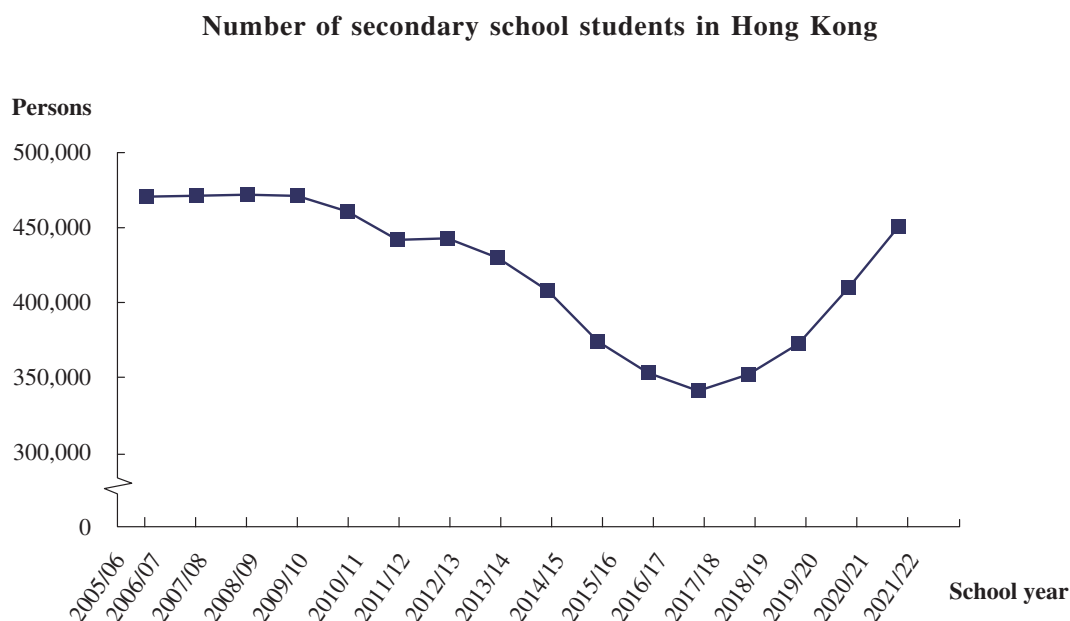
The 334 System includes 3 years of junior secondary education, 3 years of senior secondary education, and 4 years of university education. A brand new assessment and grading system, HKDSE, has been introduced for the public examination to replace the two public examinations, the HKCEE and HKALE & HKASLE. HKDSE will be held at the end of Secondary 6 and the first HKDSE will be held in 2012. HKDSE emphasizes on testing the students' critical thinking and knowledge application skills, instead of the recital application on the conventional examinations. Under the system, the curriculum of senior secondary education are also changed. Liberal Studies has been introduced into the new senior secondary education curriculum and HKDSE, and is one of the compulsory core subjects which students are required to take. In addition, a variety of subjects can be freely chosen by students to meet their interests and needs, so as to attain the aims of "whole-person development" and "life-long learning" for the new education system.

SECONDARY EDUCATION IN HONG KONG

Secondary School Students

According to Synovate Report, there were approximately 460,472 secondary school students in Hong Kong in the school year 2009/2010, of which about 99% are enrolled in day schools with the remaining 1% in evening schools. Immigrants from Mainland China have assisted to add up the number of secondary school students. However, a significant and sustained decrease in birth rate has resulted in decline in the number of secondary school student in Hong Kong in recent years.

The following graph shows the total number of secondary school students in Hong Kong from the school year 2005/2006 to 2009/2010, and the forecast number of students from the school year 2010/2011 to 2021/2022:



Source: Synovate Report

INDUSTRY OVERVIEW

Notes:

- (1) Figures include both day and evening schools and exclude English schools foundation schools and international schools.
- (2) Figures are as at September of the respective school years. For example, figure for the school year 2009/2010 refers to admission for the school year September 2009 to June 2010.

A negative CAGR of approximately 0.5% of secondary school students in Hong Kong was recorded from the school year 2005/2006 to 2009/2010. Nevertheless, the birth rate in Hong Kong stopped dropping and has been increasing since 2004, resulting in an expected increase in the number of secondary school students in Hong Kong from the school year 2017/2018 onwards. Hence, a CAGR of approximately 0.2% is expected from the school year 2010/2011 to 2021/2022.

Under the old academic structure, a process of elimination took place whereupon completion of Form 5, certain portion of students with relatively weaker academic performances would be unable to proceed to Form 6. With the implementation of the 334 System, in September 2009, all students will have the opportunity to study up to Secondary 6, if he/she so wishes after completing compulsory education to Secondary 3, without encountering any process of elimination. According to the Synovate Report, compared to approximately 63,325 Form 6 and Form 7 students in aggregate when the school year 2010/2011 commenced in September 2010, it is estimated that there will be approximately 80,404 Secondary 6 students and approximately 27,745 Form 7 students in school year 2011/2012 who will take the HKDSE and HKALE & HKASLE in 2012 respectively.

Secondary Tutoring Sector

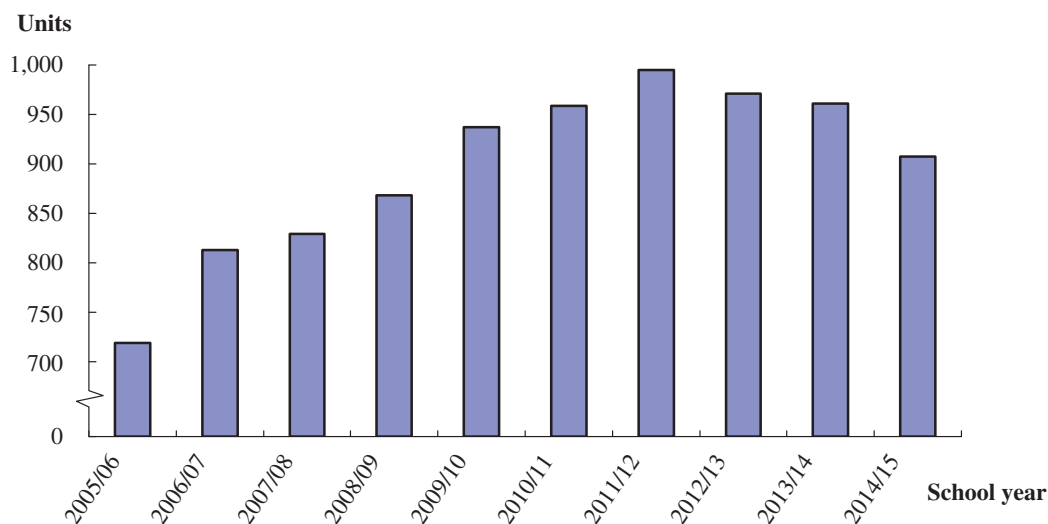
(a) Secondary tutoring centre and capacity

According to the Synovate Report, the total secondary tutoring centre capacity in Hong Kong as at 31 May 2011 was about 45,683 students, of which about 54% and 46% was accounted for by chained tutoring centres and individual tutoring centres respectively. Over half of the chained tutoring centre capacity in the school year 2009/2010 was run for by 6 services providers. The number of chained tutoring centres in Hong Kong grew to 106 in the school year 2009/2010, compared to 38 centres in 2005/06.

INDUSTRY OVERVIEW

The following chart shows the total number of secondary tutoring branches run by chained and individual tutoring centres in Hong Kong from the school year 2005/2006 to 2009/2010 and the forecast number from the school year 2010/2011 to 2014/2015:

Number of tutoring branches in Hong Kong



Source: Synovate Report

Notes:

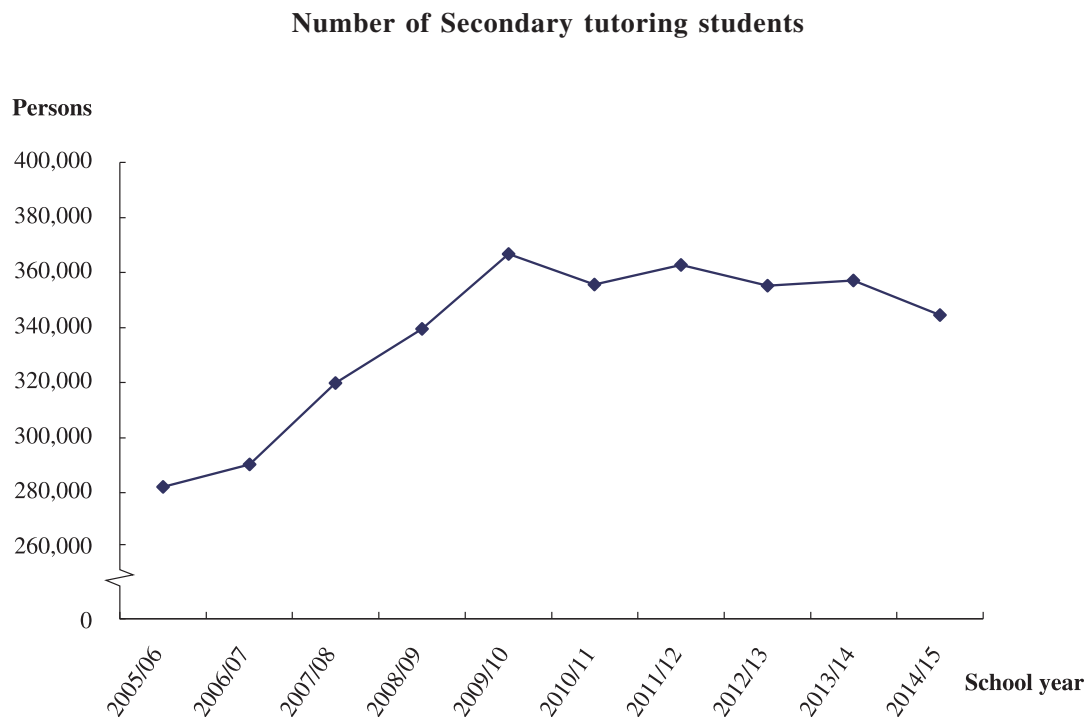
- (1) Figures are as at September of the respective school years.
- (2) Number of branches applies to branches that offer secondary tutoring service and not primary services.

As shown in the chart above, the number of tutoring branches in Hong Kong operated by chained and individual tutoring centres has kept increasing from 726 in the school year 2005/2006 to 923 in the school year 2009/2010, representing CAGR of approximately 6.2%. According to the Synovate Report, such increase was mainly due to the increase in the number of chained tutoring branches by 176 from 141 in the school year 2005/2006 to 317 in the school year 2009/2010. The market share of chained tutoring sector in terms of number of branches in Hong Kong enlarged to about 34% in the school year 2009/2010 compared to about 19% in 2005/2006.

INDUSTRY OVERVIEW

(b) *Students taking secondary tutoring courses*

The following chart shows the total number of students taking secondary tutoring courses in Hong Kong from the school year 2005/2006 to 2009/2010 and the forecast number from the school year 2010/2011 to 2014/2015:



Source: Synovate Report

Note: Number of tutoring teachers include both full-time and part-time teachers teaching secondary students.

The number of students taking secondary tutoring courses in Hong Kong grew at CAGR of 6.8% from 282,200 in the school year 2005/2006 to 366,700 in 2009/2010, while the number of chained tutoring students grew at CAGR of 8.3% during the same period. In the school year 2009/2010, there were about 262,200 chained tutoring students in Hong Kong, representing an increase of about 12% or 28,200 students from that last year, and accounting for about 57% of the total number of secondary school students in Hong Kong during the year. On the contrary, the number of individual chained tutoring students decreased by about 9.4% or 1,000 students in the school year 2009/2010 from that last year, which was estimated to be due to shift in demand to chained tutoring centres.

According to the Synovate Report, after the launch of the 334 System, it is expected that the number of tutoring students will slightly decrease from the school year 2010/2011 to 2014/2015 because of the decrease in the number of secondary school students. However, it is expected that the market is shifting to favor the expansion of chained tutoring centres as they are more financially capable to cope with the rapid change of the market.

INDUSTRY OVERVIEW

(c) *Market value of secondary tutoring sector*

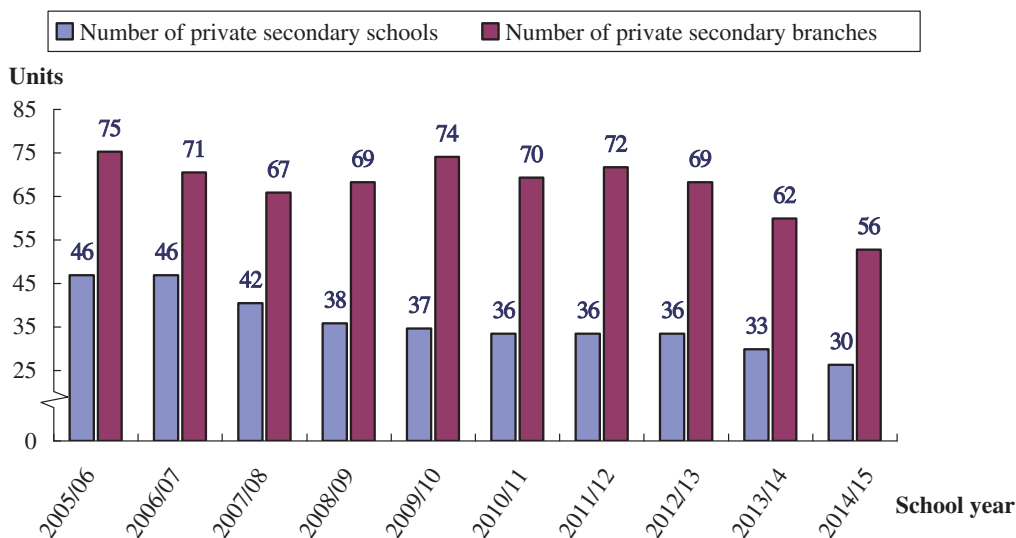
According to the Synovate Report, the market value of the secondary tutoring business in Hong Kong, being value for tutoring service including all secondary tutoring business that follows the local curriculum by EDB and excluding other exam preparation courses and one-to-one private tutoring services, was approximately HK\$1,984 million, representing a CAGR of approximately 13.5% from the school year 2005/2006 to 2009/2010. Market value of chained tutoring sector increased significantly at CAGR of about 13.7% during the period, accounted for about 69% of total market value of secondary tutoring sector in 2009/2010. Due to expected increase in fee of tutoring class, the market value of tutoring business in Hong Kong is estimated to reach HK\$2,717 million in the school year 2004/2015.

Private Secondary Schools Sector

(a) *Private secondary schools and branches*

The following graph shows the number private day and night secondary schools in total and day and night school branches in Hong Kong from the school year 2005/2006 to 2009/2010 and the forecast number from the school year 2010/2011 to 2014/2015:

Number of private Secondary schools and branches



Source: Synovate Report

INDUSTRY OVERVIEW

Notes:

- (1) Private secondary schools in Hong Kong counted are the private local day and evening secondary schools which are not administered or funded by the government. Students' tuition fees are their main financial sources. They provide secondary courses according to the guidelines of the local curriculum by EDB.
- (2) Figures are as at mid-September of the respective school years and include private independent schools and other private schools, but exclude direct subsidy scheme schools, English schools foundation schools and international schools.
- (3) A private secondary school operating more than one session (full-time, morning session, afternoon session) is counted as one location.
- (4) School locations with registration function but without classes on the site are excluded.

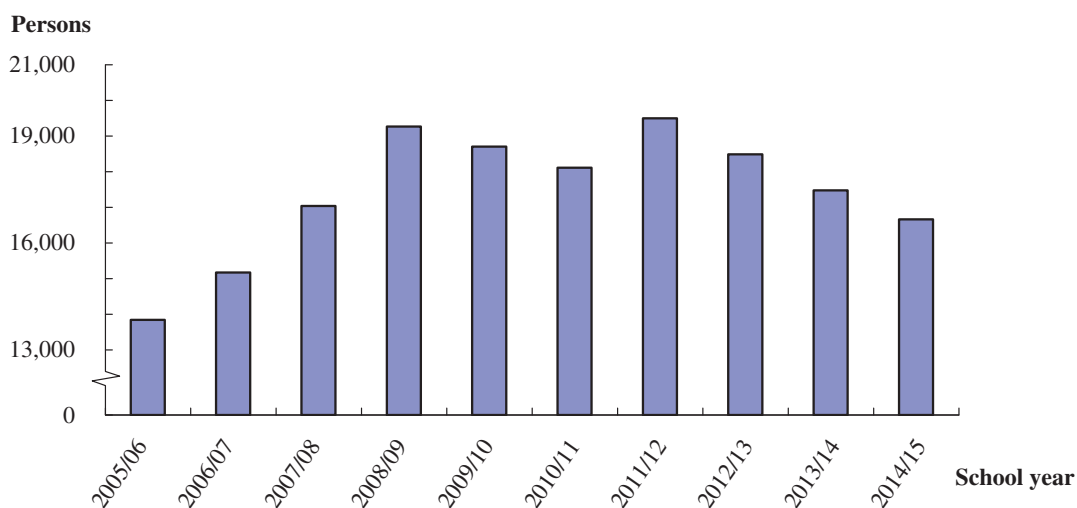
There was a declining trend in the total number of private secondary school in Hong Kong from the school year 2005/2006 to 2009/2010 which, according to the Synovate Report, was mainly due to the decrease in the number of night school, particularly in the school year 2008/2009 when the government pledged a 12-year free education.

The total number of private secondary branches in Hong Kong also decreased from 75 in the school year 2005/2006 to 67 in 2007/2008 but rebounded to 74 in the school year 2009/2010 due to the increase in the number of day branches. Besides, the number of branches operated by tutoring service provider represented about 24% of the total number in the school year 2009/2010 compared to about 18% in the school year 2006/2007.

(b) Private secondary school students

The following graph shows the number of private secondary school students in Hong Kong from the school year 2005/2006 to 2009/2010 and the forecast number from the school year 2010/2011 to 2014/2015:

Number of private secondary school students in Hong Kong



Source: Synovate Report

INDUSTRY OVERVIEW

Notes:

- (1) Private secondary schools in Hong Kong counted are the private local day and evening secondary schools which are not administered or funded by the government. Students' tuition fees are their main financial sources. They provide secondary courses according to the guidelines of the local curriculum by EDB.
- (2) Figures are as at mid-September of the respective school years and include private independent schools (PIS) and other private schools, but exclude direct subsidy scheme schools, English schools foundation schools and the international schools.
- (3) A private secondary school operating more than one session (full-time, morning session, afternoon session) is counted as one location.
- (4) School locations with registration function but without classes on the site are excluded.

As shown in the chart above, the number of private secondary school students in Hong Kong increased from 13,977 in the school year 2005/2006 to 18,373 in the school year 2009/2010, of which about 72% were day school students and 28% were night school students. According to the Synovate Report, the number of private secondary students is expected to rebound to 19,000 in the school year 2011/2012 with the presence of new students and the last cohort of students sitting for the last HKALE & HKASLE.

(c) Market value of private secondary schools

The market value of private secondary education increased at the CAGR of 7.2% from approximately HK\$234.2 million in the school year 2005/2006 to approximately HK\$308.9 million in the school year 2009/2010 because of the increase in the number of student enrolment. Synovate forecast that the market value will reach approximately HK\$339.3 million in the school year 2012/2013 because of the expected increase in school fees.

PRIMARY EDUCATION IN HONG KONG

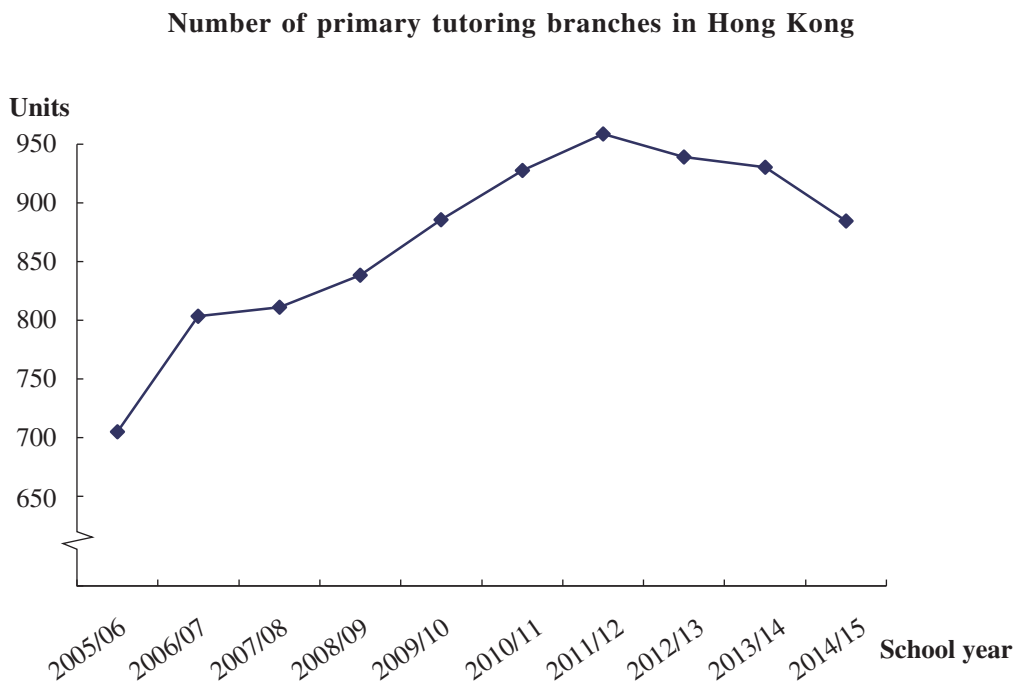
Primary Tutoring Sector

(a) Primary tutoring branches

About 85% of the total number of secondary tutoring centres in Hong Kong also offer primary education services to students. To maximize centre utilization, tutoring centres in Hong Kong mainly operate morning courses for primary education and afternoon/evening sessions for secondary education.

INDUSTRY OVERVIEW

The following graph shows the number of primary tutoring branches in Hong Kong from the school year 2005/2006 to 2009/2010 and the forecast number from the school year 2010/2011 to 2014/2015:



Source: Synovate Report

Notes: Figures are as at September of the respective school years.

The number of primary tutoring branches in Hong Kong amounted to 865 in the school year 2009/2010, compared to 823 in the school year 2008/2009, representing CAGR of approximately 5.6% from the school year 2005/2006 to 2009/2010. It is forecast that the number of primary tutoring branches will peak in 2011/12 due to the fast expansion of chained tutoring centres but decline as a whole thereafter as individual tutoring centres struggle to operate.

(b) Primary school students

According to Synovate Report, there were approximately 344,748 primary school students in Hong Kong in the school year 2009/2010, representing a decrease of approximately 5.9% from that in the school year 2008/2009.

(c) Market value of Primary Tutoring Sector

The market value of primary tutoring business in Hong Kong had been increasing at CAGR of about 2.9% from approximately HK\$116 million in the school year 2005/2006 to approximately HK\$130 million in the school year 2009/2010. In the school year 2009/2010, about 14% of primary school students in Hong Kong were tutoring students, compared to approximately 12% in the school year 2008/2009.

INDUSTRY OVERVIEW

The market value of the primary tutoring business is expected to increase at CAGR of about 5.4% from the school year 2010/2011 to 2014/2015 due to the expected increase in fee and kinds of service provided by tutoring centres.

The 334 System is not expected to have exhibit direct impact on primary tutoring services as business because primary students emphasis in interest learning instead.

MARKET DRIVERS OF PRIMARY AND SECONDARY TUTORING SECTOR IN HONG KONG

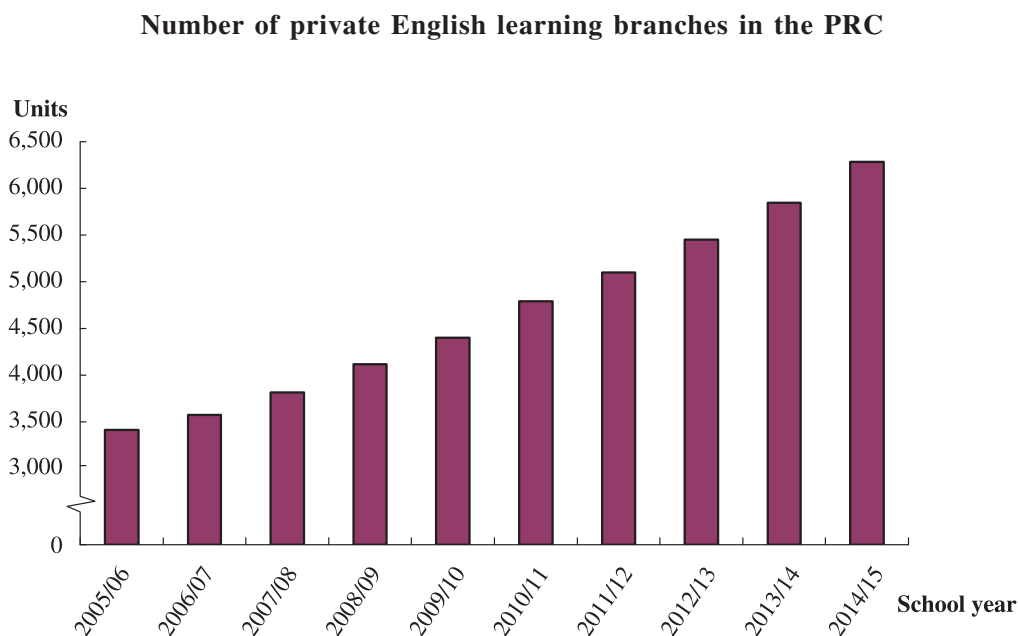
Increase in pressure from the one-off public examination under the 334 System, the HKDSE, and the introduction of new core subjects and the fierce competition of university entrance are expected to drive students to start purchasing tuition services earlier.

Besides, the increasing demand for enhancing English standard urges the growth of English tuition and English testing/examination preparation courses.

PRIVATE ENGLISH LEARNING MARKET IN THE PRC

(a) Private English learning institutes and branches in the PRC

The number of English test takers increased rapidly at CAGR of 15% from the school year 2005/2006 to 2009/2010. The following graph shows the number of private English learning branches in the PRC from the school year 2005/2006 to 2009/2010 and the forecast number from the school year 2010/2011 to 2014/2015:



Source: Synovate Report

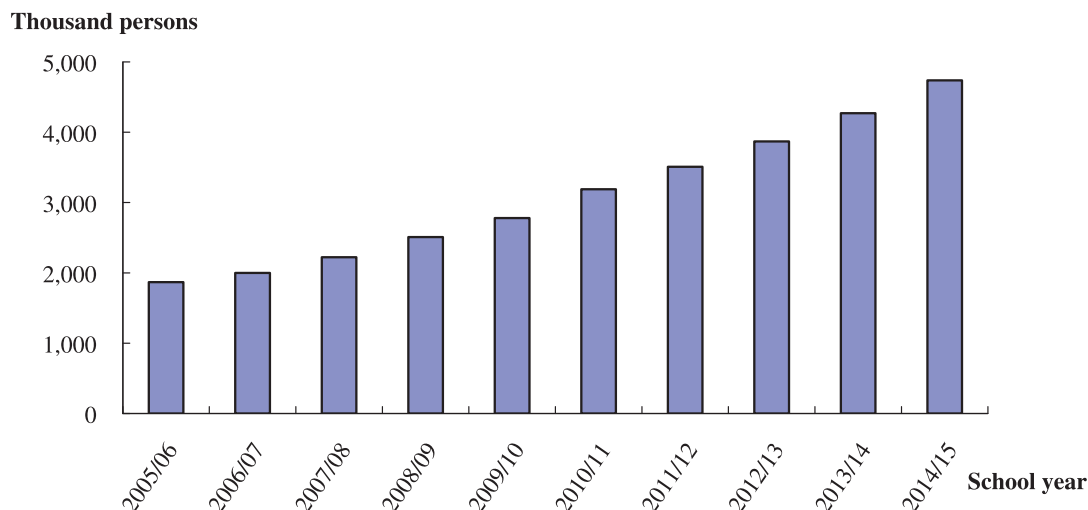
INDUSTRY OVERVIEW

According to the Synovate Report, in response to the increase in number of test takers, the number of private English learning branches increased from 3,415 in the school year 2005/2006 to 4,400 in 2009/2010, and is forecast to increase to 6,284 in the school year 2014/2015, resulting in a CAGR of 7% from the school year 2005/2006 to 2014/2015. The number of private English learning chained branch is expected to grow more rapidly and at a CAGR of more than 20% from the school year 2005/2006 to 2014/2015 because chained branch can copy their businesses at a very low cost through franchise, and a lot of joint venture chained institutes start investing in the English learning and training market.

(b) Private English learning institute students in the PRC

The following graph shows the number of private English learning institute students in the PRC from the school year 2005/2006 to 2009/2010 and the forecast number from the school year 2010/2011 to 2014/2015:

Number of private English learning institute students in the PRC



Source: Synovate Report

As shown in the graph above, the number of private English learning institute students in the PRC increased at a CAGR of 10.4% from approximately 1.87 million in the school year 2005/2006 to 2.78 million in the school year 2009/2010. Synovate forecast that the number of students will increase at a CAGR of 10.9% from the school year 2005/2006 to 4.73 million in the school year 2014/2015 in light of the expected increase in the number of college graduates from approximately 2.50 million in the school year 2004/2005 to approximately 4.79 million in the school year 2007/2008. Employment pressure on college students drives many Chinese parents to feel that a foreign degree and the high English capability are the key to obtain a desirable and well-paid job.

INDUSTRY OVERVIEW

(c) Market value of private English learning business in the PRC

From year 2005 to 2009, the number of students studying abroad from China grew at a CAGR of 17.9%. While English proficiency qualification is needed for both school admissions and job applications, the demand for the English learning is growing rapidly in the PRC and it is expected that the market value will grow at the rate of 20.3% to approximately RMB6,523 million in the school year 2010/2011, compared to that of approximately RMB5,422 million in the school year 2009/2010.

IELTS and TOEFL are believed to be the two most popular foreign English proficiency tests in the PRC for the application of overseas school entrance. In the school year 2009/2010, approximately 1.4 million people took the IELTS all over the world, of which approximately 21.4% or 0.3 million people were in the PRC, which were about 15% more than those in 2008. Meanwhile, the number of TOEFL test takers in the PRC also increased by approximately 30% from approximately 100,000 in the school year 2008/2009 to approximately 130,000 in the school year 2009/2010.

COMPETITION LANDSCAPE

We are principally engaged in providing tutoring services in our chained tutoring centres in Hong Kong. Revenue contributed by our secondary tutoring services accounted for approximately 93.4%, 90.1%, 87.3% and 80.5%, respectively, of our total revenue for the Track Record Period.

According to the Synovate Report, there were a total of 45,683 secondary tutoring center capacity in Hong Kong as at 31 May 2011, of which about 54% and 46% were operated by chained tutoring centres and individual tutoring centres respectively. As at 31 May 2011, a maximum number of 4,137 pupils were permitted in the ME Centres, which represented approximately 9.1% of the total secondary tutoring centre capacity in Hong Kong and approximately 16.8% of the capacity run by chained tutoring centre.

INDUSTRY OVERVIEW

Set forth below is the top six secondary tutoring service providers in Hong Kong as of 31 May 2011, in terms of number of classroom and maximum number of students permitted in the classroom (including laboratory) as announced by EDB based on name search, according to which we were the largest tutoring service providers.

Rank	Service provider	Number of centre	Number of classroom	Maximum number of students permitted in the classroom
1	Our Group [#]	31	182	4,614
2	Group A	17	142	4,466
3	Group B	13	109	4,028
4	Group C	11	78	2,361
5	Group D	9	30	904
6	Group E	11	30	618

Source: Synovate Report

[#] *Including ME Centres, MBE Centres and MBE Franchised Centres*

Set out below are further ranking of the secondary tutoring service providers in Hong Kong in terms of the number of classroom and maximum legal capacity (including laboratory) as of 31 May 2011 which can be used for provision of (i) secondary tutoring services; (ii) primary tutoring services; or (iii) private day school education services, respectively:

(i) Secondary tutoring services

Rank	Service provider	Number of centre	Number of classroom	Maximum number of students permitted in the classroom
1	Our Group	31	182	4,614
2	Group A	17	142	4,466
3	Group B	13	109	4,028
4	Group C	11	78	2,361
5	Group D	9	30	904
6	Group E	11	30	618

Source: Synovate Report

INDUSTRY OVERVIEW

(ii) *Primary tutoring services*

Rank	Service provider	Number of centre	Number of classroom	Maximum number of students permitted in the classroom
1	Our Group	31	182	4,614
2	Group A	17	141	4,371
3	Group F	15	66	634
4	Group E	11	30	618
5	Group G	12	40	443
6	Group H	4	17	214

Source: Synovate Report

(iii) *Private secondary day school education*

Rank	Service provider*	Number of day school	Number of classroom	Maximum number of students permitted in the classroom
1	Group A	16	138	4,368
2	Group B	13	114	4,028
3	Our Group	11	112	3,498
4	Group C	3	25	802
5	Group I	1	19	789
6	Group J	1	5	187

* *Including secondary tutoring services providers which also provide private secondary day schools education services*

Source: Synovate Report

We face competition mainly from other chained private education institutions, individual tutoring centres and individuals who provide one-to-one private tuition services in Hong Kong. We believe that the main key competing factors in our business, which has been disclosed in the section headed “Business” of this prospectus, include the following:

- Brand recognition;
- Quality of services;
- Flexibility and variety of programmes and services;
- Location of learning centres;
- Tuition fees; and
- Ability to effectively market programmes and services to a broad base of prospective students.

REGULATORY OVERVIEW

HONG KONG

Regulations relating to school registration

In Hong Kong, every school should observe the Education Ordinance (Chapter 279 of the Laws of Hong Kong) and the subsidiary regulations.

According to the Education Ordinance, a “school” means an institution, organisation or establishment which provides for 20 or more persons during any one day or eight or more persons at any one time, any nursery, kindergarten, primary, secondary or post secondary education or any other educational course by any means, including correspondence delivered by hand or through the postal services.

The Education Ordinance provides that an application for registration of a school shall be made to the Permanent Secretary for Education (the “Permanent Secretary”) in the specified form and accompanied by the documents specified in such form. If the school is to be operated in or in any part of any premises which are not designed and constructed for the purposes of a school, additional documents should be provided to obtain clearance from various government departments, including the Planning Department, the Lands Department, the Fire Services Department, the Buildings Department and the Housing Department.

A “Certificate of Provisional Registration of A School” will be issued to a school for a period not exceeding 12 months, as the Permanent Secretary thinks fit, before an application for registration is determined. The Permanent Secretary may extend the period of provisional registration of a school for a further period not exceeding 12 months at a time as he thinks fit. A “Certificate of Registration of A School” will only be issued to a school which has met the requirements or recommendations issued by the Education Bureau and other relevant government departments.

Any person who is an owner or a teacher in a school which is not registered or provisionally registered or any person who manages or takes part in the management of a school which is not registered or provisionally registered shall be guilty of an offence and shall be liable on conviction to a fine of HK\$250,000 and to imprisonment for 2 years. The Permanent Secretary may by order in writing close any premises of a school which is not registered or provisionally registered.

No school shall be operated in any premises other than the premises specified in the “Certificate of Provisional Registration of A School” or “Certificate of Registration of A School”. The Permanent Secretary and any inspector of schools may enter and inspect any premises which the Permanent Secretary has reason to suspect are being used for the purposes of a school which is not registered or provisionally registered. The Permanent Secretary may, if a school is operated in any premises which are not specified in the certificate of registration or provisional registration of the school, by order in writing close such premises.

REGULATORY OVERVIEW

Management of schools without incorporated management committee

Every school without incorporated management committee shall be managed by its management committee, which consists of managers of the school. Managers of a school have to be registered with EDB. The management committee is responsible for ensuring that (i) the school is managed satisfactorily; (ii) the education of the pupils is promoted in a proper manner; and (iii) the Education Ordinance is complied with. The supervisor of a school who is also a manager of the school is responsible for communicating with the Permanent Secretary or any public officer concerning the management of the school on behalf of the school.

Teachers

In Hong Kong, no person shall teach in a school unless he is a registered teacher or a permitted teacher. An application for registration of a teacher shall be made to the Permanent Secretary in the specified form and accompanied by the documents specified in such forms. The Permanent Secretary shall issue to the applicant a certificate of registration in the specified form. Within one month after the registration or provisional registration of a school, the management committee shall recommend for approval of the Permanent Secretary a teacher of the school to be the principal. The principal of a school shall, subject to the directions of the management committee be responsible for the teaching and discipline of the school and for such purposes shall have authority over the teachers and pupils of the school. The management authority of a school may apply to the Permanent Secretary to employ a person as a permitted teacher if the management authority is of the opinion that no suitable registered teacher is available for employment as a teacher in a school. Qualifications required of a permitted teacher vary with the type of educational courses. The appointment of any teacher who is to be employed in the school to occupy a teacher post in the establishment of staff provided for in the code of aid for primary schools, code of aid for secondary schools or code of aid for special schools or for a term for not less than 6 months shall be approved by the majority of the managers of the school.

Fees and collections

Upon registering a school with EDB, the Permanent Secretary shall cause the name and address of the school, the name of the supervisor of the school and the particulars of the inclusive fees to be printed on the fees certificate to the management authority. No management authority, manager or teacher shall charge or accept payment of any money or any school fees other than the inclusive fees as printed on the fees certificate. No change in the inclusive fee shall be made without the approval of the Permanent Secretary. The inclusive fees shall be calculated on an equal monthly basis and collected on or after the first school day of each month of the period during which the educational course is conducted. A management authority may require the firstly monthly installment to be paid not earlier than one month before the commencement of the educational course. The fees certificate shall be kept conspicuously exhibited at a prominent position in the school. Any person who is guilty of an offence under these regulations shall be liable on conviction to a fine of HK\$50,000 and to imprisonment for one year.

REGULATORY OVERVIEW

Accommodation certificate

In any school providing primary, secondary or post-secondary or any other educational course, not more than 45 students shall be taught at one time by one teacher in one room, except in special case with permission from the Permanent Secretary. The accommodation certificate specifying the maximum number of students permitted in one room shall be prominently displayed in that room. The supervisor and principal of the school who is guilty of the offence shall be liable on conviction to a fine at HK\$50,000 and to imprisonment for one year.

Education (Exemption) (Private Schools Offering Non-Formal Curriculum) Order (Chapter 279F of the Laws of Hong Kong) (the “Exemption Order”)

Private schools which offer educational courses such as tutorial, commercial, language and computer courses are categorised as private schools offering non-formal curriculum (“PSNFCs”). All PSNFCs are required to register under the Education Ordinance.

The Exemption Order which came into operation on 1 July 2004, grants exemption from certain provisions of the Education Ordinance and the Education Regulations to PSNFCs which (i) provide any educational course other than nursery, kindergarten, primary, secondary or post secondary education; and (ii) are not funded wholly or partly by any subsidy from the Hong Kong government.

PSNFCs are exempted schools under the Exemption Order, and are exempted from certain requirements of the provisions of the Education Ordinance and the Education Regulations relating to five different categories, namely, fees, employment of teachers, teachers’ qualifications, principals and holidays, subject to compliance with specified conditions.

Fees

PSNFCs and their owners, managers, supervisor, principal and teachers are exempted from the requirements of the provisions relating to, among other things, method of payment of inclusive fees, approval for change in inclusive fees and prohibition of payment of school fees other than inclusive fees subject to compliance with the following conditions:

- (a) The inclusive fees for an educational course shall be calculated on an equal monthly basis. Other than the first instalment, each instalment of the fees shall be collected on or after the first school day of each month of the period during which the educational course is conducted.
- (b) The inclusive fees for each of the courses offered, including the fees for each instalment and number of instalments, shall be displayed at a prominent place in the exempted school premises.

REGULATORY OVERVIEW

- (c) On payment of the school fees, a pupil shall be given a formal receipt, stamped with the chop of the exempted school, signed by the supervisor of the school and containing information on
 - (i) the school name as specified in the certificate of registration or provisional registration of the school;
 - (ii) the pupil's name;
 - (iii) the course name;
 - (iv) the course venue in the school premises as specified in the certificate of registration or provisional registration of the school;
 - (v) the date and amount of school fees collected; and
 - (vi) the month covered by the school fees paid.
- (d) Before enrolling for a course, a pupil shall be given a leaflet containing the course particulars, school fees, information on the principal and teachers of the exempted school, and refund policies and procedures.

Employment of teachers

PSNFCs and their managers, supervisor and principal are exempted from the requirements of the provisions relating to, among other things, application to employ permitted teachers and grounds for refusal to issue permit to teach subject to compliance with the following conditions:

- (a) A teacher who teaches in an exempted school shall possess the minimum qualifications for a permitted teacher, that is, one or two HKCEE with an aggregate of 5 separate subjects at Grade E or a higher grade, including
 - (i) English Language (Syllabus B), or of a standard which in the opinion of the Permanent Secretary is equivalent to Grade E or a higher grade in that Certificate; or
 - (ii) Chinese Language.
- (b) A teacher who teaches secondary 4 or 5 level in an exempted school shall possess:
 - (i) a higher diploma issued by a specified institution or an associate degree of a specified institution; or
 - (ii) a qualification which in the opinion of the Permanent Secretary is equivalent to a higher diploma or an associate degree.

REGULATORY OVERVIEW

- (c) A teacher who teaches secondary 6 or 7 level or post secondary courses in an exempted school shall possess
 - (i) an approved degree of a specified institution; or
 - (ii) a qualification which in the opinion of the Permanent Secretary is equivalent to an approved degree.
- (d) The subjects that a teacher shall be required to teach shall only be the ones in which the teacher obtains qualifications or has passed the public examinations.
- (e) A supervisor of an exempted school shall
 - (i) within one month after any teacher commences to teach in the school, report to the Permanent Secretary in writing of the name, identity card number, qualifications and date of first appointment of the teacher;
 - (ii) include in the report a statement in writing certifying that the information on the teacher is correct; and
 - (iii) take reasonable steps to ensure that the qualifications the teacher claims to have obtained are genuine.
- (f) A person specified in paragraph (g) may not teach in an exempted school unless the person
 - (i) is a registered teacher whose registration has not been cancelled under section 47 of the Education Ordinance; or
 - (ii) has a permit to teach which has not been cancelled under section 52 of the Education Ordinance.
- (g) The person referred to in paragraph (f) is one who
 - (i) has been convicted, whether in Hong Kong or elsewhere, of an offence against the persons or involving violence or maltreatment of children;
 - (ii) has been convicted of an offence under Part XII of the Crimes Ordinance (Cap 200 of the Laws of Hong Kong) (which deals with sexual offences) or under the Prevention of Child Pornography Ordinance (Cap 579 of the Laws of Hong Kong);
 - (iii) without prejudice to paragraphs (i) and (ii), has been convicted, whether in Hong Kong or elsewhere, of any offence and received a custodial sentence, a probation order, a community service order or a fine exceeding HK\$10,000.

REGULATORY OVERVIEW

The above exemptions do not apply to a person who is required

- (a) in the course of teaching, to carry out or supervise practical experiments or demonstrations in a science laboratory;
- (b) in the course of teaching, to carry out or supervise practical activities in a school workshop; or
- (c) to teach physical education.

Teachers' qualifications

PSNFCs and their managers, supervisor and principal are exempted from the requirements of the provisions relating to, among other things, applications for permits to teach, subject to compliance with the following conditions:

- (a) A teacher who teaches in an exempted school shall possess the minimum qualifications for a permitted teacher, that is, one or two Hong Kong Certificates of Education Examination with an aggregate of 5 separate subjects at Grade E or a higher grade, including
 - (i) English Language (Syllabus B), or of a standard which in the opinion of the Permanent Secretary is equivalent to Grade E or a higher grade in that Certificate; or
 - (ii) Chinese Language.
- (b) A teacher who teaches secondary 4 or 5 level in an exempted school shall possess
 - (i) a higher diploma issued by a specified institution or an associate degree of a specified institution; or
 - (ii) a qualification which in the opinion of the Permanent Secretary is equivalent to a higher diploma or an associate degree.
- (c) A teacher who teaches secondary 6 or 7 level or post secondary courses in an exempted school shall possess
 - (i) an approved degree of a specified institution; or
 - (ii) a qualification which in the opinion of the Permanent Secretary is equivalent to an approved degree.
- (d) The subjects that a teacher is required to teach shall only be the ones in which the teacher obtains qualifications or has passed the public examinations.

REGULATORY OVERVIEW

- (e) A person specified in paragraph (f) may not teach in an exempted school unless the person
 - (i) is a registered teacher whose registration has not been cancelled under section 47 of the Education Ordinance; or
 - (ii) has a permit to teach which has not been cancelled under section 52 of the Education Ordinance.
- (f) The person referred to in paragraph (e) is one who
 - (i) has been convicted, whether in Hong Kong or elsewhere, of an offence against the persons or involving violence or maltreatment of children;
 - (ii) has been convicted of an offence under Part XII of the Crimes Ordinance (Cap 200 of the Laws of Hong Kong) (which deals with sexual offences) or under the Prevention of Child Pornography Ordinance (Cap 579 of the Laws of Hong Kong);
 - (iii) without prejudice to paragraphs (i) and (ii), has been convicted, whether in Hong Kong or elsewhere, of any offence and received a custodial sentence, a probation order, a community service order or a fine exceeding HK\$10,000.

The above exemptions do not apply in relation to a teacher who is required

- (a) in the course of teaching, to carry out or supervise practical experiments or demonstrations in a science laboratory;
- (b) in the course of teaching, to carry out or supervise practical activities in a school workshop; or
- (c) to teach physical education.

Principals

The managers, supervisor, principal and teachers of PSNFCs are exempted from the requirements of the provisions relating to, among other thing, grounds for refusal to approve principals and tenure of office of principals subject to compliance with the following conditions:

The supervisor of an exempted school shall

- (a) appoint a teacher to be the principal of the school;

REGULATORY OVERVIEW

- (b) within one month after the appointment of the principal, inform the Permanent Secretary in writing of the following particulars concerning the principal
 - (i) name;
 - (ii) identity card number;
 - (iii) qualifications;
 - (iv) date of birth;
 - (v) effective date of appointment to be a principal; and
 - (vi) any other information required by the Permanent Secretary under regulation 94 of the Education Regulations.
- (c) if there is any change to the particulars under paragraph (b), within one month of becoming aware of the change, inform the Permanent Secretary in writing of the change.

Holidays and hours of instruction

An exempted school and its managers, supervisor and principal are exempted from the requirements of the provisions relating to notice of school holidays, restriction on holidays, the power of permanent secretary to forbid the granting of a holiday or to grant of a holiday, list of holidays to be posted and hours of instruction.

Exempted schools under the Exemption Order are still required to comply with the provisions of Education Ordinance and Education Regulations other than those exempt provisions stipulated in the Exemption Order.

If an exempted school fails to comply with any conditions of a particular category specified in the Exemption Order, it is not entitled to the exemption granted under the category concerned. The school is then obliged to comply with those exempt provisions of that particular category. Appropriate action such as prosecution action, or cancellation of manager registration or school registration will be considered if the school fails to do so.

Regulations from the Fire Services Department

The Fire Services Certificate (FSC) issued by the Fire Services Department is one of the pre-requisites for the registration of non-designed schools. The FSC is the proof of compliance with fire safety requirements. The Fire Services Department will consider whether the premises is suitable for the operation of a school. Application for a FSC for the purpose of registration of a non-designed school together with three sets of proposed layout plans are required to be submitted to the Fire Services Department or the Education Bureau. For the issue of a Fire

REGULATORY OVERVIEW

Service Certificate, the applicant is required to obtain (i) a Certificate of Compliance and/or a Certificate of Fire Service Installations and Equipment issued by a registered fire service installation contractor; (ii) a test report or catalogue of the emergency lighting unit with valid Certificate of Fire Service Installations and Equipment if self-contained battery type emergency lighting unit is to be installed and (iii) the invoice from the manufacturer/supplier of the polyurethane foam filled furniture items meeting the relevant flammability standards and a copy of the test certificate issued by a testing laboratory accredited to conduct tests according to specified standards if polyurethane foam filled furniture is used. If all fire safety requirements have been complied with and the layout of the premises conform with the approved plan, the Fire Services Certificate will be issued to the applicant.

The Directors confirm that the Group has complied with the regulations from the Fire Services Departments for all ME Centres and MBE Centres in all material respects during the Track Record Period (or since Bachelor Education became our subsidiary with respect to the MBE Centres).

Syllabus

There are no laws or regulations governing details of each educational course offered by providers of tutoring services in Hong Kong. The Curriculum Development Council (“CDC”) is an advisory body giving recommendations to the Hong Kong government on all matters relating to curriculum development for schools. The CDC has developed a series of curriculum guides for each of the key learning areas for students in Hong Kong. The curriculum guides aim to present curriculum frameworks which specify the curriculum aims, learning targets and objectives and provide suggestions regarding curriculum planning, learning and teaching strategies, assessment and resources. Schools are encouraged to adopt the recommendations in the curriculum guides and to achieve the learning goals of the school curriculum, taking into consideration their contexts, needs and strengths. The supervisor of every school shall submit to the Permanent Secretary the syllabus of instruction of each class when required and the Permanent Secretary may give directions in writing as to the instruction which shall be or shall not be included in any syllabus.

Our Hong Kong Legal Advisors are of the view that each of the schools operated by our Company has obtained all relevant certificates and approvals from the Education Bureau in respect of the operation of the schools in Hong Kong under the Education Ordinance. Other than the failure to obtain consents from the relevant landlords and licensors for some of the premises and advertising spaces used by us as disclosed in the section headed “Connected Transactions” of this prospectus, the Company has obtained all relevant and necessary licences, certificates and permits for its operations in Hong Kong in all material respects.

PRC

I. As to private education

《中華人民共和國教育法》(*Education Law of the People's Republic of China*)
(“*Education Law*”)

The Education Law was considered and approved by the NPC, which became effective on 1 September 1995. The Education Law shall be applicable to all kinds of education at all levels within the territory of the PRC. The PRC has a school education system of infant education, primary education, secondary education and higher education. The state encourages the development of adult education in various forms so that citizens may receive proper forms of education in politics, economics, culture, science, technology, professional and whole life education. The state encourages enterprises, institutions, public organisations and other social organisations, as well as private citizens to establish schools and other institutions of education in accordance with the law. No organisation or individual may establish schools or any other institution of education for profit-making purposes.

The establishment, modification or termination of a school or any other institution of education shall, in accordance with the relevant regulations of the PRC, go through procedures of examination, approval, registration or filing. For the establishment of a school or any other institution of education, the following basic conditions shall be fulfilled: (1) having an organisational structure and constitution; (2) having qualified teachers; (3) having teaching premises, facilities and equipment that are up to the required standards; and (4) having the necessary funds for operation of the school as well as a stable source of funding.

Organisations or individuals that sponsor schools or other institutions of education shall, in accordance with the relevant regulations of the state, determine the management system for the schools or other institutions of education that they sponsor. The principal or chiefs of schools and any other institution of education shall be those who are of the nationality of the PRC, who resides within the territory of the PRC and meets the qualifications prescribed by the state, and he or she shall be appointed or removed in accordance with the relevant regulations of the state. The principal of a school shall be responsible for the school's teaching and administration.

REGULATORY OVERVIEW

《中華人民共和國民辦教育促進法》 (*Law on the Promotion of Non-Public Schools of the People's Republic of China*) (“*Law on the Promotion of Non-Public Schools*”)

The Law on the Promotion of Non-Public Schools was considered and approved by the NPC, which became effective on 1 September 2003. The Law on the Promotion of Non-Public Schools is applicable to activities conducted by social organisations or individuals, other than state authorities, to establish schools and other institutions of education with non-governmental financial funds, which are geared towards the need of society. Social organisations that establish non-public schools shall possess the qualifications of a legal person. Individuals that establish non-public schools shall possess political rights and full capacity for civil conduct. Non-public schools shall possess the qualifications of a legal person.

The establishment of non-public schools that provide education for academic credentials, pre-school education, training for preparing self-study examinations and other cultural education shall be subject to examination and approval by the administrative departments for education under the people's governments at or above the county lever within the limits of their powers defined by the state. The examination and approval authority shall issue a licence for establishment of a school to the non-public school for the official establishment of which it gives approval. Where a non-public school obtains the licence for establishment and, in accordance with the provisions of relevant laws and administrative regulations, registers with the registration authority, the latter shall immediately handle the matter in accordance with relevant regulations.

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

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

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

《中華人民共和國民辦教育促進法實施條例》 *Implementation Rules for the Law on the Promotion of Non-Public Schools of the People's Republic of China*) (“*Implementation Rules for the Law on the Promotion of Non-Public Schools*”)

The Implementation Rules for the Law on the Promotion of Non-Public Schools was considered and approved by the NPC, which became effective on 1 April 2004. The Rules for the Law provide that social organisations or individuals, other than state authorities,

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may establish non-public schools of different levels and different types with non-governmental financial fund, provided that such non-public schools are not for military, police, political or other special purposes. Where a non-public school is sponsored jointly, the parties thereto shall enter into a joint sponsorship agreement that specifies the educational objective, amounts to the contributed and method of capital contributions, rights and obligations. The school sponsors of non-public schools shall timely and fully perform their obligations in capital contributions. During the term of subsistence of the non-public schools, the school sponsor shall not withdraw the capital contributions. The school sponsors of the non-public schools shall not raise funds from the students or the parents of the students for sponsoring non-public schools, and shall not raise funds from the public for sponsoring non-public schools.

The school sponsor of a non-public school shall formulate constitution of the school according to the provisions, and elect an executive council, a board of directors or other forms of decision-making bodies of the school. The executive council, board of directors or other forms of decision-making bodies of a non-public school shall meet at least once every year. The principal of a non-public school shall exercise the rights of teaching and administration independently pursuant to the laws. A non-public school may engage teachers and staff at its own discretion. Teachers engaged by non-public schools shall have the qualification of a teacher and the condition of appointment as provided in the Teachers' Law of the People's Republic of China and the relevant administrative regulations. A non-public school shall provide the premise and the facilities and equipment for teaching that comply with the required standard. The examination and approval authority shall issue the licence of sponsorship for the formal establishment of a non-public school, for which the non-public school approved for formal establishment shall be announced to the public together with its constitution.

The contributors may obtain a reasonable amount of return from the cash surplus of the non-public school at a certain ratio according to the constitution of the school at the end of each financial year. A non-public school shall determine the proportion of return to the contributors from the cash surplus according to the following factors: (1) its chargeable items and chargeable standards; (2) the proportion of expenses applied in teaching activities and improving school facilities to the fees collected; (3) school-running competence and the quality of education. Prior to determining the proportion of return for the contributors, a non-public school shall announce to the public the materials and financial condition relating to its school-running competence and the quality of education. The executive council, the board of directors or other forms of decision-making bodies of the school shall make the decision relating to the proportion of return to the contributors. Within 15 days upon making such decision, such non-public school shall submit to the examination and approval authority its decision and the materials and financial condition relating to its school-running competence and the quality of education that is announced to the public for filing.

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At the end of each financial year, a non-public school sponsored by donated funds or contributors of which does not require a reasonable return, an amount not less than 25% of the annual increase in the net assets of the school for the year shall be withdrawn as development fund for the construction and maintenance of the school and the purchase or replacement of teaching equipment and other matters. In case of the contributors requesting a reasonable return in accordance with the provisions of the constitution of the school, the contributors may obtain a reasonable amount of return from the cash surplus of the non-public school in certain proportion at the end of each financial year.

A non-public school shall complete taxation registration pursuant to the laws, and shall complete the procedures for cancelling the taxation registration pursuant to the laws upon its termination.

《民辦教育收費管理暫行辦法》 (*Interim Measures for the Management of Collection of Non-state Education Fees*)

The Interim Measures for the Management of the Collection of Non-state Education Fees were jointly promulgated by 國家發展和改革委員會 (National Development and Reform Commission), 教育部 (Ministry of Education), 勞動和社會保障部 (Ministry of Labor and Social Security) on 2 March 2005 and became effective on the same date. It provides that a non-state school can collect tuition fee or training fee from its students. Accommodation fee may be collected from students living at the school. The rate of tuition fees and accommodation fees to be collected by non-state schools from other students who receive education from non-academic education shall be formulated by the schools on their own, and submitted to pricing departments for filing.

《中華人民共和國中外合作辦學條例》 (*Regulation for Sino-foreign Cooperation in Sponsoring Education in the People's Republic of China* (“*Regulation for Sino-foreign Cooperation in Sponsoring Education*”))

The Regulation for Sino-foreign Cooperation in Sponsoring Education was promulgated by the State Council and became effective on 1 September 2003. These Regulations apply to the activities of the cooperation between foreign education institutions and PRC education institutions (hereinafter referred to as “Sino-foreign Cooperative Sponsors”) in establishing education institutions (hereinafter referred to as “Sino-foreign Cooperative Sponsored Institutions”) within the territory of the PRC to provide education service mainly to PRC citizens. The cooperation between education intuitions of Hong Kong and PRC education institutions shall be executed according to the provisions of the Regulation for Sino-foreign Cooperation in Sponsoring Education. The state encourages Sino-foreign cooperation in sponsoring schools to which high-quality foreign educational resources are introduced. Sino-foreign Cooperative Sponsors may cooperate to establish education institutions of various types at various levels. However, they shall not establish institutions offering compulsory education services or special education services such as military, police, political or other special purposes education services. Foreign cooperators are allowed to run education business through

REGULATORY OVERVIEW

sino-foreign cooperatively-run schools and there is no explicit restriction on the maximum foreign ownership. However, foreign cooperators are not allowed to own 100% interest of the cooperatively-run schools. Foreign cooperators should be education institution with legal person status, which also has relevant qualifications for school sponsorship and higher sponsorship quality. Sino-foreign cooperatively-run school cannot establish branches or sponsor other Sino-foreign cooperatively-run schools. Sino-foreign cooperatively-run school cannot get involved in profit-making activities but the school sponsors are allowed to have a reasonable return after approval from authorities.

An education institution that applies for establishing a Sino-foreign Cooperative Sponsored Institution shall have the legal person status. A PRC or foreign Cooperative Sponsor may contribute in cash, in kind, in forms of land-use right, intellectual property rights or other assets to establish the school. An application for establishing a Sino-foreign Cooperative Sponsored Institution shall obtain the examination and approval from the respective education administrative department, people's government or labour administrative department according to its type and content of education to be provided. No foreign educational institution, other organisation or individual may independently establish schools or other education institutions providing education mainly to PRC citizens within the territory of the PRC.

《中華人民共和國中外合作辦學條例實施辦法》(*Implementation Rules for the Regulation for Sino-foreign Cooperation in Sponsoring Education in the People's Republic*) (“*Implementation Rules for the Regulation for Sino-foreign Cooperation in Sponsoring Education*”)

The Implementation Rules for the Regulation for Sino-foreign Cooperation in Sponsoring Education was promulgated by the State Council, which became effective on 1 July 2004. The Sino-foreign Cooperative Sponsors shall enter into a cooperation agreement as negotiated on arm's length basis. The Sino-foreign Cooperative Sponsors applying for the establishment of Sino-foreign Cooperative Sponsored Institutions shall have the relevant qualification of sponsorship and higher quality in sponsorship. The Sino-foreign Cooperative Sponsored Institutions shall not establish branches and shall not sponsor other Sino-foreign Cooperative Sponsored Institutions.

II. As to private non-enterprise institutions

《民辦非企業單位登記管理暫行條例》(*Provisional Regulation for the Registration and Administration of Private Non-Enterprise Institutions*)

The Provisional Regulation for the Registration and Administration of Private Non-Enterprise Institutions was promulgated by the State Council and became effective on 25 October 1998. These regulations are formulated with a view to standardizing the registration and administration of private non-enterprise institutions and protecting the legitimate rights and interests of private non-enterprise institutions. Private non-enterprise institutions referred to in these regulations shall mean the enterprise

REGULATORY OVERVIEW

institutions, public societies and other social forces as well as social organisations established with non-state-owned assets by individual citizens for non-profit social services. The civil affairs departments at different levels are the authorities of registration and administration for private non-enterprise institutions of peoples' governments at respective level (hereinafter referred to as "Registration and Administration Authorities"). Registration and Administration Authorities shall be responsible for the registration and administration of the private non-enterprise institutions examined and approved by the competent business institutions at corresponding levels.

An application for the registration of a private non-enterprise institution shall meet the following requirements: (1) It has been subject to the examination and approval of the business management unit; (2) It has a standardized name and necessary organisational structure; (3) It has employees commensurate with its business operations; (4) It has lawful properties commensurate with its business operations; and (5) It has a necessary site. The Registration and Administration Authorities shall issue a licence to the private non-enterprise institution for the registration of which it gives approval. In effecting an amendment of the constitution of a private non-enterprise institution, an application for change in registration shall be submitted to the Registration and Administration Authorities for verification and approval within 30 days starting from the date of examination and consent of the competent business institution. A private non-enterprise institution shall not set up a branch.

《教育類民辦非企業單位登記辦法》(試行) (*Measures for the Registration of Private Non-Enterprise Institutions in the Education Industry (Trial)*)

The Measures for the Registration of Private Non-Enterprise Institutions in the Education Industry was jointly promulgated by 教育部 (Ministry of Education) and 民政部 (Ministry of Civil Affairs), which became effective on 19 October 2001. The private non-enterprise institutions in the education industry as referred to in these measures are the schools and other institutions of education established from the examination and approval of peoples' government of county level or above or the education administration authorities under peoples' government of county level or above by enterprise organisations, public organisations and other social organisations and individuals with non-governmental financial funds, which are geared towards the need of society. The civil affairs authorities shall issue a licence to the private non-enterprise institution for the registration of which the latter is registered pursuant to the laws.

REGULATORY OVERVIEW

Compliance

The principal business of Jingli Beiya and its branch offices in Dongcheng district and Haidian district in Beijing, PRC is the provision of enterprise management consultation and technical services. The principal business of Guangzhou Tianli is education consultation and enterprise management. Our PRC Legal Advisors are of the opinion that save for the incident that a RMB600 fine was imposed on Guangzhou Tianli as a result of delayed tax declaration in 2010, during the Track Record Period and up to the Latest Practicable Date, the operations of Jingli Beiya and Guangzhou Tianli are in compliance with the relevant PRC laws and regulations and are not required to obtain other permits, licences or certificates for their current operations and that the operations of the Group in the PRC are in compliance with the relevant PRC laws and regulations in all material respect. Also, Jingli Beiya and Guangzhou Tianli have fully settled all their tax liabilities in the PRC.

HISTORY AND CORPORATE STRUCTURE

INTRODUCTION AND BUSINESS MILESTONES

We are primarily engaged in the provision of tutoring services in Hong Kong. Aside from offering secondary tutoring services, secondary day school education and primary homework tutoring services, we provide a variety of test preparation courses to students, such as English language courses on IELTS, TOEFL and TOEIC. We have more than 14 years of operating history in the tutoring industry in Hong Kong which mainly engaged in the provision of tutoring services for secondary school students and on the English language courses.

Express Education is the first operating company established by us offering private tuition services. It was incorporated in BVI on 8 May 1997. The initial shareholders of Express Education were Mr. Ng Kam Lun, Mr. Lee and Ms. Wong Yu Jenny, an Independent Third Party who held 40%, 35% and 25% of the issued share capital of Express Education respectively. The shareholding of Express Education underwent various changes, details of which are set out in the paragraph headed “Express Education” below and from October 1997 to early December 2000, neither our Controlling Shareholders nor Initial Shareholders were holding the majority shareholding of Express Education. In around mid December 2000, following certain acquisitions, Mr. Lee became the sole shareholder of Express Education. Although our Controlling Shareholders and Initial Shareholders were not holding the majority shareholding of Express Education, Mr. Ng Kam Lun, Mr. Lee and Ms. Yiu were involved in the management of Express Education during most of the time between October 1997 and December 2000. Since December 2000, the Initial Shareholders and/or the Controlling Shareholders had controlled the majority shareholding of Express Education and the business of the Group.

Since the establishment of Express Education, we have targeted the mass market, offering round-the-year tutorials and subject specific test-taking courses to meet the education needs of Hong Kong secondary school students. During the past 14 years, the number of our ME Centres has grown considerably where we are able to extend our tutoring services to various districts in Hong Kong, such as Tsuen Wan, Prince Edward, Mongkok, Causeway Bay, North Point, Chai Wan, Shatin, Tai Po, Fanling, Tuen Mun, Yuen Long, Ngau Tau Kok and Tseung Kwan O. In October 2003, we opened our flagship ME Centre in Shatin. As at the Latest Practicable Date, the number of ME Centres had reached 15.

On top of our secondary tutoring services, which are our core business, we have actively diversified our business activities and sought various business opportunities. In August 2003, we established our private secondary day school, Modern College (現代書院) (previously known as Xiandai College (現代書院)), offering formal secondary school curriculum, including English, Chinese, Mathematics, Physics, Chemistry, Biology and Commerce, on a full fee-paying basis to senior secondary school students.

In May 2008, we founded our English language training centre, a learning centre dedicated to our English language test preparation courses and vocational English training courses. We became one of the private education providers in Hong Kong to provide IELTS and TOEIC examination preparation courses which are reimbursable under the CEF.

In January 2010, we started our PRC Operations by providing technical consultation, management services and software licencing to Beijing Yasi School and an individual, Mr. Li Haiming.

HISTORY AND CORPORATE STRUCTURE

In December 2010, we acquired 60% of the issued share capital of Able Investment which holds the entire issued share capital of Bachelor Education to further expand our scope of business to the primary tutoring services market by including primary homework tutoring services.

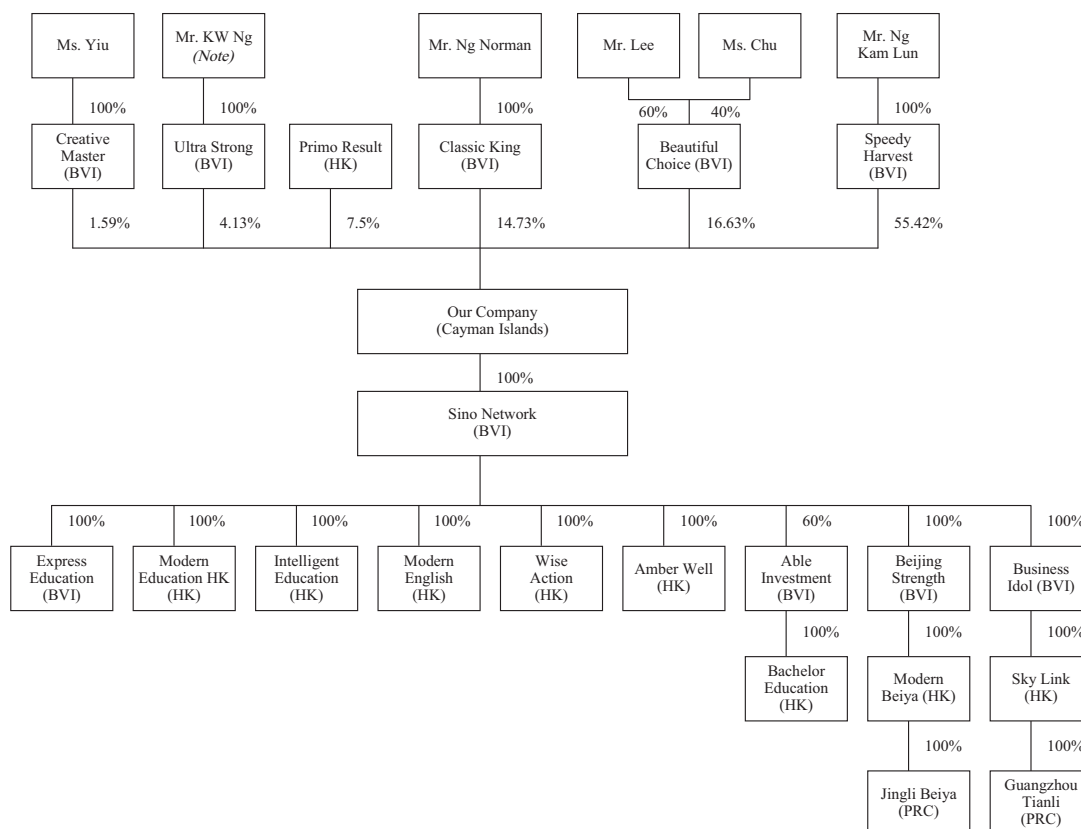
Since our inception in 1997, we have grown rapidly, offering a wide range of education programmes, services and products to the varied student population in Hong Kong.

CORPORATE STRUCTURE, SHAREHOLDING HISTORY

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 26 January 2011.

We have 15 subsidiaries, namely Sino Network, Express Education, Modern Education HK, Intelligent Education, Modern English, Wise Action, Amber Well, Able Investment, Bachelor Education, Beijing Strength, Modern Beiya, Jingli Beiya, Business Idol, Sky Link and Guangzhou Tianli, details of which are set out in the following part in this section.

The following chart sets out the shareholding and corporate structure of our Group as at the Latest Practicable Date:



Note: Mr. KW Ng is holding Ultra Strong for himself as to 73.7%, and is holding on trust for Ms. Lau as to 17.3% and for Ms. Ng as to 9% pursuant to the deeds of confirmation dated 3 March 2011. Our Hong Kong Legal Advisors are of the view that these trust arrangements with respect to the shares of Ultra Strong held by Mr. KW Ng are legal and valid under Hong Kong laws.

HISTORY AND CORPORATE STRUCTURE

Sino Network

Sino Network is an investment holding company of a number of our operating subsidiaries. Sino Network was incorporated in BVI on 2 July 2003 as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. Its initial shareholders are Mr. Ng Kam Lun, our chairman and executive Director, Mr. Lee, our chief operating officer and executive Director, Ms. Yiu, our chief executive officer and executive Director, Mr. KW Ng and Mr. Wong Chung Han Johnny, an Independent Third Party with which 5,385 shares, 1,137 shares, 208 shares, 2,853 shares and 417 shares in Sino Network were allotted and issued at par to each of them on 15 October 2003 respectively.

Effective from 15 October 2003, Mr. KW Ng held 2,228 shares, 100 shares and 100 shares in Sino Network on trust for Mr. Ng Norman, Ms. Lau and Ms. Ng, respectively pursuant to the deeds of confirmations dated 25 November 2009 and 2 February 2011 and the supplemental deed of confirmation dated 2 February 2011 because Mr. Ng Norman, Ms. Lau and Ms. Ng were not in Hong Kong very often. Our Hong Kong Legal Advisors are of the view that these trust arrangements with respect to the shares of Sino Network held by Mr. KW Ng were legal and valid under Hong Kong laws.

On 2 October 2008, Mr. Ng Kam Lun acquired 417 shares in Sino Network from Mr. Wong Chung Han Johnny at a consideration of US\$480,700 as Mr. Wong Chung Han Johnny intended to leave Hong Kong for good at that moment of time. The consideration for this transfer was determined on the basis of the net asset value of the Group at the time of transfer and the potential future growth of the business as contemplated by parties to the transfer. The 417 shares in Sino Network represents all of Mr. Wong Chung Han Johnny's shareholding in Sino Network and 4.17% of the issued share capital of Sino Network at the time of transfer.

On 7 May 2010, Sino Network further allotted and issued 2,588 shares and 1,395 shares at par, credited as fully paid, to Mr. Ng Kam Lun and Mr. Lee respectively.

On 28 June 2010, Mr. Lee transferred 15 shares in Sino Network to Ms. Yiu at par, representing approximately 0.11% of the issued share capital of Sino Network at the time of transfer. Since the transaction was a part of the internal restructuring of the Group, the shares involved in this transaction was transferred at its par value. Effective from 28 June 2010, Mr. Lee held 930 shares in Sino Network on trust for Ms. Chu pursuant to a deed of confirmation dated 7 February 2011 as a part of the family arrangement to reflect and acknowledge Ms. Chu's initial contribution in the relevant Group companies through Mr. Lee. Our Hong Kong Legal Advisors are of the view that this trust arrangement with respect to the shares of Sino Network held by Mr. Lee was legal and valid under Hong Kong laws. Accordingly, before the Reorganisation, each of Mr. Ng Kam Lun, Mr. Lee, Ms. Chu, Mr. Ng Norman, Mr. KW Ng, Ms. Lau, Ms. Ng and Ms. Yiu was beneficially interested in approximately 60%, 11.35%, 6.65%, 15.93%, 3.04%, 0.72%, 0.72% and 1.59% of the issued share capital of Sino Network respectively.

HISTORY AND CORPORATE STRUCTURE

On 11 January 2011, as a part of the Reorganisation, Primo Result, Mr. Ng Kam Lun, Mr. Lee, Mr. Ng Norman, Ms. Ng, Mr. KW Ng and Sino Network entered into the Investment Agreement pursuant to which Primo Result agreed to acquire 640 shares, 192 shares, 169 shares and 48 shares, representing approximately 4.58%, 1.37%, 1.21% and 0.34% of the issued share capital of Sino Network respectively, from Mr. Ng Kam Lun, Mr. Lee, Mr. Ng Norman and Ms. Ng respectively at a total investment amount of HK\$26,010,000. Upon completion of the Investment Agreement on the same day, each of Mr. Ng Kam Lun, Mr. Lee, Ms. Chu, Mr. Ng Norman, Mr. KW Ng, Ms. Lau, Ms. Ng, Ms. Yiu and Primo Result was beneficially interested in approximately 55.42%, 9.98%, 6.65%, 14.73%, 3.04%, 0.72%, 0.37%, 1.59% and 7.5% of the issued share capital of Sino Network respectively. Further particulars regarding the Investment Agreement are set out in subsection headed “Investor of our Group” in this section.

On 7 June 2011, as a part of the Reorganisation, Mr. Ng Kam Lun, Mr. Ng Norman, Ms. Ng, Mr. KW Ng, Ms. Lau, Mr. Lee, Ms. Chu, Ms. Yiu and Primo Result entered into the Share Swap Agreement with our Company, pursuant to which our Company agreed to acquire the entire issued share capital of Sino Network from them and in return a total number of 283,999,999 Shares would be issued and allotted (and credited as fully paid up at par) to the respective nominees of Mr. Ng Kam Lun, Mr. Ng Norman, Mr. KW Ng, Ms. Lau, Ms. Ng, Mr. Lee, Ms. Chu and Ms. Yiu, and Primo Result in accordance with their respective proportion of shareholdings in Sino Network. Upon completion of the Share Swap Agreement, our Company allotted and issued 157,405,420 Shares, 41,819,066 Shares, 11,719,088 Shares, 47,221,626 Shares, 4,529,214 Shares and 21,305,585 Shares to Speedy Harvest, Classic King, Ultra Strong, Beautiful Choice, Creative Master and Primo Result respectively. As at the Latest Practicable Date, our Company was the sole shareholder of Sino Network. All the issued shares in Sino Network are fully paid up.

Sino Network has fourteen direct or indirect subsidiaries and operate different aspects of education business of the Company through six of them.

Express Education

Express Education has been one of our two key operating subsidiaries responsible for our Hong Kong private tuition business. Express Education was incorporated in BVI on 8 May 1997 as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. Its initial shareholders are Mr. Ng Kam Lun, Mr. Lee, and Ms. Wong Yu Jenny, an Independent Third Party with which 40 shares, 35 shares and 25 shares in Express Education were allotted and issued at par, credited as fully paid, to each of them respectively.

On 16 July 1997, Express Education changed the name from Extraordinary Business Limited to its current name.

HISTORY AND CORPORATE STRUCTURE

The shareholding of Express Education has undergone various changes prior to it becoming a wholly-owned subsidiary of Sino Network on 7 May 2010. Since its incorporation, discussions had been carried out on the shareholding structure of Express Education among the initial shareholders of Express Education and finally, Mr. Lee transferred 20 shares in Express Education to Ms. Wong Yu Jenny at par on 22 September 1997, representing 20% of the issued share capital of Express Education at the time of transfer and Mr. Ng Kam Lun transferred 40 shares in Express Education to Mr. Tsang Chi Yuen Francis, an Independent Third Party at par on 1 October 1997, representing his entire interest in Express Education and 40% of the issued share capital of Express Education at the time of transfer. After such transfers, the shareholding of Mr. Lee in Express Education was 15%.

In August 2000, a further 6 shares and 34 shares, were allotted and issued at par, credit as fully paid, to Mr. Lee and Mr. Wong Wai, an Independent Third Party, respectively. After such allotments, Mr. Lee's shareholding in Express Education remained in 15%.

On 8 December 2000, since Mr. Tsang Chi Yuen Francis decided to withdraw his investment in Express Education, Mr. Lee acquired 40 shares in Express Education from him at par, representing all of his shareholding in Express Education and 28.57% of the issued share capital of Express Education at the time of this transfer. On 13 December 2000, Mr. Lee further acquired 45 shares in Express Education from Ms. Wong Yu Jenny at a consideration of HK\$2,201,991,66 and 34 shares in Express Education from Mr. Wong Wai at a consideration of HK\$1,663,727.04, representing approximately 32.14% and 24.29% of the issued share capital of Express Education at the time of transfers respectively as both Ms. Wong Yu Jenny and Mr. Wong Wai no longer wanted to invest in Hong Kong at that moment of time. The considerations for such transfers were determined on the basis of the net asset value of the Group at the time of transfers and the potential future growth of the business as contemplated by the respective parties to the two transfers. After such acquisitions, Mr. Lee held 140 shares representing the entire issued share capital of Express Education. Therefore, in around mid December 2000 upon completion of such acquisitions, Mr. Lee, being one of the Initial Shareholders, controlled 100% shareholding of Express Education and the business of the Group.

On 24 May 2003, Mr. Lee transferred 91 shares representing 65% of the issued share capital of Express Education to Mr. Ng Kam Lun at par to restructure the shareholding ratio of Express Education as to 35% by Mr. Lee and as to 65% by Mr. Ng Kam Lun. On 6 August 2004, Mr. Lee further transferred 49 shares representing 35% of the issued share capital of Express Education to Ms. Chu at par who held on trust for Mr. Lee pursuant to a deed of confirmation dated 25 November 2009 as Mr. Lee was not in Hong Kong very often. Our Hong Kong Legal Advisors are of the view that this trust arrangement with respect to the shares of Express Education held by Ms. Chu was legal and valid under Hong Kong laws. At the beginning of the Track Record Period, Express Education was owned as to 65% by Mr. Ng Kam Lun and as to 35% by Mr. Lee through his trustee.

For the purpose of the internal restructuring of the Group to designate Sino Network to be the sole holding company of the operating and education business of the Group, Mr. Ng Kam Lun and Mr. Lee through his trustee transferred their respective 91 shares and 49 shares in

HISTORY AND CORPORATE STRUCTURE

Express Education to Sino Network on 7 May 2010, representing an aggregate of 100% shareholding in Express Education. In consideration of these transfers, Sino Network allotted and issued 2,588 shares and 1,395 shares at par, credited as fully paid, to Mr. Ng Kam Lun and Mr. Lee respectively on the same day. The share considerations for these transfers were determined with reference to the audited results of Express Education and Modern Education HK for the respective year ended 30 June 2007 and 30 June 2008. As a result of these transfers, Express Education has become a direct wholly-owned subsidiary of Sino Network. All the issued shares in Express Education are fully paid up.

Express Education was one of our oldest operating companies since its inception in 1997. As our business network grew over time, we incorporated our second subsidiary, Modern Education HK to formalize the use of our brand. Express Education became inactive during the year ended 30 June 2010 after its operations were all transferred to Modern Education HK.

Modern Education HK

Modern Education HK is the other key operating subsidiary responsible for our Hong Kong private tuition business as well as our standardized English test preparation course business. Modern Education HK was incorporated on 5 June 2002 as a shelf company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. One share was allotted to each of the two nominee subscribers, namely Wilda Limited and Wilberg Limited, which are Independent Third Parties. In 2004, registration of the “Modern Education” (現代教育) trademark in Hong Kong was accepted.

On 4 June 2004, Modern Education HK changed the name from Noble Spirit Development Limited to its current name.

The shareholding of Modern Education HK has undergone various changes since its incorporation prior to it becoming a wholly-owned subsidiary of Sino Network on 22 June 2006. On 17 May 2004, Modern Education HK allotted and issued 9,998 shares at par, credited as fully paid, to Sino Network.

On 27 May 2004, the two nominee subscribers transferred their respective one share in Modern Education HK to Sino Network and Express Education at par respectively, each representing 0.01% of the issued share capital of Modern Education HK at the time of transfers. After these transfers, Modern Education HK was held as to 99.99% by Sino Network and as to 0.01% by Express Education.

For the purpose of the internal restructuring of the Group to designate Sino Network to be the sole holding company of the operating and education business of the Group, Sino Network further acquired the 1 share in Modern Education HK, representing the remaining 0.01% of the issued share capital of Modern Education HK, from Express Education at par on 22 June 2006. Accordingly, Sino Network has become the sole shareholder of Modern Education HK since 22 June 2006 and has been interested in the entire issued share capital of Modern Education HK as at the beginning of the Track Record Period and up to the Latest Practicable Date. All the issued shares in Modern Education HK are fully paid up.

HISTORY AND CORPORATE STRUCTURE

Intelligent Education

Intelligent Education is a company responsible for our secondary day school education business, including the operation of Modern College (現代書院) (previously known as Xiandai College (現代書院)). It was incorporated in Hong Kong as a limited liability company on 21 August 2000 under the name Power Concept (Hong Kong) Limited with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. Since incorporation by nominee subscribers which are Independent Third Parties, the shareholding of Intelligent Education has undergone various changes prior to it becoming a wholly-owned subsidiary of Sino Network on 22 June 2006.

On 21 August 2000, one share at par was allotted to each of the two nominee subscribers, namely Gateway Secretarial Limited and Gateway Nominees Limited, which are the Independent Third Parties.

On 11 September 2000, the two nominee subscribers transferred their respective one share in Intelligent Education to Express Education and Mr. Wong Wai, an Independent Third Party who held on trust for Express Education, at par respectively. On the same day, Intelligent Education further allotted and issued 98 shares at par, credited as fully paid, to Express Education. After such transfers and allotment, Express Education was beneficially interested in 100% shareholding of Intelligent Education through itself and its trustee at the material time.

On 13 December 2000, as a part of the internal restructuring of the Group, Express Education through its trustee transferred 1 share in Intelligent Education to Mr. Lee at par, representing 1% of the issued share capital of Intelligent Education at the time of transfer.

On 20 August 2002, Express Education transferred 40 shares and 59 shares in Intelligent Education to Mr. Ng Kam Lun and Mr. Lee respectively at par, representing 40% and 59% of the issued share capital of Intelligent Education at the time of transfers respectively. Since these transactions were a part of the internal restructuring of the Group, the shares involved in these transactions were transferred at par. After these transfers, Mr. Ng Kam Lun and Mr. Lee were beneficially interested in 40% and 60% of the issued share capital of Intelligent Education respectively.

On 13 November 2003, Mr. Lee transferred his 1 share and 59 shares in Intelligent Education to Express Education and Sino Network respectively at par, representing 1% and 59% of the issued share capital of Intelligent Education at the time of transfers respectively. On the same day, Mr. Ng Kam Lun transferred 40 shares in Intelligent Education to Sino Network at par, representing 40% of the issued share capital of Intelligent Education at the time of transfer. Since these transactions were a part of the internal restructuring of the Group, the shares involved in these transactions were transferred at par. After these transfers, Intelligent Education was held as to 99% by Sino Network and as to 1% by Express Education.

For the purpose of the internal restructuring of the Group to designate Sino Network to be the sole holding company of the operating and education business of the Group, Sino Network further acquired 1 share in Intelligent Education, representing the remaining 1% of

HISTORY AND CORPORATE STRUCTURE

the issued share capital of Intelligent Education from Express Education at par on 22 June 2006. Accordingly, at the beginning of the Track Record Period, Sino Network has already been interested in 100 shares of Intelligent Education, representing the entire issued share capital of Intelligent Education. As at Latest Practicable Date, Sino Network was the sole shareholder of Intelligent Education. All the issued shares in Intelligent Education are fully paid up.

Intelligent Education has also undergone various name changes including Express Education (HK) Limited and Modern Education Limited, before becoming Intelligent Education Limited on 13 June 2003.

Modern English

Modern English was incorporated in Hong Kong as a limited liability company on 11 March 2009 under the name Powerful York Limited with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each.

On 13 May 2009, the nominee subscriber, namely Company Kit Secretarial Services Limited, which is an Independent Third Party transferred 1 share in Modern English to Mr. Lee at par.

On 26 May 2009, the said 1 share in Modern English was further transferred from Mr. Lee to Mr. Wong Chung Han Johnny, an Independent Third Party at par.

On 14 June 2010, Modern English changed the name from Powerful York Limited to its current name.

On 2 July 2010, Mr. Wong Chung Han Johnny finally transferred the said 1 share in Modern English to Sino Network at par. Since then, Modern English has become a wholly-owned subsidiary of Sino Network. As at the Latest Practicable Date, Sino Network was the sole shareholder of Modern English. The issued share in Modern English is fully paid up.

Modern English currently does not carry on any operations and the Group has not concluded any business plan for Modern English as at the Latest Practicable Date.

Wise Action

Wise Action is a company responsible for our printing and publishing activities. It was incorporated in Hong Kong as a limited liability company on 21 June 2000 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. Since incorporation by the two nominee subscribers, the shareholding of Wise Action has undergone various changes prior to it becoming a wholly-owned subsidiary of Sino Network on 19 June 2006. On 21 June 2000, one share at par was allotted to each of the two nominee subscribers, namely Gateway Secretarial Limited and Gateway Nominees Limited, which are the Independent Third Parties.

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On 13 July 2000, the two nominee subscribers transferred their respective one share in Wise Action to Mr. KW Ng and Ms. Mak Yuen Man, an Independent Third Party at par respectively. After these transfers, Wise Action was held as to 50% by Mr. KW Ng and as to 50% by Ms. Mak Yuen Man.

On 20 April 2001, Wise Action allotted and issued 10 shares and 9 shares at par, credited as fully paid, to Ms. Mak Yuen Man and Mr. Tsang Chi Yuen Francis who is an Independent Third Party, respectively.

On 10 May 2001, Mr. KW Ng transferred 1 share in Wise Action to Mr. Tsang Chi Yuen Francis at par, representing approximately 4.76% of the issued share capital of Wise Action at the time of transfer. After this transfer, Wise Action was held as to approximately 52.38% by Ms. Mak Yuen Man and as to approximately 47.62% by Mr. Tsang Chi Yuen Francis.

On 13 September 2001, Wise Action further allotted and issued 4,187 shares and 5,792 shares at par, credited as fully paid, to Ms. Mak Yuen Man and Mr. Tsang Chi Yuen Francis respectively. After this allotment, Ms. Mak Yuen Man and Mr. Tsang Chi Yuen Francis were interested in 41.98% and 58.02% of the issued share capital of Wise Action respectively.

On 29 November 2002, Ms. Mak Yuen Man transferred all her holding of 4,198 shares in Wise Action to Ms. Choi Yuet Yung, an Independent Third Party, at par, representing 41.98% of the issued share capital of Wise Action at the time of transfer.

On 13 November 2003, Ms. Choi Yuet Yung transferred 4,198 shares in Wise Action to Sino Network at par, representing all her shareholding interest in Wise Action and 41.98% of the issued share capital of Wise Action at the time of transfer. On the same day, Mr. Tsang Chi Yuen Francis transferred his holding of 5,800 shares and 2 shares in Wise Action to Sino Network and Express Education at par respectively, representing 58% and 0.02% of the issued share capital of Wise Action at the time of transfer respectively. Since these transactions were a part of the internal restructuring of the Group, the shares involved in these transactions were transferred at par. Upon these transfers, Wise Action was held as to 99.98% by Sino Network and as to 0.02% by Express Education.

Finally, for the purpose of the internal restructuring of the Group to designate Sino Network to be the sole holding Company of the operating and education business of the Group, Sino Network further acquired the 2 shares in Wise Action, representing the remaining 0.02% of the issued share capital in Wise Action, from Express Education at par on 19 June 2006.

Since the beginning of the Track Record Period, Sino Network has already been interested in the entire issued share capital of Wise Action. As at the Latest Practicable Date, Sino Network was the sole shareholder of Wise Action. All the shares in Wise Action are fully paid up.

HISTORY AND CORPORATE STRUCTURE

Amber Well

Amber Well was incorporated in Hong Kong with an authorised share capital HK\$10,000 divided into 10,000 shares of HK\$1.00 each on 20 October 2009 with the sole function of entering into tenancy arrangements for the Group. As at its incorporation, 1 share at par was allotted to the nominee subscriber, namely Company Kit Secretarial Services Limited, which is an Independent Third Party. On 3 November 2009, the nominee subscriber transferred its 1 share in Amber Well to Sino Network at par, representing the entire issued share capital of Amber Well. Therefore, as at the Latest Practicable Date, Sino Network held 1 share in Amber Well and was the sole shareholder thereof. The issued share in Amber Well is fully paid up.

Able Investment

Able Investment is the investment holding company incorporated in the BVI as a limited liability company on 1 July 2009 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. Able Investment is currently the holding company of Bachelor Education, which is responsible for our primary homework tutoring business. The entire issued share capital, being 10,000 shares in Able Investment were issued and allotted at par, credited as fully paid, to Ms. Yiu at the time of its incorporation.

On 2 October 2010, Ms. Yiu ceased to be the shareholder of Able Investment and transferred 2,812 shares in Able Investment to Ms. Mok Sze Wan and the remaining 7,188 shares in Able Investment to Mr. Ng Hoi Tin, Mr. Ng Ping Lun and Ms. Poon Wai Sze equally at par. Ms. Mok Sze Wan, Mr. Ng Hoi Tin, Mr. Ng Ping Lun and Ms. Poon Wai Sze were the BE Initial Shareholders who were interested in 28.12%, 23.96%, 23.96% and 23.96% of the issued share capital of Bachelor Education respectively and also directors of Bachelor Education prior to the acquisition of Bachelor Education by Able Investment as contemplated under the Second BEC Acquisition Agreement. Being the founders of Bachelor Education, they were responsible for the daily operation of Bachelor Education. None of the members of the Group, its shareholders, senior management nor its associates were related to Ms. Mok Sze Wan, Mr. Ng Hoi Tin, Mr. Ng Ping Lun or Ms. Poon Wai Sze prior to the acquisition of Bachelor Education by Able Investment.

The disposal of Able Investment by Ms. Yiu to the BE Initial Shareholders was to facilitate the restructuring of Bachelor Education and Able Investment so as to achieve the proposed structure that Bachelor Education would be wholly owned by Able Investment, the issued share capital of which would be held as to 60% by Ms. Yiu or her nominees and as to 40% by the BE Initial Shareholders altogether. In order to achieve the proposed structure, further transfers were taken out as follows:

- (i) on 2 October 2010, the BE Initial Shareholders as vendors and Able Investment, which was wholly-owned by the BE Initial Shareholders, as a purchaser entered into the Second BEC Acquisition Agreement pursuant to which the BE Initial Shareholders agreed to sell an aggregate number of 10,000 shares of Bachelor Education, representing 100% of the entire issued share capital of Bachelor Education, to Able Investment at par; and

HISTORY AND CORPORATE STRUCTURE

- (ii) on 8 October 2010, the BE Initial Shareholders as vendors and Six Stars, Ms. Yiu's nominee, as a purchaser entered into the Original AI Acquisition Agreement pursuant to which the BE Initial Shareholders agreed to sell an aggregate number of 6,000 shares of Able Investment, representing 60% of the entire issued share capital of Able Investment, to Six Stars at a maximum consideration of HK\$8 million (subject to consideration adjustment).

The maximum consideration of HK\$8 million under the Original AI Acquisition Agreement had been determined principally with reference to (i) the forecast profit, taking into account, among others, the network of 4 MBE Centres and 12 MBE Franchised Centres at the time of acquisition, our business plan to open 6 to 10 new MBE Centres in Hong Kong and prospect of the primary tutoring industry, and (ii) price to earnings ratio of certain companies listed on other stock exchanges which are believed to be engaged in business similar to that of the Group. An adjustment mechanism to the consideration has also been included in the Original AI Acquisition Agreement where if the NPAT for the year ending 31 August 2012 or 2013 is lesser than or equal to a certain amount, the fourth and final payment of the consideration in the sum of HK\$2 million which is payable after the approval of financial statements of Bachelor Education for the year ending 31 August 2012 or 2013 by its board of directors will be adjusted accordingly. The adjustment mechanism to the consideration will be further elaborated below. The first and second payment of the consideration in the sum of HK\$3 million was paid to the BE Initial Shareholders by Six Stars in accordance with the terms of Original AI Acquisition Agreement.

Following completion of both of the Second BEC Acquisition Agreement and the Original AI Acquisition Agreement on 11 October 2010, the proposed structure that Bachelor Education would be wholly-owned by Able Investment, the issued share capital of which would be held as to 60% by Six Stars, Ms. Yiu's nominee, and as to 40% by the BE Initial Shareholders altogether, had been achieved.

The restructuring of Able Investments and Bachelor Education as contemplated under transfer of the entire issued share capital of Able Investment from Ms. Yiu to the BE Initial Shareholders and as contemplated under the Second BEC Acquisition on 2 October 2010 was to redesignate Able Investment, a BVI company, as a holding company of Bachelor Education, which the Directors considered to be better for future development. Since Ms. Yiu was the initial shareholder and director of Able Investment prior to the restructuring, the operation, management and financial conditions of Able Investment have long been under the control of Ms. Yiu. Accordingly, the Directors believed that using a shelf company held by Ms. Yiu could effectively speed up the due diligence process required to be performed on Able Investment. This could reduce the possibility of potential liabilities as may be incurred by Able Investment.

At the time that the opportunities of acquiring the 60% shareholding of Bachelor Education arose in October 2010, the Group was considering to seek listing status in the Stock Exchange and contemplating whether to include Bachelor Education into the listing group. Therefore, Six Stars has been used as a special purpose vehicle to capture the opportunity of acquiring the 60% shareholding of Bachelor Education.

HISTORY AND CORPORATE STRUCTURE

Having considered the business potentials of primary tutoring services market, the Directors considered that it would be in the interests of the Company and its shareholders as a whole to include Bachelor Education into the listing group. Accordingly, on 22 December 2010, as a part of the Reorganisation, Six Stars, Ms. Yiu, Sino Network, Able Investment and the BE Initial Shareholders entered into the AI Acquisition Agreement in respect of the sale and purchase of the said 6,000 shares in Able Investment from Six Stars by Sino Network for the purpose of the Reorganisation. In consideration of such acquisition, Sino Network agreed to pay HK\$3 million and to replace Six Stars as a party to the Original AI Acquisition Agreement and to observe, perform and discharge all the obligations of Six Stars under the Original AI Acquisition Agreement which include, inter alia, payment obligations in the total sum of HK\$5 million (subject to consideration adjustment) to the BE Initial Shareholders as the remaining consideration under the Original AI Acquisition Agreement. The completion of AI Acquisition Agreement took place on 31 December 2010 and Able Investment has become a 60% non-wholly owned subsidiary of Sino Network accordingly. The first and second payments in the consideration of HK\$3 million payable to Six Stars mentioned above had already been settled while the third payment of HK\$3 million will be payable to the BE Initial Shareholders within 14 days after the approval of financial report of Bachelor Education by its board of directors for the calendar year ending 31 August 2011. The Directors confirmed that the third payment of the acquisition cost in the amount of HK\$3 million would be funded by internal resources of the Group. The fourth and final payment in the sum of HK\$2 million will be payable to the BE Initial Shareholders within 14 days after the approval of the financial report of Bachelor Education by its board of directors for the calendar year ending 31 August 2012, subject to adjustment and refund by reference to the financial results of Bachelor Education for the financial years ending 31 August 2012 and 31 August 2013 respectively. Pursuant to the Original AI Acquisition Agreement, the adjustment mechanism to the consideration was agreed as follows:

- (i) in the event the NPAT for the calendar year ended 31 August 2012 (as stated in the financial report of Bachelor Education as approved by its board of directors) is less than H\$3.8 million but is equal to or more than HK\$2.8 million, or the accumulated NPAT as at 31 August 2012 is less than HK\$7.1 million but is equal to or more than HK\$5.1 million, the fourth and final payment of the consideration to the BE Initial Shareholders shall be reduced by HK\$1 million;
- (ii) in the event the NPAT for the financial year ended 31 August 2012 is less than H\$2.8 million or the accumulated NPAT as at 31 August 2012 is less than HK\$5.1 million (as stated in the financial report of Bachelor Education as approved by its board of directors), the fourth and final payment of the consideration to the BE Initial Shareholders shall be reduced by HK\$2 million;
- (iii) in the event the NPAT for the calendar year ended 31 August 2013 (as stated in the financial report of Bachelor Education as approved by its board of directors) is less than H\$4.1 million but is equal to or more than HK\$3.7 million, or the accumulated NPAT as at 31 August 2013 is less than HK\$10.5 million but is equal to or more than HK\$9.4 million, the BE Initial Shareholders shall, within 14 days from the date of Bachelor Education's approval of the financial report for the year ended 31 August 2013, refund HK\$1 million from the fourth and final payment of the consideration to the Group;

HISTORY AND CORPORATE STRUCTURE

- (iv) in the event the NPAT for the calendar year ended 31 August 2013 is less than H\$3.7 million or the accumulated NPAT as at 31 August 2013 is less than HK\$9.4 million (as stated in the financial report of Bachelor Education as approved by its board of directors), the BE Initial Shareholders shall, within 14 days from the date of Bachelor Education's approval of the financial report for the year ended 31 August 2013, refund HK\$2 million from the fourth and final payment of the consideration to the Group.

To provide an incentive to the BE Initial Shareholders, namely Ms. Mok Sze Wan, Mr. Ng Hoi Tin, Mr. Ng Ping Lun and Ms. Poon Wai Sze, who are responsible for the daily operations of Able Investment and Bachelor Education, the remaining 40% equity interest in Able Investment are held respectively by these four individuals. Each of Ms. Mok Sze Wan, Mr. Ng Hoi Tin, Mr. Ng Ping Lun and Ms. Poon Wai Sze has entered into a management agreement on 1 September 2010 with Bachelor Education pursuant to which he/she agreed to manage the operation of all of our MBE Centres. Ms. Mok Sze Wan is a substantial shareholder of Able Investment, holding 11.25% of issued share capital of Able Investment. Mr. Ng Hoi Tin, Mr. Ng Ping Lun and Ms. Poon Wai Sze each hold 9.58%, 9.58% and 9.59% of issued share capital of Able Investment, respectively. Ms. Mok Sze Wan and Mr. Ng Hoi Tin are currently directors of Able Investment.

If we decide that the performance of Bachelor Education is up to our standards, we could purchase the remaining 40% of the issued share capital of Able Investment anytime before 31 December 2015 as the BE Initial Shareholders have irrevocably granted us a call option under the Original AI Acquisition Agreement.

The call option is not assignable and is irrevocable which shall be exercisable at any time after the completion of the Original AI Acquisition Agreement and will expire on 31 December 2015. Pursuant to the Original AI Acquisition Agreement, if Able Investment experiences any force majeure event which beyond the control of Able Investment and which renders it unable to fulfill the profit guarantee as set out in the Original AI Acquisition Agreement, the Group agreed that the BE Initial Shareholders could defer the fulfillment of the profit guarantee for 1 year and the expiry date of the call option shall be extended for 1 year.

HISTORY AND CORPORATE STRUCTURE

The following tables set out the respective considerations for exercising the call option to purchase the remaining 40% issued share capital of Able Investment by us in different scenarios during the year from 2011 to 2015:

(i) *If the call option is exercised during the year 2011:*

Scenario	Consideration payable by us for exercise of the call option
If 2011 Audited NPAT is equal to or more than HK\$3.2 million	an amount equal to the 2011 Audited NPAT x 40% x 6.5
If 2011 Audited NPAT is equal to or more than HK\$2.9 million but less than HK\$3.2 million	an amount equal to the 2011 Audited NPAT x 40% x 6.25
If 2011 Audited NPAT is less than HK\$2.9 million	an amount equal to the 2011 Audited NPAT x 40% x 6

The settlement of consideration will be made in 5 equal annual payments from 2011 to 2015.

Starting from 2013, when 2013 Audited NPAT is available, the consideration will be adjusted as follows:

Scenario	New Consideration payable by us for exercise of the call option
If 2013 Audited NPAT is equal to or more than HK\$4.6 million	an amount equal to the 2013 Audited NPAT x 40% x 6.5
If 2013 Audited NPAT is equal to or more than HK\$4.1 million but less than HK\$4.6 million	an amount equal to the 2013 Audited NPAT x 40% x 6.25
If 2013 Audited NPAT is equal to or more than HK\$3.7 million but less than HK\$4.1 million	an amount equal to the 2013 Audited NPAT x 40% x 6

The settlement amount of the remaining 3 annual payments will thus be adjusted to (New Consideration – Paid Installment)/3.

HISTORY AND CORPORATE STRUCTURE

(ii) *If the call option is exercised during the year 2012:*

Scenario	Consideration payable by us for exercise of call option
If 2012 Audited NPAT is equal to or more than HK\$3.8 million	an amount equal to the 2012 Audited NPAT x 40% x 6.5
If 2012 Audited NPAT is equal to or more than HK\$3.5 million but less than HK\$3.8 million	an amount equal to the 2012 Audited NPAT x 40% x 6.25
If 2012 Audited NPAT is less than HK\$3.5 million	an amount equal to the 2012 Audited NPAT x 40% x 6

The settlement of consideration will be made in 4 equal annual payments from 2012 to 2015.

Starting from 2013, when 2013 Audited NPAT is available, the consideration will be adjusted as follows:

Scenario	New Consideration payable by us for exercise of the call option
If 2013 Audited NPAT is equal to or more than HK\$4.6 million	an amount equal to the 2013 Audited NPAT x 40% x 6.5
If 2013 Audited NPAT is equal to or more than HK\$4.1 million but less than HK\$4.6 million	an amount equal to the 2013 Audited NPAT x 40% x 6.25
If 2013 Audited NPAT is less than HK\$4.1 million	an amount equal to the 2013 Audited NPAT x 40% x 6

The settlement amount of the remaining 3 annual payments will thus be adjusted to (New Consideration – Paid Installment)/3.

HISTORY AND CORPORATE STRUCTURE

(iii) *If the call option is exercised during the year 2013:*

Scenario	Consideration payable by us for exercise of call option
If 2013 Audited NPAT is equal to or more than HK\$4.6 million	an amount equal to the 2013 Audited NPAT x 40% x 6.5
If 2013 Audited NPAT is equal to or more than HK\$4.1 million but less than HK\$4.6 million	an amount equal to the 2013 Audited NPAT x 40% x 6.25
If 2013 Audited NPAT is less than HK\$4.1 million	an amount equal to the 2013 Audited NPAT x 40% x 6

The settlement of consideration will be made in 3 equal annual payments from 2013 to 2015.

(iv) *If the call option is exercised during the year 2014:*

Scenario	Consideration payable by us for exercise of call option
If 2014 Audited NPAT is equal to or more than HK\$5.5 million	an amount equal to the 2014 Audited NPAT x 40% x 6.5
If 2014 Audited NPAT is equal to or more than HK\$5.0 million but less than HK\$5.5 million	an amount equal to the 2014 Audited NPAT x 40% x 6.25
If 2014 Audited NPAT is less than HK\$5.0 million	an amount equal to the 2014 Audited NPAT x 40% x 6

The settlement of consideration will be made in 2 equal annual payments from 2014 to 2015.

HISTORY AND CORPORATE STRUCTURE

(v) *If the call option is exercised during the year 2015:*

Scenario	Consideration payable by us for exercise of call option
If 2015 Audited NPAT is equal to or more than HK\$6.6 million	an amount equal to the 2015 Audited NPAT x 40% x 6.5
If 2015 Audited NPAT is equal to or more than HK\$6.0 million but less than HK\$6.6 million	an amount equal to the 2015 Audited NPAT x 40% x 6.25
If 2015 Audited NPAT is less than HK\$6.0 million	an amount equal to the 2015 Audited NPAT x 40% x 6

The settlement of consideration will be made in 1 payment in 2015.

If the accumulated NPAT for the 5 years since the date of completion of the Original AI Acquisition Agreement is equal to or above HK\$19.3 million and the audited accounts of Bachelor Education for the fifth financial year have been approved by its board of directors, the BE Initial Shareholders shall exercise the put option at the end of the 5th year since the date of completion of the Original AI Acquisition Agreement and we will be required to purchase the remaining 40% of the issued share capital of Able Investment.

The following table sets out the respective considerations of exercising the put option to require us to purchase the remaining 40% issued share capital of Able Investment in different scenarios:

Scenario	Consideration payable by us upon exercise of put option by BE Initial Shareholders
If 2015 Audited NPAT is equal to or more than HK\$6.6 million	an amount equal to the 2015 Audited NPAT x 40% x 6.5
If 2015 Audited NPAT is equal to or more than HK\$6.0 million but less than HK\$6.6 million	an amount equal to the 2015 Audited NPAT x 40% x 6.25
If 2015 Audited NPAT is less than HK\$6.0 million	an amount equal to the 2015 Audited NPAT x 40% x 6

HISTORY AND CORPORATE STRUCTURE

The consideration of put option shall be paid within 14 Business Days of exercising the put option by the BE Initial Shareholders.

The put option exercisable by the BE Initial Shareholders is subject to certain conditions set forth under the Original AI Acquisition Agreement, which include without limitation to there being (i) no substantial risk or contingent liability existed in Bachelor Education, (ii) no illegal activities and no complaint filed with consumer council and/or the education department against Bachelor Education, and (iii) no foreseeable disastrous change in market condition.

In addition, we are entitled to sell back to the BE Initial Shareholders all or any part of the 60% of issued share capital of Able Investment if the accumulated NPAT for the year is less than 60% of the rate as projected and specified under the Original AI Acquisition Agreement.

After considering the following factors, the Directors confirmed it is appropriate to consolidate Able Investment and its subsidiary:

- (i) Sino Network obtained 60% of the issued share capital of Able Investment;
- (ii) 3 out of 5 directors of Able Investment, representing the majority of its board of directors, were appointed by Sino Network such that Sino Network has the power to govern the financial and operating policies of Able Investment and its subsidiary;
- (iii) Sino Network has a currently exercisable call option to acquire further 40% issued share capital from the non-controlling shareholders of Able Investment exercisable on or before 31 December 2015;
- (iv) Sino Network has a put option to dispose the aforesaid 60% issued share capital to the non-controlling shareholders of Able Investments and the non-controlling shareholders also have a put option to dispose their 40% shareholding in Able Investment exercisable on 31 December 2015 upon satisfaction of specific conditions. The options do not affect the Group exercising control over Able Investment unless the specific conditions are satisfied; and
- (v) The unsettled contingent consideration represents potential additional consideration to be paid by the Group by reference to financial results of Bachelor Education and has no effect on the minimum consideration of HK\$6 million, nor the Group's shareholding and control on Able Investment and its subsidiary.

HISTORY AND CORPORATE STRUCTURE

Based on the reasons set out above, the reporting accountants of the Company, Deloitte Touche Tohmatsu, concurred with the above treatment.

As at the Latest Practicable Date, Able Investment was the holding company of Bachelor Education which is responsible for our primary homework tutoring business.

Bachelor Education

Bachelor Education is responsible for our primary homework tutoring business. It was incorporated in Hong Kong as a limited liability company on 16 February 2007 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. One share was allotted to each of the four subscribers, namely Ms. Mok Sze Wan, Mr. Ng Hoi Tin, Mr. Ng Ping Lun and Ms. Poon Wai Sze, on the date of its incorporation. Upon further allotment of shares by Bachelor Education subsequently, Ms. Mok Sze Wan, Mr. Ng Hoi Tin, Mr. Ng Ping Lun and Ms. Poon Wai Sze became the BE Initial Shareholders who were interested in 28.12%, 23.96%, 23.96% and 23.96% of the issued share capital of Bachelor Education respectively and also directors of Bachelor Education prior to the acquisition of Bachelor Education by Able Investment as contemplated under the Second BEC Acquisition Agreement. Being the founders of Bachelor Education, they were responsible for the daily operation of Bachelor Education. None of the members of the Group, its shareholders, senior management nor its associates were related to Ms. Mok Sze Wan, Mr. Ng Hoi Tin, Mr. Ng Ping Lun or Ms. Poon Wai Sze prior to the acquisition of Bachelor Education by Able Investment.

On 14 August 2010, the BE Initial Shareholders as vendors and Able Investment as the purchaser entered into the First BEC Acquisition Agreement pursuant to which the BE Initial Shareholders agreed to sell an aggregate number of 6,000 shares representing 60% of the issued share capital of Bachelor Education to Able Investment at a total consideration of HK\$8 million (subject to consideration adjustment).

On 28 September 2010, parties to the First BEC Acquisition Agreement entered into a supplemental agreement to null, rescind, void, avoid and cancel the First BEC Acquisition Agreement so as to facilitate the restructuring of Able Investment and Bachelor Education.

On 2 October 2010, parties to the First BEC Acquisition Agreement further entered into the Second BEC Acquisition Agreement pursuant to which the BE Initial Shareholders agreed to sell an aggregate number of 10,000 shares representing the entire issued share capital of Bachelor Education to Able Investment at par. Completion of the Second BEC Acquisition Agreement took place on 11 October 2010 and Bachelor Education has become a wholly owned subsidiary of Able Investment accordingly.

HISTORY AND CORPORATE STRUCTURE

Set out below is certain financial information extracted from the audited financial statements of Bachelor Education issued on 24 November 2008, 9 November 2009 and 11 November 2010 respectively:

	For the period from 16 February 2007 (date of incorporation) to 31 March 2008 HK\$'000	For the year ended 31 March 2009 HK\$'000	For the period from 1 April 2009 to 31 August 2010 HK\$'000
Revenue	2,958	2,665	4,394
Net profit for the year/period	440	182	546
Net assets (as at year/ period end)	440	622	278

Beijing Strength

Beijing Strength was incorporated by Sino Network as a limited company in BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each on 8 August 2008. The entire issued share capital, being 100 shares in Beijing Strength were issued and allotted at par, credited as fully paid, to Sino Network at the time of its incorporation. As at the Latest Practicable Date, Beijing Strength was the wholly-owned subsidiary of Sino Network and was used as an investment holding company.

As at Latest Practicable Date, Beijing Strength was the holding company of Modern Beiya.

Modern Beiya

Modern Beiya was incorporated by Beijing Strength as a limited company in Hong Kong with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each on 4 December 2008. The entire issued share capital, being 100 shares in Modern Beiya were issued and allotted at par, credited as fully paid, to Beijing Strength at the time of its incorporation. As at the Latest Practicable Date, Modern Beiya was the wholly-owned subsidiary of Beijing Strength and was used as an investment holding company.

As at the Latest Practicable Date, Modern Beiya was the holding company of Jingli Beiya.

HISTORY AND CORPORATE STRUCTURE

Jingli Beiya

Jingli Beiya was established by Modern Beiya as a WFOE on 21 September 2009 with limited liability under the laws of the PRC with a registered capital of RMB1,000,000. The business scope of Jingli Beiya registered by the Administration Bureau of Industry and Commerce of Beijing includes research and development of education software, provision of technical services, technology consultancy, technical training on computer, technology transfer, sales of proprietary products, consultation services on information relating to education (excluding agency services) and consultation services on enterprise management.

There has been no change in the shareholding of Jingli Beiya since its incorporation. Accordingly, as at the Latest Practicable Date, the entire equity interest of Jingli Beiya was wholly-owned by Modern Beiya. Jingli Beiya is principally engaged in the provision of private education services through providing management consulting services and software licencing to Beijing Yasi School and group training programmes. Further details about the PRC Operations are contained in the section headed “Business – Our Business and Network – PRC Operations” in this prospectus.

Business Idol

Business Idol was incorporated by Sino Network as a limited company in BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each on 1 July 2009. One share in Business Idol was issued and allotted at par, credited as fully paid, to Sino Network at the time of its incorporation. As at the Latest Practicable Date, Business Idol was the wholly-owned subsidiary of Sino Network and was used as an investment holding company.

As at the Latest Practicable Date, Business Idol was the holding company of Sky Link.

Sky Link

Sky Link is the company incorporated in Hong Kong as a limited liability company on 21 October 2009 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. One share in Sky Link was issued and allotted to the nominee subscriber, namely Company Kit Secretarial Services Limited, at the time of its incorporation.

On 25 November 2009, 99 shares in Sky Link were issued and allotted at par, credit as fully paid, to Sino Network.

On 7 December 2009, the 1 nominee subscriber’s share in Sky Link was transferred to Sino Network at par.

Sino Network further transferred its holding of 1 share and 99 shares in Sky Link at par to Business Idol on 13 August 2010 and 19 November 2010 respectively, representing the entire issued share capital of Sky Link. As at the Latest Practicable Date, Sky Link was the wholly-owned subsidiary of Business Idol and was used as an investment holding company.

HISTORY AND CORPORATE STRUCTURE

As at the Latest Practicable Date, Sky Link was the holding company of Guangzhou Tianli.

Guangzhou Tianli

Guangzhou Tianli was established by Sky Link as a WFOE on 27 April 2010 with limited liability under the laws of the PRC with a registered capital of RMB1,000,000. The business scope of Guangzhou Tianli registered by the Administration Bureau of Industry and Commerce of Guangzhou includes consultation services on information relating to education and corporate management, research and development of computer software, provision of relevant technical services and technology consultation, technology transfer, sales of proprietary products (except businesses prohibited by laws or regulations; licence/permit or approval shall be obtained for the operation if such operations requires such approval).

There has been no change in the shareholding of Guangzhou Tianli since its incorporation. Accordingly, as at the Latest Practicable Date, the entire equity interest of Guangzhou Tianli was wholly-owned by Sky Link. Currently, Guangzhou Tianli does not carry out any operations. The Group intends to explore potential business opportunities in the PRC through Guangzhou Tianli, although no projects or business partners have been identified as at the Latest Practicable Date.

DISPOSED COMPANIES DURING THE TRACK RECORD PERIOD

Six Stars

Six Stars was incorporated in Hong Kong on 24 January 2008. Six Stars was previously engaged in providing educational consultant and management services such as sales team for the Group with respect to CEF. The shareholding interest of the Group in Six Stars was transferred out on 20 October 2008 to simplify the structure of the Group. Six Stars has ceased to provide services to the Group since November 2009.

Strategic Fortune

Strategic Fortune was incorporated in BVI on 13 October 2006, which had no business operation except holding certain properties. It was disposed of by the Group on 1 June 2009 due to business decision.

Modern Education (China) Limited

Modern Education (China) Limited (previously known as Modern Education and Information Technology (Shenzhen) Limited) was incorporated in Hong Kong on 23 June 2008. It has been inactive all along since its incorporation. In order to simplify the structure of the Group, the Group has transferred all its shareholding interest in Modern Education (China) Limited on 19 June 2009.

HISTORY AND CORPORATE STRUCTURE

INVESTOR OF OUR GROUP

Parties to the Investment Agreement

In light of the prospect of education industry, on 11 January 2011, Primo Result entered into the Investment Agreement with Mr. Ng Kam Lun, Mr. Lee, Mr. Ng Norman, Ms. Ng, Mr. KW Ng and Sino Network pursuant to which Primo Result agreed to acquire 640 shares, 192 shares, 169 shares and 48 shares, representing approximately 4.58%, 1.37%, 1.21% and 0.34% of the issued share capital of Sino Network respectively, from Mr. Ng Kam Lun, Mr. Lee, Mr. Ng Norman and Ms. Ng respectively at a total investment amount of HK\$26,010,000. Upon completion of the Investment Agreement on the same day, Sino Network was beneficially owned by Mr. Ng Kam Lun, Mr. Lee, Ms. Chu, Mr. Ng Norman, Mr. KW Ng, Ms. Lau, Ms. Ng, Ms. Yiu and Primo Result as to 55.42%, 9.98%, 6.65%, 14.73%, 3.04%, 0.72%, 0.37%, 1.59% and 7.5% respectively.

Set out below are the details of the investment:

Investor	:	Primo Result
Date of investment and payment	:	11 January 2011
Consideration	:	HK\$26,010,000
Basis of determining the consideration	:	The consideration is principally determined with reference to (i) the net profit after tax of Sino Network for the three years ending 30 June 2012 as guaranteed by vendors of the Investment Agreement; (ii) the business network of the Group; and (iii) prospect of education sector.
Effective cost per Share paid by Primo Result	:	Approximate HK\$1.22 upon completion of the Global Offering, representing a discount of 6.2% to the Offer Price of HK\$1.30 per Share.
Shareholding	:	Upon completion of the Reorganisation and the Global Offering, Primo Result will hold approximately 5.33% of the issued share capital of the Company.

As a part of the Reorganisation, Mr. Ng Kam Lun, Mr. Lee, Ms. Chu, Mr. Norman Ng, Mr. KW Ng, Ms. Lau, Ms. Ng, Ms. Yiu and Primo Result as the vendors entered into the Share Swap Agreement with the Company as the purchaser on 7 June 2011, pursuant to which the vendors of the Share Swap Agreement agreed to transfer their respective shareholding interests in Sino Network to the Company in exchange for the shareholding of the Company. Due to the change in the shareholding structure resulted from the Share Swap Agreement, parties to the

HISTORY AND CORPORATE STRUCTURE

Investment Agreement entered into the Amendment Agreement on 14 June 2011 to amend certain terms of the Investment Agreement which includes, inter alia, the profit guarantee and the rights of Primo Result to appoint one director to the board of Sino Network. Details of amendments are set out in the respective paragraphs headed “Profit Guarantee” and “Board of Directors” below.

Primo Result is a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of SW Kingsway Capital Holdings Limited, a financial services provider and the securities of which are listed on the Main Board which indirectly owns the entire issued share capital of Kingsway Capital Limited, one of the Joint Sponsors.

Modern Education HK also entered into agreements with Kingsway Capital Limited dated 3 December 2008 and 2 July 2009 respectively, pursuant to which Kingsway Capital Limited was engaged to act as the financial advisor to Modern Education HK for possible merger and acquisition transactions of education business. Such agreements expired/ were terminated in February 2009 and August 2009 respectively as the proposed transactions did not materialize.

Save as disclosed in this prospectus, Primo Result, SW Kingsway Capital Holdings Limited and Kingsway Capital Limited have no any other relationship with the Group and/or any connected persons of the Company during the Track Record Period and up to the Latest Practicable Date. During the period commencing from the Listing Date and ending on the six months from the Listing Date, Primo Result has undertaken not to offer or sell the Shares held by it for a certain period of time. For details in relation to the above lock-up undertakings, please refer to the section headed “Underwriting – Undertaking by our Controlling Shareholders, our Initial Shareholders and Primo Result” of this prospectus. Primo Result has not and will not, after the Listing, participate in the management of the Company. Save as being a Shareholder, Primo Result is an Independent Third Party and will be considered as a public Shareholder under the Listing Rules.

Primo Results is an indirectly wholly-owned subsidiary of SW Kingsway Capital Holdings Limited, which in turn is owned as to 65.52% by World Developments Limited. World Developments Limited is a wholly owned subsidiary of Innovation Assets Limited whose entire issued share capital is beneficially owned by Sunwah International Limited. Dr. Choi Koon Shum Jonathan (“Dr. Choi”), the ultimate majority shareholder, beneficially owns or has control of approximately 68.29% of the issued share capital of Sunwah International Limited.

Dr. Choi is a Member of the National Committee of the Chinese People’s Political Consultative Conference (CPPCC) of the PRC, an Economic Advisor to the President of the Chinese Academy of Sciences, PRC and a Court/Council Member of a number of universities including United College of the Chinese University of Hong Kong, the Hong Kong University of Science and Technology, the Hong Kong Polytechnic University, the Fudan University, the Nanjing University and the Northeastern University in Liaoning.

HISTORY AND CORPORATE STRUCTURE

Since the 1970's, the Choi's family has provided financial supports for the establishment of kindergartens, primary schools and colleges in Zhongshan and Macau. From the 1980's, the Sun Wah group extended its education funding to other areas in the PRC. The Sun Wah group has provided financial supports to and/or participated in the establishment of a number of education and technology foundations in various universities, colleges, primary schools, kindergartens in Hong Kong, Macau, the PRC.

Sun Wah group's participation in the education and technology sectors includes but not limited to the following:

- (1) the PRC:
 - (a) contributed to the establishment of the Guangdong Zhongshan Overseas Chinese Middle School in 1979;
 - (b) contributed to the funding of the Guangdong Sun Wah Education Institute since 1999;
 - (c) contributed to the establishment of the Zhangxi Choi Kai Yau Kindergarten in Zhongshan in 2000;
 - (d) formed an alliance with the Liaoning University to establish Sun Wah International Business School in 2004, offering international finance, business administration, law and management programs; and
 - (e) established the 3e International School in Beijing in 2005. This project followed the establishment of the US-China Center for Research on Educational Excellence at the Michigan State University and the China-US Center for Advanced Educational Research at the Beijing Normal University in 2004 on the "Sunwah Education Model".
- (2) Hong Kong and Macau:
 - (a) contributed to the establishment of the Chinese University of Hong Kong Choi Koon Shum General Education Resource Centre in 1995;
 - (b) established the Po Leung Kuk Choi Kai Yau College in February 2001 and Po Leung Kuk Choi Koon Shum Kindergarten in January 2002 respectively;
 - (c) established the Xin Hua School in Macau in 1997, which comprises kindergarten and primary sections; and
 - (d) established the Xin Hua Secondary College and Evening College in Macau in 1999.

The Board is of the view that, through the establishment of relationship with Primo Result, the Group will benefit from the network of the Sun Wah group in the education industry in the PRC.

HISTORY AND CORPORATE STRUCTURE

Profits Guarantee

Pursuant to the Investment Agreement (as amended by the Amendment Agreement), Mr. Ng Kam Lun, Mr. Lee, Mr. Ng Norman, Ms. Ng and Mr. KW Ng jointly and severally guaranteed the following:

- (i) the consolidated audited net profit of the Company and its subsidiaries for the year ended 30 June 2010 shall not be less than HK\$43,350,000, otherwise they shall pay to Primo Result an amount equals to the shortfall amount x 8.0 x 7.5%;
- (ii) the consolidated audited net profit of the Company and its subsidiaries for the year ending 30 June 2011 shall not be less than HK\$20,000,000, otherwise they shall pay to Primo Result an amount equals to the shortfall amount x 17.20 x 7.5%; and
- (iii) the consolidated audited net profit of the Company and its subsidiaries for the year ending 30 June 2012 shall not be less than HK\$45,000,000, otherwise they shall pay to Primo Result an amount equals to the shortfall amount x 8.0 x 7.5%.

The profit guarantee above will subsist after the Listing. The shortfall of approximately HK\$3.3 million for the year ended 30 June 2010 was mainly due to the recognition of certain legal and professional expenses incurred by the Group during the year in anticipation of listing, which was an one-off event. Mr. Ng Kam Lun, Mr. Lee, Mr. Ng Norman, Ms. Ng and Mr. KW Ng confirmed that they were not aware of the recognition of such expenses leading the shortfall at the time of entering into of the Investment Agreement. The profit guarantee under the Investment Agreement (as amended by the Amendment Agreement) is, in any event, a commercial decision as agreed between the shareholders of Sino Network and Primo Result and should not be indicative of our performance for the two years ending 30 June 2012. Hence, the Joint Sponsors consider that the profit guarantee comply with the requirements under Rule 2.03(4) that all shareholders are treated fairly and equally after Listing.

Payment of approximately HK\$2 million due to the above shortfall was made by the shareholders of Sino Network to Primo Result under the “Profits Guarantee” in early May 2011.

Board of Directors

Pursuant to the Investment Agreement, Primo Result is entitled to appoint one director to the board of directors of Sino Network. Certain matters such as, inter alia, material change in the scope, nature/or activities of business of Sino Network and its subsidiaries, mergers and acquisition, and disposition of substantial assets (including both acquisition and disposal) and issuance of any equity or equity linked securities, shall be subject to a majority votes of directors of Sino Network, one of which must be the nominee of Primo Result prior to a qualifying initial public offering of Sino Network. It was agreed that the rights of Primo Result under this paragraph shall lapse and cease to have any effect upon Listing pursuant to the Amendment Agreement.

HISTORY AND CORPORATE STRUCTURE

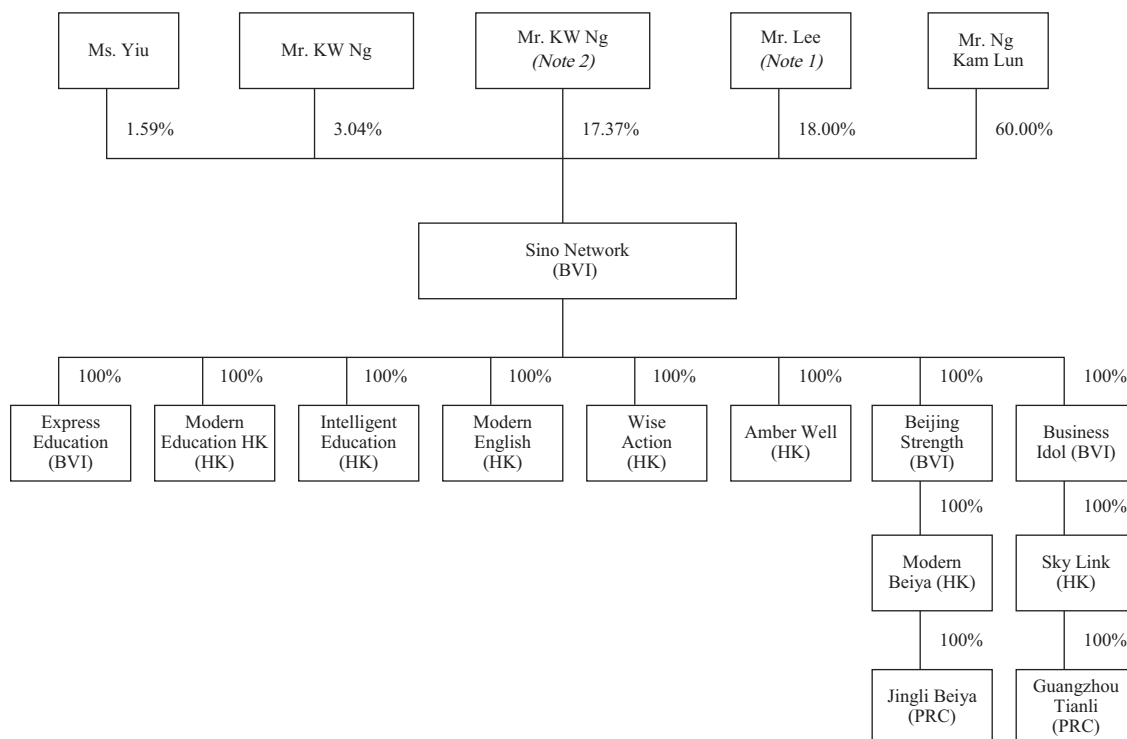
Put Option

Under the Investment Agreement, Sino Network agreed to use its best endeavors to secure a qualifying initial public offering within 24 months from the completion date of the Investment Agreement, and Primo Result was granted an option to require Mr. Ng Kam Lun, Mr. Lee, Mr. Ng Norman and Ms. Ng to purchase back the shares held by it in Sino Network if no initial public offering materializes after 24 months from the completion date of the Investment Agreement at a cash consideration calculated at HK\$26,010,000 plus a compound interest at a rate of 12% per annum. The Global Offering is a qualifying offering and thus the put option will lapse upon Listing.

CORPORATE REORGANISATION

Reorganisation

The following chart sets out our corporate structure prior to the commencement of the Reorganisation:



Notes:

- 6.65% of the issued share capital of Sino Network were held by Mr. Lee on trust for Ms. Chu pursuant to a deed of confirmation dated 7 February 2011. Our Hong Kong Legal Advisors are of the view that this trust arrangement with respect to the shares of Sino Network held by Mr. Lee was legal and valid under Hong Kong laws.
- 15.93%, 0.72% and 0.72% of the issued share capital in Sino Network were held by Mr. KW Ng on trust for Mr. Ng Norman, Ms. Lau and Ms. Ng respectively pursuant to the deeds of confirmation dated 25 November 2009 and 2 February 2011 and the supplemental deed of confirmation dated 2 February 2011. Our Hong Kong Legal Advisors are of the view that these trust arrangements with respect to the shares of Sino Network held by Mr. KW Ng were legal and valid under Hong Kong laws.

HISTORY AND CORPORATE STRUCTURE

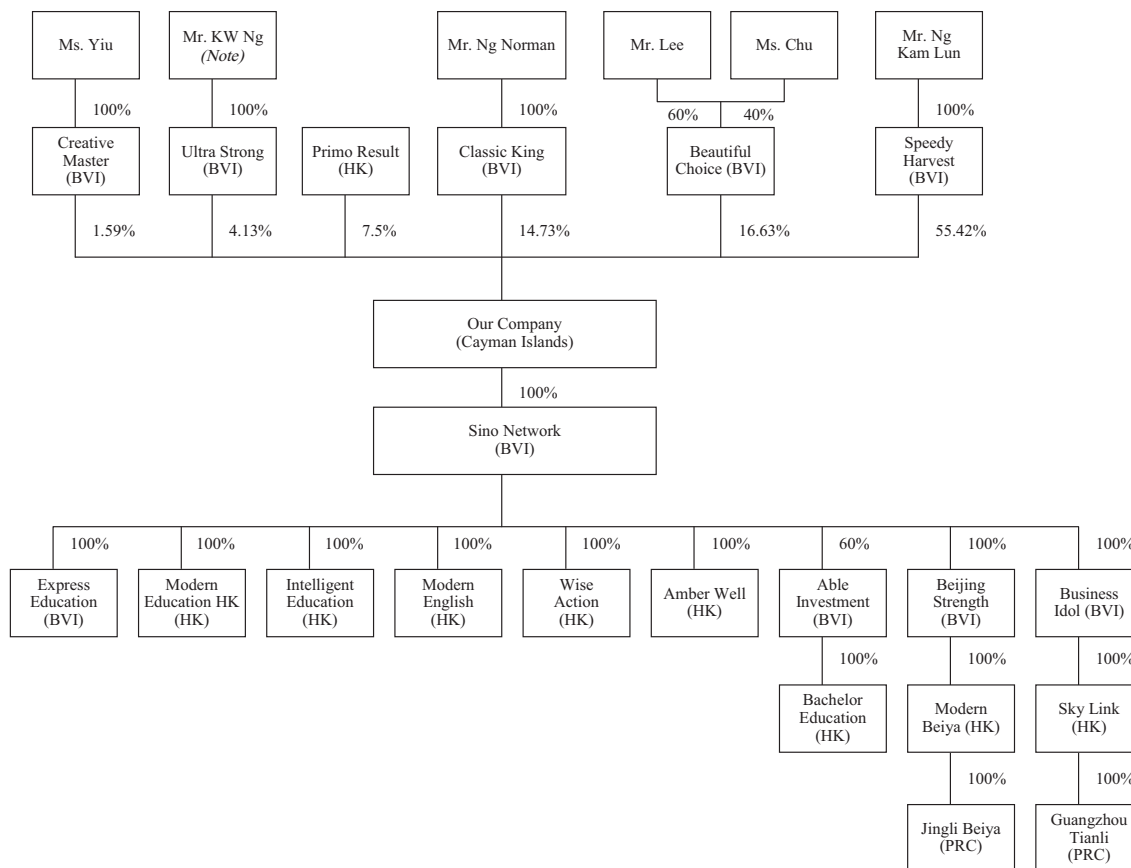
We underwent the Reorganisation to streamline our group structure in preparation for the Listing, and as a result, our Company became the holding company of Sino Network. The principal steps involved in the Reorganisation are summarized below:

- (a) On 22 December 2010, Six Stars, Ms. Yiu, Sino Network, Able Investment, Ms. Poon Wai Sze, Ms. Mok Sze Wan, Mr. Ng Hoi Tin and Mr. Ng Ping Lun entered into the AI Acquisition Agreement pursuant to which Sino Network agreed to acquire the aggregate number of 6,000 shares representing 60% of the issued share capital of Able Investment from Six Stars. In consideration of such acquisition, Sino Network agreed to pay HK\$3 million to Ms. Yiu, and to replace Six Stars as a party to the Original AI Acquisition Agreement and to observe, perform and discharge all the obligations of Six Stars under the Original AI Acquisition Agreement which include, inter alia, payment obligations in the total sum of HK\$5 million (subject to consideration adjustment) to Ms. Mok Sze Wan, Mr. Ng Hoi Tin, Mr. Ng Ping Lun and Ms. Poon Wai Sze as the remaining consideration under the Original AI Acquisition Agreement. Following completion of the AI Acquisition Agreement on 31 December 2010, Able Investment became 60% non-wholly owed subsidiary of Sino Network.
- (b) On 11 January 2011, Primo Result, Mr. Ng Kam Lun, Mr. Lee, Mr. Ng Norman, Ms. Ng, Mr. KW Ng and Sino Network entered into the Investment Agreement pursuant to which Primo Result agreed to acquire 640 shares, 192 shares, 169 shares and 48 shares from Mr. Ng Kam Lun, Mr. Lee, Mr. Ng Norman and Ms. Ng respectively at a total investment amount of HK\$26,010,000. Following completion of the Investment Agreement on the same day, Sino Network was beneficially owned by Mr. Ng Kam Lun, Mr. Lee, Ms. Chu, Mr. Ng Norman, Mr. KW Ng, Ms. Lau, Ms. Ng, Ms. Yiu and Primo Result as to 55.42%, 9.98%, 6.65%, 14.73%, 3.04%, 0.72%, 0.37%, 1.59% and 7.5% respectively. Further particulars regarding the Investment Agreement are set out in subsection headed “Investor of our Group” in this section.
- (c) On 26 January 2011, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK\$150,000,000 divided into 1,500,000,000 shares of HK\$0.1 each. On 1 February 2011, one subscriber share with the par value of HK\$0.1 each was transferred to Speedy Harvest.
- (d) On 7 June 2011, Mr. Ng Kam Lun, Mr. Lee, Ms. Chu, Mr. Ng Norman, Mr. KW Ng, Ms. Lau, Ms. Ng, Ms. Yiu, Primo Result and the Company entered into the Share Swap Agreement pursuant to which the Company agreed to acquire an aggregate number of 13,983 shares in Sino Network from them, representing the entire issued share capital of Sino Network. In consideration of such acquisition, the Company allotted and issued a total of 283,999,999 Shares to the respective nominees of Mr. Ng Kam Lun, Mr. Ng Norman, Mr. Lee, Ms. Chu, Mr. KW Ng, Ms. Lau, Ms. Ng and Ms. Yiu, and Primo Result in accordance with their respective proportion of shareholdings in Sino Network. Following completion of the Share Swap

HISTORY AND CORPORATE STRUCTURE

Agreement, the Company was held by Speedy Harvest, Beautiful Choice, Classic King, Ultra Strong, Creative Master and Primo Result as to 55.42%, 16.63%, 14.73%, 4.13%, 1.59% and 7.5% respectively.

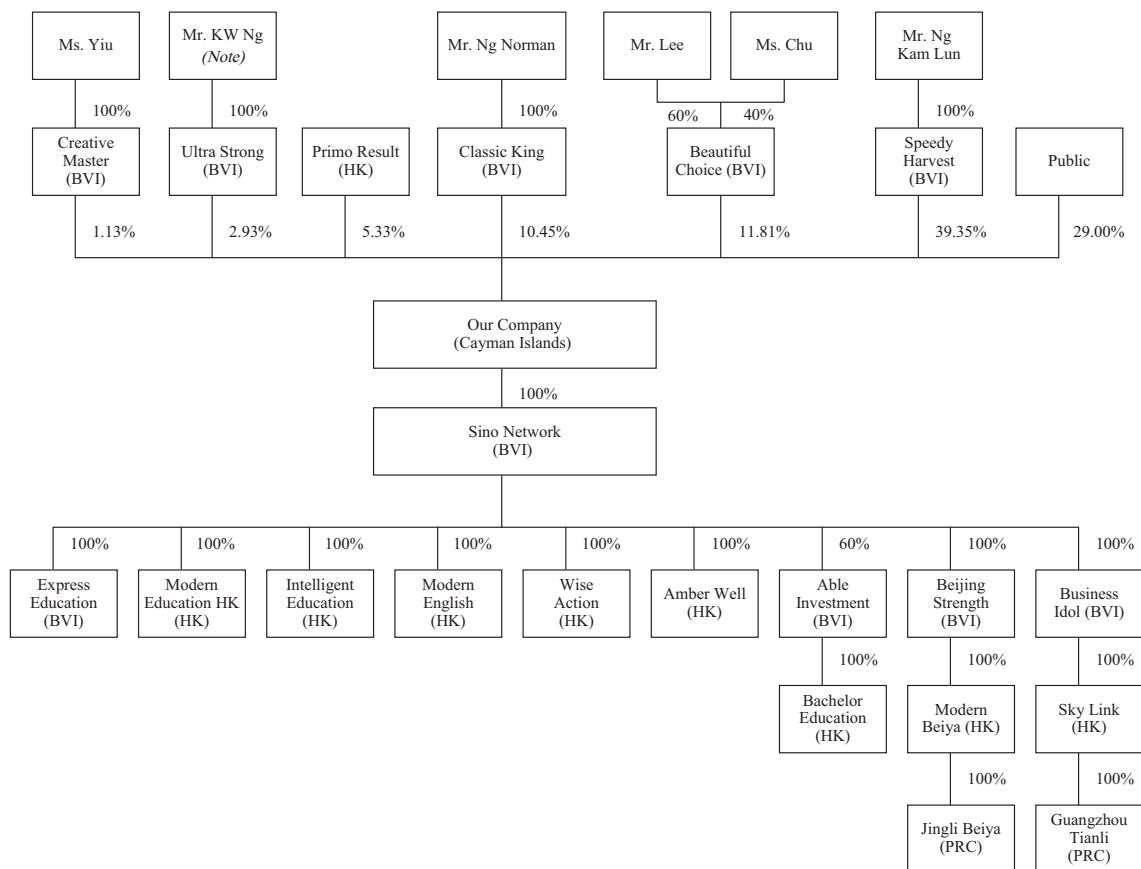
The following chart sets out our corporate structure immediately following completion of the Reorganisation and prior to the Global Offering:



Note: Mr. KW Ng is holding Ultra Strong for himself as to 73.7%, and is holding on trust for Ms. Lau as to 17.3% and for Ms. Ng as to 9% pursuant to the deeds of confirmation dated 3 March 2011. Our Hong Kong Legal Advisors are of the view that these trust arrangements with respect to the shares of Ultra Strong held by Mr. KW Ng are legal and valid under Hong Kong laws.

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The following chart sets out our corporate structure after the Reorganisation and immediately following completion of the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any Shares that may be issued under the Share Option Scheme):



Note: Mr. KW Ng is holding Ultra Strong for himself as to 73.7%, and is holding on trust for Ms. Lau as to 17.3% and for Ms. Ng as to 9% pursuant to the deeds of confirmation dated 3 March 2011. Our Hong Kong Legal Advisors are of the view that these trust arrangements with respect to the shares of Ultra Strong held by Mr. KW Ng are legal and valid under Hong Kong laws.

OVERVIEW

We are a provider of tutoring services in Hong Kong. As at 31 May 2011, we had 151 registered classrooms and a maximum number of 4,336 pupils were permitted in our classrooms (including ME Centres and MBE Centres) at the same time according to EDB. We offer a wide range of education programmes and services consisting of secondary tutoring services, secondary day school education, English language test preparation courses and other programmes and services. We provide private education services under our “Modern Education” (現代教育), “Modern College” (現代書院), “Modern Bachelor Education” (現代小學士) and “New Era Bachelor Education Centre” (新世代學士教室) brands. We believe our “Modern Education” (現代教育) brand, in particular, is one of the leading brands in Hong Kong’s private education services sector. This is evidenced by the recognition as a “Trusted Brand” (信譽品牌) in 2008, 2009 and 2010 by Readers Digest (讀者文摘) and being voted as “The Best for Home 10-11” Award (香港家庭最愛品牌大賞10-11) organised by Take me Home Community Post (Take me Home • 生活區報) in 2010. The “Trusted Brand” recognition was given based on the customer surveys conducted by Readers Digest (讀者文摘) during the relevant period. Of all the providers of private education services in Hong Kong, we were one of the two institutions being awarded with the recognition. “The Best for Home 10-11” Award was given based on votes cast by readers of Take me Home Community Post. Of all the providers of private education services in Hong Kong, we were the only institution being given such award in 2010.

For the three years ended 30 June 2008, 2009 and 2010 and the six months ended 31 December 2010, we had approximately 0.72 million, 0.78 million, 0.76 million and 0.25 million course enrolments, respectively, in our education programmes and services and our total revenue for the corresponding periods amounted to approximately HK\$309.4 million, HK\$360.4 million, HK\$353.2 million and HK\$123.7 million, respectively. We offer our secondary tutoring services, secondary day school education and the English language test preparation courses through our ME Centres. As at the Latest Practicable Date, we obtained 19 certificates of registration of a school from EDB, pursuant to which we operated 15 ME Centres in Hong Kong. In Hong Kong, we had 334 employees, 35 of whom were full-time day school teachers, and we had service contracts with 51 tutors as at the Latest Practicable Date. In the PRC, we had 4 full-time employees as at the Latest Practicable Date.

In 2010, we expanded our operations to the private education services market in Beijing, PRC through providing technical consultation and management service and software licencing to Beijing Yasi School, an entity offering standardized test preparation courses on, for example, IELTS and TOEFL, in the PRC. Programmes and services of Beijing Yasi School are offered under the “BJ IELTS” (北京雅思) brand, commonly known as the “Beiya” (北雅) brand.

In December 2010, we further expanded our business into the primary homework tutoring services market through the acquisition of 60% of the issued share capital of Able Investment which wholly owned Bachelor Education, a provider of primary tutoring services in Hong Kong. Our current primary education services are offered mainly under our “Modern Bachelor Education” (現代小學士) brand. As at the Latest Practicable Date, we had 5 MBE Centres

BUSINESS

operating under our “Modern Bachelor Education” (現代小學士) brand. Furthermore, as a result of various franchise agreements entered into between Bachelor Education and the franchisees, we had 11 MBE Franchised Centres, 8 of which were operating under our “Modern Bachelor Education” (現代小學士) brand and 3 of which were operating under our “New Era Bachelor Education Centre” (新世代學士教室) brand as at the Latest Practicable Date.

Our total revenue increased from HK\$309.4 million for the year ended 30 June 2008 to HK\$360.4 million for the year ended 30 June 2009, representing an increase of 16.5%. However, we experienced a decrease in revenue of 2.0% to HK\$353.2 million for the year ended 30 June 2010.

In recent years, immigrants from the PRC have contributed to the number of local secondary school students. Nonetheless, due to the significant and sustained decrease in birth rate in Hong Kong, the number of secondary school students has been gradually declining since the school year 2007/2008. According to the Synovate Report, it is forecast that the number of secondary school students will continue to decrease till it reaches a minimum level of approximately 339,600 in the school year 2016/2017 and will thereafter experience steady increase starting from the school year 2017/2018 onwards. The reason for the forecast increase of secondary school students starting from the year 2017/2018 is due to statistics showing the birth rate has stopped dropping since 2004. To cope with the forecast decrease of secondary school students in Hong Kong as well as to increase our revenue in general, we decided to diversify our programmes and services to attract students to enrol in our other courses. For example, we successfully registered as a course provider providing reimbursable courses under the CEF since 2007. Thereafter in 2010, we expanded our operations to the PRC and providing primary homework tutoring services in Hong Kong. In addition, we entered into a cooperation agreement with an overseas studies consultation company in Hong Kong on 20 May 2011 for expansion to the overseas studies consultation services market. For further details in relation to our future plans and strategies, please refer to the section headed “Business – Our Future Plans and Strategies” of this prospectus.

MARKET OPPORTUNITIES AND RISKS

According to the Hong Kong Census and Statistics Department, in 2010, approximately 1,046,800 people in Hong Kong were between the age of 5 to 19. This age group represents the typical school age students and young adults who actively pursue education opportunities.

According to EDB, for the school year 2009/2010, there were 344,748 and 469,466 students enrolling in primary schools and secondary schools in Hong Kong respectively. According to the Synovate Report, for the school year 2009/2010, about 80% of the total secondary school students in Hong Kong have engaged in tutoring services and the percentage is expected to increase to about 91% in the school year 2014/2015. The average spending per student had increased 28% from the school year 2005/2006 to about HK\$5,410 in the school year 2009/2010. Of all the private tuition students, those who attended chained private tuition centres accounted for about 72% of the total number in the school year 2009/2010.

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According to the Synovate Report, the market value of secondary tutoring services business in Hong Kong was approximately HK\$1,984 million in the school year 2009/2010 and is expected to reach approximately HK\$2,717 million in the school year 2014/2015.

New Academic Structure (the 334 System)

According to EDB, during the school year 2009/2010, there were 238,026, 166,421 and 65,019 student enrolments in Form 1 to 3, Form 4 to 5 and Form 6 to 7, respectively. Under the former academic structure, a process of elimination took place whereupon completion of Form 5, certain portion of students with relatively weaker academic performances would be unable to proceed to Form 6.

With the implementation of the New Academic Structure, also known as the 334 System, in September 2009, all students will have the opportunity to study up to Secondary 6 if he/she so wishes after completing compulsory education to Secondary 3, without encountering any process of elimination. The years of secondary education will decrease from 7 years to 6 years and this essentially means that the two public examinations, HKCEE at the Form 5 level and HKALE & HKASLE at the Form 7 level, are being replaced by one public examination, namely HKDSE. In between the change of examination systems, a last round of HKCEE was held from March to May in 2011 in certain subjects to accommodate the needs of private candidates who wish to sit for HKCEE, before the first HKDSE to be held in 2012. Given the circumstance that a large number of students did not sit for the last round of HKCEE in 2011, our course enrolments and revenue for secondary tutoring services in relation to HKCEE have substantially declined for the six months ended 31 December 2010 compared to the six months ended 31 December 2009.

Our total number of course enrolments for the six months ended 31 December 2009 was approximately 0.38 million and the number had decreased by approximately 34.2% to approximately 0.25 million for the six months ended 31 December 2010. In particular, due to the abolishment of HKCEE, the number of course enrolments for our Form 5/Secondary 5 tutoring services had decreased by approximately 68.8% from approximately 0.16 million (Form 5 under the old system) to approximately 0.05 million (Secondary 5 under the 334 System) for the six months ended 31 December 2009 and 2010 respectively, and the revenue generated had substantially decreased by approximately 71.9% from approximately HK\$62.0 million (Form 5 under the old system) to approximately HK\$17.4 million (Secondary 5 under the 334 System) for the six months ended 31 December 2009 and 2010 respectively. The number of course enrolments for our Form 5/Secondary 5 day school education had decreased by approximately 38.5% from approximately 2,600 (Form 5 under the old system) to approximately 1,600 (Secondary 5 under the 334 System) for the six months ended 31 December 2009 and 2010 respectively, and the revenue generated had also decreased by approximately 30.3% from approximately HK\$6.6 million (Form 5 under the old system) to approximately HK\$4.6 million (Secondary 5 under the 334 System) for the six months ended 31 December 2009 and 2010 respectively. Form 4/Secondary 4 course enrolments also dropped from approximately 0.10 million for the year ended 30 June 2009 to approximately 0.06 million for the year ended 30 June 2010, given Secondary 4 school students under the 334 System

would not sit for HKCEE but HKDSE in Secondary 6. As a result, we believe such decline in course enrolments would lead to a substantial decrease in our revenue and net profit for the year ending 30 June 2011. Based on the Group's unaudited management account, our total revenue for the nine months ended 31 March 2011 was HK\$210.9 million.

In the transitional period for the school year 2011/2012, there will be Secondary 5, Secondary 6 and Form 7 levels. Form 7 students will be taking the last round of HKALE & HKASLE in April 2012. We expect that subsequent to the substantial decrease in course enrolments and number of students for the school year 2010/2011 due to the abolishment of HKCEE, we will be able to benefit from the co-existence of the Secondary 5, Secondary 6 and Form 7 levels which will lead to a rise in our course enrolments and number of students for the school year 2011/2012. For the financial year ending 30 June 2013, the Directors expect that our Group's total course enrolments could be adversely affected compared with those of the preceding financial year due to the abolishment of Form 7 under the 334 System.

According to the Synovate Report, there was a total of approximately 113,530 Secondary 5 to 6 students in Hong Kong when the school year 2010/2011 commenced in September 2010 and the number of Secondary 6 students for the school year 2011/2012 is forecast to increase by approximately 27% to about 80,404 students, compared to about 63,625 Form 6 and 7 students in the school year 2010/2011. Despite the fact that the number of students taking public examinations will decrease under the 334 System due to the number of public examinations being reduced from two to one, we believe opportunities lie where the Secondary 6 students will be taking or retaking the one public examination, HKDSE. With the introduction of HKDSE starting from the financial year ending 30 June 2012, the Directors expect the demand for Secondary 6 courses will increase substantially as compared with that of the financial year ending 30 June 2011. This is principally attributable to two reasons:

- 1) the total number of Secondary 6 students will increase substantially since all students will have a chance to study up to Secondary 6 under the 334 System with the abolishment of the HKCEE. According to HKEAA, the number of students taking the new HKDSE in 2012 will more than double as compared with that of day school candidates taking the HKALE & HKASLE in 2010. Based on the past statistics from EDB, a large number of students will not be able to proceed to Form 6 after HKCEE under the old academic structure and we believe that the 334 System offers an opportunity in the way that the number of Secondary 6 students will very likely be more than the number of Form 6 and Form 7 students in aggregate.
- 2) the enrolment rate of tutoring courses for Secondary 6 students is likely to increase compared with that of the previous year as the new HKDSE will become the principal performance indicator for admission to higher education in Hong Kong. Students may put greater effort in this examination. Based on the Group's experience, enrolment rates tend to increase when the university entrance examinations are approaching.

Further, under the 334 System, students will be studying and preparing for HKDSE starting from Secondary 4 until the public examination at the end of Secondary 6 and we believe students may start attending our tutoring courses in Secondary 4 until they finish taking HKDSE.

Furthermore, under the 334 System, certain new subjects are incorporated into the New Senior Secondary curriculum. Apart from Chinese language, English language and Mathematics, liberal studies has also been made one of the core subjects which every Secondary 4 to 6 student has to undertake. By creating an additional core subject, we believe this will likely lead to an increase in our course enrolments in relation to liberal studies courses.

We intend to expand our market share and student base by opening 3 to 5 ME centres after the Listing and with continuous marketing efforts and diversification of our programmes and services, the Directors believe that the negative impact brought by the 334 System as stated above could be mitigated.

Continuing Education Fund

Continuing Education Fund is a public fund in place to subsidise adults in Hong Kong with learning aspirations to pursue continuing education and training courses. Eligible applicants will be reimbursed 80% of their course fees spent, subject to a maximum of HK\$10,000 (whichever the less), on successful completion of a reimbursable course. In order to qualify as an eligible person under the CEF scheme, one has to be a Hong Kong resident who has the right of abode or the right to land or to remain in Hong Kong without restrictions. Holders of one-way permits from the PRC may also apply under the CEF scheme. One would also have to enrol and pay the tuition fee on equal monthly instalments basis for a reimbursable course before the course commences and has to be aged from 18 to 65 at the time of application and on seeking reimbursement of his/her fees.

To be able to provide reimbursable courses, course providers are required to apply for registration of the courses with the Labour and Welfare Bureau. Prior to the implementation of the qualifications framework on 5 May 2008, courses intended to be registered under the CEF were subject to prior assessment. Areas such as relevance of the course content to the competency requirements, course duration, mode of delivery, assessment methods, background of instructors and presenters and the quality assurance procedures would be considered in the assessment. Following implantation of the qualification framework, stronger emphasis has been placed on the examination of the overarching governance and quality assurance mechanism adopted by the course providers. As such, new courses run by non-self-accrediting institutions, i.e. non university institutions, are required to undergo formal accreditation exercise before registration.

At present, certain courses in relation to the English language are reimbursable by the Government under the CEF. Our courses, The International English Language Testing System (IELTS) Preparation Course and Diploma in Work Place English TOEIC Preparatory Course are also reimbursable under the CEF since 31 July 2007 and 31 October 2007 respectively. Unless de-registration of the courses is made by us with the Labour and Welfare Bureau or de-registration is ordered by the Government, we remain qualified to provide these reimbursable courses. As at the Latest Practicable Date, we are the only secondary tutoring services provider in Hong Kong accredited by the Government to provide reimbursable courses on IELTS and TOEIC.

English Language Training

Demand for English language training in Hong Kong has always been high since proficiency in the English language is often one of the pre-requisites to admission to higher education or employment opportunities. To gain admission into, or graduate from, universities or colleges in Hong Kong or many countries overseas, students may be required to undertake and attain a minimum level or grade on certain English proficiency assessments, such as IELTS, TOEFL and SAT.

In addition, the importance of the English language in China is rapidly growing due to integration into the global economy. The integration into the global economy has resulted in increasing career opportunities for native Chinese speakers who are able to communicate effectively in English.

OUR COMPETITIVE STRENGTHS

We seek to leverage our competitive strengths to expand our business in an efficient and cost-effective manner. We believe that being a tutoring services provider with the largest number of licenced centres in Hong Kong, together with our strong brands, diverse selection of education services, proven profitable business model, high teaching quality and diverse products and our experienced team of entrepreneurial management team are our key strengths contributing to our success and differentiate us from our competitors.

A Tutoring Services Provider with the Largest Number of Licensed Centres Providing Secondary Tutoring Services in Hong Kong

We are a provider of tutoring services in Hong Kong. As at 31 May 2011, we had 20 licensed centres providing secondary tutoring services. According to the Synovate Report, we had a total of 31 centres, 182 registered classrooms and a maximum number of 4,614 pupils were permitted in our classrooms (including ME Centres, MBE Centres and MBE Franchised Centres) at the same time as at 31 May 2011. Please refer to the section headed “Industry Overview – Competition Landscape” and the section headed “Business – Competition” in this prospectus for details.

We operate 15 ME Centres in Hong Kong as at the Latest Practicable Date. We successfully executed our business strategy to increase our course enrolments, which grew from approximately 0.72 million in 2008 to 0.76 million in 2010. In the year ended 30 June 2010, we had approximately 0.74 million course enrolments in our secondary tutoring programmes. We offer comprehensive tutoring services to secondary school students covering all core and major academic subjects under the formal secondary school curriculum through examination oriented courses delivered by our tutors. To cater to the needs of younger students who generally require greater attention, we offer our primary homework tutoring services through 5 MBE Centres and 11 MBE Franchised Centres as at the Latest Practicable Date, with a “small class” setting.

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Our large scale of business has enabled us to effectively leverage our brand, existing network, proprietary course materials and high teaching quality to become a leading player in the industry. Since our inception in 1997, we have substantially expanded our number of ME Centres scattered in various areas of Hong Kong, which grew from 5 in 1997 to 15 in 2010 to capture the market opportunities in the Hong Kong private education services industry.

Strong Brands

Our “Modern Education” (現代教育) brand is one of the most recognised education brands in Hong Kong. We believe we have built a strong brand that is associated with high academic background of certain of our tutors in the Hong Kong private education market who could attract students with good academic results to enrol in our courses. Leveraging on our “Modern Education” (現代教育) brand, we are able to expand into new markets, which include our secondary day school education offered under our “Modern College” (現代書院) brand and our primary homework tutoring services offered mainly under our “Modern Bachelor Education” (現代小學士). After obtaining approval from the Labour and Welfare Bureau in 2007, we are also able to provide reimbursable English language preparation courses on IELTS and TOEIC under the CEF in Hong Kong.

As a token of recognition, we were recognised as a “Trusted Brand” in 2008, 2009 and 2010 by Readers Digest (讀者文摘) and were awarded “The Best for Home 10-11” Award by Take me Home Community Post in 2010.

Diverse Selection of Education Services

We offer a wide selection of education programmes and services to a diverse student population with varying academic and career development needs. Through “Modern Bachelor Education” (現代小學士) and “Modern Education” (現代教育), we provide one-stop primary to secondary tutoring services. Through “Modern College” (現代書院), we provide secondary day school education at various levels. Students studying at our “Modern College” (現代書院) are being instructed on subjects according to the formal secondary school curriculum set forth by EDB.

During the Track Record Period, we offered secondary tutoring courses in 6 subjects to Form 1 to 3 (or Secondary 1 to 3) students, 15 subjects for HKCEE and 15 subjects for HKALE & HKASLE and with the implementation of the 334 System in September 2009, 13 subjects for HKDSE. In addition, we offer a wide range of English language test preparation courses on, amongst others, IELTS, TOEIC, YLE and KET.

Furthermore, we have expanded into the PRC private education services market, offering technical consultation, management services and software licencing to Beijing Yasi School.

We believe that with the wide range of education programmes and services we offer, we have successfully addressed the needs of our target markets and contributed to our long-standing track record of success.

Proven Profitable Business Model

We currently deliver our secondary tutorial services through two modes, namely (i) instruction by our tutors; and (ii) instruction by a team of tutors and/or teaching assistants with the support of teaching materials such as notes and video clips. Our teaching assistants are either university graduates (teaching CEF reimbursable courses and courses up to Secondary 7), higher diploma holders (teaching courses up to Secondary 5) or full-certificate holders (teaching courses up to Secondary 3). For details about regulations relating to employment of teachers and teachers' qualifications, please refer to the section headed "Regulatory Overview – Education (Exemption) (Private Schools Offering Non-Formal Curriculum) Order – Employment of teachers & Teachers' qualifications" in this prospectus. To provide greater flexibility and choices, our students may, at times of enrolment, choose to register for our courses delivered through either of the two modes with varying time schedule and course fees.

As such, our business model allows us to increase overall utilisation of our education resources and accordingly our student capacity, allowing us to benefit from economies of scale without incurring substantial costs.

High Teaching Quality and Diverse Products

We believe our commitment to consistent high teaching quality and standards is one of the significant driving forces behind our success. Our Group stresses on the importance of our tutors, innovative teaching methods and strongly encourages our tutors to produce customised and up-to-date course materials and effective test-taking techniques to cater to the needs of our students. This commitment is reflected in our prudent selection and engagement of tutors based on their experience, skills and qualifications in the relevant subjects, presentation skills and reputation. We may consider contracting with tutors with lesser experience if they possess a solid and strong academic background from a top tier university and have successfully undergone our screening process.

We offer highly competitive revenue sharing schemes to our tutors under our "Modern Education" (現代教育) brand which have helped us engaging and retaining our best tutors. As such, we have maintained long-standing relationships with a number of our tutors.

To keep up with the changes in the education system and both internal and public examination trends, our tutors regularly update and improve their course materials. In addition to the content of the course materials, our tutors have prepared the materials in an easily comprehensible manner to our students. For example, core ideas of the matter may be listed in point-form where solutions to questions may be illustrated through bubble diagrams.

Our chairman, Mr. Ng Kam Lun, our chief financial officer, Mr. Ng Norman and our chief operating officer, Mr. Lee are also established authors of textbooks or practice books on English language and mathematics, respectively.

Experienced Team of Entrepreneurial Management Personnel

We have a team of entrepreneurial management personnel who share a passion for education. Our founder, Mr. Ng Kam Lun, began his career in the education industry in Hong Kong in 1989 soon after graduating from the University of Alberta in Canada. The other executive Directors, Mr. Lee, Mr. Ng Norman and Ms. Yiu have worked in the education field since 1993, 2004 and 1997, respectively, and have risen to their current management positions due to their experience, outstanding performance and commitment to our business. Our executive Directors have an average of over 12 years of experience in the education industry.

Our chairman, Mr. Ng Kam Lun, our chief financial officer, Mr. Ng Norman and our chief operating officer, Mr. Lee, are authors of textbooks or practice books for English language and mathematics respectively. Mr. Ng Kam Lun and our chief executive officer, Ms. Yiu are the deputy chairman and secretary of The Hong Kong Federation of Private Educators (香港私立教育機構聯會), respectively, a federation established in 2002 aiming to promote and upgrade private education and enhance academic and educational studies in Hong Kong.

Under the leadership of our Directors and senior management, we have successfully executed our business strategies throughout the years and have become one of the leaders in the Hong Kong private education market.

OUR FUTURE PLANS AND STRATEGIES

Our goal is to become one of the leading providers of private education services in the PRC while maintaining our position as one of the market leaders in the private education services industry in Hong Kong. We also aim to leverage our successful experience in Hong Kong to modernise the education services market in the PRC through our programmes and services. We believe our key competitive strengths have provided us with a strong advantage and facilitated our continuing growth.

We intend to pursue the following key strategies to achieve our goal:

In Hong Kong

Further Expansion of Our Existing Businesses in Hong Kong

We intend to further expand our existing businesses in Hong Kong through internal growth by leveraging our strong brand, economies of scale, high teaching quality, diverse products and experienced management team. After Listing, we plan to use approximately HK\$15 million to open 3 to 5 new ME Centres in Hong Kong between the years ending 30 June 2013 and 30 June 2015. We have identified suitable premises in areas of Hong Kong Island, Kowloon and the New Territories. However, due to business secrecy, the Directors consider it not suitable to disclose such information in the prospectus to avoid competitors' fierce competition for suitable locations, which might lead to higher rents. Furthermore, we plan to use approximately HK\$6 million to open 6 to 10 additional MBE Centres in areas of Hong

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Kong Island, Kowloon and the New Territories during the years ending 30 June 2012, 2013 and 2014. Again, due to business secrecy, the Directors consider it not suitable to disclose such information. By doing so, we will expand the geographical network of our secondary day school and our tutoring services business in general.

We aim to maintain our status as one of the top one-stop providers of tutoring services for all students in Hong Kong, from primary to secondary level. We will continue to diversify our courses and services to cater for the needs of our students in response to the changes in the Hong Kong education system while expanding our selection of standardized test preparation courses. We plan to increase our revenues in our existing markets by offering more classes and subjects at various levels, attracting new and existing students to enrol in our courses.

Vertical Expansion into Adjacent Education Services Markets

We intend to expand our business vertically by broadening our range of services to adjacent education services markets with high potential for growth in Hong Kong, for example, the kindergarten or pre-school education business. Leveraging on our existing “Modern Education” (現代教育), “Modern College” (現代書院) and “Modern Bachelor Education” (現代小學士) brands, we believe we are in an advantageous position as compared to our competitors to further expand our business into the kindergarten or pre-school education sector. We believe that providing a diverse selection of private education services for infants, children, adolescents and adults will allow us to take full advantage of the synergies in our business and achieve high levels of profitability from the markets in which we operate.

We intend to expand our operations into the kindergarten or pre-school education business through strategic merger and acquisition of, or establishment of franchise relationship with, existing provider(s) of kindergarten or pre-school education services, or opening of new learning centres, in Hong Kong and/or the PRC. Similar to our primary homework tutoring services operations, while we acquire the businesses of an existing kindergarten or pre-school education services provider, we simultaneously acquire the necessary manpower, knowledge, experience and information of the industry and business. We may also recruit management personnel and teachers who are experienced in the kindergarten or pre-school education field to join us.

As such, we plan to use approximately HK\$34 million of our listing proceeds on strategic merger and acquisition of existing players in the kindergarten or pre-school education field and/or other related services within the coming two to three financial years. We would only consider merging with or acquiring players which have strong local network, experience, technology, knowhow, connections and/or other resources that is complementary and beneficial to us.

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Overseas Studies Consultation Services Market

Leveraging our experiences in the education sector, we intend to expand into the overseas studies consultation market through establishing a joint-venture with certain overseas studies consultation companies in Hong Kong. We aim to assist students in the application and admissions process to overseas education institutions, which include high schools, colleges or graduate colleges mainly in the U.S., the U.K., Australia and New Zealand. We also plan to provide consultation services on the immigration procedures for overseas studies, such as visa applications, cultural adjustment and housing searches.

Through cooperation with overseas studies consultation companies in Hong Kong, we will essentially be providing a platform for our students who wish to pursue higher education overseas while our joint-venture partner will be offering their experience and opinion in overseas studies to our students. We entered into a cooperation agreement with an overseas studies consultation company in Hong Kong on 20 May 2011 and we expect that the provision of overseas studies consultation and related services will commence by September 2011. We intend to use approximately HK\$6 million of the listing proceeds to operate our overseas studies consultation services and expect most of which will be used for administrative and marketing expenses.

Provision of Bridging Courses

Based on our years of experience in providing secondary tutorial services, secondary day school education and the English language test preparation courses, we plan to offer accredited bridging courses to students in Hong Kong who intend to pursue higher education in the U.K. and Australia. To achieve the same, we plan to collaborate with a company accredited by the relevant examination authorities to supply for the examination syllabus and curriculum while we will provide tutors to deliver the bridging courses in line with the set syllabus and curriculum. We expect to begin provision in the bridging courses by September 2011. Together with our business plan as stated under the section headed “Business – Our Futures Plans and Strategies – In the PRC – Further Developing Our Presence in the PRC through the Provision of Consultation and Management Services” of this prospectus, we intend to use approximately HK\$4 million of our listing proceeds in the provision of services in relation to the bridging courses or test preparation courses in Hong Kong and/or the PRC within the upcoming one to three financial years.

We believe students who wish to attend the bridging courses would be inclined to pursue higher education overseas as each of the bridging courses we propose to organise will be specially designed for a particular examination in a specific country. On the other hand, our existing secondary tutoring services and secondary day school education are primarily catered for the needs of students in Hong Kong who wish to pursue higher education locally. As such, we believe the risk and effect of our new programmes competing with our existing services, if any, would be minimal.

In the PRC*Extending Geographic Network into Adjacent Markets with High-growth Potential*

We intend to expand our geographic network into adjacent markets to reach a wider and more diverse customer and student base. Since 2010, we have already identified two economically prosperous regions in the PRC, being Beijing and Guangzhou, with high projected growth which we expect to receive attractive returns on capital. We intend to analyse various competitive and demographic factors in those markets in order to align our services with local needs while maintaining the efficiency of our operations through our centralised management structure.

We intend to set up learning centres for children in the PRC. After Listing, we plan to use approximately HK\$15 million in setting up 5 learning centres during the year ending 30 June 2012 to 30 June 2015. The Board is of the view that, through the establishment of relationship with Primo Result, the Group will benefit from the network of the Sun Wah Group in the education industry in the PRC. We currently do not have any concrete decision but will continue to deliberate on the choice of locations and areas in the PRC to which these centres should be opened. We plan to collaborate with market players which have relevant experience and expertise.

Further Developing Our Presence in the PRC through the Provision of Consultation and Management Services

We began our operations in the PRC education services market through providing technical consultation and management service and software licencing to Beijing Yasi School. We plan to continue to expand our presence in the PRC through the provision of technical consultation and management service. We intend to assist Beijing Yasi School to become a market leader in providing test preparatory services for the English language standardised examinations, such as IELTS, TOEFL and SAT in the PRC. We will leverage our existing Hong Kong business and expertise, particularly in English language training, to extract synergies from our PRC Operations. We believe that our expertise as providers of the English language tutoring services in Hong Kong will provide Beijing Yasi School with a competitive advantage over its potential PRC competitors.

Leveraging our expertise in providing the English language educational services, we intend to expand our business to include the provision of consultation service to Beijing Yasi School to assist them in providing tutoring services on major subjects under foreign public examinations, such as Cambridge International Advanced or Advanced Subsidiary Levels administered by University of Cambridge International Examinations or AP. We intend to take advantage of the “Beiya” (北雅) brand and network established by its cooperation agreements with local test preparatory services providers to expand our consultation and management services into other cities with growth potential as these markets mature.

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OUR BUSINESS AND NETWORK

Our business mainly consists of two segments, (i) Hong Kong operations; and (ii) PRC Operations.

Set out below is a breakdown of our revenue for each category of service during the Track Record Period and a comparison between the six months ended 31 December 2009 and 2010:

	Year ended 30 June						Six months ended 31 December			
	2008		2009		2010		2009		2010	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Secondary tutoring services	288,904	93.4	324,651	90.1	308,492	87.3	157,407	88.3	99,538	80.5
Secondary day school education	19,455	6.3	26,350	7.3	33,130	9.4	15,146	8.5	15,082	12.2
English language training and test preparation courses	1,027	0.3	9,415	2.6	10,712	3.0	5,746	3.2	7,898	6.4
Technical consultation, management and software licencing services	–	–	–	–	879	0.3	–	–	1,203	0.9
Total	309,386	100.0	360,416	100.0	353,213	100.0	178,299	100.0	123,721	100.0

With the introduction of the 334 System, a large number of students did not sit for the last round of HKCEE in 2011, as a result, our course enrolments for secondary tutoring services in relation to HKCEE have substantially declined. Such decline is reflected in the revenue generated from our secondary tutoring services for the six months ended 31 December 2010. We expect that such decline will continue till the year ending 30 June 2011 but we believe we will experience a relatively substantial increase in revenue for the year ending 30 June 2012 as we will be able to benefit from the co-existence of the Secondary 5, Secondary 6 and Form 7 levels for the school year 2011/2012. Having said that, we believe it is possible that our revenue may decrease after the school year 2011/2012 due to the cancellation of the Form 7 level.

Our Programmes and Services

We offer a variety of education and career enhancement services and programmes in Hong Kong to children, adolescents or adults. We believe we have successfully adopted and executed our business strategies to drive revenue growth and have organised our operations accordingly. We provide these services and programmes primarily through classroom instruction by our teams of tutors or teachers and teaching assistants.

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Hong Kong Operations

Followings are the key services we provide under the Hong Kong operations:

- Secondary Tutoring Services;
- Secondary Day School Education;
- English Language Training and Test Preparation Courses; and
- Primary Homework Tutoring Services, Skills Courses and Test Preparation Courses.

Certificates

The following are the certificates obtained in relation to the operation of each of the ME Centres and MBE Centres:

- Certificate of Registration of a School issued by the Education Bureau⁽¹⁾
- Certificate issued by the Fire Services Department⁽¹⁾
- Certificate issued by the Buildings Department⁽¹⁾
- Certificate of Accommodation issued by the Education Bureau⁽¹⁾
- Fees Certificate issued by the Education Bureau⁽¹⁾

Note:

1. these certificates do not have expiry dates and remain valid until revoked by the relevant government authorities in Hong Kong.

The Directors confirm that the Group has obtained all the relevant certificates for all of our ME Centres and MBE Centres and complied with all the relevant regulatory requirements in all material respect during the Track Record Period and up to the Latest Practicable Date.

Secondary Tutoring Services

Our secondary tutoring services are offered under our “Modern Education” (現代教育) brand, under which we provide supplementary education services for secondary school students from Form 1 to Form 7 (or with the 334 System, Secondary 1 to Secondary 6), with an emphasis on improving students’ internal school performance and preparing them for public examinations, HKCEE and HKALE & HKASLE (or with the 334 System, HKDSE). Our students typically enrol in our courses with the ultimate aim of improving in-school performance and public examination results with a view to attending a university of their choice. We opened our first ME Centre to provide secondary tutoring services in 1997 and as at the Latest Practicable Date, we had 15 ME Centres located in various districts on Hong Kong Island, in Kowloon and in the New Territories.

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Revenue from our secondary tutoring services for the three years ended 30 June 2008, 2009 and 2010 and the six months ended 31 December 2010 was HK\$288.9 million, HK\$324.7 million, HK\$308.5 million and HK\$99.5 million, respectively, representing approximately 93.4%, 90.1%, 87.3% and 80.5%, respectively, of our total revenue.

The following tables set forth the number of course enrolments, number of students, number of tutors, the average course fees, average class size of and revenue generated from each category of secondary tutoring services during the Track Record Period:

	Year ended 30 June			Six months ended 31 December
	2008	2009	2010	2010
Number of course enrolments				
<i>(in thousands)</i>				
Regular courses	485	547	493	173
Intensive courses	76	74	88	–
Summer courses	46	51	58	32
T.I.P.S. courses	24	25	19	–
Special courses	82	71	84	35
Number of students				
<i>(in thousands)</i>				
<i>(Note 1)</i>				
Regular courses	100	107	100	56
Intensive courses	72	68	80	–
Summer courses	26	27	31	17
T.I.P.S. courses	21	22	17	–
Special courses	66	56	63	29
Number of tutors				
<i>(Note 2)</i>				
Regular courses	49	51	52	48
Intensive courses	35	38	46	–
Summer courses	33	34	46	40
T.I.P.S. courses	21	23	24	–
Special courses	19	23	29	22
Average course fees				
<i>(HK\$) (Note 3)</i>				
Regular courses	441	454	461	463
Intensive courses	469	463	430	–
Summer courses	386	396	400	384
T.I.P.S. courses	347	349	359	–
Special courses	159	184	157	202

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	Year ended 30 June			Six months ended 31 December
	2008	2009	2010	2010
Average class size				
<i>(Note 4)</i>				
Regular courses	28	24	20	16
Intensive courses	24	17	15	–
Summer courses	19	18	17	10
T.I.P.S. courses	36	33	35	–
Special courses	25	27	27	22
 Revenue generated				
<i>(in HK\$'million)</i>				
Regular courses	214.1	248.5	227.4	80.2
Intensive courses	35.6	34.3	37.9	–
Summer courses	17.8	20.2	23.2	12.3
T.I.P.S. courses	8.3	8.7	6.8	–
Special courses	13.1	13.0	13.2	7.0

Note 1: Students can enrol in more than one category of courses and hence the sum of the number of students enrolled in regular courses, intensive courses, summer courses, T.I.P.S. courses and special courses does not equal to the total number of students for the year/period.

Note 2: Tutors may provide secondary tutoring services for all or certain categories of courses. As such, the sum of the number of tutors for the provision of regular courses, intensive courses, summer courses, T.I.P.S. courses and special courses does not equal to the total number of tutors for the three years ended 30 June 2008, 2009 and 2010 and the six months ended 31 December 2010, being 54, 61, 52 and 51 respectively.

Note 3: Being revenue divided by course enrolments for the year/period. For courses last for one month per enrolment, the average course fee equals monthly fee.

Note 4: Being number of course enrolments divided by number of classes held during the year/period. During the Track Record Period, the actual size of each class ranged from 3 to 45 students.

Note 5: Intensive and T.I.P.S. courses normally run from January to May, several months or weeks before an in-school or public examination.

With the implementation of the 334 System, school candidates have already sat for the last HKCEE in 2010, leading to substantial decrease in the course enrolments, number of students, average class size and revenue generated of secondary tutoring services in the 6 months ended 31 December 2010.

The Directors expect that the number of regular, summer and special courses will more or less remain stable under the 334 System, but the number of Secondary 6 intensive and T.I.P.S. courses under the 334 System will be higher than those of the Form 7 intensive and T.I.P.S. courses under HKALE & HKASLE system due to the fact that there will be more Secondary 6 students starting from the financial year ending 30 June 2012 than Form 7 students under HKALE system. However, the number of intensive and T.I.P.S. courses for Secondary 5 students will decrease with the abolishment of HKCEE.

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The following table sets forth the number of course enrolments and revenue generated from the respective school levels under our secondary tutoring services during the Track Record Period:

	Year ended 30 June						Six months ended 31 December	
	2008		2009		2010		2010	
	Course Enrolments (in thousands)	Revenue (HK\$' million)	Course Enrolments (in thousands)	Revenue (HK\$' million)	Course Enrolments (in thousands)	Revenue (HK\$' million)	Course Enrolments (in thousands)	Revenue (HK\$' million)
Secondary/Form 1 to 3 & general courses (<i>Note</i>)	41	17.4	48	18.9	43	17.0	18	7.1
Form 4	104	37.9	101	39.9	-	-	-	-
Form 5	274	107.5	308	125.9	316	125.9	-	-
Form 6	116	51.2	120	56.8	137	63.2	52	23.7
Form 7	178	74.9	191	83.2	189	81.4	96	43.1
Secondary 4	-	-	-	-	57	21.0	23	8.2
Secondary 5	-	-	-	-	-	-	51	17.4

Note: General courses refers to courses, seminars and workshops offered generally to all levels of secondary students but not specifically to a particular level, such as grammar courses.

With the implementation of the 334 System, school candidates have already sat for the last HKCEE in 2010, leading to substantial decrease in course enrolments and revenue in the six months ended 31 December 2010.

Students are instructed on subjects under the formal secondary school curriculum set forth by EDB by our teams of tutors, who provide their customised notes and materials and employ their own teaching techniques. During the Track Record Period, we provided secondary tutoring courses on the following subjects:

Form 1 to 3 tutoring services provided by us:

Subjects under the formal curriculum set forth by EDB	Tutoring services provided by us
Arts	
Chinese	✓
English	✓
Integrated Science	
Liberal Studies	✓
Mathematics	✓
Physical Education	
Technology	
Physics	✓
Chemistry	✓

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Form 4 to 5 (HKCEE) tutoring services provided by us:

Subjects under the formal curriculum set forth by EDB	Tutoring services provided by us
Accommodation and Catering Services	
Additional Mathematics	✓
Biology	✓
Buddhist Studies	
Chemistry	✓
Chinese History	✓
Chinese Language	✓
Chinese Literature	✓
Commerce	✓
Computer and Information Technology	✓
Design and Technology	
Design and Technology (Alternative Syllabus)	
Economics and Public Affairs	
Economics	✓
Electronics and Electricity	
English Language	✓
English Literature	
Fashion and Clothing	
French	
Geography	✓
Government and Public Affairs	
Graphical Communication	
History	✓
Home Economics (Dress and Design)	
Home Economics (Food, Home and Family)	
Integrated Humanities	
Mathematics	✓
Music	
Physical Education	
Physics	✓
Principles of Accounts	✓
Putonghua	
Religious Studies	
Science and Technology	
Social Studies	
Technological Studies	
Travel and Tourism	
Visual Arts	
Word Processing and Business Communication	

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Form 6 to 7 (HKASLE/HKALE) tutoring services provided by us:

Subjects under the formal curriculum set forth by EDB	Tutoring services provided by us
Applied Mathematics	
Biology	✓
Business Studies	✓
Chemistry	✓
Chinese History	
Chinese Language and Culture	✓
Chinese Literature	✓
Computer Applications	✓
Computer Studies	
Economics	✓
Electronics	
Ethics and Religious Studies	
Geography	✓
Government and Public Affairs	
History	✓
Liberal Studies	✓
Literature in English	
Mathematics and Statistics	✓
Physics	✓
Principles of Accounts	✓
Psychology	
Pure Mathematics	✓
Use of English	✓
Visual Arts	

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Secondary 4 to 6 (HKDSE) tutoring services under the 334 System provided by us:

Subjects under the formal curriculum sets forth by EDB	Tutoring services provided by us
Biology	✓
Business, Accounting and Financial Studies	✓
Chemistry	✓
Chinese History	✓
Chinese Language	✓
Chinese Literature	
Combined Science	
Design and Applied Technology	
Economics	✓
English Language	✓
English Literature	
Ethics and Religious Studies	
Geography	✓
Health Management and Social Care	
History	✓
Information and Communication Technology	✓
Integrated Science	
Liberal Studies	✓
Mathematics	✓
Music	
Physical Education	
Physics	✓
Technology and Living	
Tourism and Hospitality Studies	
Visual Arts	

Our secondary tutoring courses can generally be divided into 5 types, namely (i) regular courses; (ii) intensive courses; (iii) summer courses; (iv) T.I.P.S. courses; and (v) special courses. Form 1 to Form 4, Form 6 and Secondary 1 to 5 regular courses normally run from September to June along with the school academic year whereas Form 5, Form 7 and Secondary 6 regular courses normally run from September to February or March to meet the public examination periods. To well equip our students for examinations, we provide a series of intensive courses several months before an in-school or public examination so as to help students review the important areas of the subject taught. Additionally, we offer summer courses from July to August for all of the subjects we provide school-year instruction on. We also offer two-weeks T.I.P.S. (Technique, Insight, Practice and Strategy) courses before the time of the relevant public examinations to provide students with last minute advice on test-taking techniques and insight on possible key examining topics. Special courses are courses other than regular, intensive, summer or T.I.P.S. courses. This includes short term courses, seminars, workshops, mock examinations and marking. Special courses normally last for two to four weeks and focus on a particular topic, such as special essay course for geography subject and grammar course for English subject.

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Our fees for regular, intensive and summer courses are typically divided into phases, with one phase consisting of 4 lessons and our students are required to pay the course fee on a monthly basis by cash, cheque or through Easy Pay System (EPS). Fees for T.I.P.S courses and special courses are paid on a one-off basis at the beginning of each course. Classes for regular courses are normally held once a week with a class duration ranging from 1 to 1.5 hours. Our course fees vary depending on a number of factors, including the school level, class duration, location of our learning centres, mode of instruction, subject and tutor. Set out below is a breakdown of average course fee and revenue of the 5 types of secondary tutoring courses offered by the Group during the Track Record Period:

	Year ended 30 June 2008		Year ended 30 June 2009		Year ended 30 June 2010		Six months ended 31 December 2010	
	Average course fees (HK\$) (Note 1)	Revenue (HK\$'million)	Average course fees (HK\$) (Note 1)	Revenue (HK\$'million)	Average course fees (HK\$) (Note 1)	Revenue (HK\$'million)	Average course fees (HK\$) (Note 1)	Revenue (HK\$'million)
Regular courses	441	214.1	454	248.5	461	227.4	463	80.2
Intensive courses	469	35.6	463	34.3	430	37.9	-	-
Summer courses	386	17.8	396	20.2	400	23.2	384	12.3
T.I.P.S. courses	347	8.3	349	8.7	359	6.8	-	-
Special courses	159	13.1	184	13.0	157	13.2	202	7.0
Total revenue		<u>288.9</u>		<u>324.7</u>		<u>308.5</u>		<u>99.5</u>

Note 1: Being revenue divided by course enrolments for the year/period. For courses last for one month, the average course fee equals monthly fee.

To determine the size of each of our classes, we take into consideration a number of factors, which include school level, tutor, time and subject. We currently provide instruction through two modes, namely (i) instruction by our tutors; and (ii) instruction given by a team of tutors and/or teaching assistants with the help of various teaching materials, like notes and tailor-made video clips. Since we usually offer more than one classes of the popular courses on the same day and at the same time slot by allocating these classes to different classrooms at the same or different ME Centres, with some of them being delivered by teaching assistants rather than tutors. Instructions given by or duties of our teaching assistants may include, (i) pedagogical discourse, meaning a live speech or any other recorded format of speech (for example video clips) that elaborates the subject matters of the relevant curriculum of the courses, (ii) explanation, meaning the explanation of the pedagogical discourse or answering students' questions which may arise from the contents of a particular lesson, (iii) supervision,

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meaning to monitor and instruct the students to do related class work exercise, test and exam papers, (iv) follow-up, meaning to urge students to hand in homework or exercise prescribed in the previous lessons and distributing back (including commenting on) the marked homework to the students, and/or (v) informative instructions, meaning to present introductory and concluding speech at the beginning and at the end of each lesson, reminding the due date of tuition fees, announcing new courses offered and website links for downloading supplementary materials after lessons. In relation to “follow up” and “information instructions” mentioned above, they are conducted in combination with “pedagogical discourse” and/or “explanation”. Hence, if our teaching assistants are conducting a lesson, they will provide instructions to our students as described above. Teaching assistants are engaged directly by a tutor or team of tutors. Our teaching assistants are either university graduates (teaching CEF reimbursable courses and courses up to Secondary 7), higher diploma holders (teaching courses up to Secondary 5) or full-certificate holders (teaching courses up to Secondary 3). For details about regulations relating to employment of teachers and teachers’ qualifications, please refer to the section headed “Regulatory Overview – Education (Exemption) (Private Schools Offering Non-Formal Curriculum) Order – Employment of teachers & Teachers’ qualifications” in this prospectus. At the time of enrolment, students may choose to register for our courses delivered through specified modes. Course fees vary among courses delivered through different modes. Fees for courses delivered through mode (i) specified above are normally higher than courses delivered through mode (ii) above. In relation to mode (ii) alone, fees for courses delivered by a team of tutors are normally higher than those delivered by the teaching assistants. The Directors confirm that there are no specific rules or regulations in Hong Kong governing whether tutoring programmes can be delivered through the two modes of instruction described in this paragraph and that our existing modes of instructions do not contravene any rules or regulations in Hong Kong. We have not received any complaints from the Education Bureau with regard to our modes of instruction during the Track Record Period, nor have any of our school registration certificates been revoked due to our modes of instruction during the Track Record Period.

We offer courses to students that start at different times during the day. We offer more than one class at the same time in the same location to students when the number of students is likely to exceed the maximum number of students permitted in each classroom. Each class is conducted by at least one tutor or teaching assistant who provides instruction or support at each classroom with the help of various teaching materials. Lectures given by our tutors may be taped and used as teaching materials in other courses. The Directors confirm that such arrangement complies with the rules and regulations in Hong Kong and that during the Track Record Period, the maximum number of students in each classroom was within and has not exceeded the maximum number of student permitted under the relevant Certificate of Accommodation issued by the Education Bureau. The Directors also confirm that we have not provided any classes without the instruction of any tutors and/or teaching assistants in each classroom during the Track Record Period.

Depending on the teaching methods of the individual tutors, students may be given additional out-of-class practice questions to work on to enhance their knowledge and understanding on the subject matter taught. Tutors will then provide feedback, in addition to grading, on the work submitted by the students with possible suggestions on ways to improve scores.

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We aim to improve our students' results on HKCEE and HKALE & HKASLE, and with the 334 System, HKDSE, through quality instruction by our tutors knowledgeable on the intricacies of these examinations and the teaching of test-taking techniques. We believe that an important part of our courses is the high quality of our study materials and the advanced diagnostic analysis that we deliver. These notes and materials include the principles and areas that our tutors deem most important to succeed in a particular subject, and have been continually updated and improved upon by our tutors. We also provide our students with mock examinations, available through courses or independently, and analyse their results through grading and explanation. Some of our tutors are also writers of published textbooks and practice books.

Secondary Day School Education

All of our secondary day schools in operations are operated under our “Modern College” (現代書院) brand. We opened our first secondary day school in 2003 and as at the Latest Practicable Date, we had 11 schools located in our Causeway Bay, North Point, Prince Edward, Kowloon Bay, Shatin, Tsuen Wan, Tseung Kwan O and Tuen Mun ME Centres. Our secondary day schools were established with an aim to rebuild our students' confidence in learning and provide them with an opportunity to further their secondary school education in a full-day and formal academic environment. As such, we have minimal academic admission requirements for students who wish to attend our schools so long as they have passed an assessment of character to ensure that they are likely to demonstrate good conduct in class.

Revenue from our secondary day school education for the three years ended 30 June 2008, 2009 and 2010 and the six months ended 31 December 2010 was approximately HK\$19.5 million, HK\$26.4 million, HK\$33.1 million and HK\$15.1 million, respectively, representing approximately 6.3%, 7.3%, 9.4% and 12.2%, respectively, of our total revenue.

The following table sets forth the number of course enrolments and revenue generated from the respective school levels under our secondary day school education during the Track Record Period:

	2008		Year ended 30 June				Six months ended	
			2009		2010		31 December 2010	
Course	Enrolments	Revenue	Enrolments	Revenue	Enrolments	Revenue	Enrolments	Revenue
	(in thousands)	(HK\$' million)	(in thousands)	(HK\$' million)	(in thousands)	(HK\$' million)	(in thousands)	(HK\$' million)
Secondary/Form 5	4.2	9.2	5.7	13.7	5.7	14.4	1.6	4.6
Secondary/Form 6	1.3	3.8	2.5	7.4	3.6	11.0	1.6	4.7
Form 7	2.1	6.5	1.6	5.2	2.2	7.7	1.6	5.7

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We currently provide instruction of day school education at Secondary 5, Form 6 and Form 7 levels in a full-day, standard schooling format. Under the 334 System, the years of secondary education will decrease from 7 years to 6 years and the two public examinations, HKCEE at Form 5 level and HKALE & HKASLE at Form 7 level will be replaced by one public examination, namely HKDSE. The number of our day school students dropped in the 2010/2011 financial year mainly because fewer students took our Secondary 5 day school programmes under the 334 System than those taking our Form 5 day school programmes in the 2009/2010 financial year. Compared with the six months ended 31 December 2009, there was no significant change in revenue which remained at approximately HK\$15.1 million for the six months ended 31 December 2010, as the decrease in course enrolments was offset by the increase in average course fee. Due to the fact that there will not be Form 7 level, HKCEE and HKALE & HKASLE from the school years 2012/2013 onwards, we believe that the students admitted to our day schools will mostly take our Secondary 6 day school programmes under the 334 System.

Reasons for changes in course enrolments and revenue of secondary day school education

Year ended 30 June 2008 vs 30 June 2009

The course enrolments increased from approximately 7,600 for the year ended 30 June 2008 to approximately 9,800 for the year ended 30 June 2009 as we opened three more classes for Form 5 and two more classes for Form 6 students respectively. The increase of revenue was mainly due to the increase in average course fee from approximately HK\$2,600 to approximately HK\$2,700 and the increase in course enrolments.

Year ended 30 June 2009 vs 30 June 2010

The course enrolments increased from approximately 9,800 for the year ended 30 June 2009 to approximately 11,500 for the year ended 30 June 2010 as the Group opened three and two more classes for Form 6 and Form 7 students respectively. The increase of revenue was mainly due to the increase in average course fee from approximately HK\$2,700 to approximately HK\$2,900 and the increase in course enrolments.

Six months ended 31 December 2010 vs Six months ended 31 December 2009

The number of our day school students dropped in the 10/11 financial year mainly because fewer students took our Secondary 5 day school programmes under the 334 System than those taking our Form 5 day school programmes in the 09/10 financial year. There was no significant change in revenue which remained at approximately HK\$15.1 million, as the decrease in course enrolments was offset by the increase in average course fee.

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We currently provide instruction of day school education at Secondary 5, Form 6 and Form 7 levels in a full-day, standard schooling format. During the Track Record Period, we provided instructions on the following subjects:

Form 4 to 5 (HKCEE) secondary day school education provided by us:

Subjects under the formal curriculum sets forth by EDB	Secondary day school education provided by us
Accommodation and Catering Services	
Additional Mathematics	✓
Biology	✓
Buddhist Studies	
Chemistry	✓
Chinese History	✓
Chinese Language	✓
Chinese Literature	
Commerce	✓
Computer and Information Technology	✓
Design and Technology	
Design and Technology (Alternative Syllabus)	
Economics and Public Affairs	
Economics	✓
Electronics and Electricity	
English Language	✓
English Literature	
Fashion and Clothing	
French	
Geography	✓
Government and Public Affairs	
Graphical Communication	
History	✓
Home Economics (Dress and Design)	
Home Economics (Food, Home and Family)	
Integrated Humanities	
Mathematics	✓
Music	
Physical Education	
Physics	✓
Principles of Accounts	✓
Putonghua	
Religious Studies	
Science and Technology	
Social Studies	
Technological Studies	
Travel and Tourism	
Visual Arts	
Word Processing and Business Communication	

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Form 6 to 7 (HKASLE/HKALE) secondary day school education provided by us:

Subjects under the formal curriculum sets forth by EDB	Secondary day school education provided by us
Applied Mathematics	
Biology	✓
Business Studies	✓
Chemistry	✓
Chinese History	✓
Chinese Language and Culture	✓
Chinese Literature	
Computer Applications	
Computer Studies	
Economics	✓
Electronics	
Ethics and Religious Studies	
Geography	✓
Government and Public Affairs	
History	✓
Liberal Studies	
Literature in English	
Mathematics and Statistics	✓
Physics	✓
Principles of Accounts	✓
Psychology	
Pure Mathematics	✓
Use of English	✓
Visual Arts	

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Secondary 5 day school education under the 334 System provided by us:

Subjects under the formal curriculum sets forth by EDB	Secondary day school education provided by us
Biology	
Business, Accounting and Financial Studies	✓
Chemistry	
Chinese History	✓
Chinese Language	✓
Chinese Literature	
Combined Science	
Design and Applied Technology	
Economics	✓
English Language	✓
English Literature	
Ethics and Religious Studies	
Geography	✓
Health Management and Social Care	
History	
Information and Communication Technology	✓
Integrated Science	
Liberal Studies	✓
Mathematics	✓
Music	
Physical Education	
Physics	
Technology and Living	
Tourism and Hospitality Studies	
Visual Arts	

Our teachers strive to prepare the course materials in an easily comprehensible manner with the goal of introducing and reinforcing our students with the basic fundamental principles of the subject matter taught. We focus on improving our students' public examinations results with a view to assisting them in getting admitted to a university of their choice. We help our students to familiarise themselves with the principles and subject materials through drills and practice. In addition, we encourage our students to enrol in suitable tutoring courses offered by Modern Education (現代教育) before a relevant public examination.

To cater for the needs of students of our secondary day school students who are majoring in science subjects, our school at the Prince Edward and North Point ME Centre are equipped with laboratory facilities, which allow us to offer Form 6 and 7 biology, chemistry and physics lessons under the formal curriculum. We have obtained necessary approvals from the Education Bureau for the laboratory facilities at the Prince Edward and North Point ME Centres.

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The school terms of our secondary day schools commence from September till April, May or June, in line with the respective Hong Kong academic school year for Form 6 to 7 and Secondary 5. Our students pay the school fees on a monthly basis by cash, cheque, through EPS or by direct debit authorisation. Our school fees for our secondary day school education are determined by a number of factors, including the school level, location of our learning centres and majoring subjects. For the three years ended 30 June 2008, 2009, 2010 and the six months ended 31 December 2010, the school fees for our secondary day school education ranged from HK\$1,850 to HK\$3,450, HK\$1,950 to HK\$3,550, HK\$2,050 to HK\$3,750 and HK\$2,580 to HK\$3,850 respectively.

English Language Training and Test Preparation Courses

Our English language training and test preparation courses are offered by Modern Education (現代教育) under our “Modern Education” (現代教育) brand. Since 2005, we have been providing English language training as well as test preparation courses on international English language standardized tests and examinations such as IELTS and TOEFL, at our ME Centres. After obtaining approval from the Labour and Welfare Bureau in 2007, we began providing the International English Language Testing System (IELTS) Preparation Course and Diploma in Work Place English TOEIC Preparatory Course in Hong Kong, which are courses reimbursable by the Government under the CEF. Furthermore, we are authorised to hold IELTS tests at our ME centres.

For the three years ended 30 June 2008, 2009 and 2010 and the six months ended 31 December 2010, revenue from our English Language test preparation courses was approximately HK\$1.0 million, HK\$9.4 million, HK\$10.7 million and HK\$7.9 million, respectively, representing approximately 0.3%, 2.6%, 3.0% and 6.4%, respectively, of our total revenue.

Our tutors provide instruction on all areas of the examinations, including reading, writing, listening and speaking. Our tutors delivering these preparation courses are knowledgeable on the intricacies of these examinations and they will provide directions on testing patterns and analyse trends on the coming examinations.

Our IELTS and TOEIC preparation courses eligible for reimbursement under the CEF programme last for 90 hours, with two lessons per week of one and a half to three hours per lesson. Our TOEFL preparation courses typically last for 10 weeks, with one class per week of approximately two hours per class. Students are required to pay the course fees on a monthly basis by cash, cheque or through EPS. As our IELTS and TOEIC preparation courses are eligible for reimbursement under the CEF programme, students may claim reimbursement of the course fee from the Government should they meet the respective requirements set forth under the CEF programme.

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Primary Homework Tutoring Services, Skill Courses and Test Preparation Courses

Our primary homework tutoring services, skill courses and test preparation courses are mainly offered under our “Modern Bachelor Education” (現代小學士) brand and have commenced operations since 1 January 2011. We provide education services for primary school students from Primary 1 to Primary 6, which include supervising and tutoring on day-to-day schoolwork and helping to improve students’ performance in internal school examinations.

The operation of our primary homework tutoring services, skill courses and test preparation courses was done through the acquisition of 60% shareholding in Able Investment, a holding company of Bachelor Education, in December 2010. Bachelor Education is a company in the business of providing primary homework tutoring services to students in Hong Kong. For details in relation to Able Investment and Bachelor Education, please refer to the sections headed “History and Corporate Structure – Able Investment” and “History and Corporate Structure – Bachelor Education” of this prospectus. Since the completion of acquisition of 60% shareholding in Able Investment took place on 31 December 2010, there was no record of revenue contribution from our primary homework tutoring services, skill courses and test preparatory services during the Track Record Period.

We strive to deliver quality tutoring services in every respect. As at the Latest Practicable Date, all of our 16 full-time teachers providing primary homework tutoring services in our MBE Centres are bachelor degree holders. In addition, our primary homework tutoring services, skill courses and test preparation courses are provided under a “small class” setting.

Aside from tutoring on subjects under the primary school curriculum, we provide courses specially designed for enhancing primary school students’ Chinese language, English language and mathematics skills. These skills courses are diversified and normally cover the reading, writing, grammar, sentence structure, vocabulary and punctuation aspects. In addition, we offer preparation courses to students on Cambridge Young Learners’ English Tests. Cambridge Young Learners’ English Tests is one of the ESOL Examinations tests administered by the University of Cambridge which are targeted at children of age 5 to 12 and is available at 3 levels, namely, starters, movers and flyers. In these examinations, children are being tested under three aspects, namely, reading and writing, listening and speaking. Further to the Cambridge Young Learners’ English Tests, we offer preparation courses on more advanced English language tests, such as Key English Test. Key English Test is also administered by the University of Cambridge on testing young secondary language learners’ English language abilities.

Our primary homework tutoring services and courses are of different durations, based on the requirements of our students. For primary homework tutoring services, classes normally ranged from 2 to 5 sessions per week of approximately 1.5 to 2 hours each. Our course fees vary depending on school level and the number of class hours. For courses specially designed to improve students’ Chinese and English language skills and critical thinking, for example YLE and KET courses, they were normally held once a week of approximately 1 hour per session. All of the course fees in relation to primary homework tutoring services, skill courses and test preparation courses are also paid on a monthly basis by cash or cheque.

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We aim to improve our students' internal school examinations results through quality tutoring services and language skills courses. We believe students at the younger age generally require greater attention from our tutors to guide them in focusing on their work. As such, we believe it is crucial to maintain a "small class" setting for our primary tutoring business in order to efficiently deliver high quality services.

As at the Latest Practicable Date, 11 franchise agreements were entered into between Bachelor Education and various franchisees resulting in the operation of 11 MBE Franchised Centres. 10 of these 11 franchise agreements had been entered into between the franchisees and Bachelor Education before its holding company, Able Investment, was acquired by the Group on 31 December 2010. All of the franchisees are Independent Third Parties except for Ms. Mok Sze Wa, who is the sister of Ms. Mok Sze Wan, a director and shareholder of Able Investment.

Individuals who are interested in joining us as franchisees in the operation of MBE Franchised Centres and provision of primary homework tutoring services are required to complete an application form specifying his/her education background and qualification, relevant teaching experience and reasons for joining us. After preliminary screening of applications, we will hold interviews with selected candidates to evaluate their suitability and ability to provide quality services to our potential customers. The minimum education qualification required for our franchisees is the obtaining of a pass in at least five subjects from HKCEE or equivalent examinations. Candidates would also be required to have at least 3 years of relevant experience in the education industry and are shown to be enthusiastic, passionate and committed in the education business. During the interview, we would also evaluate our candidates based on a number of other factors, which include, amongst others, the ability to work under pressure, communication skills and whether he/she appears to be a patient, caring and honest person. Due to the nature of business being the provision of primary homework tutoring services to children, we are not inclined to consider candidates who have a criminal record or record of psychiatric illnesses. The board of directors of Bachelor Education is responsible for deciding and approving new franchise arrangements and as at the Latest Practicable Date, the board of directors of Bachelor Education consists of Mr. Ng Kam Lun, Mr. Lee, Ms. Yiu, Ms. Mok Sze Wan and Mr. Ng Hoi Tin.

For the opening of a new MBE Franchised Centre, the Group will normally propose to the franchisee(s) possible locations for the new centre to be opened. Nonetheless, the ultimate decision making lies with the respective franchisee(s) and the franchisee(s) are responsible for payment of rentals of the MBE Franchised Centre(s). Pursuant to these franchise agreements, the franchisees are required to pay an initial joining fee ranging from HK\$50,000 to HK\$180,000. After the completion of acquisition of Able Investment on 31 December 2010, the Group received initial joining fee of HK\$160,000 up to the Latest Practicable Date. As stipulated under the relevant franchise agreements, initial joining fee covers the supply of initial services but not subsequent continuing services. Accordingly, initial joining fee is recognised as revenue when performance of the initial services and obligations required of the franchisor, such as assistance with site selection, has been substantially accomplished. Further, according to the terms of the franchise agreements, the franchisees are required to pay a monthly fee of a certain percentage ranging from 10% to 15% of the total revenue of the

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corresponding month or a fixed sum of HK\$5,000 to Bachelor Education. If a MBE Franchised Centre recorded a monthly turnover of less than HK\$40,000 or HK\$50,000 (as stipulated under the respective franchise agreements), the franchisee(s) will pay a fee of HK\$5,000 for that corresponding month instead of such percentage of revenue out of the total revenue of the corresponding month. The franchisees may then provide primary homework tutoring services in Hong Kong under our “Modern Bachelor Education” (現代小學士) brand. Bachelor Education will be responsible for assisting the franchisees in renovating the learning centres as well as providing tutors training services and standardised course materials to the franchisees. Course materials include materials prepared by us or practice books published by publishers. We own the intellectual property rights of the materials prepared and supplied by us. As a result of business negotiations prior to our acquisition of Able Investment, six of our franchisees under the relevant franchise agreements are not allowed to use their own course materials during the courses. These franchised centres are located in Yuen Long, Lai Chi Kok, Tsuen Wan (Discovery Park), Tsuen Wan (Riviera Garden), Lei King Wan and Sham Tseng. The other franchisees, however, are allowed to use their own course materials during the courses. If these franchisees prepare and create their own course materials, the intellectual property rights belong to the franchisees themselves and they will be responsible for the quality and legality of the said materials. After the acquisition of 60% shareholding of Able Investment, the Group intends that new franchisees joining us in future will use course materials prepared and supplied by us. All franchise agreements which we entered into with our current franchisees are 5-year contracts with an expiry date ranging from March 2012 to April 2015. A franchisee may renew the contract under the same terms and conditions by informing Bachelor Education six months prior to the expiration date of the contract. The franchise agreements will remain valid until the end of the contract term or being terminated by us if certain circumstances stipulated under the franchisee agreements shall arise. These circumstances include, inter alia, the franchisee(s) (i) failing to process all necessary applications for the operation of the business, (ii) reporting a revenue lower than the actual revenue received by him/her, (iii) defaulting in payment of the monthly fee, (iv) failing to observe the terms under the franchise agreement, (v) is in violation of the Education Ordinance, (vi) is involved in criminal activities or bankrupt, or (vii) is being claimed against in court.

PRC Operations

Our PRC Operations commenced in January 2010 and consisted of the provision of technical consultation, management services and software licencing to Beijing Yasi School and an individual, Mr. Li Haiming. Beijing Yasi School is a non-public school sponsored by Beijing Siya (a company not owned by our Group) providing training on the English language and test preparation courses, such as TOEFL, IELTS and TOEIC, in the PRC. Programmes and services provided by Beijing Yasi School are offered under the “BJ IELTS” (北京雅思) brand, commonly known as the “Beiya” (北雅) brand.

For the two years ended 30 June 2008 and 2009, we did not record any revenue from our PRC Operations. For the year ended 30 June 2010 and the six months ended 31 December 2010, revenue from our PRC Operations was approximately HK\$0.9 million and HK\$1.2 million, respectively.

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Background of Beijing Yasi School and Beijing Siya

Beijing Yasi School is a non-public school established in the PRC on 14 September 1999. On 13 November 2008, Ms. Huang Hui, Mr. Liu Hongbo and Mr. Cai Hongxiong acquired interests in Beijing Yasi School from its then school sponsors. Before such acquisition, Beijing Yasi School was sponsored by four individuals, with Mr. Liu Hongbo being one of them having 23% interest in the school. Ms. Huang Hui acquired 55% interest from two school sponsors at the consideration of HK\$14.8 million (equivalent to approximately RMB13.0 million) which was arrived by agreement between Ms. Huang Hui and the then school sponsors. According to Ms. Huang Hui, the consideration was determined with reference to the track record of Beijing Yasi School, the business plan of the Beijing Yasi School, the expected future growth of the business in the PRC and the synergy effect to Beijing Yasi School by leveraging on our Group's expertise in education business. Mr. Liu Hongbo and Mr. Cai Hongxiong acquired interests from the other school sponsor, with Mr. Liu Hongbo increasing his interest to 36.5% and Mr. Cai Hongxiong acquiring 8.5% interest in Beijing Yasi School. Further restructuring took place afterwards and on 13 January 2009, Ms. Huang Hui, Mr. Liu Hongbo and Mr. Cai Hongxiong agreed to set up Beijing Siya and based on the agreement between them, their equity interest in Beijing Siya was adjusted to 65%, 26.5% and 8.5% respectively. Beijing Siya was set up on 20 July 2009 and as part of the further restructuring, by an agreement dated 15 September 2009, the entire interest of Beijing Yasi School was transferred from Ms. Huang Hui, Mr. Liu Hongbo and Mr. Cai Hongxiong to Beijing Siya at nil consideration resulting in Beijing Siya being the sole school sponsor of Beijing Yasi School. The sole investment of Beijing Siya is its interest in Beijing Yasi School. The legal representative and principal of Beijing Yasi School is Ms. Huang Hui and Mr. Liu Hongbo respectively. Its registered and contributed capital was RMB1,111,100 and its business scope is cultural educational training. Beijing Yasi School is primarily engaged in the provision of English language training activities. It has obtained approval in its school permit for its school sponsor(s) to have reasonable return. According to Beijing Yasi School, its daily operation is generally supported by internal resources. According to Beijing Yasi School's permit for running of a school, the validity of the permit to run schools in Chaoyang District will expire on 31 December 2012.

Beijing Yasi School is currently providing English training courses in Chaoyang district and Haidian district in Beijing. However, it has only obtained permit for running schools from Chaoyang District Education Commission and has not obtained permit for running schools in Haidian district. We expect Beijing Yasi School to file registration materials to apply for permit for running of a school for the teaching centers in Haidian District by the end of June 2011. According to the official information disclosure from Haidian District Education Committee in the PRC, the materials to be submitted include the House Ownership Certificates of the teaching centers which Beijing Yasi School rented from third parties. Beijing Yasi School only received the relevant House Ownership Certificates of its teaching centers in June and as at the Latest Practicable Date, it was preparing for the application materials to be submitted to the Haidian District Education Committee. According to the official information disclosure of Haidian District Education Committee, it will take no more than 52 working days for a conclusion to be made as to whether a permit for running schools will be issued.

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However, if Beijing Yasi School is unable to finish the registration for its teaching centres outside the approved district and make rectification as requested by local education authorities, there is a possibility that Beijing Yasi School will be ordered to stop running the schools outside the approved site by relevant education authorities. For details on risks involved in relation to the provision of services without necessary approvals, please refer to the section headed “Risk Factors – If Beijing Yasi School fails to obtain permit for running schools in Haidian district, our business with Beijing Yasi School will be adversely affected.” of this prospectus.

Beijing Siya is a company established in the PRC with limited liability on 20 July 2009 having a registered and contributed capital of RMB2 million. Beijing Siya has a general scope of operation with an operating period from 20 July 2009 to 19 July 2029. Beijing Siya is held respectively by three PRC individuals, namely Ms. Huang Hui, Mr. Liu Hongbo and Mr. Cai Hongxiong. Ms. Huang Hui, Mr. Liu Hongbo and Mr. Cai Hongxiong hold 65%, 26.5% and 8.5% of the equity interest in Beijing Siya respectively. Ms. Huang Hui is the legal representative of Beijing Siya. Neither Ms. Huang Hui, Mr. Liu Hongbo nor Mr. Cai Hongxiong are shareholders or directors of the Company except that Mr. Liu Hongbo and Ms. Huang Hui are directors of Jingli Beiya, a subsidiary of the Company. The Group did not make any investment in Beijing Yasi School, has no interest in it and has no control over its business. The Directors are of the view and the reporting accountants of the Company, Deloitte Touche Tohmatsu, concurred that due to the fact that Beijing Siya is not under control of our Group, the results of Beijing Siya and Beijing Yasi School should not be consolidated or combined into our financial statements.

Mr. Liu Hongbo, an Independent Third Party at the time of entering into the Cooperative Framework Agreement, was one of the original school sponsors and a director of Beijing Yasi School and he was introduced to us by an investment institution in Hong Kong which is an Independent Third Party in 2008 with a proposal to sell off Beijing Yasi School. Mr. Liu Hongbo is a teacher on the English language in the PRC and provides courses on IELTS. Mr. Liu Hongbo is also one of the shareholders of Beijing Siya and is a director of Jingli Beiya. We were later being introduced to Mr. Yang Qi, an Independent Third Party, by Mr. Liu Hongbo. Mr. Yang Qi had worked at several education institutions before and is currently a director of Beijing Yasi School. Mr. Yang Qi further introduced Mr. Cai Hongxiong, an Independent Third Party, to us who has been working on both the real estate and vocational training businesses and is currently a shareholder of Beijing Siya.

Cooperative Framework Agreement

Modern Education HK entered into the Cooperative Framework Agreement in respect of Beijing Yasi School with Ms. Huang Hui, Mr. Liu Hongbo and Mr. Yang Qi on 19 September 2008. At that time, Mr. Liu Hongbo was holding 23% equity interest in Beijing Yasi School while Mr. Yang Qi and Ms. Huang Hui had no interest in Beijing Yasi School. According to the Cooperative Framework Agreement, Ms. Huang Hui agreed to acquire 55% equity interest in the Beijing Yasi School from two individuals. In addition, Mr. Liu Hongbo and Mr. Yang Qi will acquire equity interest from existing school sponsors of Beijing Yasi School and will

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cooperate with Modern Education HK and Ms. Huang Hui in transferring their interests in Beijing Yasi School to Modern Education HK and setting up certain offshore companies to facilitate a share swap plan agreed under the Cooperative Framework Agreement. A restructuring plan was further agreed and executed among the involved parties of Beijing Yasi School. The entire equity interest of Beijing Yasi School was transferred to a PRC domestic limited company, namely Beijing Siya, which is held by Ms. Huang Hui, Mr. Liu Hongbo and Mr. Cai Hongxiong as to 65%, 26.5% and 8.5% respectively. As at the Latest Practicable Date, no party thereof has further performed any terms relating to the share swap plan under the Cooperative Framework Agreement principally due to a change in the holder of interest in Beijing Yasi School, change of shareholding structure of Beijing Siya and Mr. Liu Hongbo and Mr. Yang Qi have yet to set up the offshore company.

In view of the above, the Directors consider that Mr. Liu Hongbo and Mr. Yang Qi would be in difficulty to perform their respective obligations under the Cooperative Framework Agreement. As advised by our PRC Legal Advisors, pursuant to the Cooperative Framework Agreement, a party is entitled to terminate such agreement after prior notice, if any other party fails to perform their respective obligations under the agreement which results in no further performance of the agreement. On 19 May 2011, letters have been sent to Mr. Liu Hongbo and Mr. Yang Qi requesting them to perform the obligations relating to the establishment of offshore companies under the Cooperative Framework Agreement within five days. On 25 May 2011, since no action had been taken by Mr. Liu Hongbo and Mr. Yang Q and no response was received from them, further termination letters have been sent to them informing them that the Cooperative Framework Agreement should be deemed to be terminated upon receipt by them of the termination letters. Our PRC Legal Advisors are of the view that as no further agreement to the Cooperative Framework Agreement has been entered into and notices of termination have been served, the Cooperative Framework Agreement shall be deemed to be terminated upon receipt of the second letters by Liu Hongbo and Yang Qi unless any of them raises any objection to the termination within three months. We believe we had duly performed our obligations under the Cooperative Framework Agreement, therefore, it is unlikely we will be claimed for non-performance of the Cooperative Framework Agreement. As at the Latest Practicable Date, no claims or proceedings have been brought against the Group in respect of the Cooperative Framework Agreement. In the event of any dispute arising from the performance of the Cooperative Framework Agreement, the Controlling Shareholders agree to jointly and severally indemnify the Group against any costs, expenses and losses suffered by the Group due to the termination or non-performance of the Cooperative Framework Agreement.

Services to Beijing Yasi School

On 1 January 2010, we formally began our operations in the PRC through providing technical consultation, management services and software licencing to Beijing Yasi School. Two written agreements were entered into between us and Beijing Yasi School on 15 June 2010 confirming our provision of services to them since 1 January 2010 and setting out in details the terms and conditions of our services. Two supplemental agreements were entered into on 29 March 2011 amending the term of the two agreements.

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Exclusive Technical Consultation and Management Service Agreement. Pursuant to this agreement, Jingli Beiya has the exclusive right to provide technical consultation and management services to Beijing Yasi School. The scope of services to be provided includes, inter alia, offering opinion and suggestions on (i) development strategy, (ii) organisational management, (iii) human resources management, (iv) financial management, (v) market promotion and advertising, (vi) course contents and notes provided by tutors, and (vii) teaching techniques of the tutors. All intellectual property rights developed as a result of implementation of this agreement shall be the property of Jingli Beiya. As agreed after arm's length negotiation, Beijing Yasi School pays a monthly service fee of RMB100,000 to Jingli Beiya and such fee is subject to adjustment at the sole discretion of Jingli Beiya based on the services provided. This agreement will remain valid and effective until 30 June 2013. Beijing Yasi School, on the other hand, has no right to terminate this agreement. Whether the agreement will be renewed upon expiration of term depends on negotiation between the parties at that time. According to our PRC Legal Advisors, the provision of such services under the Exclusive Technical Consultation and Management Service Agreement is in compliance with applicable PRC laws and regulations. The Group's revenue generated under the Exclusive Technical Consultation and Management Service Agreement for the financial year ended 30 June 2010, six months ended 31 December 2010 and for the period from 1 January 2011 up to 31 March 2011 were approximately HK\$650,000, HK\$656,000 and HK\$332,000 respectively.

Software Licence Agreement. Pursuant to this agreement, Jingli Beiya granted Beijing Yasi School a non-exclusive, non-assignable and non-transferrable right to use Modern-C in the PRC. Beijing Yasi School can only use the software on its designated operating systems to process its internal data in the PRC. As agreed after arm's length negotiation, the monthly licence fee is 5% of the monthly revenue (after tax) of Beijing Yasi School. This licencing agreement will remain valid and effective until 30 June 2013. Whether the agreement will be renewed upon expiration of term depend on negotiation between the parties at that time. Beijing Yasi School, on the other hand, has no right to terminate this agreement. The Group's revenue generated under the Software Licence Agreement for the financial year ended 30 June 2010, six months ended 31 December 2010 and for the period from 1 January 2011 up to 31 March 2011 were approximately HK\$229,000, HK\$327,000 and HK\$155,000 respectively.

Pursuant to the Exclusive Technical Consultation and Management Service Agreement and the Software Licence Agreement with Beijing Yasi School, Beijing Yasi School shall be legally registered and in good standing of PRC laws and regulations. As advised by the PRC Legal Advisors, the Group will not be held liability for Beijing Yasi School's violation of relevant PRC laws and regulations, including, among others, operation without necessary licences and permits. In addition, the Group is entitled to ask Beijing Yasi School to assume responsibility and make compensations to us according to the Exclusive Technical Consultation and Management Service Agreement and Software License Agreement.

As stated under the section headed "Risk Factors – Risks related to agreements in the PRC" of this prospectus, the PRC Legal Advisors advise that these agreements may be subject to audits or challenges by the PRC tax authorities under relevant PRC law and regulation. If the PRC tax authorities determine that the two agreements between Jingli Beiya and Beijing

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Yasi School above are not arm's-length transactions, it could adjust in the form of a transfer pricing adjustment and thus impose additional tax liabilities on Jingli Beiya or Beijing Yasi School. For information purpose, we set out below certain financial information of Beijing Yasi School for the three years ended 31 December 2010:

	Year ended 31 December		
	2008	2009	2010
	(RMB'000)	(RMB'000)	(RMB'000)
Revenue	6,876	8,723	10,569
Costs	6,765	8,738	11,584
Net profit/(loss)	111	(15)	(1,015)
Net assets/(liabilities) (as at year end)	743	728	(288)

Beijing Yasi School has obtained permit for running schools from Chaoyang District Education Commission but some centers are located in Haidian district which is out of the approved district. When submission is made to the relevant PRC authority for the permit, the relevant PRC authorities may impose fines or other penalties for its violations.

Relationship with Ms. Huang Hui

We have advanced approximately HK\$16.9 million (equivalent to approximately RMB15.0 million) in aggregate to Ms. Huang Hui, the spouse of Mr. KW Ng, for investment in Beijing Yasi School and Beijing Siya. During September 2008 to April 2009, approximately HK\$14.8 million (equivalent to approximately RMB13.0 million) in aggregate was advanced to Ms. Huang Hui for her acquisition of interest in Beijing Yasi School, and such amount was determined after arm's length negotiation between Ms. Huang Hui and the counterparties. The entire equity interest of Beijing Yasi School was eventually transferred to Beijing Siya in September 2009. In June 2009, approximately HK\$2.1 million (equivalent to approximately RMB1.83 million) was advanced to Ms. Huang Hui, who together with Mr. Liu Hongbo had contributed RMB1.3 million and RMB0.53 million respectively to Beijing Siya as capital contribution. The lending of RMB0.53 million by Ms. Huang Hui to Mr. Liu Hongbo is based on arrangement between them. We do not own or control the business of Beijing Yasi School. The advance to Ms. Huang Hui was unsecured, non-interest bearing and with no fixed repayment term.

Advance to Ms. Huang Hui

To eliminate the risk that the advance to Ms. Huang Hui may not be recovered, the Group had discussed with Ms. Huang Hui and the shareholders of Sino Network about the immediate repayment of the advances before Listing. Ms. Huang Hui was not able to repay the advance before Listing. In view of the short period of time and given there was retained profit, the Group has declared a dividend of approximately HK\$18.2 million to the shareholders of Sino Network in June 2011 by way of distribution in specie and in cash. The shareholders of Sino Network, except Primo Result, received distribution of the Group's advance to Ms. Huang Hui

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of approximately HK\$16.9 million by way of dividend in specie, whereas Primo Result received cash dividend of approximately HK\$1.4 million. The Group will not bear any liability and will not be responsible for any losses in the event that Ms. Huang Hui does not fully repay the advance to the shareholders of Sino Network (except Primo Result) in future.

We have entered into the Option Agreement with Ms. Huang Hui, pursuant to which Ms. Huang Hui irrevocably granted Modern Beiya or its designated person an exclusive option to purchase, when and to the extent permitted under PRC law, 65% of the equity interests in Beijing Siya. The consideration payable for the exercise of the option shall refer to the then market value of Beijing Siya to be determined by an independent valuer, which in the Directors' view would be fair and reasonable. The Option Agreement may only be terminated by Modern Beiya.

Ms. Huang Hui has given certain undertakings to Modern Beiya in the Option Agreement in respect of Beijing Siya which include, inter alia, the followings:

- Beijing Siya may not (i) amend its articles of association or the articles of association of Beijing Yasi School; (ii) increase or decrease its registered capital; or (iii) otherwise change its shareholding structure;
- Beijing Siya may not sell, transfer, grant security interest in or otherwise dispose of any of its assets, business, revenue or interest or the assets, business, revenue or interest of Beijing Yasi School;
- Beijing Siya may not incur or guarantee any liabilities (except for those incurred in the ordinary course of business and was agreed in writing by Modern Beiya); and
- She and the other shareholders of Beijing Siya may not transfer, encumber, grant security interest in, or otherwise dispose of any equity interests in Beijing Siya unless agreed in writing by Modern Beiya.

In order to qualify for direct ownership of an education business in the PRC, the Group has to comply with the catalogue of industries for guiding foreign investment and its amendments on a timely basis, and meet the requirements which include, (i) being an education institution with a legal person status, (ii) obtaining relevant education qualifications, and (iii) being able to provide high quality services in educational activities. Our PRC Legal Advisors are of the opinion that the Group is qualified to apply for direct ownership of an education business in the PRC as long as the above requirements are satisfied, but the Group is not allowed to own 100% interest of the cooperatively-run schools. According to 《中華人民共和國中外合作辦學條例》 (Regulation for Sino-foreign Cooperation in Sponsoring Education in the People's Republic of China) and its implementation measures, the PRC government encourages Chinese education institutions to engage in cooperative education with foreign education institutions whose academic reputation and education quality are universally acknowledged, the Chinese and foreign parties applying for the establishment of a Sino-foreign cooperative education institution shall have legal person status and possess relevant education

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qualifications and are able to demonstrate that they can provide education of sufficient quality. We own several education institutions which have legal person status and have obtained relevant certificates of registration of a school in Hong Kong. Our PRC Legal Advisors are of the view that we are entitled to apply to run an education business in the PRC under sino-foreign cooperation arrangement according to applicable PRC laws and regulations, and thus are entitled to file an application for setting up of cooperatively-run schools with Chinese partner. The PRC local authorities will review the application in accordance with the aforesaid provisions and if the relevant PRC authorities, upon review, approve and issue such permit for running of a school to us, we will be able to own an education business directly in the PRC.

Further, as advised by our PRC Legal Advisors, pursuant to the Option Agreement and the relevant PRC laws and regulations, our exercise of the option to purchase is subject to certain conditions, which include, inter alia, (i) entering into a sale and purchase agreement with Ms. Huang Hui, (ii) the shareholders of Beijing Siya agreeing to the said sale and purchase, (iii) the other shareholders of Beijing Siya agreeing to waive or surrender their respective pre-emptive rights, and (iv) obtaining approval and registration from the relevant PRC department. Although the Group is qualified to have direct ownership of an education business in the PRC under sino-foreign cooperation arrangement, the Group currently has not decided whether and when to operate a school in the PRC by exercising the option. As we have no prior presence in the PRC market, we would prefer to take a conservative approach in developing our business in PRC and intend to gain more practical knowledge and experience through the existing PRC Operations. Based on the same reason, the Group currently has not decided whether and when to acquire the remaining 35% equity interest of Beijing Siya. If the transfer of equity interest in Beijing Siya cannot be completed due to the disagreement of other shareholders, we will continue to rely on the existing arrangement under the Exclusive Technical Consultation and Management Service Agreement and the Software Licence Agreement, which have generated revenue in an aggregate approximately amount of HK\$1.86 million for the period from 1 January 2010 to 31 December 2010.

The advance to Ms. Huang Hui, the Exclusive Technical Consultation and Management Service Agreement, the Software Licence Agreement and the Option Agreement form part and parcel of the cooperative arrangement with Ms. Huang Hui. The entering into of the Exclusive Technical Consultation and Management Service Agreement and the Software Licence Agreement as procured by Ms. Huang Hui gave the Group the opportunity to commence its PRC Operations. Also, she has agreed to give an undertaking to the Group that she will not engage in business which may, directly or indirectly, compete with the Group's business upon exercise of the Option agreement without the consent of the Group. We consider the Option Agreement could further secure our interest in the cooperation with Beijing Yasi School, while at the same time allows the Group to take a conservative approach in developing its business in the PRC by monitoring the development of the education industry in the PRC and the ongoing performance of the PRC Operations and Beijing Siya or Beijing Yasi School before making substantial investment.

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The decision for the exercise or non-exercise of the Option Agreement shall be determined by the Board with all conflicted Directors absent themselves from participation, discussion and voting in the relevant resolution unless expressly requested to attend by a majority of the INEDs.

Services to Mr. Li Haiming

Mr. Li Haiming is a PRC individual and an Independent Third Party who had planned to establish a non-public school in the area of Guangzhou to provide educational services. As such, we entered into a technical consultation and management services agreement with Mr. Li Haiming in June 2010, pursuant to which Guangzhou Tianli shall provide technical consultation and related services to Mr. Li Haiming. The scope of services to be provided includes, inter alia, offering opinion and suggestions on and/or assisting in (i) obtaining the permit for running of a school and the establishment of a non-public school, (ii) the development of the school, (iii) organisational management, (iv) human resources management, (v) financial management, (vi) market promotion and advertising, (vii) course contents, and (viii) teaching techniques. All intellectual property rights developed as a result of implementation of the said agreement shall be the property of Guangzhou Tianli. Mr. Li Haiming shall pay consultation services fee to Guangzhou Tianli every six months and such fee is subject to adjustment at the sole discretion of Guangzhou Tianli. This agreement will remain valid and effective until 30 days' notice of termination is given by Guangzhou Tianli. Mr. Li Haiming, on the other hand, has no right to terminate this agreement. According to our PRC Legal Advisors, the provision of such services under the technical consultation and management service agreement is in compliance with applicable PRC laws and regulations.

Due to Mr. Li Haiming's inability to obtain the licence for establishment of a school from the PRC government on or before 31 December 2010, the technical consultation and management service agreement with Mr. Li Haiming was terminated in January 2011. According to Mr. Li Haiming, the reason for the inability to obtain the permit for running of a school was due to the delay in submitting the relevant construction completion fire control inspection opinion issued by the local public security authorities of the PRC. The costs and expenses incurred by the Group in relation to the cooperation with Mr. Li Haiming amounted to approximately RMB285,000, representing the initial setup and operation costs of Guangzhou Tianli, a PRC company established by us for our operation in Guangzhou.

Since Mr. Li Haiming failed to obtain the licence for establishment of a school from the PRC government before the contracted date, being on or before 31 December 2010, we are entitled to terminate the agreement with immediate effect. As a result, we served a termination notice to Mr. Li Haiming on 1 January 2011, informing Mr. Li of the termination of the technical consultation and management service agreement. In relation to this matter, Mr. Li Haiming has given a letter of confirmation to us, confirming his acknowledgement of the termination of the said agreement and that he has no objection or claim. The Group had not received from or paid any compensation to Mr. Li Haiming in relation to the said termination. As advised by our PRC Legal Advisors, since Mr. Li Haiming and we have reached a consensus on the termination of the technical consultation and management service agreement, the said termination will not have a material legal effect on us.

Compliance

The principal business of Jingli Beiya and its branch offices in Dongcheng district and Haidian district in Beijing, PRC is the provision of enterprise management consultation and technical services. The principal business of Guangzhou Tianli is education consultation and enterprise management. Our PRC Legal Advisors are of the opinion that save for the incident that a RMB600 fine was imposed on Guangzhou Tianli as a result of delayed tax declaration in 2010, during the Track Record Period and up to the Latest Practicable Date, the operations of Jingli Beiya and Guangzhou Tianli are in compliance with the relevant PRC laws and regulations and are not required to obtain other permits, licences or certificates for their current operations and that the operations of the Group in the PRC are in compliance with the relevant PRC laws and regulations in all material respect. Also, Jingli Beiya and Guangzhou Tianli have fully settled their tax liabilities in the PRC.

Our Network

We deliver our secondary tutoring services, secondary day school education and the English language test preparation courses through a physical network of 15 ME Centres operated by us as at the Latest Practicable Date. All 15 ME Centres are operated under our “Modern Education” (現代教育) or “Modern College” (現代書院) brand.

Our primary homework tutoring services and test preparation courses in Hong Kong are offered mainly through 5 MBE Centres and 11 MBE Franchised Centres as at the Latest Practicable Date under our “Modern Bachelor Education” (現代小學士) or “New Era Bachelor Education Centre” (新世代學士教室) brand. We have also entered into a provisional tenancy agreement in May 2011 with its term commencing from July 2011 to prepare for the opening of a new MBE Centre.

Our PRC Operations consist mainly of the provision of technical consultation, management services and software licencing to Beijing Yasi School, an entity offering standardized test preparation courses in Beijing, the PRC. As at the Latest Practicable Date, Beijing Yasi School has two learning centres in Beijing, the PRC.

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The following table sets out the number of ME Centres in Hong Kong and the respective number of registered classrooms and the maximum number of students permitted in the classrooms (including laboratory) during the Track Record Period and as at Latest Practicable Date:

	Year ended 30 June			Six months ended 31 December 2010	As at the Latest Practicable Date
	2008	2009	2010		
Number of centres					
ME Centres (<i>Note 1</i>)	12	14	15	15	15
<i>Secondary Tutoring Services</i>	12	14	15	15	15
<i>Secondary Day School Education</i>	10	11	10	11	11
Number of registered classrooms					
ME Centres (<i>Note 1</i>)	110	128	137	137	136
<i>Secondary Tutoring Services</i>	110	128	137	137	136
<i>Secondary Day School Education</i>	98	108	105	113	112
Maximum number of students permitted in the classrooms					
ME Centres (<i>Note 1</i>)	3,265	3,904	4,175	4,175	4,137
<i>Secondary Tutoring Services</i>	3,265	3,904	4,175	4,175	4,137
<i>Secondary Day School Education</i>	2,976	3,291	3,219	3,536	3,498

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Occupancy rate of the classrooms	From 1 July 2010 to the Latest Practicable Date				
<i>Secondary Tutoring</i>					
<i>Services (Note 2, 4)</i>					
July to September	43.1%	35.6%	35.3%	22.0%	22.0%
October to December	57.9%	52.9%	47.9%	31.3%	31.3%
January to March	68.3%	62.4%	55.2%	N/A	36.0%
April to June	32.9%	31.3%	26.2%	N/A	27.2%
 <i>Secondary Day School</i>					
<i>Education (Note 3)</i>	28.7%	32.8%	39.6%	33.7%	34.1%

Note 1: All of the ME Centres are used for the provision of secondary tutoring services but only some of the selected ME Centres are used for the provision of secondary day school education

Note 2: Being total course enrolments for the quarter divided by maximum number of students permitted in the classrooms for the quarter, assuming the Group would conduct 1 class per week per course and 4 classes daily during Monday to Friday and 8 classes daily during Saturday and Sunday.

Note 3: Being the number of students enrolled divided by the maximum number of students permitted in the classrooms during the respective school terms, which commence from September till April, May or June.

Note 4: The general decrease in the occupancy rates for the year ended 30 June 2009 as compared with those for the year ended 30 June 2008 was mainly due to a larger increase in the maximum number of students permitted in the classrooms than the course enrolments when the Group expanded and opened new ME Centres.

The general decrease in the occupancy rates for the year ended 30 June 2010 as compared with those for the year ended 30 June 2009 was mainly due to the increase in the maximum number of students permitted in the classrooms as driven by the parallel running and new openings of ME Centres but decrease in course enrolments resulting from the combined effect of the 334 System to Secondary 4 course enrolments and the departure of Tutor A.

The general decrease in the occupancy rates for the period ended 31 December 2010 as compared with to those for the year ended 30 June 2010 was mainly due to a larger decrease in course enrolments than the maximum number of students permitted in the classrooms given the Group's closure of the parallel-run ME Centres and the impact of the 334 System on Secondary 5 course enrolments.

The acquisition of Able Investment, the holding company of Bachelor Education, was completed on 31 December 2010 and the actual operation of our business under Bachelor Education commenced on 1 January 2011.

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As at the Latest Practicable Date, we had 5 MBE Centres and 11 MBE Franchised Centres. Details of the MBE Centres and MBE Franchised Centres are as follows:

	MBE Centres <i>(Note 1)</i>	MBE Franchised Centres <i>(Note 1)</i>
Total number of registered classrooms	15	31
Maximum number of students permitted	199	278
Occupancy rate <i>(Note 2)</i>	36.0%	19.6%

Note 1: exclude the MBE Franchised Centres located in Lei King Wan and Tsuen Wan (Riviera Garden) which were applying to the EDB for certificates of accommodation.

Note 2: being total course enrolments for the period from 1 January 2011 to 31 March 2011 divided by maximum number of students permitted in the classrooms for the period, assuming that Bachelor Education and the franchisees would conduct 3 classes per week per course enrolment and 5 classes daily during Monday to Friday, 7 classes on Saturday and 4 classes on Sunday.

During the year ended 30 June 2009, we opened three ME Centres to further expand our business, including one in Chai Wan and an additional one in Shatin at Chanway Shopping Centre. The third one was another ME Centre opened in Tseung Kwan O since the then existing Tseung Kwan O ME Centre at Metro City was too small to cater for our growing number of students and was closed during the year.

During the year ended 30 June 2010, we opened three new ME Centres and closed two ME Centres. We opened a ME Centre at Chong Hing Centre, Mongkok to prepare and arrange for the relocation of our operations from our then existing ME Centres in Jordon and at Hollywood Plaza, which were closed in June and April 2010 respectively due to expiration of tenancy agreements. We also opened new ME Centres in Fanling and Yuen Long to further expand our network in the New Territories. On the other hand, the landlord of our ME Centre located on 5th Floor of Citylink Plaza, Shatin informed us that they would not renew the lease upon the end of the tenancy agreement. Therefore, we ceased to operate on such premises and expanded our ME Centre at Chanway Shopping Centre, Shatin during the year.

The number of ME Centres remain unchanged in the six months ended 31 December 2010.

All of our learning centres operate under our “Modern Education” (現代教育), “Modern College” (現代書院) or “Modern Bachelor Education” (現代小學士) or “New Era Bachelor Education Centre” (新世代學士教室) brand. Our learning centres currently serve as the on-site location for most of our Hong Kong programmes and services.

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For learning centres bearing the brand of “Modern Education” (現代教育) or “Modern College” (現代書院), they are located in the areas of Causeway Bay, North Point, Chai Wan, Prince Edward, Mongkok, Kowloon Bay, Tseung Kwan O, Tai Po, Tsuen Wan, Shatin, Tuen Mun, Yuen Long and Fanling. For learning centres bearing the brand of “Modern Bachelor Education” (現代小學士), namely, MBE Centres, they are located in the areas of Hunghom, Siu Sai Wan, Tseung Kwan O and Kwun Tong. For MBE Franchised Centres, they are located in Lai Chi Kok, Ma On Shan, North Point, Quarry Bay, Lei King Wan, Tai Kok Tsui, Tsing Yi, Sham Tseng, Tsuen Wan, Yuen Long and Kornhill.

The following table and map set out the registered names of schools, registered addresses and locations of our ME Centres, MBE Centres and MBE Franchised Centres in Hong Kong which have obtained the Certificate of Registration of a School as at the Latest Practicable Date:

Centre Number	Registered Names of Schools	Registered Addresses
<i>ME Centres</i>		
1	Modern College (Causeway Bay)/ Modern Education Centre (Causeway Bay) Evening School	3/F, Cigna Tower, 482 Jaffe Road, Causeway Bay, Hong Kong
2		5/F, Causeway Bay Plaza I, 489 Hennessy Road, Causeway Bay, Hong Kong
3	Modern Education Centre (Chai Wan)	Shop 25, Portions of level 4 of the Podium, New Jade Gardens, No 233 Chai Wan Road, Chai Wan, Hong Kong
4	Modern Education Centre (Fanling)	Shop Nos. 8&9, Level 1, Fanling Town Center, Fanling, New Territories
5	Modern College (North Point) (<i>Note 1</i>)/ Modern Education Centre (North Point) Evening School	Shop 116-125, 1/F, Marble 33, 33 Marble Road, North Point, Hong Kong/Shop 105-108, 1/F, Marble 33, 33 Marble Road, North Point, Hong Kong
6	Modern College (Prince Edward)/ Modern Education Centre (Prince Edward) Evening School	Shop 3, G/F, 1/F & 2/F, Union Park Centre, 771 Nathan Road, Mongkok, Kowloon/ Rooms 301-303, 3/F, Union Park Centre, 771 Nathan Road, Mongkok, Kowloon/Rooms 401-402, 4/F, Union Park Centre, 771 Nathan Road, Mongkok, Kowloon
7		2/F, Chong Hing Square, 601 Nathan Road, Mongkok, Kowloon

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Centre Number	Registered Names of Schools	Registered Addresses
8	Modern Education Centre (<i>Note 1</i>) (Amoy Plaza)/ Modern Education Centre (Amoy Plaza) Evening School	Shop Nos. S133-140, 2/F, Amoy Plaza Phase II, Ngau Tau Kok, Kowloon, Nos. S102-104, S104A, 2/F, Amoy Plaza Phase II and S68A, S68B-69, 2/F, Amoy Plaza Phase I, Ngau Tau Kok, Kowloon
9	Modern College (Shatin)/ Modern Education Centre (Shatin Citylink Plaza) Evening School	Nos. 401-405A, 4/F, Citylink Plaza, Shatin, New Territories
10		Shop Nos. 8A&8B, 9A&9B, 2/F, Chanway Shopping Centre, Nos. 11-17 Shatin Centre Street, Shatin, New Territories
11	Modern Education Centre (Tai Po)	Shop Nos. 203-207, 2/F, Tai Tak House, Tai Yuen Estate, Tai Po, New Territories
12	Modern Education Centre (Tseung Kwan O)	Shop No 220A, Level 2, Park Central & Shop No. 220B, Level, Central Heights, Tseung Kwan O, New Territories
13	Modern College (Tsuen Wan)/ Modern Education Centre (Tsuen Wan) Evening School	Shops 12-13, G/F and whole of 1/F, Cheong Wah Building, 289-301 Castle Peak Road, Tsuen Wan, New Territories
14	Modern College (Tuen Mun Parklane Square)/ Modern Education Centre (Tuen Mun Parklane Square) Evening School	Shop 127, 128, 129 & 157, 1/F, Tuen Mun Parklane Square, 2 Tuen Hi Road, Tuen Mun, New Territories/Shop 313, 315, 316, 319, 320 & 321, 3/F, Tuen Mun Parklane Square, 2 Tuen Hi Road, Tuen Mun, New Territories/Shop 158, 1/F, Tuen Mun Parklane Square, 2 Tuen Hi Road, Tuen Mun, New Territories/Shop 130-131, 1/F, Tuen Mun Parklane Square, 2 Tuen Hi Road, Tuen Mun, New Territories
15	Modern Education Centre (Yuen Long)	1/F & 2/F, Glassview Commercial Building, 65 Castle Peak Road, Yuen Long, New Territories/3/F, Glassview Commercial Building, 65 Castle Peak Road, Yuen Long, New Territories

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Centre Number	Registered Names of Schools	Registered Addresses
<i>MBE Centres</i>		
1	Modern Bachelor Edu Ctr (Whampoa Garden) [AM]	Shop No.18B, G/F, Site 9, Whampoa Garden, Hunghom, Kowloon
	Modern Bachelor Edu Ctr (Whampoa Garden) [PM]	
	Modern Bachelor Edu Ctr (Whampoa Garden) [Evening]	
2	Modern Bachelor Edu Ctr (Laguna City) [AM]	Shop 89, 1/F, Laguna Plaza, 88 Cha Kwo Ling Road, Lam Tin, Kwun Tong, Kowloon
	Modern Bachelor Edu Ctr (Laguna City) [PM]	
	Modern Bachelor Edu Ctr (Laguna City) [Evening]	
3	Modern Bachelor Edu Ctr (Tiu Keng Leng) [AM]	Shop No. L2-057, Metro Town Shopping Mall, No. 8 King Ling Road, Tseung Kwan O, New Territories
	Modern Bachelor Edu Ctr (Tiu Keng Leng) [PM]	
	Modern Bachelor Edu Ctr (Tiu Keng Leng) [Evening]	
4	Modern Bachelor Edu Ctr (Metro City) [AM]	Shop G85&90, Metro City Phase 1 Plaza, 1 Wan Hang Road, Tseung Kwan O
	Modern Bachelor Edu Ctr (Metro City) [PM]	
	Modern Bachelor Edu Ctr (Metro City) [Evening]	
5	Modern Bachelor Education Centre (Island Resort)	Shop No. 3, First Floor, Island Resort Mall, 28 Siu Sai Wan Road, Chai Wan, Hong Kong

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Centre Number	Registered Names of Schools	Registered Addresses
<i>MBE Franchised Centres</i>		
1	Modern Bachelor Edu Ctr (Pacifica Mall) [AM]	Shop No.57, 2/F, The Pacifica Mall, No.9 Sham Shing Road, Lai Chi Kok, Kowloon
	Modern Bachelor Edu Ctr (Pacifica Mall) [PM]	
	Modern Bachelor Edu Ctr (Pacifica Mall) [Evening]	
<hr/>		
2	Modern Bachelor Edu Ctr (Ma On Shan) [AM]	Shop No.A27, G/F, Ma On Shan Centre, 1 On Chun Street, Shatin, New Territories
	Modern Bachelor Edu Ctr (Ma On Shan) [PM]	
	Modern Bachelor Edu Ctr (Ma On Shan) [Evening]	
<hr/>		
3	Modern Bachelor Edu Ctr (Provident Garden) [AM]	Shop B5A, B/F Provident Garden Arcade Under, 21-53 Wharf Road, North Point, Hong Kong
	Modern Bachelor Edu Ctr (Provident Garden) [PM]	
	Modern Bachelor Edu Ctr (Provident Garden) [Evening]	
<hr/>		
4	New Era Bachelor Edu Ctr (Metro Harbour) [AM]	Shop No.58, G/F Metro Harbour Plaza, Tai Kok Tsui, Kowloon
	New Era Bachelor Edu Ctr (Metro Harbour) [PM]	
	New Era Bachelor Edu Ctr (Metro Harbour) [Evening]	

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Centre Number	Registered Names of Schools	Registered Addresses
5	Modern Bachelor Edu Centre (Tsing Yi) [AM]	Shop 14J, 1/F, Tsing Yi Square, Tsing Yi Garden, 7-19 Tsing Luk Street, Tsing Yi, New Territories
	Modern Bachelor Edu Centre (Tsing Yi) [PM]	
	Modern Bachelor Edu Centre (Tsing Yi) [Evening]	
6	Modern Bachelor Edu Centre (Sun YL Ctr) [AM]	Shop No.315-317, Level 3 Sun Yuen Long Centre, Yuen Long, New Territories
	Modern Bachelor Edu Centre (Sun YL Ctr) [PM]	
	Modern Bachelor Edu Centre (Sun YL Ctr) [Evening]	
7	Modern Bachelor Education Centre (Lido) [AM]	Shop 7 & 8, G/F, Lido Garden, 41-63 Castle Peak Road, Sham Tseng, New Territories
	Modern Bachelor Education Centre (Lido) [PM]	
	Modern Bachelor Education Centre (Lido) [Evening]	
8	Modern Bachelor Edu Ctr (Discovery Park) [AM]	Shop 1C, Level 2, Discovery Park Shopping Centre, Tsuen Wan, New Territories
	Modern Bachelor Edu Ctr (Discovery Park) [PM]	
	Modern Bachelor Edu Ctr (Discovery Park) [Evening]	
9	New Era Bachelor Edu Ctr (Kornhill) [AM] (<i>Note 2</i>)	Unit 2, G/F 18 Hong Shing Street, Hong Kong
	New Era Bachelor Edu Ctr (Kornhill) [PM] (<i>Note 2</i>)	
	New Era Bachelor Edu Ctr (Kornhill) [Evening] (<i>Note 2</i>)	

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Centre Number	Registered Names of Schools	Registered Addresses
10	New Era Bachelor Education Centre (Lei King Wan Branch) [AM]	Shop GA24B-25, G/F, Site A, 55 Tai Hong Street, Lei King Wan, Hong Kong
	New Era Bachelor Education Centre (Lei King Wan Branch) [PM]	
	New Era Bachelor Education Centre (Lei King Wan Branch) [Evening]	
<hr/>		
11	Modern Bachelor Education Centre (Riviera Garden) [AM]	Shop 25, Riviera Plaza, 28 Wing Shun Street, Riviera Garden, Tsuen Wan, New Territories
	Modern Bachelor Education Centre (Riviera Garden) [PM]	
	Modern Bachelor Education Centre (Riviera Garden) [Evening]	

Note 1: Modern Education Centre (Amoy Plaza) and Modern College (North Point) have obtained the relevant licences for the operation of a secondary day school. However, throughout the Track Record Period and as at the Latest Practicable Date, these two centre had not provided and did not provide any secondary day school education.

Note 2: As at the Latest Practicable Date, New Era Bachelor Edu Ctr (Kornhill) and New Era Bachelor Edu Ctr (Lei King Wan) were obtaining approval for a change of school name to Modern Bachelor Education Centre (Kornhill) and Modern Bachelor Education Centre (Lei King Wan) respectively.

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Each of our learning centres in Hong Kong consists of classrooms, study areas and administrative facilities with full student and administrative support, including consultation and registration. And each of the classrooms in the ME Centres is equipped with a standardised set of equipment to assist our tutors in delivering classes. We allocate the facilities and space of these centres efficiently, and they are mainly utilised by our secondary day school operations during the morning and early afternoon hours, and by our tutoring and English language training or test preparation courses in the late afternoon and evening hours. Our ME Centres located in Tseung Kwan O and Kowloon Bay may sometimes be utilised for the provision of primary homework tutoring services whereas all of our 5 MBE Centres may also be utilised for

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the provision of special courses for our secondary tutoring services. We select new locations based on various factors, including the enrolment demographics of nearby secondary schools.



Our PRC Operations consist of providing technical consultation, management services and software licencing to Beijing Yasi School which has two directly operated learning centres in the PRC, all of which are located in Beijing, under the brand name of “BJ IELTS” (北京雅思).

TUTORS

For the years ended 30 June 2008, 2009, 2010 and the six months ended 31 December 2011, we engaged 54, 61, 52 and 51 tutors respectively, for the provision of secondary tutoring services and English language training and test preparation courses under our “Modern Education” (現代教育) brand. They are engaged as independent service contractors and are therefore not our employees.

We prefer those candidates who are able to lead a team of teaching staff, who would potentially generate greater amount of revenue than an individual. These leader tutors work closely together with their teams of tutors and/or teaching assistants in order to provide services primarily through classroom instruction. The tutors, who are leaders of their teams, are typically responsible for preparation and production of the relevant course materials. Furthermore, we routinely evaluate the performance of our existing tutors including reviewing the number of students enrolled in their respective classes and getting feedback from our students.

According to the Education (Exemption) Order, PSNFCs are exempted from application to employ permitted teachers provided that the conditions below are fulfilled:

1. A teacher who teaches in an exempted school shall possess the minimum qualifications for a permitted teacher, that is, one or two Hong Kong Certificates of Education Examination with an aggregate of 5 separate subjects at Grade E or a higher grade, including:
 - (a) English Language (Syllabus B), or of a standard which in the opinion of the Permanent Secretary is equivalent to Grade E or a higher grade in that Certificate; or
 - (b) Chinese Language.
2. A teacher who teaches secondary 4 or 5 level in an exempted school shall possess:
 - (a) a higher diploma issued by a specified institution or an associate degree of a specified institution; or
 - (b) a qualification which in the opinion of the Permanent Secretary is equivalent to a higher diploma or an associate degree.

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3. A teacher who teaches secondary 6 or 7 level or post secondary courses in an exempted school shall possess:
 - (a) an approved degree of a specified institution; or
 - (b) a qualification which in the opinion of the Permanent Secretary is equivalent to an approved degree.
4. The subjects that a teacher is required to teach shall only be the ones in which the teacher obtains qualifications or has passed the public examinations.

Therefore, any individuals who possess the qualifications set forth above may provide tutoring services at a PSNFC in Hong Kong. An internal guideline is in place to ensure that new tutors being hired will have the requisite qualification above. The Company confirms that all of the Group's tutors possessed the relevant qualifications set out above.

As our tutors interact with our students on a regular basis, we believe they are critical to maintaining the quality of service and promoting our brand reputation. As such, we are committed to maintaining consistent and high teaching quality throughout our services. We recruit tutors through a multi-step process. An applicant has to complete an application form providing information relating to his/her education background, professional qualification, employment history, criminal record and other relevant information. All supporting documents have to be provided to the Group as well. An authorisation will be given to the Group so that we may obtain information kept by his/her previous employer. He/she will have to undergo multiple interviews with our senior management and present demonstration lectures. The applicant's academic background, work experience, performance on interviews and demonstration lectures, personality and integrity will be considered in deciding whether to accept his/her application.

For all our tutors providing secondary tutoring services and the English language test preparation courses under our "Modern Education" (現代教育) brand, we enter into service contracts with them with varying terms and conditions. Under each service contract, we offer a competitive revenue sharing scheme whereby we will share the revenue generated by such tutor based on a percentage ranging from 5% to 65% of the net tuition fees generated by such tutor. Net tuition fees represent course fees paid by the students to us net of any refunds or discounts given by us and the tuition expenses, which include for example printing and administrative costs ("Net Tuition Fees"). Our revenue sharing scheme comprises (i) commission, and (ii) gratuity, payable on a monthly basis, which are calculated based on certain percentage of the Net Tuition Fee. Tutors have to repay the gratuity to us if they do not complete the entire duration of the service contracts. Percentages under our revenue sharing scheme vary among our tutors depending on their respective experience, popularity, scale of his/her team and education background.

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Tutors with lower calibre may share a lower percentage of Net Tuition Fees, but we may offer a minimum service fee ranging from HK\$15,000 to HK\$30,000 per month to these tutors if they fail to meet a specified revenue target to ensure that such tutors will be entitled to a minimum income. If the Net Tuition Fees shared by such tutor for a specific month is higher than the minimum service fee, he/she will be entitled to the revenue shared but not the minimum service fee. The service contracts typically have an initial term of two to three years (with an option to renew for up to seven years by either party), with provisions on non-competition and restrictive covenants to prevent our tutors from offering any tutoring services or having interest in any entity providing any services which are in competition with our Group during a restrictive period of typically twelve months long after termination of services within specified restricted regions in Hong Kong.

The rights to terminate the service contracts vary between service contracts of different tutors. In general, our tutors are not entitled to terminate the service contract during their term of engagement. We, however, may have the right to terminate the service contract if certain circumstances specified in the contract occur, which include, amongst others, (i) the tutor is in breach of any of his/her obligation, (ii) petition is presented or an order made for the bankruptcy of the tutor, (iii) the tutor willfully disobeys any lawful and reasonable orders given by us, (iv) the tutor is guilty of misconduct or is convicted of any criminal offence, (v) the tutor is guilty of any act of dishonesty, willful misconduct or is negligent in discharging his/her duties, or (vi) the tutor's conduct tends to bring himself or us into disrepute. Having said that, in relation to a few service contracts, exit clauses do exist and the tutors could choose to terminate the service contract if, for example, (i) the average monthly fees paid to them (being the amount from the revenue sharing scheme) during a given period of time is less than a specified sum under the service contract, (ii) the tutor provides us with an indemnity equivalent to a certain percentage of the average monthly fees received by the tutor, or (iii) we fail to settle the monthly fees. As a result, if a tutor is in breach of any of his/her obligations under the service contract, including but not limited to the non-competition clause, we may terminate or suspend the service contract with such tutor at any time.

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Under the terms of the service contracts, our tutors normally bear the costs of their own member tutors and teaching assistants, preparation and printing of teaching materials and certain other costs associated with their classes. Depending on the nature of the promotional and marketing events or materials, either we or the tutors will bear such costs. In relation to an advertisement concerning only the tutor himself/herself, he/she will have to bear the costs of the advertisement although we may request pre-screening of the advertisement before the same is published. For promotional or marketing events or materials regarding our brands, businesses or tutors in general, we will bear the relevant costs of advertising. Upon entering into service contracts with us, our tutors must also confirm and certify that none of the teaching materials and course notes they use infringe any applicable laws on intellectual property rights, otherwise they will have to assume full responsibility for any potential liability arising therefrom. As such, the Group will not be liable for any intellectual property infringement claims against our tutors.

To uphold the teaching quality of the tutors and to ensure that their conduct is sufficiently maintained, we have in place a set of policies and procedures in relation to tutor quality assurance. The revenue sharing scheme is designed to provide an incentive for tutors to improve their teaching quality since their income is directly related to the number of course enrolments. Further, a code of ethics has been given to every tutor, setting out guidelines on the proper conduct and behaviour of tutors. A list of unethical conduct and behaviours has also been sent to all tutors and is regularly updated by the Directors, setting out behaviours which in the management's view are unacceptable, lack integrity or deviate from the required ethical and professional standard of tutors. The possible consequences and personal liability of tutors in committing such behaviours are also sent together, the most serious consequence of which will be termination of the service contract. A Director has also been assigned to each tutor, and the assigned Director is responsible for monitoring the tutor's ethics and communicating the Group's requirements for tutors' conduct and behaviours. Maintenance of tutors' ethical standard is done through regular contacts between the tutor and the assigned Director.

In addition, we have officers located at each of our ME Centres responsible for receiving feedback from students or parents and recording the attendance of tutors, including absence or late arrival.

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During the Track Record Period, we had ten cases of early termination of service contracts with our tutors, details are set out below:

Number of cases	Reason of Early Termination	Compensation paid or Gratuity refunded to the Group for termination
5	Termination pursuant to exit clause in the service contracts relating to failure to achieve minimum monthly fees	Nil
4	Mutual agreement	The Company paid around HK\$1 million gratuity to one tutor and around HK\$0.8 million was refunded as additional restrictions were imposed on the tutor upon termination and such terms and amount of gratuity refunded were agreed between the tutor and the Company. No compensation or gratuity was paid or refunded in the other three cases as additional restrictions were imposed and one of the tutors has applied for emigration.
1	Breach of service contract provisions	Around HK\$8.5 million of gratuity has been paid to the tutor and such amount was claimed by the Group in legal proceedings. For details of this case, please refer to the section headed “Business – Legal Proceedings” of this prospectus for further information.

OUR TOP FIVE TUTORS

Our Top Five Tutors are those who had received the top five highest tutor contractor fee from the Group during each of the financial years ended 30 June 2008, 2009 and 2010 and the six months ended 31 December 2010. Our Top Five Tutors during the three years ended 30 June 2010 were the same five but one of the Top Five Tutors left us during the year ended 30 June 2010. As a result, for the six months ended 31 December 2010, four of the Top Five Tutors remained and a sixth tutor became one of our Top Five Tutors. For each of the financial years ended 30 June 2008, 2009 and 2010 and the six months ended 31 December 2010, the tutor contractor fee paid to our top one tutor accounted for 16.0%, 14.8%, 14.9% and 17.3% of our

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total tutor contractor fee, respectively. Our Top Five Tutors, in aggregate, accounted for 60.1%, 53.9%, 51.5% and 60.2% of our total tutor contractor fee, during those same periods. Approximately 1.0 million course enrolments in aggregate were recorded in the courses taught by our Top Five Tutors for the three years ended 30 June 2010. For each of the financial years ended 30 June 2008, 2009 and 2010 and the six months ended 31 December 2010, revenue generated by our Top Five Tutors accounted for approximately 48.9%, 43.6%, 39.6% and 45.6%, respectively, of our total revenue during the Track Record Period. During the same period, course enrolments for their classes amounted to approximately 0.34 million, 0.35 million, 0.31 million and 0.13 million and the number of students amounted to approximately 74,700, 71,900, 65,700 and 38,000.

We have maintained long-standing relationship of an average of nine years with our Top Five Tutors. In particular, three of them have been with us for more than thirteen years. Pursuant to the contracts for services which we have entered into with our Top Five Tutors, the period of contract ranges from 4 to 7 years with an expiry date ranging from June 2013 to June 2017. None of our Directors or Shareholders, or their respective associates, is connected with any of our Top Five Tutors during the Track Record Period. In order to maintain our relationships with these tutors, we offer them a highly competitive revenue sharing ratio. The restrictive covenants will also play a very important role to prevent our tutors from switching between different service providers as the tutors will have to stay away from the restricted regions within the restricted period after termination of services. In addition, the tutors will also be liable to repay the gratuity that had been prepaid to them during the contracted period if they do not complete the entire duration of their contracts satisfactorily.

The table below sets out the qualifications, teaching experience and the length of relationship with the Group in relation to the Top Five Tutors:

	Qualifications	Teaching Experience (Years)	Length of Relationship with the Group (Years)
Tutor D	BSc (1st Hons), PhD	Over 19	Over 13
Tutor E	PhD	Over 20	Over 13
Tutor F	BA (Hons), MSc	Over 10	Over 6
Tutor G	Permitted Teacher (Note 1)	Over 5	Over 5
Tutor A (Note 2)	Permitted Teacher (Note 1)	Over 6	Over 3
Tutor H (Note 3)	BSocSc (Hons) HKU	Over 17	Over 12

Note 1: A permitted teacher is a person who has passed one or two Hong Kong Certificates of Education Examination with an aggregate of 5 separate subjects at Grade E or a higher grade including English Language (Syllabus B) or Chinese Language. To become a permitted teacher to teach secondary 4 or 5 level courses, he or she shall possess a higher diploma, an associate degree or an equivalent qualification. To teach secondary 6 or 7 level courses, he or she shall possess an approved degree of a specified institution or an equivalent qualification.

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Note 2: Tutor A was one of the Top Five Tutors for the three years ended 30 June 2008, 2009 and 2010, who left the Group in early 2010.

Note 3: Tutor H was one of the Top Five Tutors for the six months ended 31 December 2010.

It is the Group's general policy to diversify the reliance on any one particular tutor. We have been seeking new tutors every year. Most of the subjects that we offered are taught by two or more tutors. This is evidenced by a total number of over fifty tutors and additions of new tutors every year. Also, our Group is actively diversifying our business to other areas to reduce the reliance on secondary tutorial business, as evidenced by the addition of new businesses over the years including newly added business of secondary day school, primary homework tutoring and test preparation courses, English test preparation courses and the PRC Operations.

TEACHERS

For all our teachers providing secondary day school education at our "Modern College" (現代書院), we enter into employment contracts with them. Teachers under employment contracts receive fixed remuneration and they are regarded as our employees. The employment contracts consist of terms ranging from one to two years and the amount of remuneration varies depending on the experience and education background of the respective teacher. The Company confirms that all of the Group's teachers possess the relevant qualification required under the Education Ordinance during the Track Record Period.

According to our standard employment contracts entered into with our teachers, we are the first owner of any copyright work made by the teachers during the course of employment. The teachers are obliged to observe and follow the Copyright Ordinance and exercise reasonable care while producing and preparing the teaching materials. Furthermore, the teachers agree to observe and follow the guidelines set forth by us in relation to the compliance of the Copyright Ordinance from time to time. Teaching materials produced or prepared during the course of employment shall only be used for teaching at our Modern College (現代書院). As such, teachers shall not distribute, display, publish or sell any information obtained directly or indirectly during the course of employment. The Group will bear the legal responsibility if the teaching materials used by secondary day school teachers during their course of employment are found to infringe intellectual property rights of any third parties unless the Group can demonstrate that it has no knowledge or has no reason to believe the teaching materials are an infringing copy of the work of third parties.

For tutors who also provide secondary day school education at our "Modern College" (現代書院), we enter into a separate employment contract with them, in addition to the service contract for the provision of secondary tutoring services or the English language test preparation course.

As at the Latest Practicable Date, we had service contracts with 51 tutors and employment contracts with 35 teachers.

We believe that with our competitive revenue sharing scheme or remuneration packages which we offer, marketing and sales support to our tutors and teachers and our reputation as one of the leaders in the industry allow us to attract and retain the most experienced and talented tutors and teachers. We seek to continue the established contractual relationships with tutors or teachers who have extensive knowledge in their areas of expertise, superior classroom demeanour and rapport with students, and strong reputations as the top in their fields.

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STAFF

We have separate teams of employees providing administrative and operational support for our Hong Kong Operations and PRC Operations. As at the Latest Practicable Date, we had 279 full-time employees and 55 part-time employees in Hong Kong, and 4 full-time employees in the PRC. The Directors confirm that the Group has complied with the relevant requirements under the Minimum Wage Ordinance (Chapter 608 of the laws of Hong Kong) as to our employees in Hong Kong.

Set out below is a breakdown of the number of our full-time and part-time employees in Hong Kong by function as at the Latest Practicable Date:

Department	Number of Employees		Total
	Full-time	Part-time	
Audio Visual	18	–	18
Centre Management	4	–	4
Centre Operations	107	50	157
Course Administration	6	–	6
Day School Teacher	35	–	35
Day School – Clerical Post	17	–	17
Electronic Data Processing	5	–	5
Finance & Accounting	11	1	12
Human Resources	5	–	5
Maintenance	4	–	4
Management	5	–	5
MBE staff	21	4	25
Sales & Marketing	26	–	26
Office Administration	3	–	3
Printing	12	–	12
	<u>279</u>	<u>55</u>	<u>334</u>

OUR OPERATIONS

Technology

We have developed and maintained in-house a proprietary operational and resource management software system, “Modern-C”. It assists us in the running of our day-to-day business cost-effectively and efficiently. This system is fully customizable and may be upgraded on demand to suit our needs. To ensure proper operation of Modern-C, we had 5 staff as at the Latest Practicable Date responsible for maintaining and upgrading Modern-C.

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Modern-C is designed principally for 3 functions, (i) point of sales; (ii) management information system; and (iii) customer relationship management. Modern-C holds a variety of information, including the personal profiles of our students, enrolments and attendance record, course fees and schedules. We make allocation of students, classes and learning centres based on the data stored in the system. Modern-C is a platform for information and data exchange and resource sharing between our front-line and back-end employees and senior management. In addition, we periodically generate data analysis from Modern-C to keep us updated on the current trends of course enrolments and attendance record.

We strive to maintain the reliability and stability of Modern-C by implementing performance monitor for all key web and business systems so as to enable us to respond quickly to potential problems. We routinely back up our database on a server located at our Kwai Chung Data Centre, Tsuen Wan Server Room and our Tsuen Wan head office to minimise the impact of data loss due to system failure. In addition, a “Backup Policy and Procedure” has been adopted for Modern-C in which Modern-C will automatically backup our database and application files on a daily basis and our manager or administrator of the electronic data processing department will periodically copy such backup files from our backup server to an external device. A “Business Continuity Plan” for our electronic data processing main system has also been introduced to provide for the solutions, contingency plans and priority of risks in case of system failures to the Modern-C connection, payroll server, account system or file server.

Audio-Visual

Each of the classrooms located at all of our ME Centres is equipped with a standardised set of equipment, consisting of a visualiser, a video-recorder, a microphone and an amplifier. In addition, certain classes given by our tutors may be video-recorded and used as complementary teaching materials in other classes. As such, we had a team of 5 staff members as at the Latest Practicable Date to ensure these sets of equipment are of good working conditions at all times. The Directors confirm that there are no specific rules or regulations governing the use of video-recorded materials as complementary teaching materials in Hong Kong and that the use of video-recorded materials per se does not contravene any rules or regulations in Hong Kong. We have not received any complaints from the Education Bureau with regard to our use of video recorded materials in classes during the Track Record Period, nor have any of our school registration certificates been revoked due to the use of video-recorded materials in classes during the Track Record Period.

Furthermore, we had a team of 14 staff members as at the Latest Practicable Date responsible for post-production editing of all of our commercials, television or online advertisements and video recordings.

Printing

As at the Latest Practicable Date, we had 12 employees in our Printing department who are responsible for printing, collecting and distribution of lecture notes, homework assignments and other course materials produced by our tutors. We obtain licence(s) from

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HKEAA to be able to publish and/or reproduce a specified percentage/number of questions from past examination papers issued by HKEAA. All materials submitted to us will be checked by executives to see if they comply with our internal guidelines, which include provisions on non-infringement of copyright. When tutors submit his/her teaching notes/materials to the printing department for printing, an executive will be assigned to check each set of notes, materials. If such teaching notes/materials contain past examination questions, the executives will check against “internal lists of number of questions of past paper” to see if there is any reproduction in excess of the specified percentage/number authorised under the licence(s) granted by HKEAA. The executives will also ask the tutors to rectify if any direct photocopying of other publications is discovered. In the academic year 09/10, there was one claim of copyright infringement on teaching notes/materials while over 20,000 sets of teaching notes and materials were submitted to the Printing Department for printing. For the period between July 2010 and December 2010, there was one claim of copyright infringement while over 9,800 sets of teaching notes and materials were submitted to the Printing Department for printing. Therefore, the Directors are of the view that the policies currently in place are an effective measure in relation to copyright protection. Our tutors are also made to reimburse the Company if we suffer any loss due to the materials submitted by them, including but not limited to, any loss due to copyright infringement. In addition, our Printing department is occasionally responsible for printing promotional pamphlets and other advertising materials designed by our Marketing department.

SEASONALITY

Our revenues and operating results fluctuated as a result of seasonal variations in our business, principally due to changes in course enrolments in our secondary tutoring services. The following table is a breakdown of our revenue by quarters derived from our secondary tutoring services, secondary day school education, the English language text preparation courses and technical consultation, management and software licencing services during the Track Record Period:

	Quarter 1 July – Sept 2007 <i>HK\$'000</i>	Quarter 2 Oct – Dec 2007 <i>HK\$'000</i>	Quarter 3 Jan – March 2008 <i>HK\$'000</i>	Quarter 4 Apr – June 2008 <i>HK\$'000</i>	Year ended 30 June 2008 <i>HK\$'000</i>
Secondary tutoring services	48,889	90,519	105,463	44,033	288,904
Secondary day school education	2,440	6,934	8,730	1,351	19,455
English language training and test preparation courses	127	133	202	565	1,027
Technical consultation, management and software licencing services	–	–	–	–	–
Total	<u>51,456</u>	<u>97,586</u>	<u>114,395</u>	<u>45,949</u>	<u>309,386</u>

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	Quarter 1 July – Sept 2007 <i>HK\$'000</i>	Quarter 2 Oct – Dec 2007 <i>HK\$'000</i>	Quarter 3 Jan – March 2008 <i>HK\$'000</i>	Quarter 4 Apr – June 2008 <i>HK\$'000</i>	Year ended 30 June 2008 <i>HK\$'000</i>
Quarterly proportion	17%	32%	37%	14%	100%
Half-year proportion		48%		52%	100%

	Quarter 1 July – Sept 2008 <i>HK\$'000</i>	Quarter 2 Oct – Dec 2008 <i>HK\$'000</i>	Quarter 3 Jan – March 2009 <i>HK\$'000</i>	Quarter 4 Apr – June 2009 <i>HK\$'000</i>	Year ended 30 June 2009 <i>HK\$'000</i>
Secondary tutoring services	54,604	103,411	116,754	49,882	324,651
Secondary day school education	3,261	8,969	8,642	5,478	26,350
English language training and test preparation courses	1,201	2,847	2,866	2,501	9,415
Technical consultation, management and software licencing services	–	–	–	–	–
Total	59,066	115,227	128,262	57,861	360,416

Quarterly proportion	16%	32%	36%	16%	100%
Half-year proportion		48%		52%	100%

	Quarter 1 July – Sept 2009 <i>HK\$'000</i>	Quarter 2 Oct – Dec 2009 <i>HK\$'000</i>	Quarter 3 Jan – March 2010 <i>HK\$'000</i>	Quarter 4 Apr – June 2010 <i>HK\$'000</i>	Year ended 30 June 2010 <i>HK\$'000</i>
Secondary tutoring services	58,982	98,424	107,604	43,482	308,492
Secondary day school education	4,005	11,141	10,872	7,112	33,130
English language training and test preparation courses	3,165	2,581	2,135	2,831	10,712
Technical consultation, management and software licencing services	–	–	437	442	879
Total	66,152	112,146	121,048	53,867	353,213

Quarterly proportion	19%	32%	34%	15%	100%
Half-year proportion		51%		49%	100%

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	Quarter 1	Quarter 2	Six months ended
	July – Sept	Oct – Dec	31 December
	2010	2010	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Secondary tutoring services	36,664	62,874	99,538
Secondary day school education	3,874	11,208	15,082
English language training and test preparation courses	4,084	3,814	7,898
Technical consultation, management and software licencing services	602	601	1,203
 Total	 45,224	 78,497	 123,721
 Quarterly proportion	 37%	 63%	 100%

We recorded greater revenue from both our secondary tutoring services and secondary day school education during the second and third quarters of our financial year (or from October to March), we believe it was due to students enrolling in our secondary tutorial courses (regular courses) or secondary day school education in tandem with the Hong Kong academic school year, as well as our secondary tutorial courses (intensive courses) in the third quarter of our financial year (or from January to March), in preparation for public examinations.

In relation to revenue generated from our English language training and test preparation courses, we did not record notable seasonal fluctuations during the Track Record Period. Nonetheless, we had recorded a substantial increase in revenue from our English language training and test preparation courses since July 2008 and it was mainly due to the provision of CEF reimbursable courses. We expect our revenues and operating results, in particular our secondary tutoring services, to continue to be influenced by seasonal enrolment patterns. Such patterns may change, however, as a result of an increased variety of programmes and services we offer, including expansion of our English language preparation courses, which are less susceptible to the effects of seasonality.

MARKETING AND STUDENT RECRUITMENT

To further increase public awareness of our business and enhance our brand recognition, we engage a variety of strategies and recruiting methods to market our programmes and services. Throughout the past years, we have positioned ourselves as one of the leading providers of private education services in Hong Kong.

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The followings are the key marketing strategies and methods which we have adopted to attract new and returning students and increase customer awareness of our “Modern Education” (現代教育) and “Modern College” (現代書院) brands:

- *Referrals.* According to our record and data, we believe one of the primary contributors to our success in our course enrolments has been word-of-mouth referrals from our existing students or alumni. We have benefited and will continue to benefit from referrals through our extensive network of students and alumni. For certain service areas, for example, our secondary tutoring services business, we offer referral bonuses or gifts to our existing students for any successful referral of potential students. For example, a promotional event was held by us in which we offered our existing students referral gifts such as tablet computer, netbook, digital camera, video game console and mobile phone upon successful referral of certain number of new students. The Directors confirm that the provision of such discounts and gifts to existing students for successful referral of potential students does not contravene any rules and regulations in Hong Kong.
- *Advertisements and campaigns.* We advertise through our own websites, third party websites, newspapers and magazines, television, billboard and media advertisements on public transit vehicles in Hong Kong. Our Marketing department, comprising a sales and marketing team and a design team, is responsible for brainstorming and designing most of our advertising materials. Furthermore, we hold campaigns and promotional events jointly with other companies which are in the business of selling commercial goods and are Independent Third Parties to advertise our programmes and services. For example, companies in which we held joint campaigns with would be allowed to distribute their products free of charge to our students at our ME Centres as a promotional effort to increase awareness of their products. As a result of our marketing and promotional efforts, potential students may come directly to our learning centres to enrol in courses and programmes. Our on-site academic advisers will then explain to them the various options we offer and assist them in choosing the suitable courses and programmes.
- *Cross-Selling.* We cross-sell our services by promoting our variety of courses through our academic advisers stationed at every ME Centre. When potential students approach our academic advisers wanting to enrol in a particular course, our academic advisers will also introduce other suitable courses to them. In various occasions, we may have promotional activities in which potential students will receive a certain percentage of discount for enrolling in additional courses. As such, students may take courses of various subjects, as well as test preparation courses on IELTS and TOEFL. We take advantage of our students’ familiarity with our services and the “Modern Education” (現代教育) brand to market our full spectrum of services.
- *Sales team for the CEF scheme.* We have a designated sales team responsible for promoting our test preparation courses on IELTS and TOEIC which are courses reimbursable by the Government under the CEF scheme. We have separate

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registration counters at our ME Centres attending enquiries of students who wish to enrol in our test preparation courses. Our sales team will explain to prospective students the course details as well as the requirements for reimbursement set forth by the Government under the CEF scheme.

- *Sales outsourcing.* Apart from employing our in-house resources or our group companies to advertise our programmes and services, we engage independent third parties to market and promote our programmes and services.

Set out below is a breakdown of our marketing expenses incurred during the Track Record Period:

	2008		Year ended 30 June				Six months ended 31 December			
			2009		2010		2009		2010	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Advertising expenses	7,334	48.3	7,403	42.9	8,932	43.4	7,358	45.0	4,321	38.6
Promotion billboard, brochure and leaflet	6,991	46.1	8,597	49.8	10,161	49.3	8,325	51.0	6,306	56.3
Other marketing expenses	845	5.6	1,266	7.3	1,504	7.3	645	4.0	571	5.1
	<u>15,170</u>	<u>100</u>	<u>17,266</u>	<u>100</u>	<u>20,597</u>	<u>100</u>	<u>16,328</u>	<u>100</u>	<u>11,198</u>	<u>100</u>

COMPETITION

The private education services sectors in Hong Kong and the PRC are both highly competitive and we expect competition in these sectors to persist and intensify. We face competition in each type of services we offer and each geographic market in which we operate. According to the Synovate Report, during the school year 2009/2010, there were 712 companies in Hong Kong engaging in the business of secondary tutoring services. The forecast number for the school year 2010/2011, 2011/2012 and 2012/2013 were 717, 718 and 717 respectively. During the school year 2009/2010, there were 685 companies in Hong Kong engaging in the business of primary tutoring services. The forecast number for the school year 2010/2011, 2011/2012 and 2012/2013 were 709, 710 and 709 respectively. During the school year 2009/2010, there were 37 private secondary schools in Hong Kong and for the three school year 2010/2011, 2011/2012 and 2012/2013, the number was forecast to be 36.

As at 31 May 2011, there were a total of 45,683 secondary tutoring center capacity in Hong Kong, of which about 54% and 46% were operated by chained tutoring centres and individual tutoring centres respectively. As at 31 May 2011, a maximum number of 4,137 pupils were permitted in the ME Centres, which represented approximately 9.1% of the total secondary tutoring centre capacity in Hong Kong and approximately 16.8% of the capacity run by chained tutoring centre.

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Set forth below is the top six secondary tutoring service providers in Hong Kong as of 31 May 2011, in terms of number of classroom and maximum number of students permitted in the classroom (including laboratory) as announced by EDB based on name search, according to which we were the largest tutoring service providers.

Rank	Service provider	Number of centre	Number of classroom	Maximum number of students permitted in the classroom
1	Our Group [#]	31	182	4,614
2	Group A	17	142	4,466
3	Group B	13	109	4,028
4	Group C	11	78	2,361
5	Group D	9	30	904
6	Group E	11	30	618

Source: Synovate Report

[#] *Including ME Centres, MBE Centres and MBE Franchised Centres*

Set out below are further ranking of the secondary tutoring service providers in Hong Kong in terms of the number of classroom and maximum legal capacity (including laboratory) as of 31 May 2011 which can be used for provision of (i) secondary tutoring services; (ii) primary tutoring services; or (iii) private day school education services, respectively:

(i) Secondary tutoring services

Rank	Service provider	Number of centre	Number of classroom	Maximum number of students permitted in the classroom
1	Our Group	31	182	4,614
2	Group A	17	142	4,466
3	Group B	13	109	4,028
4	Group C	11	78	2,361
5	Group D	9	30	904
6	Group E	11	30	618

Source: Synovate Report

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(ii) *Primary tutoring services*

Rank	Service provider	Number of centre	Number of classroom	Maximum number of students permitted in the classroom
1	Our Group	31	182	4,614
2	Group A	17	141	4,371
3	Group F	15	66	634
4	Group E	11	30	618
5	Group G	12	40	443
6	Group H	4	17	214

Source: Synovate Report

(iii) *Private secondary day school education*

Rank	Service provider*	Number of day school	Number of classroom	Maximum number of students permitted in the classroom
1	Group A	16	138	4,368
2	Group B	13	114	4,028
3	Our Group	11	112	3,498
4	Group C	3	25	802
5	Group I	1	19	789
6	Group J	1	5	187

* *Including secondary tutoring services providers which also provide private secondary day schools education services*

Source: Synovate Report

As a provider of services, we believe the main key competing factors in our business include the following:

- Brand recognition;
- Quality of our services;
- Flexibility and variety of our programmes and services;
- Location of our learning centres;
- Tuition fees; and
- Ability to effectively market programmes and services to a broad base of prospective students.

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Nevertheless, we believe with different nature of service or programmes comes different types of competition. For example, tuition fees may be more of a competing factor for our operation of secondary day school education but less for tutoring services. Brand recognition may be more of a competing factor for our primary homework tutoring services but less for our secondary tutoring services since our “Modern Education” (現代教育) brand is already strong and well-known.

In addition to competition we face from chained private education institutions, we face competition from different smaller organisations or individuals who provide one-on-one private tuition services. Since the mode of operation naturally allows these organisations or individuals to have greater opportunities to interact with students, they may be able to respond more promptly to changes in students’ preferences. However, these organisations or individuals may not be as resourceful as we do to cater to the changes in the students’ needs. With the help from our support staff, in particular from our course administration and centre operations departments, we are able to quickly develop, promote and maintain our new programmes with a variety of additional courses and services.

AWARDS AND RECOGNITIONS

We have received a number of awards and recognitions from international and local organisations. The table below sets out a summary of selected awards or recognitions we have received:

Year of grant	Award/Recognitions	Issuing organisation
2008	Trusted Brand (信譽品牌)	Readers Digest (讀者文摘)
2009	Trusted Brand (信譽品牌)	Readers Digest (讀者文摘)
2010	Trusted Brand (信譽品牌)	Readers Digest (讀者文摘)
2010	“The Best for Home 10-11” Award (香港家庭最愛品牌大賞10-11)	Take me Home • 生活區報

INTELLECTUAL PROPERTY

Our trademarks and copyrights distinguish our services and programmes from those of our competitors, and contribute to our competitive advantage in our target markets. To protect our brand and other intellectual properties, we rely on a combination of trademark and copyright laws as well as confidentiality agreements with our tutors, employees and others.

As at the Latest Practicable Date, we own 9 trade marks and are the registered holder of 26 domain names. Details of our intellectual property rights are set out in the section headed “Our intellectual property rights” in Appendix V – Statutory and General Information to this prospectus.

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INSURANCE

We maintain insurance policies to cover potential losses of or damages to appliances, equipment, computers and other property owned by us in our business premises in Hong Kong and certain additional expenditures incurred due to such losses or damages, up to the sum specified in the insurance policies. Save where it is caused by or in any way owing to the default of the landlords of the leased or licensed premises, we are generally responsible for any loss or damage of person or property, including any accident, fire or casualty in the leased or licensed premises pursuant to the relevant leases and licence agreements. As such, in addition to the property all risks insurance, we also maintain public liability insurance to cover our legal liability for, among others, accidental bodily injury caused to any person (including our students) other than our employees who are insured under the employee compensation scheme provided under the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong). The maximum insurance coverage under the Group's public liability insurance policy is HK\$10,000,000 in respect of any one accident and unlimited during the period of insurance.

During the Track Record Period, we did not experience any major operational problems, such as equipment failure, failure to meet standards, improper equipment operation or any accidental bodily injury, nor any business interruptions as a result of fire, power shortages, software or hardware malfunctions, floor, computer virus or other events beyond our control. Please refer to the section headed "Risk Factors – Claims could be brought against us in connection with injuries suffered by students or other people at our premises could adversely affect our reputation and financial results" in this prospectus. Nevertheless, based on our experience in operating our business and our understanding of the prevailing industry practice in Hong Kong, we believe our level of insurance coverage is adequate for our current operations.

For the three years ended 30 June 2008, 2009 and 2010 and the six months ended 31 December 2010, we paid aggregate insurance premiums of approximately HK\$0.6 million, HK\$0.5 million, HK\$0.3 million and HK\$0.2 million, respectively.

PROPERTIES

Our headquarters are located in Tsuen Wan, Hong Kong, where we lease approximately 10,418 sq. ft. of office space. As at the Latest Practicable Date, we leased or licenced 30 properties with an aggregate of approximately 119,620 sq. ft. of space for our ME Centres and MBE Centres in Hong Kong and we occupied 4 properties with an aggregate of approximately 512.61 sq. m. of space in the PRC. We leased or licenced all of our properties and premises from connected persons or Independent Third Parties. We have also entered into a provisional tenancy agreement for a premise with lettable area of approximately 1,720 sq. ft. in May 2011 with its term commencing from July 2011 to prepare for the opening of a new MBE Centre.

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Despite our repeated requests, the landlords of seven of our ME Centres, one warehouse and one office refused to novate the relevant underlying leases to us and have not provided licence or consent for us to use, possess or occupy the premises. The affected ME Centres are located in the districts of Causeway Bay, Kowloon Bay, Tseung Kwan O, Tsuen Wan, Shatin and Fanling. Should disputes arise due to potential breach of the underlying leases, we may not be able to continue to use the relevant premises. In that event, in the short term, we can arrange for students attending courses at the affected ME Centres to switch to other ME or MBE Centres in the same district or other districts which are easily accessible by public transportation. Notice will be given to students about the relocation and about one week's time is required for arranging the relocation of operations at the ME Centres. Moreover, we are aware of available sites in these areas which can be leased at similar rate of rent comparing to those affected ME Centres. In the long term, alternative sites in the affected areas could be ready for operation in six to eight months' time, after renovation and necessary approval from the government is obtained. Our Directors estimate that in the event of relocation, additional cost of HK\$18.5 million may be incurred, including refurbishing and renovating costs of HK\$14.5 million.

The Controlling Shareholders have entered into a deed of indemnity in favour of the Company, pursuant to which the Controlling Shareholders agreed to jointly and severally indemnify each of the members of the Group against any costs, expenses and operating and business losses arising from the relocation of the business or assets from any property leased or licenced by us in the event that any member of the Group is evicted from such property before the expiry of the relevant lease or licence agreement as a result of the breach of the relevant existing lease by the relevant connected person for licensing the relevant premises to us. For further details, please refer to the section headed "Statutory and General Information – Other Information – 1. Estate duty, tax and other indemnity" in this prospectus.

For information on the continuing connected transactions, please refer to the section headed "Licence/Tenancy Agreements – Properties" under Connected Transactions in this prospectus. We select the locations of our learning centres based on a number of factors, including the enrolment demographics of other nearby primary and secondary schools. New locations generally become operational within three to six months from the start of the term of lease of premises.

As at the Latest Practicable Date, we were not aware of any challenge being made by any third party to the title of any of these properties which might affect our current operation. For detailed information regarding our leased or licenced premises, please refer to Appendix III – Property Valuation to this prospectus.

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COMPLAINTS

During the Track Record Period, as far as we are aware, the Hong Kong Consumer Council and/or EDB have received five complaints from our customers, details of which are summarised in the following table:

Date	Details of complaints	Outcome
• 21 May 2009	Inappropriate language was purportedly used in the course notes distributed to students by Tutor A.	We cautioned Tutor A who eventually ceased to teach since early 2010 as his service contract was terminated by the Company. For details, please refer to the section headed “Business – Legal Proceedings” in this prospectus.
• 9 November 2009	Four free seminars and a course were cancelled due to insufficient enrollment.	The complainant’s daughter was properly refunded.
• 7 December 2009	Inappropriate language was purportedly used by the teaching assistant of Tutor A in class.	We cautioned the teacher concerned.
• 26 January 2010	Failure to refund the course fee despite a change in the teaching assistant.	The complainant was properly refunded.
• 3 August 2010	Failure to provide a discount of HK\$100 as advertised to the complainant.	We had the sole discretion to decide whether the discount should be provided. We decided to give a discount of HK\$100 to the complainant.

The Directors confirm that all the complaints above have been duly settled.

LEGAL PROCEEDINGS

As at the Latest Practicable Date, we were party to one legal proceeding. On 15 January 2010, we filed a writ of summons with the High Court of Hong Kong against an independent consulting company (the “first defendant”) and Tutor A (the “second defendant”), for breach of an agreement dated 5 July 2007 entered into among Modern Education HK, the first defendant and the second defendant (the “Agreement”). The first defendant is a company incorporated in Hong Kong and the second defendant had been a shareholder of the first defendant up until 11 August 2008 and the other shareholder at the material time being was a lady. The first defendant is used by the second defendant for the purpose of entering into the Agreement and a deed of novation dated 5 July 2007 whereby the first defendant was substituted as a party for another company.

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Modern Education HK claimed against the first defendant and the second defendant for breach of the Agreement due to the second defendant's conduct and unsatisfactory performance of the terms of the Agreement and we also claimed, among other things, damages in the sum of HK\$18,000,000 or to be assessed by the court for loss of profits for the period between the date of termination of the Agreement and the expiry of its contractual terms and further or alternatively the sum of HK\$8,546,572 for the gratuity already prepaid to the first defendant between May 2006 and November 2006.

On 1 April 2010, the first defendant and the second defendant filed a defence and counterclaim against Modern Education HK. The first defendant counterclaimed against Modern Education HK for damages for breach and wrongful repudiation of the Agreement, commission and gratuity for the month of December 2009 and January 2010 (up to 20 January 2010), interests and costs, the amounts of which, if the first defendant was successful, would be assessed by the court. On 17 June 2010, Modern Education HK filed a reply and defence to counterclaim and on 24 November 2010, the second defendant was declared bankrupt in Hong Kong. As at the Latest Practicable Date, the date of trial of the case had not been fixed and we are unable to provide an estimated timeframe on when the case will be heard. The legal costs incurred so far in relation to this legal proceeding amounted to HK\$1,176,670, which was charged to the combined statements of comprehensive income in the year ended 30 June 2010.

Based on independent legal advice and evidence available to the Directors, the Directors are of the opinion that the above legal proceeding would not have a material adverse effect on our Group's results of operations or financial condition. Save as disclosed above, as at the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance. As at the Latest Practicable Date, no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against any member of our Group that would have a material adverse effect on our Group's results of operations or financial condition.

In 2008, Tutor A was allegedly colluded with some invigilators or examination candidates to improperly obtain knowledge of HKCEE English examination papers prior to the end of an examination session and provided instantaneous analysis on examination papers by sending text messages to students who had paid for getting the text messages (the "Allegation"). The Independent Commission Against Corruption ("ICAC") was brought in to investigate the Allegation following complaints received by the HKEAA. We were not investigated by the ICAC, although one of our staff members was interviewed by the ICAC to assist the investigation. We understand that the ICAC has ceased the investigation on Tutor A after concluding that the Allegation was groundless.

We monitor the conduct and behaviour of our tutors. Under our service agreement with the tutors, they are required to comply with all applicable laws, regulations and directions of relevant government authorities and directions and internal procedures of the Company. Should any of them be found to be in material breach of any of the obligation under the relevant agreement, the Company may terminate the agreement forthwith.

INTELLECTUAL PROPERTY INFRINGEMENT CLAIMS AND COMPLIANCE

Our tutors are responsible for the course materials, notes and homework assignments used in our tutoring and the English training services in Hong Kong. On the other hand, we are responsible for the course materials, notes and home assignments used by secondary day school teachers in our secondary day schools. Upon entering into service contracts with us, our tutors must ensure that none of the teaching materials and notes that they use violate any applicable laws on intellectual property rights. To prevent non-compliance with any laws on intellectual property rights, we remind our tutors of the laws and regulations governing the intellectual property rights in Hong Kong by sending them newsletters regularly. Nonetheless, we and/or our tutors have been subject to intellectual property infringement claims from third parties in the past. During the Track Record Period, there were two intellectual property claims against us and/or our tutors and three intellectual property claims against us alone.

Intellectual Property Claims Against Us and/or Our Tutors

In October 2009, HKEAA informed us that the teaching notes of Tutor A were in breach of the “Licence for Use or Copying of HKCEE or HKALE Question Papers by Private Schools Offering Non-Formal Curriculum” (the “Licence”) granted to us by HKEAA. It was alleged by HKEAA that the said teaching notes had reproduced contents of HKEAA’s publications which were not covered by the Licence and that the teaching notes did not contain the required form of copyright acknowledgement. To comply with HKEAA’s request, we have ceased to use, issue, reproduce the said teaching notes in November 2009 and confirmed to HKEAA that we would observe the terms of the Licence and other directions when using or reproducing HKEAA’s publications. As at the Latest Practicable Date, no further action or legal proceedings had been initiated against us and apart from the legal costs of HK\$2,000 incurred in relation to responding HKEAA’s allegation, which had been fully reimbursed by Tutor A to us, no penalty was imposed on us, and we had not incurred and we do not expect to incur any other costs, expenses and liabilities in relation to this matter. In any event, under the terms of the contract of services entered into with Tutor A (as well as other tutors in general), Tutor A has agreed to fully and effectively indemnify us in respect of any infringement of copyrights.

In December 2010, a publisher informed us that infringement was found in the teaching materials prepared and/or used by us and/or Tutor B. It was alleged that due to the infringement by us and/or Tutor B, the publisher demanded, amongst others, that we were to give and to procure the Tutor B to give a written acknowledgement of the aforesaid infringement, a written apology and to provide a confirmation confirming the number of copies of infringing work and whether any consideration was paid by the distributees for the copies of the infringing work. In the same month, we responded stating that we had requested Tutor B to make immediate remediation and that we had no copies of the alleged infringing work in our possession. We also stated that Tutor B is an independent contractor and that Tutor B had provided undertaking to fully and effectively indemnify us in respect of any infringement of any copyrights. We had also forwarded to the publisher a written confirmation, apology and acknowledgment of the alleged infringement given by Tutor B. Based on the written confirmation given by Tutor B, no monetary consideration was received by him from the students in relation to the

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distributions of the copies of the infringing work. As at the Latest Practicable Date, no further action or legal proceeding had been taken or initiated against us and we had not incurred and do not expect to incur any costs, expenses and liabilities in relation to this matter. In relation to this intellectual property claim, no related reimbursement had been made by the tutors to us since we had not incurred any legal expenditures.

To ensure our tutors comply with the relevant laws and regulations of Hong Kong in relation to copyright, we issue guidelines to all our tutors regarding the Licence granted to us by HKEAA specifying all the conditions to be observed in the reproduction of examination papers and questions, including without limitation to the permitted reproduction of not more than 25% of examination questions from any one examination paper. Similar guidelines have also been issued to tutors in relation to the reproduction of textbooks, practice books or other materials published by third parties. Further, all materials submitted to us will be checked by the executives at our printing department to see if they comply with our internal guidelines. For details in relation to the checking of teaching notes and materials, please refer to the section headed “Business – Our Operations – Printing” of this prospectus. To protect our interest in case of intellectual property infringements by our tutors, every tutor has to undertake to fully indemnify us in respect of any infringement of copyrights.

Intellectual Property Infringement Claims Against Us

In addition, we were subject to an intellectual property infringement claim by a manufacturing company as at the Latest Practicable Date. In July 2010, the manufacturing company alleged that we were displaying a check (the “Check”) confusingly similar to its trade mark (the “Trademark”). As such, they demanded from us (i) an undertaking not to use/display the Check, (ii) to perform all matters referred to in the undertaking, (iii) to reimburse them all costs incurred in relation to the matter, and (iv) to pay damages. The said undertaking requires us to, amongst others, (i) cease from use of the Check on any signs and/or displays, (ii) not at any time in the future use on any signs, displays or deal in any goods or merchandise, uniform clothing that bear any mark identical or confusingly similar to the Trademark, (iii) deliver up to the manufacturing company all stock and samples of the uniform clothing, literature or promotional materials illustrating the unauthorised use of any mark identical or confusingly similar to the Trademark, and (iv) make and deliver a statutory declaration to the manufacturing company confirming, amongst others, compliance of the above and identifying all promotional materials in relation to any mark identical or confusing similar to the Trademark and related details. We had engaged legal representatives to represent us in this matter and based on the legal advice given by such legal representatives and a letter of reply from such legal representatives to the manufacturing company, we do not believe the Check has infringed the Trademark. As at the Latest Practicable Date, no further action or legal proceeding had been taken or initiated against us and apart from the legal costs of HK\$7,500 incurred in relation to the engagement of the legal representatives, we had not incurred and we do not expect to incur any other costs, expenses and liabilities in relation to this matter.

In January 2011, HKEAA informed us that we had posted an advertisement on our website which contained certain unauthorised copy of HKEAA’s examination paper. HKEAA demanded us to remove and deliver to them all remaining copies of the said advertisement and

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to stop further use of the same. In February 2011, we responded that we pledged not to use the said advertisement in the future and that we had no copies left of the advertisement. As at the Latest Practicable Date, no further action or legal proceeding had been taken or initiated against us, no penalty was imposed on us and we had not incurred and do not expect to incur any costs, expenses and liabilities in relation to this matter.

In October 2009, Tutor C alleged, amongst others, that we had been continuously possessing, using and exploiting his/her materials and that we had continuously held out Tutor C to be our tutor after termination of the contract for services with Tutor C. Tutor C demanded from us a statutory declaration of destruction of all materials belonging to him/her. In the same month, we replied in responded denying the allegation and that we were not obliged to deliver any statutory declaration of destruction of all materials. As at the Latest Practicable Date, no legal proceeding had been initiated. Apart from the legal costs already incurred in relation to the correspondence between us and Tutor C, we had not incurred and we do not expect to incur any other costs, expenses and liabilities in relation to this matter.

The Directors are of the view that the above intellectual property infringement claims are not material to the Group and save as disclosed above, there was no other pending or threatened litigation, arbitration or other legal proceedings against the Group as at the Latest Practicable Date.

Environment

The Directors confirm that, to the best of their knowledge, there were no specific environment obligations under law or other voluntarily adopted measures relating to the industry of the Group which would incur material annual cost of compliance.

INTERNAL MEASURES RELATING TO LEGAL MATTERS

The Company has employed an internal auditor since December 2010 to carry out our internal control policies of all departments. Also, since December 2010, the Group has internal legal advisor to advise on the Group's legal matters including but not limited to the infringement claims of of intellectual property rights and compliance of rules and regulations relating to the operations of the Group.

Taking into account of the data below, the Directors and the Joint Sponsors are satisfied with the Company's internal control measures during the Track Record Period:

Type	Number of Case
Contractual Legal Proceedings	1
Intellectual Property Infringement	5
Compliance Issues	0

For details of the claims and proceedings, please refer to the section headed "Business – Legal Proceedings and Intellectual Property Infringement Claims and Compliance".

CONTROLLING SHAREHOLDERS

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The Controlling Shareholders of our Company are Speedy Harvest and Mr. Ng Kam Lun. Immediately after completion of the Global Offering, Mr. Ng Kam Lun will, indirectly through Speedy Harvest, control the exercise of voting rights of 39.35% of the Shares eligible to vote in a general meeting of our Company (assuming the Over-allotment Option is not exercised).

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, we believe that our Company is capable of carrying on its business independently from our Controlling Shareholders after the Global Offering:

Management independence and operational independence

Our Board consists of seven Directors, of whom four are executive Directors and the remaining three are INEDs. One directorship of our executive Directors is held by Mr. Ng Kam Lun, who is our Controlling Shareholder.

Although our Controlling Shareholders will retain a controlling interest in our Company after the Listing, our Company has full rights to make all decisions on, and to carry out, its own business operations independently. Other than the failure to obtain consents from the relevant landlords and licensors for some of the premises and advertising spaces used by and licensed to us as disclosed in the section headed “Connected Transactions – Continuing connected transactions” of this prospectus, our Company (through its subsidiaries and/or authorised persons) holds all relevant licences and/or registrations necessary to carry on its businesses in all material respects, and has sufficient capital, equipment and employees to operate its business independently from our Controlling Shareholders.

Each of our Directors is aware of his or her fiduciary duties as a director of our Company which requires, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, we have a senior management team to carry out our business decisions independently. Our three INEDs will also bring independent judgment to the decision-making process of our Board.

Our executive Directors and senior management have served us for an extended period of time and have substantial experience in the industry in which our Company is engaged.

CONTROLLING SHAREHOLDERS

We entered into a tenancy agreement with Strategic Fortune pursuant to which we leased premises in Hong Kong for one of our learning centres. Strategic Fortune is wholly owned by Mr. Ng Kam Lun. We also entered into licence agreements with Smarter Choice Limited and Modern English Limited pursuant to which we licenced four premises from them for our learning centres in Hong Kong. Smarter Choice Limited is wholly owned by Mr. Ng Kam Lun while Modern English Limited is owned as to 66.67% by Mr. Ng Kam Lun. Such lease and licences are not material to our business or operation as a whole. The premises under such lease and licences are currently used by three of our ME Centres. For the three years ended 30 June 2008, 2009 and 2010 and the six months ended 31 December 2010, such ME Centres contributed 19.7%, 20.2%, 23.1% and 23.2% of our revenue, respectively for the same periods, and the relevant rental and licence fees (including service charges and other expenses, if any) paid by us amounted to 9.6%, 12.9%, 12.4% and 14.4% of our operating lease payments, building management fee, air-conditioning charges and rates, respectively for the same periods. Details of the tenancy agreement and licence agreements are set out in the section headed “Connected Transactions” in this prospectus. The tenancy agreement and licence agreements were entered into on normal commercial terms (or on terms more favorable to us) after arms’ length negotiations. Vigers Appraisal & Consulting Limited, our independent property valuer, has reviewed the tenancy agreement and confirmed that the rent and licence fees (including service charges and other expenses, if any) payable by us to Strategic Fortune, Smarter Choice Limited and Modern English Limited are consistent with the prevailing market rates for similar premises in similar locations in Hong Kong. We believe that in the event Strategic Fortune ceases to lease the premises to us, or Smarter Choice Limited or Modern English Limited ceases to grant any licences to us to use the relevant premises, we would be able to find suitable alternative premises from Independent Third Parties within proximity without undue delay or inconvenience.

We also entered into a service contract with Many Corporation Limited and Mr. Ng Kam Lun pursuant to which Many Corporation Limited agreed to procure Mr. Ng Kam Lun to provide tutoring services to our students for a term commencing from 1 September 2011 and expiring on 30 June 2013. We also entered into a licence contract with Many Corporation and Mr. Ng Kam Lun pursuant to which Many Corporation Limited agreed to grant a sole, exclusive and non-transferable licence to our Company to use and reproduce the teaching materials prepared by Mr. Ng Kam Lun for the tutorial courses on English to be organised by the Company for secondary school students and to be conducted by teaching assistants with the said teaching materials for a term commencing from 1 September 2011 and expiring on 30 June 2013. Many Corporation Limited is wholly owned by Mr. Ng Kam Lun, who is not one of our Top Five Tutors during the Track Record Period.

During the Track Record Period, we also provided supporting services to Exam Workshop Limited, a company controlled by Mr. Ng Kam Lun, for its one-off project that mainly involved workshop and training on cross-culturing and communication skills, and paid tutor contractor fee to Exam Workshop Limited prior to the entering into service contract and the licence contract with Many Corporation Limited and Mr. Ng Kam Lun on 11 February 2011. Exam Workshop Limited has been inactive since 2009. For the three years ended 30 June 2008, 2009 and 2010 and the six months ended 31 December 2010, the tutor contractor fee paid to Mr. Ng

CONTROLLING SHAREHOLDERS

Kam Lun or his wholly owned company accounted for 0.5%, 0.7%, 0.0% and 0.0% of our total tutor contractor fee, respectively. Details of the service contract and the licence contract are set out in the section headed “Connected Transactions” in this prospectus. Our Directors, including our INEDs, are of the view that we do not overly rely on our Controlling Shareholders for the provision of tutoring services.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors, including our INEDs, are of the view that we are capable of managing and operating our business independently from the Controlling Shareholders after Listing.

Administrative independence

We have our own capabilities and personnel to perform all essential administrative functions including financial and accounting management invoicing and billing, human resources and information technology.

Financial independence

We have an independent financial system and make financial decisions according to our own business needs. Although we have obtained a personal guarantee on a HK\$12.0 million bank loan facility and a corporate credit card for a maximum amount of HK\$650,000 from Mr Ng Kam Lun, such guarantees will be released and replaced by corporate guarantees upon Listing. We believe we are capable of obtaining financing from Independent Third Parties, if necessary, without reliance on our Controlling Shareholders. In May 2011, we also obtained a loan of approximately HK\$40.0 million which will be used to serve our business needs. Therefore, we are financially independent from our Controlling Shareholders.

Having considered the above reasons, our Directors are of the view that we are capable of carrying on its business independently of our Controlling Shareholders after Listing.

RELATIONSHIP WITH MS. HUANG HUI

Ms. Huang Hui is the spouse of Mr. KW Ng and the sister in law of Mr. Ng Kam Lun and currently holds 65% of the equity interest in Beijing Siya. In order to pave the path for our development in the PRC, we entered into the Option Agreement with Ms. Huang Hui pursuant to which Ms. Huang Hui irrevocably granted Modern Beiya or its designated person an exclusive option to purchase, when and to the extent permitted under the PRC law, 65% of her equity interest in Beijing Siya. The consideration payable for the exercise of the option shall refer to the then market value of Beijing Siya to be determined by an independent valuer, which in the Directors’ view would be fair and reasonable. The option can be exercised by us anytime within the one year term of the Option Agreement. We have not decided whether and when to operate a school in the PRC by exercising the option. As we have no prior presence in the PRC market, we would prefer to take a conservative approach in developing our business in PRC and intend to gain more practical knowledge and experience through the existing PRC

CONTROLLING SHAREHOLDERS

Operations. We will continue to monitor the development of the education industry in the PRC and the ongoing performance of the PRC Operations and Beijing Siya or Beijing Yasi School. Further, as advised by our PRC Legal Advisors, pursuant to the Option Agreement and the relevant PRC laws and regulations, our exercise of the option to purchase is subject to certain conditions, which include, inter alia, (i) entering into a sale and purchase agreement with Ms. Huang Hui, (ii) the shareholders of Beijing Siya agreeing to the said sale and purchase, (iii) the other shareholders of Beijing Siya agreeing to waive or surrender their respective pre-emptive rights, and (iv) obtaining approval and registration from the relevant PRC department. If the transfer of equity interest in Beijing Siya cannot be completed due to the disagreement of other shareholders, we will rely on the existing arrangement under the Exclusive Technical Consultation and Management Service Agreement and the Software Licence Agreement. We will also explore other business opportunities in the PRC whether we decide to exercise the option or not. Ms. Huang Hui has also undertaken that she will not engage in business which may, directly or indirectly, compete with the Group's business upon completion of the Option Agreement without consent of the Group.

For further details, please refer to the section headed "Business – Our Business and Network – PRC Operations" in this prospectus.

NON-COMPETITION UNDERTAKING

We have entered into the Non-competition Deed with each of the Controlling Shareholders, Beautiful Choice, Mr. Lee, Ms. Chu, Classic King, Mr. Ng Norman, Ultra Strong, Mr. KW Ng, Ms. Lau, Ms. Ng, Creative Master and Ms. Yiu (together, the "Non-Competing Covenantors") pursuant to which each of the Non-Competing Covenantors has jointly and severally undertaken to our Company (for itself and for the benefit of its subsidiaries) that, during the Non-compete Period (as defined below), each of them will not, whether as principal or agent and whether undertaken directly or indirectly (including through any of their respective associate, subsidiary, partnership, joint venture or other contractual arrangement) and whether for profit or otherwise, carry on, engage, invest, participate or otherwise be interested in any business which is, in each case, the same as, similar to or in direct or indirect competition with any business relating to private educational services and such other business conducted or carried on by our Group from time to time (the "Restricted Business").

Notwithstanding the foregoing, each of the Non-Competing Covenantors may:

- (a) have interest in shares or other securities (whether or not listed on any stock exchange) of a company conducting any Restricted Business, provided that:
 - (i) the Non-Competing Covenantors and their respective associates taken together are not so interested as to be able to exercise or control the exercise of 5% or more of the voting power at general meetings of such company or control the composition of a majority of the board of directors of such company; and

CONTROLLING SHAREHOLDERS

- (ii) at all times there is another independent shareholder who either alone is, or together with his/her/its associates are, directly or indirectly interested so as to be able to exercise or control the exercise of a greater amount of voting power at general meetings of such company than the Non-Competing Covenantors and their associates are able to, or control the composition of a majority of the board of directors of such company;

- (b) carry on, engage, invest, participate or otherwise be interested in such Restricted Business where the opportunity to carry on, engage, invest, participate or otherwise be interested in such Restricted Business has first been offered or made available to our Company in writing and the relevant Non-Competing Covenantor shall provide such information as may reasonably be required by our Company in order to make an informed assessment of such business opportunity within 30 days upon receipt of such business opportunity in writing, and our Company, after review and approval by our INEDs, has declined such opportunity to carry on, engage, invest, participate or otherwise be interested in such Restricted Business, provided that the principal terms by which any Non-Competing Covenantor (or any of his/her/its associate(s)) subsequently carries on, engages, invests, participates or otherwise is interested in such Restricted Business are not more favourable in any material aspect than those offered or made available to our Company. The 30 day period can be extended to a date mutually agreed between our Company and the Non-Competing Covenantors. The INEDs may, at the cost of our Company, appoint any professional adviser as they consider necessary to advise them on the terms of any such business opportunity. In considering to take up such business opportunity, the INEDs will take into account the followings:
 - (i) whether such business opportunity in relation to the relevant business of our Company is of a considerable size;
 - (ii) whether such business opportunity will enhance our Company's profitability and competitive advantages in the core business of our Company;
 - (iii) whether such business opportunity will attain profit within a reasonable period;
 - (iv) whether such business opportunity will be in line with the strategic development of our Company from time to time;
 - (v) whether our Company's funding capability and/or capital expenditure projections would allow the taking up of such business opportunity by our Group; and
 - (vi) whether Shareholders' value will be maximized by taking up such business opportunity.

CONTROLLING SHAREHOLDERS

The “Non-compete Period” stated in the Non-competition Deed refers to the period during which:

- (a) in case of the Controlling Shareholders, any of the Controlling Shareholders or his/its respective associate is a controlling shareholder of the Company within the meaning of the Listing Rules in force from time to time;
- (b) in the case of the other Non-Competing Covenantors, any of them is interested in 5% or more of the total issued share capital of the Company from time to time or such Non-Competing Covenantor is a Director or member of the senior management of our Group; and
- (c) the Shares are and remain listed on the Stock Exchange.

Under the Non-competition Deed, in the event that, during the Non-compete Period, any of the Non-Competing Covenantors intends to dispose of any Restricted Business or any interest in any Restricted Business, the Non-Competing Covenantors shall first offer to our Company the right to acquire such business or interest and it may only proceed with such disposal to any third party, on terms not more favourable than those offered to our Company, following the rejection of such offer by our Company.

Further, any transaction that is proposed between our Group and the Non-Competing Covenantors or their respective associates will be required to comply with the requirements of the Listing Rules, including, where applicable, the announcement, reporting and independent shareholders’ approval requirements.

None of our Controlling Shareholders or any of our Directors has any interest in a business apart from our business which competes or is likely to compete, either directly or indirectly, with our Group’s business.

CORPORATE GOVERNANCE MEASURES

The Directors believe that there are adequate corporate governance measures in place to manage the conflict of interests arising from any competing business and to safeguard the interests of the Shareholders, including:

- the INEDs will review, on an annual basis, the compliance with the undertaking by the Non-Competing Covenantors under the Non-competition Deed;
- the Non-Competing Covenantors have undertaken to provide all information requested by our Company which is necessary for the annual review by the INEDs and the enforcement of the Non-competition Deed;

CONTROLLING SHAREHOLDERS

- the Non-Competing Covenantors have undertaken to use their reasonable endeavours to procure that their associates shall provide all information and access to the financial records of the Non-Competing Covenantors subject to confidentiality restrictions owed by them to a third party for the annual review by the INEDs and professional advisers of the Company with regard to the compliance with and enforcement of the Non-competition Deed;
- our Company will disclose the review results and decisions with basis on matters reviewed by the INEDs relating to compliance with and enforcement of the undertaking of the Non-Competing Covenantors under the Non-competition Deed in the annual report of our Company or by way of announcement to the public;
- the Non-Competing Covenantors will make an annual confirmation on compliance with their undertaking under the Non-competition Deed in the annual report of our Company;
- in the event that potential conflicts of interest may materialise, i.e. where a Director has an interest in a company that will enter into an agreement with our Group, the Director(s) with an interest in the relevant transaction(s) will not be present at the relevant board meeting, and will be excluded from the board deliberation and abstain from voting and will not be counted towards quorum in respect of the relevant resolution(s) at such board meeting in accordance with the Articles; and
- in the event that potential conflicts of interest may materialise, the Shareholder(s) with an interest in the relevant transaction(s) will abstain from voting in the shareholders' meeting of the Company with respect to the relevant resolution(s).

CONNECTED TRANSACTIONS

CONNECTED TRANSACTIONS

The Company has entered into a number of transactions with entities and individuals which will become connected persons (as defined in Chapter 14A of the Listing Rules) of the Company upon Listing and such transactions will, upon Listing, constitute one-off connected transactions or continuing connected transactions of the Company under the Listing Rules. Details of these transactions are set out below.

1. One-off connected transactions

Option Agreement

The Company has entered into an Option Agreement with Ms. Huang Hui, the spouse of Mr. KW Ng and the sister-in-law of Mr. Ng Kam Lun, pursuant to which Ms. Huang Hui agreed to grant an option to the Company to acquire her equity interest in Beijing Siya provided PRC law permits such acquisition. Such option was granted for nil consideration and consideration based on market value will be payable by the Company upon the exercise of the option. For details, please refer to the section headed “Business – Our Business and Network – PRC Operations” in this prospectus.

Non-Competition Deed

We have entered into a Non-competition Deed with our Controlling Shareholders, Beautiful Choice, Mr. Lee, Ms. Chu, Classic King, Mr. Ng Norman, Ultra Strong, Mr. KW Ng, Ms. Lau, Ms. Ng, Creative Master and Ms. Yiu. For details of the Non-competition Deed, please refer to the section headed “Controlling Shareholders – Independence from Controlling Shareholders – Non-competition undertaking” in this prospectus.

2. Continuing connected transactions

The following transactions will constitute continuing connected transactions for the Company and may be subject to the reporting and announcement requirements under Rule 14A.35(3) of the Listing Rules and/or the independent shareholders’ approval requirement under Rule 14A.35(4) of the Listing Rules.

CONNECTED TRANSACTIONS

(A) *Tenancy agreement and licence agreements in relation to properties and advertising spaces*

Transaction nature

Modern Education HK, a wholly-owned subsidiary of the Company and certain connected persons of our Company have entered into the following tenancy agreement and licence agreements, whereby such connected persons leased the following premises to the Group or granted licences to the Group for the use of the following premises or advertising spaces:

Licensor/ Landlord	Licensee/ Tenant(s)	Premises/ Advertising spaces	Historical annual rental/licence fee (HK\$)				Six months ended 31 December 2010	Proposed annual cap (HK\$)			Term (Note 1)
			Year ended 30 June			Year ending 30 June					
			2008	2009	2010	2011		2012	2013		
							(Note 2)				
Smarter Choice Limited	Modern Education HK	Shops 8-9, Level 1, Fanling Town Center, 18 Fanling Station Read, Fanling, New Territories, Hong Kong (Note 3 and 4)	nil	93,000	2,122,000	1,063,000	2,125,000	1,785,000	nil	1 June 2011 to 15 April 2012	
Strategic Fortune Limited	Modern Education HK	4/F, Union Park Centre, No.771- 775 Nathan Road, Kowloon, Hong Kong (Note 5)	nil	nil	nil	nil	nil	972,000	972,000	1 July 2011 to 30 June 2013	
Online Global Limited	Modern Education HK	3/F, Cigna Tower, 482 Jaffe Road, Hong Kong (Notes 3 and 4)	2,274,000	2,322,000	2,617,000	1,312,000	2,623,000	2,404,000	nil	1 June 2011 to 9 May 2012	
	Modern Education HK	Shops 9A and 9B, 2/F, Wai Wah Centre, 11-17 Sha Tin Centre Street, Shatin, New Territories, Hong Kong (Notes 3 and 4)	nil	2,043,000	4,605,000	2,357,000	4,723,000	4,841,000	4,841,000	1 June 2011 to 30 June 2013	
		<i>Subtotal</i>	<u>2,274,000</u>	<u>4,365,000</u>	<u>7,222,000</u>	<u>3,669,000</u>	<u>7,346,000</u>	<u>7,245,000</u>	<u>4,841,000</u>		

CONNECTED TRANSACTIONS

Licensor/ Landlord	Licensee/ Tenant(s)	Premises/ Advertising spaces	Historical annual rental/licence fee (HK\$)				Six months ended 31 December 2010	Proposed annual cap (HK\$)			Term (Note 1)
			Year ended 30 June			2010		Year ending 30 June			
			2008	2009	2010			2011	2012	2013	
			(Note 2)								
Online Global Limited	Modern Education HK	Signage space designated no.3 on the side wall of Cigna Tower, 482 Jaffe Road, Hong Kong (Note 4)	nil	4,000	46,000	23,000	46,000	42,000	nil	1 June 2011 to 9 May 2012	
	Modern Education HK	14 advertising spaces at Shops 9A and 9B, 2/F, Wai Wah Centre, 11-17 Sha Tin Centre Street, Shatin, New Territories, Hong Kong (Note 4)	nil	10,000	240,000	120,000	240,000	240,000	240,000	1 June 2011 to 30 June 2013	
<i>Subtotal</i>			<i>nil</i>	<i>14,000</i>	<i>286,000</i>	<i>143,000</i>	<i>286,000</i>	<i>282,000</i>	<i>240,000</i>		
Regent Mega Limited	Modern Education HK	Shop 12 of G/F to 1/F, Shop 13 of G/F, Cheong Wah Building, 289-291 and 295-301 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong (Note 3 and 4)	2,956,000	3,042,000	3,364,000	1,706,000	3,413,000	2,874,000	nil	1 June 2011 to 30 April 2012	
	Modern Education HK	Shops S102-104, S104A and S133-140, 2/F, Amoy Plaza, Amoy Gardens Phase I and II, 77 Ngau Tau Kok Road, Kowloon, Hong Kong (Note 3 and 4)	2,197,000	2,462,000	2,493,000	1,448,000	2,896,000	3,136,000	nil	1 June 2011 to 6 June 2012	
<i>Subtotal</i>			<i>5,153,000</i>	<i>5,504,000</i>	<i>5,857,000</i>	<i>3,154,000</i>	<i>6,309,000</i>	<i>6,010,000</i>	<i>nil</i>		
Regent Mega Limited	Modern Education HK	The wall surface adjacent to Shops S102-104, S104A and S133-140, 2/F, Amoy Plaza, Amoy Gardens Phase I and II, 77 Ngau Tau Kok Road, Kowloon, Hong Kong (Note 4)	1,000	1,000	1,000	1,000	1,000	1,000	nil	1 June 2011 to 6 June 2012	
Modern English Limited	Modern Education HK	Shop 3A, G/F-2/F, Union Park Centre, 771-775 Nathan Road, Kowloon, Hong Kong (Notes 3 and 6)	3,828,000	3,828,000	3,509,000	1,914,000	3,828,000	3,828,000	3,509,000	1 June 2011 to 31 May 2013	

CONNECTED TRANSACTIONS

Licensor/ Landlord	Licensee/ Tenant(s)	Premises/ Advertising spaces	Historical annual rental/licence fee (HK\$)				Six months ended 31 December 2010	Proposed annual cap (HK\$)			Term (Note 1)
			Year ended 30 June			Year ending 30 June					
			2008	2009	2010	2011		2012	2013		
	Modern Education HK	Shop 220a, Park Central, 9 Tong Tak Street, Tseung Kwan O, Sai Kung, New Territories, Hong Kong (Notes 3, 4 and 7)	nil	159,000	202,000	96,000	193,000	198,000	205,000	1 June 2011 to 30 June 2013	
	Modern Education HK	Shop 220b, Central Heights, 9 Tong Tak Street, Tseung Kwan O, Sai Kung, New Territories, Hong Kong (Notes 3, 4 and 7)	nil	2,132,000	2,299,000	1,239,000	2,492,000	2,563,000	2,651,000	1 June 2011 to 30 June 2013	
		<i>Subtotal</i>	<u>3,828,000</u>	<u>6,119,000</u>	<u>6,010,000</u>	<u>3,249,000</u>	<u>6,513,000</u>	<u>6,589,000</u>	<u>6,365,000</u>		
Phoenix Investment Limited	Modern Education HK	Units 401-405A, 4/F, Citylink Plaza, 1 Shatin Station Circuit, Shatin, New Territories, Hong Kong (Notes 3 and 4)	1,552,000	1,505,000	1,765,000	917,000	1,840,000	1,910,000	1,756,000	1 June 2011 to 31 May 2013	
World Wide Resources Management Limited	Modern Education HK	Shops 8A and 8B, 2/F, Wai Wah Centre, 11-17 Sha Tin Centre Street, Shatin, New Territories, Hong Kong (Notes 3 & 4)	nil	nil	7,693,000	4,880,000	9,760,000	9,765,000	9,783,000	1 June 2011 to 30 June 2013	
Total			<u>12,808,000</u>	<u>17,601,000</u>	<u>30,956,000</u>	<u>17,076,000</u>	<u>34,180,000</u>	<u>34,559,000</u>	<u>23,957,000</u>		

Notes:

- (1) The licences will expire on the expiry dates of the respective tenancy agreements or licence agreement entered into between the relevant connected person and the landlord or licensor of the premises or advertising space.
- (2) Such annual caps include the period from 1 July to 31 December 2010.
- (3) The landlord refused to novate the relevant existing lease or licence agreement to us without providing any specific reasons.
- (4) We have notified the relevant landlord or licensor about the use, possession and occupation of the premises or the use of advertising space by us. However, despite our requests to the relevant landlord or licensor to novate the relevant existing lease or licence agreement to us while they are still in force or provide licence or consent for us to continue to use, possess and occupy the premises or continue to use the advertising space, we have not obtained such consent from the relevant landlord or licensor. The relevant connected person is therefore in breach of the relevant existing lease or licence agreement entered into between the relevant connected person and the landlord or licensor that may entitle the landlord or licensor to terminate the relevant existing lease or licence agreement.
- (5) The premises was rented by Strategic Fortune as the landlord to us, pursuant to a tenancy agreement dated 25 May 2011.
- (6) We have obtained consent from the relevant landlord to allow us to use, possess and occupy the premises.
- (7) The landlord is an affiliated company of the plaintiff who sued Wisdom Gateway for breach of tenancy agreement in 2003. Please also refer to the section headed "Directors and Senior Management – matters that need to be brought to the attention of our Shareholders" for further details of Wisdom Gateway.

CONNECTED TRANSACTIONS

The licence fees payable by us to each of these connected persons in relation to the premises and/or advertising spaces shall be the same as the rental and/or licence fees (including service charges and other expenses, if any) payable by Smarter Choice Limited, Online Global Limited, Regent Mega Limited, Modern English Limited, Phoenix Investment Limited and World Wide Resources Management Limited to the respective Independent Third Party landlords and/or licensors under the relevant existing leases and/or licence agreements. Pursuant to the licence agreements, we shall also observe and perform all of the covenants and legal obligations of the tenants or licensees under the relevant existing leases or licence agreements insofar they pertain to the relevant premises or advertising space to the same extent practicable and as if we were originally a party to the relevant existing leases or licence agreements as the tenant or licensee thereunder.

Connection of the parties

Mr. Ng Kam Lun, our chairman and executive Director, is the sole shareholder of both Smarter Choice Limited and Strategic Fortune. Mr. Lee and Ms. Yiu, both our executive Directors, each holds 50% shareholding in Online Global Limited while Regent Mega Limited is owned as to 60% and 40% by Mr. Lee and Ms. Yiu, respectively. Mr. Ng Kam Lun and Ms. Yiu holds 66.67% and 33.33% shareholding respectively in Modern English Limited. Ms. Yiu is the sole shareholder of both Phoenix Investment Limited and World Wide Resources Management Limited. As such, Smarter Choice Limited, Strategic Fortune, Online Global Limited, Regent Mega Limited, Modern English Limited, Phoenix Investment Limited and World Wide Resources Management Limited are connected persons of the Company and the transactions contemplated under the above tenancy agreement and licence agreements will, upon Listing, constitute continuing connected transactions of our Company under the Listing Rules. These companies are investment holding companies and are not expected to be engaged in any business that competes directly with us. As the above tenancy agreement and the licence agreements are similar in nature and entered into with the same group of connected persons, the transactions contemplated under these agreements are aggregated under Rule 14A.25 of the Listing Rules.

Reasons for the transactions

The above premises and advertising spaces were leased or licenced initially by Smarter Choice Limited, Online Global Limited, Regent Mega Limited, Modern English Limited, Phoenix Investment Limited and World Wide Resources Management Limited from the respective Independent Third Party landlords or licensors. Such companies were used for convenience purposes as the Directors at that time had not decided to apply for listing in Hong Kong. Subsequently when the Directors decided to proceed with the listing exercise, they have decided not to include Smarter Choice Limited, Online Global Limited, Regent Mega Limited, Modern English Limited, Phoenix Investment Limited and World Wide Resources

CONNECTED TRANSACTIONS

Management Limited in the Group in order to simplify the Group structure, as those companies have no other business apart from being the tenant or the licensee for the above premises or advertising spaces. The Directors consider the exclusion of these companies to be in the interest of the Group as it can save the additional costs for the audit of those companies, as well as speed up the preparation of the listing process by limiting the scope of the due diligence exercise with a simplified Group structure.

As at the Latest Practicable Date, we have entered into 15 leases with respect to 9 ME Centres, 1 printing house, 1 warehouse and 1 head office in Hong Kong, and 10 licence agreements with respect to advertising spaces directly with Independent Third Party landlords or licensors, while Smarter Choice Limited, Online Global Limited, Regent Mega Limited, Modern English Limited, Phoenix Investment Limited and World Wide Resources Management Limited have together entered into 10 leases for use by 8 of our ME Centres, and 3 licence agreements with respect to advertising spaces for our use. Some of our ME Centres occupy more than one premises, and therefore more than one lease may have been entered into with respect to a ME Centre. The leases and licence agreements entered into by these connected persons will expire during the period from April 2012 to May 2014. Please also refer to Appendix III to this prospectus for further details.

Following our decision to exclude Smarter Choice Limited, Online Global Limited, Regent Mega Limited, Modern English Limited, Phoenix Investment Limited and World Wide Resources Management Limited, requests have been made to the Independent Third Party landlords or licensors to novate the relevant existing leases or licence agreements to members of the Group. However, despite our requests, such Independent Third Party landlords or licensors refused to novate the relevant existing leases or licence agreements to us while they are still in force as they do not have any obligation under the relevant existing leases and licence agreements to do so or such Independent Third Party landlords or licensors are prepared to novate the relevant existing leases or licence agreements to us while they are still in force but only on terms that are commercially unacceptable to us (including a significant increase of rental fee and/or bond deposit, and/or provision of personal guarantees by our Controlling Shareholders and/or Directors). As a result, Smarter Choice Limited, Online Global Limited, Regent Mega Limited, Modern English Limited, Phoenix Investment Limited and World Wide Resources Management Limited have granted licences to us for the use of the premises as our learning centres or advertising spaces to promote and advertise the respective learning centres located in the same buildings.

We will continue to negotiate with the relevant landlords and licensors to either novate the relevant existing lease or licence agreement to us or obtain the relevant consent from them. In any event, we intend to enter into leases or licence agreements directly with the landlords or licensors once the terms of the existing leases or licence agreements expire to eliminate this type of transaction with our connected

CONNECTED TRANSACTIONS

persons in the future. The Directors have confirmed with Smarter Choice Limited, Strategic Fortune, Online Global Limited, Regent Mega Limited, Modern English Limited, Phoenix Investment Limited and World Wide Resources Management Limited that none of them have been subject to any claim and/or legal proceeding in relation to the performance of the relevant lease and/or licence agreement for premises and advertising space in the past.

We have also discussed with these landlords and licensors the feasibility of entering into leases and licence agreements directly with them once the terms of the existing leases and licence agreements with the relevant connected persons expire.

Based on our experience and discussion with these landlords and licensors, the Directors do not foresee that there will be any difficulty for the Group to enter into leases or licence agreements of premises or advertising spaces directly with them at market rates commercially viable to the Group. For example, we have recently entered into new leases for premises located in Yuen Long, Causeway Bay and Ngau Tau Kok which were previously leased by Online Global Limited, Head Corporation Limited and Goldstar Enterprises Limited, respectively and used by us until the previous leases expired on 31 May 2011, 10 May 2011 and 1 March 2011, respectively.

The Directors consider that it is in our best interests to enter into the tenancy agreement with Strategic Fortune and licence agreements with Smarter Choice Limited, Online Global Limited, Regent Mega Limited, Modern English Limited, Phoenix Investment Limited and World Wide Resources Management Limited. Such licencing arrangement with these companies is for the transition period only and were not applied so as to circumvent any rules and regulations in Hong Kong. It is our intention to enter into leases or licence agreements directly with the landlords or licensors once the terms of the existing leases or licence agreements expire. The Directors consider this approach to be commercially sensible.

Our Hong Kong Legal Advisors is of the view that the licence agreements between us and the relevant connected persons are legal and valid. However, it may not be enforceable against the relevant connected person and we may be evicted from the premises or required to stop using the advertising spaces by the relevant landlord or licensor. Our Directors do not consider that it would have any material adverse effect on the Group, after taking into consideration that: (i) we have notified the relevant landlord or licensor about the use, possession and occupation of the premises or the use of advertising spaces by us, and as at the Latest Practicable Date, none of them has indicated any intention to evict us from the premises or require us to stop using the advertising spaces; (ii) we have confirmed with the connected persons that none of them has been subject to any claim and/or legal proceeding in relation to the performance of the relevant lease and/or licence agreement for premises and advertising space in the past; (iii) we have set up contingency plan to relocate to other premises in the event that we are evicted from the relevant

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premises; (iv) the related premises are leased from 8 different landlords and the advertising spaces are licensed from 3 different licensors, respectively, by the connected persons and the risk that all the landlords and licensors evict the Group from the premises or require the Group to stop using the advertising spaces at the same time is considered low; and (v) the Controlling Shareholders have agreed to indemnify us in the event that we are evicted and required to relocate to other premises as a result of the breach of the relevant existing lease by the relevant connected person for licensing the relevant premises to us. Please also refer to the sections headed “Risk Factors – We may not be able to renew leases or licences or control rent increases at our existing learning centres or obtain leases at prime locations for new learning centres at reasonable prices and our licences to occupy our existing learning centres may not be enforceable as the landlords of such premises have refused to novate some of the existing leases to us” and “Business – Properties” for further details.

Historical transaction amounts

For the three years ended 30 June 2010 and the six months ended 31 December 2010, the aggregate amounts incurred by us under the above licencing arrangement were approximately HK\$12,808,000, HK\$17,601,000, HK\$30,956,000 and HK\$17,076,000, respectively.

Annual caps

The Directors estimate that the annual transaction amounts of the above tenancy agreement and licence agreements for the three years ending 30 June 2013 will not exceed annual caps of HK\$34,180,000, HK\$34,559,000 and HK\$23,957,000, respectively.

In arriving at the above annual caps, the Directors have considered (i) rental and licence fees (including services charges and other expenses, if any) under the respective existing leases and licence agreements between the Independent Third Party landlords and licensors and each of Smarter Choice Limited, Online Global Limited, Regent Mega Limited, Modern English Limited, Phoenix Investment Limited and World Wide Resources Management Limited, and (ii) information provided by Vigers Appraisal & Consulting Limited in respect of rental and licence fees (including services charges and other expenses, if any) of similar premises in comparable locations in Hong Kong. The licences provided by Smarter Choice Limited, Online Global Limited, Regent Mega Limited, Modern English Limited, Phoenix Investment Limited and World Wide Resources Management Limited and the tenancy provided by Strategic Fortune to us are expected to continue following Listing until we enter into relevant novation or direct leases or licence agreements with the relevant landlords or licensors.

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Vigers Appraisal & Consulting Limited, our independent property valuer, has reviewed the above tenancy agreement and licence agreements and confirmed that the rental and licence fees (including service charges and other expenses, if any) payable under the agreements in relation to the premises are fair and reasonable and consistent with prevailing market rates for similar premises in similar locations in Hong Kong and the terms of the tenancy agreement and licence agreements are on normal commercial basis and the duration of the tenancy agreement and licence agreements are consistent with the prevailing market.

Given that at least one of the applicable percentage ratios (other than the profits ratio) of the transactions contemplated under the above licence agreements is expected to be, on an annual basis, more than 5%, the above licence agreements are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(B) Tutor service contract and licence contract

(i) Tutor service contract with Many Corporation Limited and Mr. Ng Kam Lun

Transaction nature

On 11 February 2011, Many Corporation Limited and Mr. Ng Kam Lun entered into a service contract with us, pursuant to which Many Corporation Limited agreed to procure Mr. Ng Kam Lun to provide tutoring services to our students for a term commencing from 1 September 2011 and expiring on 30 June 2013.

Pursuant to the service contract, Many Corporation Limited is entitled to certain fees payable by our Company calculated at, depending on the number of classes to be conducted by tutors and teaching assistants and not by Mr. Ng Kam Lun in person, a commission rate (comprising of the commission and gratuity components) in the range of 52% and 60% of the tuition fees paid by the students to us net of any refunds or discounts or rebates given by the Company to the students and the relevant printing expenses for each tutorial course. In the event that the lessons are entirely taught by other tutors and teaching assistants with the help of various teaching materials, 52% of the net tuition fee aforesaid would be paid by the Company to Many Corporation Limited. On the other hand, when all the lessons are taught by Mr. Ng Kam Lun in person, 60% of the net tuition fee aforesaid would be paid to Many Corporation Limited by the Company. In addition the tutor contractor fee payable by the Company to Many Corporation Limited would be the product of the relevant commission rate and the net tuition fee aforesaid subject to deductions of other expenses, as stated in the section headed "Business – Tutors" in this prospectus, such as the costs of teaching assistants and certain other costs associated with the classes, including certain promotional and

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marketing events, reference materials and copyright licence fees. Further, if Many Corporation Limited fails to complete the service contract before its expiration, save where it is provided for under the service contract, Many Corporation Limited shall repay the entire gratuity component of the net tuition fee to our Company.

The tutoring services contemplated under the tutor service contract with Many Corporation Limited and Mr. Ng Kam Lun is expected to continue after Listing.

Connection of the parties

As Mr. Ng Kam Lun, our executive Director, is the sole shareholder of Many Corporation Limited, both Many Corporation Limited and Mr. Ng Kam Lun are connected persons of the Company and the transactions contemplated under the service contract would, upon Listing, constitute continuing connected transactions of our Company under the Listing Rules.

Reasons for the transaction

The Directors believe that it is in our best interests to enter into the service contract with Many Corporation Limited and Mr. Ng Kam Lun because of Mr. Ng Kam Lun's experience and reputation in the education industry.

(ii) *Licence contract with Many Corporation Limited and Mr. Ng Kam Lun*

Transaction nature

On 11 February 2011, Many Corporation Limited and Mr. Ng Kam Lun entered into a licence contract with us, pursuant to which Many Corporation Limited agreed to grant a sole, exclusive and non-transferable licence to our Company to use and reproduce the teaching materials prepared by Mr. Ng Kam Lun, its sole shareholder, for the tutorial courses on English to be organised by the Company for secondary school students and to be conducted by teaching assistants with the said teaching materials for a term commencing from 1 September 2011 and expiring on 30 June 2013.

Pursuant to the licence contract, when the entirety of a tutorial course is conducted by teaching assistants without the presence of Mr. Ng Kam Lun in the event that Mr. Ng Kam Lun is no longer engaged under the service contract, Many Corporation Limited is entitled to certain fees payable by our Company calculated at a rate of 52% of the tuition fees paid by the students to us net of any refunds or discounts or rebates given by the Company to the students and the relevant printing expenses for each tutorial course.

The licencing arrangement between our Company and Many Corporation Limited and Mr. Ng Kam Lun is expected to continue after Listing.

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Connection of the parties

As Mr. Ng Kam Lun, our executive Director, is the sole shareholder of Many Corporation Limited, both Many Corporation Limited and Mr. Ng Kam Lun are connected persons of the Company and the transactions contemplated under the licence contract would, upon Listing, constitute continuing connected transactions of our Company under the Listing Rules.

Reasons for the transaction

The Directors believe that it is in our best interests to enter into the licence contract with Many Corporation Limited and Mr. Ng Kam Lun because of Mr. Ng Kam Lun's experience and reputation in the education industry.

Historical transaction amounts

For the three years ended 30 June 2010 and the six months ended 31 December 2010, the aggregate tutor contractor fee paid to Mr. Ng Kam Lun or his wholly owned company prior to entering into the service contract and the licence contract with Many Corporation Limited and Mr. Ng Kam Lun amounted to approximately HK\$650,000, HK\$911,000, nil and nil, respectively, calculated at an average commission rate of 53.8%, 53.8%, 0.0% and 0.0% respectively.

Details of the calculation of such historical transaction amounts are set out below:

	Year ended 30 June		Six months ended 31 December	
	2008	2009	2010	2010
Number of students (A)	13,568	17,215	-	-
Net tuition fee (B)	HK\$366	HK\$334	-	-
Average commission rate (C)	53.8%	53.8%	-	-
Other expenses (D) (Note 1)	HK\$2,020,000	HK\$2,180,000	-	-
 Tutor contractor fee (Note 2)	 HK\$650,000	 HK\$911,000	 Nil	 Nil

Notes:

- 1 Other expenses include payment made to tutors and teaching assistants. For the two years ended 30 June 2008 and 2009, HK\$1,621,000 and HK\$1,914,000 were paid to tutors and teaching assistants respectively.
- 2 Tutor contractor fee = A x B x C - D

CONNECTED TRANSACTIONS

For the year ended 30 June 2010 and the six months ended 31 December 2010, Mr. Ng Kam Lun was involved in the management and business development of the Company and did not provide any tutoring services. Hence no payment was made to Mr. Ng Kam Lun or his wholly owned company or Many Corporation Limited during the relevant periods. Further, as there was no payment made under the licence contract during the said periods, the historical transaction amounts have only taken into account of the tutor contractor fee paid to Mr. Ng Kam Lun or his wholly owned company under the service contract entered into prior to the current service contract with Many Corporation Limited and Mr. Ng Kam Lun.

Annual caps

The Directors estimate that the annual transaction amounts under the service contract and licence contract with Many Corporation Limited and Mr. Ng Kam Lun for the three years ending 30 June 2013 will not exceed the annual caps of nil, HK\$1,490,000 and HK\$1,714,000, respectively. As Mr. Ng Kam Lun is not providing any tutoring services during the year ending 30 June 2011, the annual cap for the year ending 30 June 2011 is nil.

The following table sets out the relevant calculation:

	Year ending 30 June		
	2011	2012	2013
Estimated number of students (A)	–	23,000	25,000
Net tuition fee (B)	–	HK\$374	HK\$388
Estimated average commission rate (C)	–	53.8%	53.8%
Estimated other expenses (D) (<i>Note 1</i>)	–	HK\$3,139,000	HK\$3,497,000
	<hr/>	<hr/>	<hr/>
Tutor contractor fee (<i>Note 2</i>)	<u>Nil</u>	<u>HK\$1,490,000</u>	<u>HK\$1,714,000</u>

Notes:

- 1 For the two years ending 30 June 2012 and 2013, the amount of payment expected to be made to tutors and teaching assistants are HK\$2,839,000 and HK\$3,197,000, respectively.
- 2 Tutor contractor fee = A x B x C – D

CONNECTED TRANSACTIONS

In arriving at the above annual caps, the Directors have considered (i) the historical transaction amount paid to Mr. Ng Kam Lun or his wholly owned company prior to entering into the service contract and licence contract with Many Corporation Limited and Mr. Ng Kam Lun; (ii) the expected projected growth and expansion of our learning centres, and the growth of our student enrollment, and (iii) the tuition fees we expect to charge on the subject taught by Mr. Ng Kam Lun.

The Directors believe that the increase in annual caps for the two years ending 30 June 2013 compared to the historical transaction amounts is reasonable, taking into account the expected increase in the number of student enrolment given the enlarged team of tutors led by Mr. Ng Kam Lun and an increase in teaching capacity to be offered by us, and the expected increase in average tuition fee payable by the students to us.

As the Directors do not expect that there would be any payment made under the licence agreement for the three years ending 30 June 2013, the annual caps stated above have only taken into account of the fees payable to Many Corporation Limited under the service agreement for the relevant periods.

Given that each of the applicable percentage ratios (other than the profits ratio) of the transactions contemplated under the service contract and the licence contract after aggregation is, on an annual basis, more than 0.1% and less than 5%, the above service contract and the licence contract are subject to the reporting and announcement requirements and exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

(iii) Tutor service contract with Italy Limited and Mr. Ng Norman

Transaction nature

On 1 September 2010, Italy Limited and Mr. Ng Norman entered into a service contract with us, pursuant to which Italy Limited agreed to procure Mr. Ng Norman to provide tutoring services to our students for a term commencing from 1 September 2010 and expiring on 30 June 2013.

CONNECTED TRANSACTIONS

Pursuant to the service contract, Italy Limited is entitled to a fee payable by our Company calculated at a commission rate of HK\$2,838 per student per course (with lecture only) or HK\$4,015 per student per course (with both lecture and tutorial class). In a lecture, Mr. Ng Norman would be teaching a larger group of students with key concepts and their application demonstrated, whereas in a tutorial class, he would focus more on question answering skills. Also, given the smaller group of students in a tutorial class, Mr. Ng Norman would be able to interact more with students in a tutorial class compared to a lecture setting. The commission rates aforesaid are calculated based on (i) the tuition fees we expect to charge from students net of any refunds or discounts; and (ii) fee per student which the Company would expect to pay for lecture and tutorial classes taught by Mr. Ng Norman, and were determined after arm's length negotiation. Given that the duration of the lecture component of each course is 45 hours whereas the duration of each course which consists of both lecture and tutorial class components is 90 hours, the commission rate for both lecture and tutorial class is more than that applicable to the case where Mr. Ng Norman teaches for lecture only. Each course consisting of both lecture and tutorial class is charged by the Company at HK\$12,800 for 15 lessons of lecture and 15 lessons of tutorial, with 90 hours of teaching hours in total. In addition, the tutor contractor fee payable by the Company to Italy Limited would be the product of the relevant commission rate aforesaid and the number of students taught by Mr. Ng Norman, subject to deductions of other expenses, as stated in the section headed "Business – Tutors" in this prospectus, such as the costs of teaching assistants and certain other costs associated with his classes, including certain promotional and marketing events, reference materials and copyright licence fees.

The tutoring services contemplated under the service contract with Italy Limited and Mr. Ng Norman is expected to continue after Listing.

Connection of the parties

As Mr. Ng Norman, our executive Director, is the sole shareholder of Italy Limited, both Italy Limited and Mr. Ng Norman are connected persons of the Company and the transactions contemplated under the service contract would, upon Listing, constitute continuing connected transactions of our Company under the Listing Rules.

Reasons for the transaction

The Directors believe that it is in our best interests to enter into the service contract with Italy Limited and Mr. Ng Norman because of Mr. Ng Norman's experience and reputation in the education industry.

CONNECTED TRANSACTIONS

Historical transaction amounts

For the three years ended 30 June 2010 and the six months ended 31 December 2010, the aggregate tutor contractor fee paid to Mr. Ng Norman prior to entering into the service contract with Italy Limited amounted to approximately HK\$454,000, HK\$981,000, HK\$976,000 and HK\$216,000, respectively, calculated at the commission rate of HK\$2,838 per student per course, details of which are set out below:

	Year ended 30 June			Six months ended
	2008	2009	2010	31 December 2010
Number of students (A)	175	491	650	264
Commission rate payable to Mr. Ng Norman per student per course (B)	HK\$2,838	HK\$2,838	HK\$2,838	HK\$2,838
Other expenses (C)	<u>HK\$43,000</u>	<u>HK\$412,000</u>	<u>HK\$870,000</u>	<u>HK\$533,000</u>
 Tutor contractor fee (Note 1)	 <u>HK\$454,000</u>	 <u>HK\$981,000</u>	 <u>HK\$976,000</u>	 <u>HK\$216,000</u>

Note:

1 Tutor contractor fee = A x B – C

Due to the addition of IELTS teachers, the number of classes taught by Mr. Ng Norman was reduced, and as such, the tutor contractor fee paid by the Company to Mr. Ng Norman or Italy Limited in the six months ended 31 December 2010 was significantly reduced.

Annual caps

The Directors estimate that the annual transaction amounts under the service contract with Italy Limited and Mr. Ng Norman for the three years ending 30 June 2013 will not exceed the annual caps of HK\$896,000, HK\$1,600,000 and HK\$1,680,000, respectively.

CONNECTED TRANSACTIONS

The following table sets out the relevant calculation:

	Year ending 30 June		2013
	2011	2012	
Estimated number of students (A)	600 <i>(Note 1)</i>	600	620
Commission rate payable to Mr. Ng Norman per student per course (B)	HK\$2,838	HK\$4,015	HK\$4,015
Estimated other expenses (C)	<u>HK\$807,000</u>	<u>HK\$809,000</u>	<u>HK\$809,000</u>
Tutor contractor fee <i>(Note 2)</i>	<u><u>HK\$896,000</u></u>	<u><u>HK\$1,600,000</u></u>	<u><u>HK\$1,680,000</u></u>

Notes:

- 1 The total number of students enrolled from January to April 2011 and expected to enrol from May to June 2011 is higher than that for the period from July to December 2010.
- 2 Tutor contractor fee = A x B – C

In arriving at the above annual caps, the Directors have considered (i) the historical transaction amounts paid to Mr. Ng Norman prior to entering into the service contract with Italy Limited; (ii) the expected projected growth and expansion of our learning centres, and the growth of our student enrollment, and (iii) the tuition fees we expect to charge on the subject taught by Mr. Ng Norman.

The Directors believe that the increase in annual caps compared to the historical transaction amounts is reasonable, given the fact that Mr. Ng Norman is responsible for teaching both lectures and tutorial classes and 90 hours per course starting from 1 September 2011, instead of 45 hours per course in the Track Record Period.

Given that each of the applicable percentage ratios (other than the profits ratio) of the transactions contemplated under the service contract after aggregation is, on an annual basis, more than 0.1% and less than 5%, the above service contract is subject to the reporting and announcement requirements and exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

(iv) *Tutor service contract with Sense Publishing Company Limited and Mr. Lee*

Transaction nature

On 1 September 2010, Sense Publishing Company Limited and Mr. Lee entered into a service contract with us, pursuant to which Sense Publishing Company Limited agreed to procure Mr. Lee to provide tutoring services to our students for a term commencing from 1 September 2010 and expiring on 30 June 2013.

Pursuant to the service contract, Sense Publishing Company Limited is entitled to certain fees payable by our Company calculated at, depending on the number of classes to be conducted by tutors and teaching assistants and not by Mr. Lee in person, a commission rate (comprising of the commission and gratuity components) in the range of 47% to 55% for the academic year 2010-2011 and from 52% to 60% for the academic years 2011-2012 as well as 2012-2013, of the tuition fees paid by the students to us net of any refunds or discounts or rebates given by the Company to the students and the relevant printing expenses for each tutorial course. In the event that the lessons are entirely taught by member tutors and teaching assistants with the help of various teaching materials, 47% for the academic year 2010-2011 or 52% for the academic years 2011-2012 as well as 2012-2013 of the net tuition fee aforesaid would be paid by the Company to Sense Publishing Company Limited. On the other hand, when all the lessons are taught by Mr. Lee in person, 55% for the year ending 31 August 2011 or 60% for the two years ending 31 August 2013, of the net tuition fee aforesaid would be paid to Sense Publishing Company Limited by the Company. With respect to a higher range of commission rates which applied from 1 September 2011 onwards, the Directors are of the view that such range of commission rates is reasonable given Mr. Lee's reputation and experience. In addition, Sense Publishing Company Limited has agreed to charge a lower range of commission rates during the period between 1 September 2010 and 31 August 2011 given the impact of the introduction of the 334 System and the abolishment of HKCEE. The Directors believe that starting from 1 September 2011, the impact of the 334 System and the NSS would have been fully developed, hence the commission rate of Mr. Lee could be increased to the previous level applied for the year ended 30 June 2008.

Besides, the tutor contractor fee payable by the Company to Sense Publishing Company Limited would be the product of the relevant commission rate and the net tuition fee aforesaid subject to further other deductions, as stated in the section headed "Business – Tutors" in this prospectus, such as the costs of teaching assistants and certain other costs associated with his classes, including certain promotional and marketing events, reference materials and copyright licence fees.

CONNECTED TRANSACTIONS

In the event that if the number of attending students in a month exceeds 3,000, an additional commission of 5% of such net tuition fee attributable to the excess in the number of students would be payable by the Company. Further, if Sense Publishing Company Limited fails to complete the service contract before its expiration, save where it is provided for under the service contract, Sense Publishing Company Limited shall repay the entire gratuity component of the net tuition fee to our company.

The tutoring services contemplated under the tutor service contract with Sense Publishing Company Limited and Mr. Lee is expected to continue after Listing.

Connection of the parties

As Mr. Lee, our executive Director, is the sole shareholder of Sense Publishing Company Limited, both Sense Publishing Company Limited and Mr. Lee are connected persons of the Company and the transactions contemplated under the service contract would, upon Listing, constitute continuing connected transactions of our Company under the Listing Rules.

Reasons for the transaction

The Directors believe that it is in our best interests to enter into the service contract with Sense Publishing Company Limited and Mr. Lee because of Mr. Lee's experience and reputation in the education industry.

- (v) *Licence contract with Sense Publishing Company Limited and Mr. Lee*

Transaction nature

On 1 September 2010, Sense Publishing Company Limited and Mr. Lee entered into a licence contract with us, pursuant to which Sense Publishing Company Limited agreed to grant a sole, exclusive and non-transferable licence to our Company to use and reproduce the teaching materials prepared by Mr. Lee for the tutorial courses to be organised by the Company for secondary school students and to be conducted by teaching assistants with the said teaching materials for a term commencing from 1 September 2010 and expiring on 30 June 2013.

CONNECTED TRANSACTIONS

Pursuant to the licence contract, when the entirety of a tutorial course is conducted by teaching assistants without the presence of Mr. Lee in the event that Mr. Lee is no longer engaged under the service contract, Sense Publishing Company Limited is entitled to certain fees payable by our Company calculated at a rate of 49% for the year ending 31 August 2011 and a rate of 54% for the two years ending 31 August 2013 of the tuition fees paid by the students to us net of any refunds or discounts or rebates given by the Company to the students and the relevant printing expenses for each tutorial course. If the number of attending students in a month exceeds 3,000, a commission of 5% of such net tuition fee attributable to the excess is payable by the Company.

The licencing arrangement between our Company and Sense Publishing Company Limited and Mr. Lee is expected to continue after Listing.

Connection of the parties

As Mr. Lee, our executive Director, is the sole shareholder of Sense Publishing Company Limited, both Sense Publishing Company Limited and Mr. Lee are connected persons of the Company and the transactions contemplated under the licence contract would, upon Listing, constitute continuing connected transactions of our Company under the Listing Rules.

Reasons for the transaction

The Directors believe that it is in our best interests to enter into the licence contract with Sense Publishing Company Limited and Mr. Lee because of Mr. Lee's experience and reputation in the education industry.

Historical transaction amounts

For the three years ended 30 June 2010 and the six months ended 31 December 2010, the aggregate tutor contractor fee paid to Mr. Lee prior to entering into the service contract and the licence contract with Sense Publishing Company Limited and Mr. Lee amounted to approximately HK\$1,720,000, HK\$2,509,000, HK\$1,898,000 and HK\$586,000, respectively, calculated at an average commission rate of 54.6%, 44.6%, 49.6% and 49.6%, respectively.

CONNECTED TRANSACTIONS

Details of the calculation of such historical transaction amounts are set out below:

	Year ended 30 June			Six months ended
				31 December
	2008	2009	2010	2010
Number of students (A)	23,818	28,720	23,416	7,194
Net tuition fee (B)	HK\$263	HK\$376	HK\$358	HK\$388
Average commission rate (C)	54.6%	44.6%	49.6%	49.6%
Other expenses (D) (Note 1)	<u>HK\$1,701,000</u>	<u>HK\$2,309,000</u>	<u>HK\$2,262,000</u>	<u>HK\$797,000</u>
Tutor contractor fee (Note 2)	<u><u>HK\$1,720,000</u></u>	<u><u>HK\$2,509,000</u></u>	<u><u>HK\$1,898,000</u></u>	<u><u>HK\$586,000</u></u>

Notes

- 1 Other expenses include payment made to tutors and teaching assistants. For the three years ended 30 June 2010 and the six months ended 31 December 2010, of which HK\$827,000, HK\$1,125,000, HK\$1,004,000 and HK\$264,000 were paid to tutors and teaching assistants, respectively.
- 2 Tutor contractor fee = A x B x C – D

Further, as there was no payment made under the licence contract during the the Track Record Period, the historical transaction amounts have only taken into account of the tutor contractor fee paid to (i) Mr. Lee under the service contract entered into prior to the current service contract with Sense Publishing Company Limited and Mr. Lee and (ii) Sense Publishing Company Limited since 1 September 2010 under the current service contract.

As the tutor contractor fee payable by the Company to Mr. Lee is subject further to tutorial and marketing related expenses, the historical amounts paid to Mr. Lee or Sense Publishing Company Limited fluctuated. In addition, the tutor contractor fee also changes depending on Mr. Lee's performance and the market environment. As mentioned above, due to the introduction of the 334 System, there was a drop in payment made to Mr. Lee or Sense Publishing Company Limited by the Company in the six months ended 31 December 2010.

Annual caps

The Directors estimate that the annual transaction amounts under the service contract and licence contract with Sense Publishing Company Limited and Mr. Lee for the three years ending 30 June 2013 will not exceed the annual caps of HK\$1,278,000, HK\$2,760,000 and HK\$2,626,000, respectively.

CONNECTED TRANSACTIONS

The following table sets out the relevant calculation:

	Year ending 30 June		2013
	2011	2012	
Estimated number of students (A)	15,194 <i>(Note 1)</i>	24,000 <i>(Note 2)</i>	22,000
Net tuition fee (B)	HK\$381	HK\$378	HK\$381
Estimated average commission rate (C)	49.6%	54.6%	54.6%
Estimated other expenses (D) <i>(Note 3)</i>	<u>HK\$1,594,000</u>	<u>HK\$2,187,000</u>	<u>HK\$1,948,000</u>
Tutor contractor fee <i>(Note 4)</i>	<u>HK\$1,278,000</u>	<u>HK\$2,760,000</u>	<u>HK\$2,626,000</u>

Notes:

- 1 Due to seasonal factor, the number of students from January to June 2011 is expected to be higher than that for the period from July to December 2010.
- 2 The estimated number of students for the year ending 30 June 2012 is higher than that for the year ending 30 June 2011 as the Directors believe that the impact of the 334 System and the NSS would have been fully developed and hence the estimated number of student enrollment for the year ending 30 June 2012 is expected to be comparable to the average of the historical numbers for the three years ended 30 June 2008, 2009 and 2010.
- 3 For the three years ending 30 June 2013, the amount of payment expected to be made to tutors and teaching assistants are HK\$621,000, HK\$1,187,000 and HK\$1,098,000, respectively.
- 4 Tutor contractor fee = A x B x C – D

In arriving at the above annual caps, the Directors have considered (i) the historical transaction amounts paid to Mr. Lee prior to entering into the licence contract and service contract with Sense Publishing Company Limited and Mr. Lee; (ii) the expected projected growth and expansion of our learning centres, and the growth of our student enrollment, and (iii) the tuition fees we expect to charge on the subject taught by Mr. Lee.

In addition, due to the 334 System, reference is not made to the distorted historical figures for the year ended 30 June 2010 and the six months ended 31 December 2010, instead the annual caps for the years ending 30 June 2012 and 2013 are expected to be comparable to the historical figure for the year ended 30 June 2009. In addition, as explained above, given that a higher range of commission rates applied starting from 1 September 2011, the annual caps for the years ending 2012 and 2013 are expected to be significantly higher than that of the year ending 30 June 2011. Hence the Directors believe that the increase in annual caps is reasonable.

CONNECTED TRANSACTIONS

As the Directors do not expect that there would be any payment made under the licence agreement for the three years ending 30 June 2013, the annual caps stated above have only taken into account of the fees payable to Sense Publishing Company Limited under the service agreement for the relevant periods.

Given that each of the applicable percentage ratios (other than the profits ratio) of the transactions contemplated under the service contract and the licence contract after aggregation is, on an annual basis, more than 0.1% and less than 5%, the above service contract and the licence contract are subject to the reporting and announcement requirements and exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

(C) Management agreements in relation to Bachelor Education

(i) Management agreement with Mr. Ng Hoi Tin

Transaction nature

On 1 September 2010, Mr. Ng Hoi Tin entered into a management agreement with Bachelor Education, pursuant to which Mr. Ng Hoi Tin agreed to manage the operation of all MBE Centres for a monthly service fee of HK\$20,000 plus a monthly incentive bonus of HK\$5,000, HK\$10,000, HK\$15,000 or HK\$20,000 in the event that Mr. Ng Hoi Tin is required to manage 6 to 10, 11 to 15, 16 to 19 or 20 or more MBE Centres, respectively. The term of this management agreement is for a term commencing from 1 September 2010 and expiring on 30 June 2013 after a supplemental agreement was entered into on 25 May 2011.

Connection of the parties

As Mr. Ng Hoi Tin is the director of Bachelor Education and Able Investment, Mr. Ng Hoi Tin is a connected person and the transaction under the above management agreement would, upon Listing, constitute a continuing connected transaction of our Company under the Listing Rules.

Reasons for the transaction

Mr. Ng Hoi Tin is one of the founding members of Bachelor Education. He has been managing the operation of Bachelor Education jointly with Ms. Mok Sze Wan and has been maintaining good relationship with the customers of Bachelor Education both before and after Bachelor Education was acquired by Able Investment in August 2010. The Directors therefore believe that it is in our best interest to retain the service of Mr. Ng Hoi Tin to continue to operate and manage Bachelor Education and the MBE Centres and enter into the management agreement with him.

CONNECTED TRANSACTIONS

Historical transaction amounts

Since the acquisition of Bachelor Education by Able Investment in August 2010 and for the six months ended 31 December 2010, 4 MBE Centres were managed by Mr. Ng Hoi Tin. For the three years ended 30 June 2010 and the six months ended 31 December 2010, the aggregate payment to Mr. Ng Hoi Tin under the management agreement amounted to nil, nil, nil and approximately HK\$80,000, respectively.

Annual caps

The Directors estimate that the annual transaction amounts of the management service provided by Mr. Ng Hoi Tin to us for the three years ending 30 June 2013 will not exceed the annual caps of HK\$215,000, HK\$300,000 and HK\$375,000, respectively.

In arriving at the above annual caps, the Directors have (i) considered the historical transaction amount for the management service provided by Mr. Ng Hoi Tin to us, (ii) considered the projected growth and expansion of the business of Bachelor Education, and (iii) assumed that there will be 6, 10 and 16 MBE Centres for each of the three years ending 30 June 2013.

Given that each of the applicable percentage ratios (other than the profits ratio) of the transactions contemplated under the management agreement is, on an annual basis, more than 0.1% and less than 5% and the annual consideration is less than HK\$1 million, the above management agreement is exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(ii) *Management agreement with Ms. Mok Sze Wan*

Transaction nature

On 1 September 2010, Ms. Mok Sze Wan entered into a management agreement with Bachelor Education, pursuant to which Ms. Mok Sze Wan agreed to manage the operation of all the MBE Centres for a monthly service fee of HK\$20,000 plus a monthly incentive bonus of HK\$5,000, HK\$10,000, HK\$15,000 or HK\$20,000 in the event that Ms. Mok Sze Wan is required to manage 6 to 10, 11 to 15, 16 to 19 or 20 or more MBE Centres, respectively. The term of this management agreement is for a term commencing from 1 September 2010 and expiring on 30 June 2013 after a supplemental agreement was entered into on 25 May 2011.

CONNECTED TRANSACTIONS

Connection of the parties

As Ms. Mok Sze Wan is the director of Bachelor Education and Able Investment, and a substantial shareholder of Able Investment, Ms. Mok Sze Wan is a connected person and the transaction under the above management agreement would, upon Listing, constitute a continuing connected transaction of our Company under the Listing Rules.

Reasons for the transaction

Ms. Mok Sze Wan is one of the founding members of Bachelor Education. She has been managing the operation of Bachelor Education jointly with Mr. Ng Hoi Tin and has been maintaining good relationship with the customers of Bachelor Education both before and after Bachelor Education was acquired by Able Investment in August 2010. The Directors therefore believe that it is in our best interest to retain the service of Ms. Mok Sze Wan to continue to operate and manage Bachelor Education and the MBE Centres and enter into the management agreement with her.

Historical transaction amounts

Since the acquisition of Bachelor Education by Able Investment in August 2010 and for the six months ended 31 December 2010, 4 MBE Centres were managed by Ms. Mok Sze Wan. For the three years ended 30 June 2010 and the six months ended 31 December 2010, the aggregate payment to Ms. Mok Sze Wan under the management agreement amounted to approximately nil, nil, nil and HK\$80,000, respectively.

Annual caps

The Directors estimate that the annual transaction amounts of the management service provided by Ms. Mok Sze Wan to us for the three years ending 30 June 2013 will not exceed the annual caps of HK\$215,000, HK\$300,000 and HK\$375,000, respectively.

In arriving at the above annual caps, the Directors have (i) considered the historical transaction amount for the management service provided by Ms. Mok Sze Wan to us, (ii) considered the projected growth and expansion of the business of Bachelor Education, and (iii) assumed that there will be 6, 10 and 16 MBE Centres for each of the three years ending 30 June 2013.

Given that each of the applicable percentage ratios (other than the profits ratio) of the transactions contemplated under the management agreement is, on an annual basis, more than 0.1% and less than 5% and the annual consideration is less than HK\$1 million, the above management agreement is exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

(D) Franchisee agreement in relation to Bachelor Education

Transaction nature

On 12 March 2008, Ms. Mok Sze Wa entered into a franchisee agreement with Bachelor Education, pursuant to which Bachelor Education agreed to grant a licence to Ms. Mok Sze Wa to operate its primary homework tutoring business in strict accordance with the standards and specifications established by Bachelor Education for an initial joining fee of HK\$60,000 payable in three equal instalments. Ms. Mok Sze Wa also agreed to pay Bachelor Education a monthly support fee in the sum of 10% of the franchisee's gross sales and such monthly support fee should not be less than HK\$5,000. The term of this franchisee agreement is for a term commencing from 12 March 2008 and expiring on 11 March 2013.

Connection of the parties

As Ms. Mok Sze Wa is the sister of Ms. Mok Sze Wan, the director of Bachelor Education and Able Investment and a substantial shareholder of Able Investment, Ms. Mok Sze Wa is a connected person and the transaction under the above franchisee agreement would, upon Listing, constitute a continuing connected transaction of our Company under the Listing Rules.

Reasons for the transaction

The franchisee agreement was entered into between Ms. Mok Sze Wa and Bachelor Education prior to the completion of the AI Acquisition Agreement. Please refer to our section headed "History and Corporate Structure – Corporate Structure, History and Development – Able Investment" in this prospectus in relation to the AI Acquisition Agreement. The Directors believe that it is in our best interest to retain the franchisee agreement with Ms. Mok Sze Wa.

Historical transaction amounts

For each of the three years ended 30 June 2010 and the six months ended 31 December 2010, the aggregate payment by Ms. Mok Sze Wa to us under the above franchisee agreement amounted to approximately HK\$100,000, HK\$115,000, HK\$88,000 and HK\$42,000, respectively.

Annual caps

The Directors estimate that the annual transaction amounts of the franchisee service provided to Ms. Mok Sze Wa for the three years ending 30 June 2013 will not exceed the annual caps of HK\$97,000, HK\$102,000 and HK\$107,000, respectively.

CONNECTED TRANSACTIONS

In arriving at the above annual caps, the Directors have considered (i) the historical transaction amount for the franchisee service provided to Ms. Mok Sze Wa and (ii) the projected growth and expansion of the business of Bachelor Education.

Given that each of the applicable percentage ratios (other than the profits ratio) of the transactions contemplated under the franchisee agreement is, on an annual basis, more than 0.1% and less than 5% and the annual consideration is less than HK\$1 million, the above franchisee agreement is exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(E) Agreements relating to Beijing Yasi School

Transaction nature

On 15 June 2010, Jingli Beiya and Beijing Yasi School entered into the Exclusive Technical Consultation and Management Service Agreement pursuant to which Jingli Beiya agreed to provide, on an exclusive basis, technical consultation and management services to Beijing Yasi School for a monthly fee of RMB100,000 subject to adjustment as determined by Jingli Beiya. The term of this agreement commenced on 1 January 2010 and will expire on 30 June 2013 after a supplemental agreement was entered into on 29 March 2011.

On 15 June 2010, Jingli Beiya and Beijing Yasi School entered into the Software Licence Agreement pursuant to which Jingli Beiya agreed to grant to Beijing Yasi School a non-exclusive, non-assignable and non-transferrable right to use Modern C education software in China for a monthly licence fee calculated at 5% of the monthly revenue (after tax) of Beijing Yasi School. The term of this agreement commenced on 1 January 2010 and will expire on 30 June 2013 after a supplemental agreement was entered into on 29 March 2011.

Connection of the parties

Ms. Huang Hui, a director of Jingli Beiya, and the spouse of Mr. KW Ng and the sister-in-law of Mr. Ng Kam Lun, owns 65% equity interest in Beijing Siya who holds 100% founding interest in Beijing Yasi School and accordingly Beijing Yasi School is a connected person of the Company and the Exclusive Technical Consultation and Management Service Agreement and the Software Licence Agreement would, upon Listing, constitute continuing connected transactions of our Company under the Listing Rules.

Reasons for the transactions

The Software Licence Agreement and the Exclusive Technical Consultation and Management Service Agreement together with the Option Agreement are integral to our business strategy in China. The Directors believe that the terms of these agreements are fair and reasonable and that it is in our best interest to enter into these agreements.

CONNECTED TRANSACTIONS

Historical transaction amounts

The transaction amounts for the transactions under the Exclusive Technical Consultation and Management Service Agreement and the Software Licence Agreement for the three years ended 30 June 2010 and the six months ended 31 December 2010 were nil, nil, HK\$879,000 and HK\$983,000, respectively.

Annual caps

The Directors estimate that the annual transaction amounts for the transactions under the Exclusive Technical Consultation, Management Service Agreement and the Software Licence Agreement for the three years ending 30 June 2013 will not exceed the annual caps of HK\$1,881,000, HK\$1,983,000 and HK\$2,144,000, respectively.

In arriving at the above annual caps, the Directors have considered the relevant historical transaction amounts and the expected future growth in the business of Beijing Yasi School.

For the purpose of the classification of connected transaction under Chapter 14A of the Listing Rules, the transaction amounts under the Exclusive Technical Consultation and Management Service Agreement and the Software Licence Agreement are aggregated in accordance with Rule 14A.25 of the Listing Rules. Given that each of the applicable percentage ratios (other than the profits ratio) of the transactions contemplated under the Exclusive Technical Consultation and Management Service Agreement and the Software Licence Agreement is, on an annual basis, more than 0.1% and less than 5%, the above Exclusive Technical Consultation and Management Service Agreement and Software Licence Agreement are subject to the reporting and announcement requirements and exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

CONFIRMATION FROM THE DIRECTORS

The Directors (including our INEDs) are of the view that the non-exempt continuing connected transactions described above have been entered into in the ordinary and usual course of business of the Company, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole on the basis that the terms of the relevant agreements are no less favourable to the Group than terms offered by Independent Third Parties, and the respective annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

CONNECTED TRANSACTIONS

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors are of the view that the non-exempt continuing connected transactions described above have been entered into in the ordinary and usual course of business of the Company, on normal commercial terms, fair and reasonable and in the interests of the Shareholders as a whole, and the respective annual caps are fair and reasonable and in the interests of the Shareholders as a whole.

APPLICATION FOR WAIVERS FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Directors (including the INEDs), having reviewed the relevant information relating to the non-exempt continuing connected transactions and the justifications set out above for each of those transactions, consider that the non-exempt continuing connected transactions above were entered into in our ordinary and usual course of business, on normal commercial terms, and are fair and reasonable and in the interests of the Shareholders as a whole. As the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules, other than the profits ratio) for each of the continuing connected transactions in paragraphs 2(B)(i)-(v) and 2(E) above are expected to be, on an annual basis, more than 0.1% and less than 5%, such transactions are therefore subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules. Furthermore, as the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules, other than the profits ratio) for each of the continuing connected transactions in paragraph 2(A) above are expected to be, on an annual basis, more than 5%, such transactions are therefore subject to the reporting, announcement and independent shareholders' approval requirements set out in Rules 14A.45 to 14A.54 of the Listing Rules.

As the above non-exempt continuing connected transactions are expected to continue on a recurring basis after Listing and are expected to extend over a period of time, the Directors consider that strict compliance with the announcement requirement and/or the independent shareholders' approval requirement (where applicable) would be impractical and would add unnecessary administrative costs to the Company. Accordingly, we have applied to the Stock Exchange, and the Stock Exchange has granted, a waiver to the Company under Rule 14A.42(3) of the Listing Rules from strict compliance with the announcement requirement under Rule 14A.47 of the Listing Rules (with regard to each of the continuing connected transactions in paragraphs 2(B)(i)-(v) and 2(E) above) and the independent shareholders' approval requirement under Rules 14A.48 to 14A.54 of the Listing Rules (with regard to each of the continuing connected transactions in paragraph 2(A) above), including the proposed annual caps set out above, as and when necessary.

CONNECTED TRANSACTIONS

Our Company will comply with the relevant requirements under Chapter 14A of the Listing Rules, including the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and the independent shareholders' approval requirements set out in Rules 14A.48 to 14A.54 of the Listing Rules (where applicable). The waiver will cover a period of three financial years ending 30 June 2013 (or until the expiry dates of the relevant tenancy and license agreements with respect to the continuing connected transactions in paragraph 2(A) above (whichever is earlier)) and the Company is required to comply with the provisions of Chapter 14A of the Listing Rules following the expiry of the waiver.

The Company confirmed that it will comply with the applicable requirements under the Listing Rules as amended from time to time, and will immediately inform the Stock Exchange if there are any changes to the aforesaid transactions.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those as of the date of this prospectus on the continuing connected transactions described above, we will take immediate steps to ensure compliance with the new requirements.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board consists of seven Directors, of whom four are executive Directors and the remaining three are INEDs. The executive Directors are appointed for a term not exceeding three years, and our INEDs are appointed for an initial period of three years. One-third of our Directors will be subject to re-election at each annual general meeting and every Director must be subject to re-election at an annual general meeting at least once every three years.

The following table presents certain information in respect of our Directors.

Members of Our Board

Name	Age	Position	Date of Appointment
Ng Kam Lun, Eric	50	Chairman of the Board, Executive Director	11 June 2011
Yiu Wai Yee, Catherine	43	Executive Director, chief executive officer, company secretary	1 February 2011
Ng Norman	47	Executive Director, chief financial officer	11 June 2011
Lee Wai Lok, Ignatious	41	Executive Director, chief operating officer	11 June 2011
Chan Mei Bo, Mabel	39	INED	11 June 2011
Yu Cheeric James (alias Yu Cheeric)	36	INED	11 June 2011
Choi Kin Cheong	36	INED	11 June 2011

Executive Directors

Mr. Ng Kam Lun, Eric (吳錦倫), aged 50, is an executive Director, key founder and chairman of the Group. Apart from formulating overall corporate strategies, he leads the business development and sales and marketing teams. Mr. Ng obtained a degree of bachelor of arts from The University of Alberta in Canada in 1986. Mr. Ng is a permitted teacher under the Education Ordinance and has over 14 years of experience in the teaching of the English language. He is also an author or co-ordinator of English coursebooks and practice books published by certain publishers. In recent years, he has been involved in the development of tutorial and training businesses of our Group in Beijing and Guangzhou. He is now the deputy chairman of the Hong Kong Federation of Private Educators. Mr. Ng is the brother of Mr. Ng Norman, Mr. KW Ng and Ms. Ng and the son of Ms. Lau.

Ms. Yiu Wai Yee, Catherine (姚慧儀), aged 43, is an executive Director, chief executive officer and company secretary of the Group. Ms. Yiu has been with us since 1997 and has over 13 years of experience in the education industry. In addition to the financial and legal aspects,

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Ms. Yiu is involved in our overall management and development. Before joining us in 1997, Ms. Yiu joined an international accounting firm in September 1992 and was later promoted to the position of assistant manager in September 1995. Ms. Yiu subsequently joined an investment bank in March 1997 as an internal auditor and resigned in July the same year. Ms. Yiu is a fellow of the Hong Kong Institute of Certified Public Accountants and a member of The Institute of Chartered Accountants of Ontario. She was admitted to the University of Toronto and was named as a faculty scholar during her study and graduated with distinction in the bachelor of commerce degree in 1992. Ms. Yiu is also the general secretary to the board of the Hong Kong Federation of Private Educators. Ms. Yiu is the spouse of Mr. Frederick Li.

Mr. Ng Norman (吳樂憫), formerly known as Mr. Ng Kam Chiu Norman (吳錦照先生), aged 47, is an executive Director and chief financial officer of the Group. Mr. Ng is a course director of our Continuing Education Fund courses. He teaches as an English tutor at a number of our learning centres. Mr. Ng has been with us since 2004 and has over 6 years of experience in teaching the English language. Prior to joining us, Mr. Ng worked at a bank in various positions from July 1986 to December 2002. Mr. Ng graduated with honours with the bachelor of business administration degree at the Chinese University of Hong Kong in 1986 and becomes a certified public accountant of the Delaware State Board of Accountancy in the United States in June 2002. He is a permitted teacher under the Education Ordinance. He also holds a Certificate in Teaching English as a Foreign Language issued by ICAL Quality Teacher Training. Besides, he is an author of an IELTS book published by Beijing Language and Culture University Press. Mr. Ng is the brother of Mr. Ng Kam Lun, Mr. KW Ng and Ms. Ng and the son of Ms. Lau.

Mr. Lee Wai Lok, Ignatious (李偉樂), aged 41, is our executive Director and chief operating officer, who is in charge of the overall management of our operations. Mr. Lee has been with us since our inception in 1997 and has devoted himself to the education industry for the past 19 years teaching mathematics and related subjects. He is a permitted teacher under the Education Ordinance. Mr. Lee is an author of a series of mathematics reference books and the consultant editor (mathematics) of another mathematics reference book. He had been a columnist in the education section of a Hong Kong newspaper since September 2007, commenting on the mathematics teaching methodology and current education issues. His experience spans such diverse areas as private education, mathematics teaching, chain store management, marketing strategy and computer aided management systems. Mr. Lee graduated from the University of Hong Kong, with a bachelor of science degree with honors in applied mathematics in 1992. Mr. Lee is the son of Ms. Chu.

Independent Non-Executive Directors

Ms. Chan Mei Bo, Mabel (陳美寶), aged 39, is an independent non-executive Director. She was appointed as an INED on 11 June 2011. Ms. Chan is the sole proprietor of Mabel Chan & Co, Certified Public Accountants. She holds a master degree of business administration from the Hong Kong University of Science and Technology in 2000 and a degree of bachelor of arts in accountancy from City Polytechnic of Hong Kong (now known as City University of Hong Kong) in 1993. Ms. Chan was admitted as an associate of The Chartered Association of Certified Accountants in 1996. She was also qualified as a practicing certified public

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accountant of the Hong Kong Society of Accountants (now known as the Hong Kong Institute of Certified Public Accountants) in 1999 and a certified tax adviser of The Taxation Institute of Hong Kong in 2010. She is the immediate past president and council member of The Society of Chinese Accountants and auditors, past president and council member of the Association of Women Accountants (Hong Kong), council member of the Hong Kong Institute of Certified Public Accountants, associate of The Taxation Institute of Hong Kong and a member of The Hong Kong Institute of Directors. Ms. Chan was appointed as a member of the Financial Reporting Review Panel of The Financial Reporting Council by the secretary for Financial Services and the Treasury of Hong Kong, a member of the Barristers Disciplinary Tribunal Panel and a member of the Public Affairs Forum of Hong Kong Secretariat Home Affairs Bureau.

Ms. Chan has gained experience in the education industry through serving as a member of the Advisory Board on Accountancy of the Lingnan University since 1 September 2010, the main responsibilities of which involve, inter alia, the planning and reviewing of (i) level, length and relevance of courses or programmes of the University concerned in relation to local needs; (ii) the prospects of local employment for graduates; (iii) the adequacy of the equipment and other resources of the academic unit(s) of the University to fulfill local needs; (iv) the development of teaching and other activities carried out jointly by the academic units of the University and the appropriate sector of the community; (v) investigation consultancy and other services given by the academic units of the University; and (vi) the assistance which the community can give to further the objectives of the University by way of practical training facilities, the provision of part-time teaching staff and equipment, the award of scholarship, student-fellowships.

Ms. Chan was an independent non-executive director of China Properties Investment Holdings Ltd, the shares of which are listed on the Main Board (stock code: 0736) for the period from March 2007 to April 2009. She has been an independent non-executive director of Code Agriculture (Holdings) Limited, the shares of which are listed on the growth enterprise market of the Stock Exchange (stock code: 8153) since October 2009.

Mr. Yu Cheeric James (alias Yu Cheeric) (余致力), aged 36, is an independent non-executive Director of our Company. He was appointed as an INED on 11 June 2011. Mr. Yu has more than five years of experience in auditing, advisory business services and finance management. From the period between September 1997 to September 2001, Mr. Yu worked as an accountant in the assurance and advisory business services department of an international accounting firm. Between October 2005 to March 2007, Mr. Yu worked in the financial control department of an electricity company in Hong Kong and subsequently joined a manufacturing company, Shenzhen International Group Holdings Limited, as the company secretary between May 2007 to August 2008, both of which are companies listed on the Main Board of the Stock Exchange. Mr. Yu graduated from The California State University with a degree of bachelor of science in business administration (accountancy) in 1997. He became an associate member of the American Institute of Certified Public Accountants on 20 October 2001 and a certified public accountant of the State of Delaware on 20 September 2006.

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Mr. Choi Kin Cheong (崔建昌), aged 36, is an independent non-executive Director of the Company. He was appointed as an INED on 11 June 2011. Mr. Choi is currently a partner of a law firm in Hong Kong specialising in corporate advisory. Mr. Choi was admitted as a solicitor to the High Court of Hong Kong in 2002 and as a solicitor of the Supreme Court of England and Wales in 2008. Mr. Choi graduated from Queen Mary and Westfield College, University of London with master degree in laws in 2003. He obtained a bachelor degree of laws and postgraduate Certificate in laws from The University of Hong Kong in 1999 and 2000 respectively. He also obtained a higher diploma in business studies from the City University of Hong Kong in 1996.

Matters that need to be brought to the attention of our Shareholders

Mr. Ng Kam Lun and Mr. Lee were directors of Wisdom Gateway Investment Limited (“Wisdom Gateway”) within 12 months prior to it being wound up by the High Court of Hong Kong on 17 December 2003. Wisdom Gateway was incorporated in Hong Kong with limited liability on 18 February 2000 and was set up for the purpose of signing two tenancy agreements with the landlord which is an Independent Third Party. Properties leased and managed by Wisdom Gateway were used as the Group’s learning centres mainly for the provision of secondary tutoring services. Apart from managing the Group’s leased properties for our business operation, Wisdom Gateway was not involved in the provision of any of the Group’s businesses nor was it related to any personal businesses of Mr. Ng Kam Lun or Mr. Lee prior to its winding up. Wisdom Gateway was subsequently alleged to be in breach of a tenancy agreement and had failed and/or refused to pay the rent, air-conditioning, management charges and/or rates of certain leased premises in the sums of HK\$46,813.50, HK\$1,130,661 and HK\$376,887.00 (the “Claim Amounts”) together with interest on the said sums of HK\$46,813.50 and HK\$1,130,661.00. In particular, aside from the relevant rates, air-conditioning and management charges, the Claim Amounts included four months rental and the replenishment of the rental deposit of HK\$1,130,331.00. The plaintiff, which was an affiliated company of one of the landlords who leased properties to connected persons of the Company, sued Wisdom Gateway for breach of the tenancy agreement. Pursuant to a judgement delivered by the High Court of Hong Kong on 3 July 2003, Wisdom Gateway was ordered to pay to the plaintiff the Claim Amounts together with interest thereon and HK\$1,550.00 fixed costs (the “Judgement Debts”). Upon a petition filed on 28 October 2003 for the winding up of Wisdom Gateway due to its failure to satisfy the Judgment Debts, the High Court of Hong Kong ordered the winding up of Wisdom Gateway on 17 December 2003. On 20 December 2003, provisional liquidators of Wisdom Gateway were appointed and were subsequently released on 20 July 2010 after Wisdom Gateway being fully wound up.

Mr. Ng Kam Lun and Mr. Lee confirmed that during the period of the SARS outbreak they tried to negotiate with the landlord of the subject premises to see if it was possible to terminate a tenancy agreement before expiry.

However, Mr. Ng Kam Lun and Mr. Lee were not able to come to a mutual agreement with the landlord and at that time, Wisdom Gateway was in arrears of three months rental. According to Mr. Ng Kam Lun and Mr. Lee, since Wisdom Gateway had previously paid a deposit of HK\$1,130,661.00, which was equivalent to three months rental to the landlord when

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they entered into the tenancy agreement, they were of the opinion that the deposit should be an adequate settlement of the rental arrears. Therefore, neither did Wisdom Gateway, Mr. Ng Kam Lun nor Mr. Lee attend to the Claim Amounts and/or the Judgement Debts. Mr. Ng Kam Lun and Mr. Lee further confirm that since Wisdom Gateway was operating in deficit at the material time, it was unable to satisfy the Judgement Debts.

The Directors confirm that the above incident in relation to Wisdom Gateway is not a reason why certain Independent Third Party landlords refused to enter into novation agreements with us and the relevant tenants. Please also refer to the section headed “Connected Transactions – 2. Continuing connected transactions” of this prospectus for further information on the relevant licensing arrangements of the Group with respect to certain of our learning centres and advertising spaces.

The Directors confirm that save as disclosed above, as at the Latest Practicable Date, there were no circumstances which would give rise to a disclosure obligation pursuant to Rule 13.51(2) of the Listing Rules.

Taking into account that (a) the establishment of limited company to conduct business was considered a usual practice by the Directors; (b) it was impossible for Mr. Ng Kam Lun and Mr. Lee to predict the SARS outbreak at the time of entering into the tenancy agreement; and (c) the amount of deposit previously paid by Wisdom Gateway was considered by Mr. Ng Kam Lun and Mr. Lee an adequate settlement of the rental arrears, the Joint Sponsors do not consider Mr. Ng Kam Lun and Mr. Lee set up limited liability company intentionally to avoid payment of rental payments under adverse condition, and the above would materially and adversely affect their view as to the ability of Mr. Ng Kam Lun and Mr. Lee to achieve a standard of competence commensurate with the position as a director of a listed issuer pursuant to Rules 3.08 and 3.09 of the Listing Rules. The Directors will ensure corporate governance in the future and will avoid similar incidents to ensure ongoing compliance with relevant contractual terms.

Corporate governance policies and procedures have been adopted to ensure compliance of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules. The policies and procedures include, inter alia, (i) meetings of the Board, (ii) remuneration of Directors and senior management, (iii) accountability and audit, (iv) delegation by the Board, and (v) communication with Shareholders. In addition, with the help of established internal policies and guidelines, different departments are responsible for ensuring compliance of different areas of laws and regulations. For example, our human resources department is responsible for issues relating to the Employment Ordinance and Employees’ Compensation Ordinance, our accounts and finance department is responsible for matters in relation to the Inland Revenue Ordinance and the Company Ordinance. Furthermore, according to the code of conduct documented in the employee handbook, all of our employees are reminded to comply with the laws and regulations in Hong Kong.

In relation to rental payment, measures are in place to ensure punctual payment of rent for all the tenancy/license agreements. These measures include maintaining “Monthly Rental Payment Date Schedule”, regular check on whether payment has been made on the due date

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specified in such schedule, monthly rental analysis to review outstanding payable balance at month end and guideline for reporting and handling any matter which may result in breach of agreement or lead to disputes with landlord. Besides, there is internal audit plan to assess the internal control relating to entering, payment or termination of tenancy agreement.

Please refer to the section headed “Further Information about the Directors” in Appendix V – Statutory and General Information to this prospectus for further information on our Directors’ service contracts and letters of appointment.

Members of our Senior Management

Name	Age	Position	Date of Joining the Group
Chan Kay Sang Kason	40	General manager	8 May 1997
Li Yue Chiu, Frederick	42	Vice-President (PRC)	1 December 2010
Mak Tat Ming Desmond	39	Marketing director	18 June 2009

Mr. Chan Kay Sang, Kason (陳紀笙), aged 40, is our general manager. Mr. Chan graduated from City Polytechnic of Hong Kong (now known as City University of Hong Kong) where he obtained a degree of bachelor of arts in business studies with honours in 1992. Mr. Chan has been with us since our inception in 1997. He has over 18 years of experience in school administration. Prior to joining us, Mr. Chan worked for a private education institution between January 1993 to May 1997. Mr. Chan is currently the school manager, supervisor and principal of 6, 5 and 11 of our registered ME Centres in Hong Kong respectively. He is responsible for the local development and expansion of our Group.

Mr. Li Yue Chiu, Frederick (李汝釗), aged 42, is our Vice-President (PRC). Mr. Li joined us in 2010 and is currently involved in the business development of the Group in the PRC. Before joining our Group, he was employed by a manufacturing company as a general manager between August 1995 to August 2009 and was responsible for managing a garment manufacturing facility in the PRC. Since June 2006 till his joining our Group in 2010, Mr. Li was a managing director of another manufacturing company. Mr. Li is the spouse of Ms. Yiu.

Mr. Mak Tat Ming, Desmond (麥達明), aged 39, is our marketing director. Mr. Mak graduated from Monash University, Australia with a bachelor’s degree in business in 1997. Mr. Mak has over 11 years’ experience in the field of sales and marketing. Prior to joining us in June 2009, Mr. Mak worked as an assistant general manager at a telecommunication company in Hong Kong between December 2007 to February 2009. He had also previously been employed as an assistant director of business development at a broadcasting company between November 2005 to July 2007. Between April 1995 to February 2002, Mr. Mak also worked for a broadcasting company initially as a trainee and as an associate director when he left the company.

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COMPLIANCE ADVISER

Our Company has appointed Kingsway Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules to provide advisory services to our Company pursuant to the requirements thereunder. Kingsway Capital Limited will, inter alia, advise our Company with due care and skill on a timely basis when consulted by our Company in the following circumstances:

- before the publication by our Company of any regulatory announcement (whether required by the Listing Rules or requested by the Stock Exchange or otherwise), circular or financial report;
- where a transaction, which might be a notifiable or connected transaction under Chapters 14 or 14A of the Listing Rules, is contemplated by our Company including share issues and share repurchases;
- where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this prospectus;
- where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules;
- if required by the Stock Exchange, deal with the Stock Exchange in respect of any or all matters listed in the foregoing paragraphs above; and
- assess the understanding of all new appointees to the Board of directors regarding the nature of their responsibilities and fiduciary duties as a director of a listed issuer, and, to the extent the compliance adviser forms an opinion that the new appointees' understanding is inadequate, discuss the inadequacies with the Board and make recommendations to the Board regarding appropriate remedial steps such as training.

The term of the appointment will commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

AUDIT COMMITTEE

The Board has established an audit committee on 11 June 2011 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to provide our Board with an independent review of the

DIRECTORS AND SENIOR MANAGEMENT

effectiveness of the financial reporting process, internal control and risk management of our Company and our subsidiaries, to oversee the audit process and to perform other duties and responsibilities stated in the written terms of reference.

The audit committee currently comprises three INEDs, namely Ms. Chan Mei Bo, Mabel, Mr. Yu Cheeric James and Mr. Choi Kin Cheong. Ms. Chan Mei Bo, Mabel is the chairman of the audit committee.

REMUNERATION COMMITTEE

The Board has established a remuneration committee on 11 June 2011 with written terms of reference in compliance with paragraph B1 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to consider and recommend to the Board the emoluments and other benefits paid by us to our Directors and to assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum shareholder benefit from the retention of talented individuals.

The remuneration committee currently comprises Ms. Chan Mei Bo, Mabel, Mr. Yu Cheeric James, Mr. Choi Kin Cheong and Mr. Lee. Mr. Yu Cheeric James is the chairman of the remuneration committee.

DIRECTORS' REMUNERATION

Our Directors receive remuneration in the forms of fees, salaries, allowances and other benefits-in-kind, including our contribution to the pension plan on their behalf.

The aggregate remuneration paid to our Directors for each of the three years ended 30 June 2008, 2009 and 2010 and the six months ended 31 December 2010 was approximately HK\$7.6 million, HK\$9.0 million, HK\$8.2 million and HK\$2.4 million respectively.

The Directors' remuneration is subject to review by the remuneration committee and the Board at the end of each financial year of our Company.

Particulars of the service agreements and appointment letters are set out in the section headed "Appendix V – Statutory and General Information – Further information about directors, management and staff – Particulars of directors' service agreements and letters of appointment" in this prospectus.

NON-COMPETITION

Each of the Controlling Shareholders, Beautiful Choice, Mr. Lee, Ms. Chu, Classic King, Mr. Ng Norman, Ultra Strong, Mr. KW Ng, Ms. Lau, Ms. Ng, Creative Master and Ms. Yiu entered into the Non-competition Deed in which each of them will not, whether as principal or

DIRECTORS AND SENIOR MANAGEMENT

agent and whether undertaken directly or indirectly (including through any of their respective associate, subsidiary, partnership, joint venture or other contractual arrangement) and whether for profit or otherwise, carry on, engage, invest, participate or otherwise be interested in any business which is, in each case, the same as, similar to or in direct or indirect competition with any business relating to private education services and such other business conducted or carried on by our Group from time to time.

EMPLOYEES

As at the Latest Practicable Date, we had 279 full-time employees and 55 part-time employees in Hong Kong, and 4 full-time employees in the PRC. The Directors confirm that the Group has complied with the relevant requirements under the Minimum Wage Ordinance (Chapter 608 of the laws of Hong Kong) as to our employees in Hong Kong.

Set out below is a breakdown of the number of our full-time and part-time employees in Hong Kong by function as at the Latest Practicable Date:

Department	Number of Employees		Total
	Full-time	Part-time	
Audio Visual	18	0	18
Centre Management	4	0	4
Centre Operations	107	50	157
Course Administration	6	0	6
Day School Teacher	35	0	35
Day School – Clerical Post	17	0	17
Electronic Data Processing	5	0	5
Finance & Accounting	11	1	12
Human Resources	5	0	5
Maintenance	4	0	4
Management	5	0	5
MBE staff	21	4	25
Sales & Marketing	26	0	26
Office Administration	3	0	3
Printing	12	0	12
	279	55	334
	279	55	334

STAFF BENEFITS

Our employees in Hong Kong have joined a Mandatory Provident Fund retirement benefit scheme (“MPF Scheme”) in accordance with the arrangements prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong).

DIRECTORS AND SENIOR MANAGEMENT

In the PRC, in accordance with the relevant national and local labour and social welfare laws and regulations, we are required to pay, in respect of our employees in the PRC, various social insurance including pension insurance, medical insurance, unemployment insurance, occupational injury insurance and maternity insurance. In accordance with applicable PRC regulations on housing funds, we are also required to contribute to a housing fund plan for our employees. We have made provisions for the payment of the various social insurance and the housing fund which were payable by us during the Track Record Period. We currently make full payments in respect of the various social insurance and the housing fund in accordance with applicable PRC laws and regulations.

The contributions by us for each of the three financial years ended 30 June 2010 and the six months ended 31 December 2010 were approximately HK\$1.3 million, HK\$1.7 million, HK\$2.0 million and HK\$0.9 million, respectively.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are set out in the section headed “Appendix V – Statutory and General Information – Share Option Scheme” in this prospectus.

Pursuant to the Regulations on the Foreign Exchange Administration of the PRC (《中華人民共和國外匯管理條例》), which was promulgated by the State Council on 29 January 1996 and amended on 5 August 2008, the Measures for Individual Foreign Exchange Administration (《個人外匯管理辦法》) which was promulgated by the PBOC on 25 December 2006 and became effective on 1 February 2007, the Implementing Rules for the Measures for Individual Foreign Exchange Administration (《個人外匯管理辦法實施細則》) which was promulgated by SAFE on 5 January 2007 and became effective on 1 February 2007 and Operating Rules on the Foreign Exchange Administration of the Involvement of Domestic Individuals in the Employee Stock Ownership Plans and Share Option Schemes of Overseas Listed Companies (《境內個人參與境外上市公司員工持股計劃和認股期權計劃等外匯管理操作規程》) which was issued by SAFE on 6 April 2007, if any of our PRC employees intends to participate in the Share Option Scheme after the Listing, they are required to, through their employer companies or other qualified PRC agents, obtain approval from SAFE or its local branch and complete certain procedures related to the share option. Under the Share Option Scheme, the Company will not grant an option if doing so would cause the Company to be in breach of any relevant laws and regulations. In addition, for an employee who is a PRC resident, the employee may not exercise the option unless (i) the employee is in compliance with PRC legal or regulatory restrictions or conditions on such issuances; and (ii) the employee represents and warrants to the Company that he or she satisfies the relevant legal and regulatory requirements on foreign exchange control in exercising such options.

SUBSTANTIAL SHAREHOLDERS

So far as we are aware, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), the following persons will have an interest or short position in our Shares or underlying Shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other subsidiary of the Company:

Name	Number of shares held	Member of our Group	Nature of interest	Approximate percentage of shareholding in the member of the corporation
Speedy Harvest	157,405,421	The Company	Beneficial owner	39.35%
Mr. Ng Kam Lun ⁽¹⁾	157,405,421	The Company	Interest in a controlled corporation	39.35%
Beautiful Choice	47,221,626	The Company	Beneficial owner	11.81%
Mr. Lee ⁽²⁾	47,221,626	The Company	Interest in a controlled corporation	11.81%
Ms. Chu ⁽²⁾	47,221,626	The Company	Interest in a controlled corporation	11.81%
Classic King	41,819,066	The Company	Beneficial owner	10.45%
Mr. Ng Norman ⁽³⁾	41,819,066	The Company	Interest in a controlled corporation	10.45%
Primo Result	21,305,585	The Company	Beneficial owner	5.33%
SW Kingsway Capital Holdings Limited ⁽⁴⁾	21,305,585	The Company	Interest in a controlled corporation	5.33%
Ms. Mok Sze Wan	1,125	Able Investment	Beneficial owner	11.25%

Notes:

- (1) Mr. Ng Kam Lun is deemed to be interested in the Shares held by Speedy Harvest by virtue of his controlling interest in Speedy Harvest. Mr. Ng Kam Lun is also a director of Speedy Harvest.
- (2) Each of Mr. Lee and Ms. Chu is deemed to be interested in the Shares held by Beautiful Choice by virtue of their respective controlling interest in Beautiful Choice. Mr. Lee is also a director of Beautiful Choice.
- (3) Mr. Ng Norman is deemed to be interested in the Shares held by Classic King by virtue of his controlling interest in Classic King. Mr. Ng Norman is also a director of Classic King.
- (4) SW Kingsway Capital Holdings Limited is deemed to be interested in the Shares held by Primo Result by virtue of its controlling interest in Primo Result.

SUBSTANTIAL SHAREHOLDERS

Except as disclosed above, we are not aware of any other person who will, immediately upon Listing (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), have an interest or short position in our Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other subsidiary of the Company.

SHARE CAPITAL

Authorised share capital:

	<i>HK\$</i>
1,500,000,000 Shares	150,000,000

Issued and to be issued, fully paid or credited as fully paid:

- (a) Assuming the Over-allotment Option is not exercised, the Company's share capital immediately following the Global Offering will be as follows:

	<i>HK\$</i>
Number	
284,000,000 Shares in issue at the date of this prospectus	28,400,000
104,400,000 Shares to be issued under the International Offering (subject to reallocation)	10,440,000
11,600,000 Shares to be issued under the Hong Kong Public Offering	1,160,000
Total	
400,000,000 Shares	40,000,000

- (b) Assuming the Over-allotment Option is exercised in full, the Company's share capital immediately following the Global Offering will be as follows:

	<i>HK\$</i>
Number	
284,000,000 Shares in issue at the date of this prospectus	28,400,000
121,800,000 Shares to be issued under the International Offering (subject to reallocation)	12,180,000
11,600,000 Shares to be issued under the Hong Kong Public Offering	1,160,000
Total	
417,400,000 Shares	41,740,000

SHARE CAPITAL

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional. It takes no account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme and any Shares which may be allotted and issued, or repurchased by our Company pursuant to the general mandate to issue new Shares and general mandate to repurchase Shares as described below.

RANKING

The Offer Shares will rank *pari passu* in all respects with all Shares now in issue or to be issued as mentioned herein, and will rank in full for all dividends or other distributions declared, made or paid on the Shares after the date of this prospectus.

Except as disclosed in this prospectus, no share or loan capital of our Company or any of our subsidiaries is under any option or is agreed conditionally or unconditionally to be put under any option.

GENERAL MANDATE TO ISSUE NEW SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with unissued Shares with an aggregate nominal value not exceeding the sum of:

- 20% of the total nominal amount of the share capital of the Company in issue immediately following completion of the Global Offering, excluding Shares that may fall to be issued pursuant to the exercise of the Over-allotment Option or the exercise of options that may be granted under the Share Option Scheme; and
- the total amount of the share capital of the Company repurchased by the Company (if any) pursuant to the general mandate to repurchase Shares as described below.

This general mandate does not apply to situations where our Directors allot, issue or deal with the Shares by way of rights issue, scrip dividend schemes or similar arrangements providing for the allotment and issue of the Shares in lieu of whole or part of any dividend in accordance with the Articles of Association, or pursuant to the exercise of any subscription or conversion rights attaching to any warrants or any securities which are convertible into Shares or pursuant to the Global Offering or the exercise of the Over-allotment Option, or the Shares to be issued upon the exercise of options to be granted under the Share Option Scheme.

SHARE CAPITAL

This general mandate to issue Shares will expire:

- on the conclusion of the Company's next annual general meeting; or
- upon the expiration of the period within which the Company is required by law or its Articles of Association to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

Particulars of this general mandate are set out in the section headed "Appendix V – Statutory and General Information – Written resolutions of our Shareholders passed on 11 June 2011" in this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of the Company to repurchase Shares with a total nominal value of not more than 10% of the total nominal amount of the share capital of the Company in issue and to be issued immediately following completion of the Global Offering, excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of options that may be granted under the Share Option Scheme.

This mandate relates only to repurchase made on the Stock Exchange and/or on any other stock exchange on which the Shares are listed (and which are recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with the Listing Rules. A summary of the relevant requirements under the Listing Rules is set out in the section headed "Appendix V – Statutory and General Information – Repurchase by our Company of our Shares" in this Prospectus.

This mandate will expire:

- on the conclusion of the Company's next annual general meeting; or
- upon the expiration of the period within which the Company is required by law or its Articles of Association to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

Particulars of this general mandate are set out in the section headed "Appendix V – Statutory and General Information – Written resolutions of our Shareholders passed on 11 June, 2011" in this prospectus.

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The following discussion should be read in conjunction with our consolidated financial information together with the accompanying notes as set out in the Accountants' Reports in Appendix I to this prospectus. The following discussion contains forward-looking statements that involve risks and uncertainties. Factors that could cause or contribute to such differences include those discussed in the sections headed "Risk Factors" and "Business" in this prospectus.

OVERVIEW

We are a provider of tutoring services in Hong Kong. As at 31 May 2011, we had 151 registered classrooms and a maximum number of 4,336 pupils were in our classrooms (including ME Centres and MBE Centres) at the same time according to EDB. We offer a wide range of education programmes and services consisting of secondary tutoring services, secondary day school education, English language training and test preparation courses and other programmes and services. We provide private education services under our "Modern Education" (現代教育), "Modern College" (現代書院), "Modern Bachelor Education" (現代小學士) and "New Era Bachelor Education Centre" (新世代學士教室) brands. We believe our "Modern Education" (現代教育) brand, in particular, is one of the leading brands in Hong Kong's private education services sector. This is evidenced by the recognition as a "Trusted Brand" (信譽品牌) in 2008, 2009 and 2010 by Readers Digest (讀者文摘) and being voted as "The Best for Home 10-11" Award (香港家庭最愛品牌大賞10-11) organised by Take me Home Community Post (Take me Home • 生活區報) in 2010. The "Trusted Brand" recognition was given based on the customer surveys conducted by Readers Digest (讀者文摘) during the relevant period. Of all the providers of private education services in Hong Kong, we were one of the two institutions being awarded with the recognition. "The Best for Home 10-11" Award was given based on votes cast by readers of Take me Home Community Post. Of all the providers of private education services in Hong Kong, we were the only institution being given such award in 2010.

For the three years ended 30 June 2008, 2009 and 2010 and the six months ended 31 December 2010, we had approximately 0.72 million, 0.78 million, 0.76 million and 0.25 million course enrolments, respectively, in our education programmes and services and our total revenue for the corresponding periods amounted to approximately HK\$309.4 million, HK\$360.4 million, HK\$353.2 million and HK\$123.7 million, respectively. We offer our secondary tutoring services, secondary day school education and the English language test preparation courses through our ME Centres. As at the Latest Practicable Date, we obtained 19 certificates of registration of a school from EDB, pursuant to which we operated 15 ME Centres in Hong Kong. In Hong Kong, we had 334 employees, 35 of whom were full-time day school teachers, and we had service contracts with 51 tutors as at the Latest Practicable Date. In the PRC, we had 4 full-time employees as at the Latest Practicable Date.

In 2010, we expanded our operations to the private education services market in Beijing, PRC through providing technical consultation and management service and software licencing to Beijing Yasi School, an entity offering standardized test preparation courses on, for example, IELTS and TOEFL, in the PRC. Programmes and services of Beijing Yasi School are offered under the "BJ IELTS" (北京雅思) brand, commonly known as the "Beiya" (北雅) brand.

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In December 2010, we further expanded our business into the primary homework tutoring services market through the acquisition of 60% of the issued share capital of Able Investment which holds 100% shareholding interest in Bachelor Education, a provider of primary tutoring services in Hong Kong. Our current primary education services are offered mainly under our “Modern Bachelor Education” (現代小學士) brand. As at the Latest Practicable Date, we had 5 MBE Centres operating under our “Modern Bachelor Education” (現代小學士) brand. Furthermore, as a result of various franchise agreements entered into between Bachelor Education and the franchisees, we had 11 MBE Franchised Centres, 8 of which were operating under our “Modern Bachelor Education” (現代小學士) brand and 3 of which were operating under our “New Era Bachelor Education Centre” (新世代學士教室) brand as at the Latest Practicable Date.

Our total revenue increased from HK\$309.4 million for the year ended 30 June 2008 to HK\$360.4 million for the year ended 30 June 2009, representing an increase of 16.5%. However, we experienced a decrease in revenue of 2.0% to HK\$353.2 million for the year ended 30 June 2010.

BASIS OF PRESENTATION

The Group resulting from the Reorganisation continued to be controlled by Mr. Ng Kam Lun is regarded as a continuing entity. Accordingly, the combined statements of comprehensive income, cash flows and changes in equity for the Track Record Period have been prepared, as if the group structure upon the completion of the Reorganisation had been in existence throughout the Track Record Period, or since the respective dates of incorporation/establishment of the entities now comprising the Group where this is a shorter period. The combined statements of financial position as at 30 June 2008, 30 June 2009, 30 June 2010 and 31 December 2010 have been prepared to present the assets and liabilities of the entities now comprising the Group which were in existence as at those dates.

FACTORS AFFECTING THE RESULTS OF OPERATIONS

Our business, results of operations and financial condition are affected by a number of factors, and among those, many of which are beyond our control. Please refer to the section headed “Risk Factors” in this prospectus. Below is a summary of some of the key factors:

If we are not able to continue to attract students to enrol in our courses at commercially viable fee levels, our revenue may decline and we may not be able to maintain our profitability.

The success of our business depends primarily on the number of enrolments in our courses and the amount of course fees that the students are willing to pay. For the three years ended 30 June 2008, 2009 and 2010 and the six months ended 31 December 2010, we had approximately 0.72 million, 0.78 million, 0.76 million and 0.25 million course enrolments, and the average course fees paid by the students were approximately HK\$430, HK\$460, HK\$460 and HK\$490, respectively. Therefore, our ability to continue to maintain and attract students

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to enrol in our courses at commercially viable fee levels is critical to the continual success and growth of our business. This in turn will depend on several factors, including, amongst others, our ability to develop new programmes and enhance existing programmes to respond to changes in market trends, education system and curriculum and student demands, expand our geographic coverage, manage our growth while maintaining the consistency of our teaching quality, effectively market our programmes to a broader base of prospective students, develop additional high-quality course content and respond to market competition. Any inability to maintain or achieve the aforesaid could materially and adversely affect our revenue and profitability.

We have substantial reliance on our tutors, and if we are not able to attract and retain qualified tutors, in particular our Top Five Tutors, we may not be able to maintain consistent teaching quality throughout our school network and our brand, secondary tutoring services business and operating results could be materially and adversely affected.

In view of our business nature, our tutors are critical to maintaining the quality of our programmes and services and maintaining our brand and reputation, as they interact with our students on a regular basis. Further, we rely substantially on our tutors for the provision of secondary tutoring services to our students. For the three years ended 30 June 2008, 2009 and 2010 and the six months ended 31 December 2010, we had 54, 61, 52 and 51 tutors, respectively.

Our brand, reputation, business and success depend heavily upon the continuing cooperation with a number of our Top Five Tutors. For the three years ended 30 June 2008, 2009 and 2010 and the six months ended 31 December 2010, the revenue generated by our Top Five Tutors accounted for approximately 48.9%, 43.6%, 39.6% and 45.6%, respectively, of our total revenue. During the Track Record Period, Tutor A left us during the year ended 30 June 2010. We recorded a decrease of approximately HK\$16.2 million, representing approximately 5.0% decrease in revenue from the provision of secondary tutoring services from the year ended 30 June 2009 to the year ended 30 June 2010. Such decrease was mainly due to (i) the departure of Tutor A; and (ii) the drop in Form 4/Secondary 4 course enrolments from approximately 0.10 million for the year ended 30 June 2009 to approximately 0.06 million for the year ended 30 June 2010, given Secondary 4 school students under the 334 System would not sit for HKCEE in Form 5 but HKDSE in Secondary 6. If we are unable to continue to renew the service contracts with one or more of our Top Five Tutors, or if we are unable to renew their service contracts in a timely manner or on commercially acceptable terms, or if any of their service contracts is terminated before its expiration, we may not be able to replace them easily and retain existing students who are currently taking courses offered by them. Our business could be disrupted and our financial condition and results of operations could be materially and adversely affected.

In addition, criteria such as commitment and dedication are difficult to ascertain during the recruitment process. We may not be able to attract, hire and retain enough qualified tutors to keep pace with our growth while maintaining consistent teaching quality across many

FINANCIAL INFORMATION

different schools, learning centres and programmes in different geographic locations. Shortages of qualified tutors or decreases in the quality of instruction, whether actual or perceived in one or more of our courses, could materially and adversely affect our business.

We depend heavily on the success of our secondary tutoring services in Hong Kong. Any event negatively affecting our secondary tutoring services in Hong Kong could have a material adverse effect on our overall business and results of operations.

We derived approximately 93.4%, 90.1%, 87.3% and 80.5% of our total revenue in the three years ended 30 June 2008, 2009 and 2010 and the six months ended 31 December 2010, respectively, from our secondary tutoring services in Hong Kong. We expect that the secondary tutoring services will continue to be a substantial and important source of our revenue in the near future. While we have been developing various other programmes and expanding our geographic coverage and will continue to diversify our revenue sources, the new programmes may not increase to a level that would enable us to reduce our dependence on secondary tutoring services in Hong Kong. If we experience an event negatively affecting our tutoring services, such as a serious economic downturn, a natural disaster or outbreak of contagious disease, our overall business and results of operations could be materially and adversely affected.

Our business depends on our “Modern Education” (現代教育) brand, and if we are not able to maintain our brand or if there is any publication containing any negative accusation against us, including but not limited to infringement of intellectual property rights, leakage of examination questions, unlawful early admission of students or disputes with tutors, our image, business and operating results could be harmed.

We believe that market awareness of our “Modern Education” (現代教育) brand has contributed significantly to the success of our business. We also believe that maintaining and enhancing our “Modern Education” (現代教育) brand is critical to maintaining our competitive advantage. If the value of our brand or image is diminished or if our brand does not continue to attract students, our business, financial condition and results of operations could be materially and adversely affected.

We believe that public awareness of our tutors has contributed significantly to the success of our business. As at the Latest Practicable Date, we had 17 tutors, who are authors of published textbooks, practice books and/or newspaper columns, and not less than 15 of our tutors have, on various occasions, been interviewed by and appeared on the media, which includes, television and radio broadcasting stations, newspapers and magazines. If we are not able to preserve the good image of our tutors or if any of our tutors receives negative press or report due to their own behaviour, whether related to our business or otherwise, the association between our tutors and us could materially and adversely affect our brand, business and operating results.

We offer a diverse set of programmes and services to students by different tutors in Hong Kong. As we continue to grow in size, expand our programmes and services and extend our geographic coverage, maintaining quality and consistency may become more difficult to

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achieve. We have incurred significant brand promotion expenses to date, but we cannot guarantee that our marketing efforts will be successful in further promoting our brand to remain competitive. If we are unable to further enhance our brand recognition and increase awareness of our programmes and services, despite incurring substantial marketing and promotion expenses, our business and results of operations could be materially and adversely affected.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with HKFRSs requires the management of the Company to adopt accounting policies and make estimates and assumptions that affect amounts reported in its financial statements. The Group's significant accounting policies, which are important for an understanding of the results of operations and financial condition of the Group, are set forth in detail in the accountants' report set out in Appendix I to this prospectus. The policies have been consistently applied to all the years presented unless otherwise stated. In applying those accounting policies, the Company makes subjective and complex judgments that frequently require estimates about matters that are of an inherently uncertain nature and may change in subsequent periods. The Group has adopted certain accounting policies that are significant to the preparation of the Group's financial information:

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes.

Income from tutoring and educational services is recognised when the tutoring and educational services are rendered.

Management fee income is recognised when the management services are rendered.

Consultancy fee income is recognised when the consultancy services are rendered.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Deferred income

Deferred income represents the tuition fee received in advance. Deferred income is recognised as revenue when the tuition services are rendered.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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The Group as the lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

CERTAIN COMBINED STATEMENTS OF COMPREHENSIVE INCOME ITEMS

Revenue

Our revenue was contributed by (i) secondary tutoring services, (ii) secondary day schools education, (iii) English language training and test preparation courses, (iv) technical consultation, management and software licensing services during the Track Record Period as set out in the table below:

	Year ended 30 June						Six months ended 31 December			
	2008		2009		2010		2009		2010	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Secondary tutoring services	288,904	93.4	324,651	90.1	308,492	87.3	157,407	88.3	99,538	80.5
Secondary day school education	19,455	6.3	26,350	7.3	33,130	9.4	15,146	8.5	15,082	12.2
English language training and test preparation courses	1,027	0.3	9,415	2.6	10,712	3.0	5,746	3.2	7,898	6.4
Technical consultation, management and software licencing services	-	-	-	-	879	0.3	-	-	1,203	0.9
Total	309,386	100.0	360,416	100.0	353,213	100.0	178,299	100.0	123,721	100.0

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Secondary tutoring services

Our secondary tutoring services are offered under our “Modern Education” (現代教育) brand, under which we provide supplementary education services for secondary school students from Form 1 to Form 7 (or with the 334 System, Secondary 1 to Secondary 6), with an emphasis on improving students’ internal school performance and preparing them for public examinations, HKCEE, HKALE & HKASLE (or with the 334 System, HKDSE). Our students typically enrol in our courses with the ultimate aim of improving in-school performance and public examination results with a view to attending a university of their choice. We opened our first ME Centre to provide secondary tutoring services in 1997 and as at the Latest Practicable Date, we had 15 ME Centres located in various districts on Hong Kong Island, in Kowloon and in the New Territories.

Revenue from our secondary tutoring services for the three years ended 30 June 2008, 2009 and 2010 and the six months ended 31 December 2010 was HK\$288.9 million, HK\$324.7 million, HK\$308.5 million and HK\$99.5 million, respectively, representing approximately 93.4%, 90.1%, 87.3% and 80.5%, respectively, of our total revenue.

Secondary day school education

All of our secondary day schools in operations are operated under our “Modern College” (現代書院) brand. We opened our first secondary day school in 2003 and as at the Latest Practicable Date, we had 11 schools located in our Causeway Bay, North Point, Prince Edward, Kowloon Bay, Sha Tin, Tsuen Wan, Tseung Kwan O and Tuen Mun ME Centres. Our secondary day schools were established with an aim to rebuild our students’ confidence in learning and provide them with an opportunity to further their secondary school education in a full-day and formal academic environment. As such, we have minimal academic admission requirements for students who wish to attend our schools so long as they have passed an assessment of character to ensure that they are likely to demonstrate good conduct in class.

Revenue from our secondary day school education for the three years ended 30 June 2008, 2009 and 2010 and the six months ended 31 December 2010 was approximately HK\$19.5 million, HK\$26.4 million, HK\$33.1 million and HK\$15.1 million, respectively, representing approximately 6.3%, 7.3%, 9.4% and 12.2%, respectively, of our total revenue.

English language training and test preparation courses

Our English language training and test preparation courses are offered by Modern Education (現代教育) under our “Modern Education” (現代教育) brand. Since 2005, we have been providing English language training as well as test preparation courses on international English language standardised tests and examinations such as IELTS and TOEFL, at our ME Centres. After obtaining approval from the Labour and Welfare Bureau in 2007, we began providing the International English Language Testing System (IELTS) Preparation Course and Diploma in Work Place English TOEIC Preparatory Course in Hong Kong, which are reimbursable by the Government under the CEF. Furthermore, we are authorised to hold IELTS tests at our ME Centres.

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For the three years ended 30 June 2008, 2009 and 2010 and the six months ended 31 December 2010, revenue from our English language training and test preparation courses was approximately HK\$1.0 million, HK\$9.4 million, HK\$10.7 million and HK\$7.9 million, respectively, representing approximately 0.3%, 2.6%, 3.0% and 6.4%, respectively, of our total revenue.

Technical consultation, management and software licencing services

During the Track Record Period, our PRC Operations consisted mainly of the provision of technical consultation, management and software licencing services to Beijing Yasi School and an individual, Mr. Li Haiming. Beijing Yasi School is a non-public school sponsored by Beijing Siya (a company not owned by our Group) providing training on English language training and test preparation courses, such as TOEFL, IELTS and TOEIC, in the PRC. Programmes and services provided by Beijing Yasi School are offered under the “BJ IELTS” (北京雅思) brand, commonly known as the “Beiya” (北雅) brand.

For the three years ended 30 June 2008, 2009 and 2010 and the six months ended 31 December 2010, revenue from our technical consultation, management and software licencing services was approximately nil, nil, HK\$0.9 million and HK\$1.2 million, respectively.

Other income and expenses

The table below is an analysis of our other income and expenses during the Track Record Period:

	Year ended 30 June			Six months ended 31 December	
	2008	2009	2010	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	188	28	2	1	1
Gain (loss) on disposal/written off of property, plant and equipment	23	(671)	(895)	75	1,936
Change in fair value of held-for- trading investments	17	(16)	-	-	-
Management fee income	46	1,415	-	-	180
Others	837	916	972	487	906
	<u>1,111</u>	<u>1,672</u>	<u>79</u>	<u>563</u>	<u>3,023</u>
Total	<u>1,111</u>	<u>1,672</u>	<u>79</u>	<u>563</u>	<u>3,023</u>

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Management fee income mainly represented charges to related companies for supporting services and administrative provisions.

Others mainly represented interview fee income received from secondary day school students for arranging interview for enrolment applications and compensation received from staff resigned with short-notice.

Staff costs

Staff costs mainly comprised salaries paid to the secondary day school teachers, our sales and marketing staff and administrative staff.

Tutor contractor fee

The table below is an analysis of our tutor contractor fee during the Track Record Period:

	Year ended 30 June						Six months ended 31 December			
	2008		2009		2010		2009		2010	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Secondary tutoring services	119,315	99.3	135,344	98.6	120,227	98.4	60,998	98.4	35,567	96.2
English language training and test preparation courses	<u>803</u>	<u>0.7</u>	<u>1,922</u>	<u>1.4</u>	<u>1,998</u>	<u>1.6</u>	<u>1,015</u>	<u>1.6</u>	<u>1,399</u>	<u>3.8</u>
Total	<u><u>120,118</u></u>	<u><u>100</u></u>	<u><u>137,266</u></u>	<u><u>100</u></u>	<u><u>122,225</u></u>	<u><u>100</u></u>	<u><u>62,013</u></u>	<u><u>100</u></u>	<u><u>36,966</u></u>	<u><u>100</u></u>

Our most significant expense for the Track Record Period was tutor contractor fee, which comprised the amounts paid to the tutors for the secondary tutoring services and English language training and test preparation courses offered by them.

Tutor contractor fee is calculated with reference to the total tuition fee collected from enrolments of a tutor's courses and the contractor fee rate as agreed between such tutor and us. Such rate varies from tutors to tutors and depends on, in particular, the tutor's experience, reputation and number of enrolments in their courses.

During the three years ended 30 June 2008, 2009 and 2010 and the six months ended 31 December 2010, we had respectively recorded approximately nil, nil, HK\$1.3 million and HK\$0.8 million of compensation from, and had not incurred any compensation to, the tutors due to early termination of the service contracts with the tutors.

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Marketing expenses

The table below is an analysis of our marketing expenses during the Track Record Period:

	Year ended 30 June						Six months ended 31 December			
	2008		2009		2010		2009		2010	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Advertising expenses	7,334	48.3	7,403	42.9	8,932	43.4	7,358	45.0	4,321	38.6
Promotion billboard, brochure and leaflet	6,991	46.1	8,597	49.8	10,161	49.3	8,325	51.0	6,306	56.3
Other marketing expenses	845	5.6	1,266	7.3	1,504	7.3	645	4.0	571	5.1
	<u>15,170</u>	<u>100</u>	<u>17,266</u>	<u>100</u>	<u>20,597</u>	<u>100</u>	<u>16,328</u>	<u>100</u>	<u>11,198</u>	<u>100</u>

Our marketing expenses during the Track Record Period comprised mainly advertising expenses in media such as newspaper, magazine, television, radio and Internet, as well as expenses incurred in promotion billboard, display, poster, brochure and leaflet.

Operating lease payments

Our operating lease payments during the Track Record Period comprised mainly rental expenses of our ME Centres.

Other operating expenses

The table below is an analysis of our other operating expenses during the Track Record Period:

	Year ended 30 June						Six months ended 31 December			
	2008		2009		2010		2009		2010	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Building management fee, air-conditioning charges & rates	9,064	31.6	11,379	29.6	14,476	34.4	7,236	38.0	6,197	37.8
Sales commission	–	–	2,921	7.6	2,970	7.1	1,830	9.6	1,732	10.6
Stationery and photocopy expenses	8,742	30.5	9,383	24.4	8,986	21.3	3,924	20.6	3,290	20.1
Utilities	2,573	9.0	2,691	7.0	3,012	7.2	1,502	7.9	1,474	9.0
Others	8,266	28.9	12,089	31.4	12,610	30.0	4,545	23.9	3,686	22.5
	<u>28,645</u>	<u>100</u>	<u>38,463</u>	<u>100</u>	<u>42,054</u>	<u>100</u>	<u>19,037</u>	<u>100</u>	<u>16,379</u>	<u>100</u>

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Our other operating expenses during the Track Record Period represented mainly building management fee, air-conditioning charges and rates for our ME Centres. Others comprised travelling and motor vehicle expenses, entertainment expenses, provision for doubtful debts, audit fee, as well as other legal and professional fees.

Finance costs

Finance costs comprised mainly interest expenses on finance leases. The leased assets were motor vehicles.

Income tax expenses

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced Hong Kong Profits Tax rate by 1% from 17.5% to 16.5% effective from the year of assessment 2008/2009. The effect of such decrease had been reflected in measuring the deferred taxation for the year ended 30 June 2008.

The provision for PRC Enterprise Income Tax is based on the estimated taxable income for PRC taxation purposes at the rate of taxation applicable to each year. For the year ended 30 June 2010 and the six months ended 31 December 2010, subsidiaries established in the PRC were subject to Enterprise Income Tax at a rate of 25%.

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RESULTS OF OPERATIONS

Set out below is the combined statements of comprehensive income of the Group for the Track Record Period, which has been extracted from the Accountants' Report of the Group as set out in Appendix I to this prospectus.

	Year ended 30 June			Six months ended 31 December	
	2008	2009	2010	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)				
Revenue	309,386	360,416	353,213	178,299	123,721
Other income and expenses	1,111	1,672	79	563	3,023
Staff costs	(44,284)	(49,544)	(58,361)	(27,979)	(25,680)
Tutor contractor fee	(120,118)	(137,266)	(122,225)	(62,013)	(36,966)
Operating lease payments	(30,658)	(36,936)	(51,270)	(25,038)	(23,763)
Marketing expenses	(15,170)	(17,266)	(20,597)	(16,328)	(11,198)
Printing costs	(607)	(558)	(583)	(331)	(166)
Depreciation	(5,306)	(7,166)	(9,443)	(4,448)	(4,776)
Other operating expenses	(28,645)	(38,463)	(42,054)	(19,037)	(16,379)
Finance costs	(372)	(253)	(224)	(123)	(101)
	<u>65,337</u>	<u>74,636</u>	<u>48,535</u>	<u>23,565</u>	<u>7,715</u>
Taxation	(10,795)	(12,327)	(8,477)	(4,015)	(1,346)
	<u>54,542</u>	<u>62,309</u>	<u>40,058</u>	<u>19,550</u>	<u>6,369</u>
Profit for the year/period					
Other comprehensive income					
Exchange differences arising on translation of PRC operation	–	–	12	–	79
	<u>–</u>	<u>–</u>	<u>12</u>	<u>–</u>	<u>79</u>
Total comprehensive income for the year/period	<u><u>54,542</u></u>	<u><u>62,309</u></u>	<u><u>40,070</u></u>	<u><u>19,550</u></u>	<u><u>6,448</u></u>
Profit for the year/period attributable to:					
Owners of the Company	49,982	57,725	40,076	19,683	6,369
Non-controlling interests	4,560	4,584	(18)	(133)	–
	<u>49,982</u>	<u>57,725</u>	<u>40,076</u>	<u>19,683</u>	<u>6,369</u>
	<u>4,560</u>	<u>4,584</u>	<u>(18)</u>	<u>(133)</u>	<u>–</u>
	<u><u>54,542</u></u>	<u><u>62,309</u></u>	<u><u>40,058</u></u>	<u><u>19,550</u></u>	<u><u>6,369</u></u>
Total comprehensive income (expense) attributable to:					
Owners of the Company	49,982	57,725	40,088	19,683	6,448
Non-controlling interests	4,560	4,584	(18)	(133)	–
	<u>49,982</u>	<u>57,725</u>	<u>40,088</u>	<u>19,683</u>	<u>6,448</u>
	<u>4,560</u>	<u>4,584</u>	<u>(18)</u>	<u>(133)</u>	<u>–</u>
	<u><u>54,542</u></u>	<u><u>62,309</u></u>	<u><u>40,070</u></u>	<u><u>19,550</u></u>	<u><u>6,448</u></u>
Earnings per share – basic (HK\$)	<u>0.20</u>	<u>0.23</u>	<u>0.15</u>	<u>0.08</u>	<u>0.02</u>

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Six months ended 31 December 2010 compared to 31 December 2009

Revenue

Our total course enrolments decreased from 0.38 million for the six months ended 31 December 2009 to 0.25 million for the six months ended 31 December 2010. Our revenue decreased by approximately 30.6% from approximately HK\$178.3 million for the six months ended 31 December 2009 to approximately HK\$123.7 million for the six months ended 31 December 2010. Such decrease was mainly due to the decrease in revenue from secondary tutoring services from approximately HK\$157.4 million for the six months ended 31 December 2009 to approximately HK\$99.5 million for the six months ended 31 December 2010, representing a decrease of approximately 36.8%, partially offset by the revenue from our technical consultation, management and software licencing services of approximately HK\$1.2 million and the increase in the revenue from English language training and test preparation courses of approximately HK\$2.2 million.

The decrease of revenue from secondary tutoring services was mainly due to the combined effect of early contract termination with Tutor A in early 2010 and the drop in Form 5 / Secondary 5 course enrolments from approximately 0.16 million for the six months ended 31 December 2009 to approximately 0.05 million for the six months ended 31 December 2010, given last cohort of Form 5 school candidates had already sat for HKCEE in 2010 under the 334 System.

The increase of revenue from English language training and test preparation courses was mainly due to the increase in course enrolments from approximately 2,500 for the six months ended 31 December 2009 to approximately 3,400 for the six months ended 31 December 2010, when the Group dedicated more resources such as averagely assigning about 2 more tutors to such courses.

Other income and expenses

Other income and expenses increased by approximately 436.9% from approximately HK\$0.6 million for the six months ended 31 December 2009 to approximately HK\$3.0 million for the six months ended 31 December 2010. Such increase was mainly due to a gain of approximately HK\$1.8 million from the Group's disposal of a motor vehicle to Mr. Ng Kam Lun in 2010 and the increase in compensation received from staff resigned with short notice by approximately HK\$0.3 million.

Staff costs

Staff costs decreased by approximately 8.2% from approximately HK\$28.0 million for the six months ended 31 December 2009 to approximately HK\$25.7 million for the six months ended 31 December 2010. Such decrease was mainly due to the net effect of (i) decrease of approximately 50 staff in Hong Kong as part of our parallel-ran ME Centres in Shatin and Mongkok and our ME Centre in Jordan were closed in March, April and June 2010

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respectively, and reduction in the number of sales and marketing staff; and (ii) partly offset by increase in staff cost of approximately HK\$0.3 million related to our PRC Operations. Our average staff cost level for the six months ended 31 December 2010 increased by approximately 1.1% in 2010 compared to the same period in 2009.

Tutor contractor fee

Our tutor contractor fee decreased by approximately 40.4% from approximately HK\$62.0 million for the six months ended 31 December 2009 to approximately HK\$37.0 million for the six months ended 31 December 2010. Such decrease was mainly due to (i) the drop of approximately 36.8% or HK\$57.9 million in secondary tutoring service income; (ii) approximately HK\$0.8 million of tutor contractor fee refunded for early contract termination and net off the charge; and (iii) the increase in revenue contribution by English language training and test preparation course tutors, who had lower effective contractor fee rate.

Marketing expenses

Marketing expenses decreased by approximately 31.4% from approximately HK\$16.3 million for the six months ended 31 December 2009 to approximately HK\$11.2 million for the six months ended 31 December 2010 as the Group tightened control in media advertising and billboard expenditure, in anticipation of the drop in Secondary 5 course enrolments for our secondary tutoring services.

Operating lease payments

Operating lease payments decreased by approximately 5.1% from approximately HK\$25.0 million for the six months ended 31 December 2009 to approximately HK\$23.8 million for the six months ended 31 December 2010. Such decrease was mainly due to the parallel running of our ME Centres in Shatin during the comparative period as we gradually relocated from one premises to a nearby premises and no such parallel running for the six months ended 31 December 2010 and the closure of our ME Centre in Jordan in June 2010 upon expiration of tenancy.

Other operating expenses

Other operating expenses decreased by 14.0% from approximately HK\$19.0 million for the six months ended 31 December 2009 to approximately HK\$16.4 million for the six months ended 31 December 2010. Such decrease was mainly due to (i) the decrease in building management fee, air-conditioning charges and rates by approximately HK\$1.0 million which was in line with the decrease in operating lease payments; and (ii) general tightened control in expenses such as stationery and photocopy, travelling, transportation and motor vehicle.

Finance costs

There was a slight decrease in finance costs for the six months ended 31 December 2010 compared to that for the six months ended 31 December 2009. Such decrease was mainly due to the decrease in interest on finance leases of our property, plant and equipment.

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Taxation

Taxation decreased by 66.5% from approximately HK\$4.0 million for the six months ended 31 December 2009 to approximately HK\$1.3 million for the six months ended 31 December 2010 as a result of a decrease in profit before tax over the same period. Our effective tax rate was approximately 17.0% and 17.4% for the six months ended 31 December 2009 and 31 December 2010 respectively.

Profit for the period and net profit margin

Profit for the period decreased by 67.4% from approximately HK\$19.6 million for the six months ended 31 December 2009 to approximately HK\$6.4 million for the six months ended 31 December 2010. Our net profit margin decreased from 11.0% for the six months ended 31 December 2009 to 5.1% for the six months ended 31 December 2010. The decrease in net profit margin was mainly due to the decrease in revenue while some operating expenses such as rental expenses and staff costs were semi-fixed in nature and could not be reduced proportional to the revenue.

2010 compared to 2009

Revenue

Our total course enrolments decreased from 0.78 million for the year ended 30 June 2009 to 0.76 million for the year ended 30 June 2010. Our revenue decreased by approximately 2% from approximately HK\$360.4 million for the year ended 30 June 2009 to approximately HK\$353.2 million for the year ended 30 June 2010. Such decrease was mainly due to the decrease in revenue from secondary tutoring services of approximately HK\$16.2 million, which was partially offset by the increase in revenue generated from secondary day school education and English language training and test preparation courses by HK\$6.8 million and HK\$1.3 million respectively.

The decrease of revenue from secondary tutoring services was mainly due to the combined effect of early contract termination with Tutor A in early 2010 and the drop in Form 4/Secondary 4 course enrolments from approximately 0.10 million for the year ended 30 June 2009 to approximately 0.06 million for the year ended 30 June 2010, given Secondary 4 school students under the 334 System would not sit for HKCEE after Form 5 but HKDSE after Secondary 6.

The increase of revenue from secondary day school education was mainly due to the increase in average course fee from approximately HK\$2,700 for the year ended 30 June 2009 to approximately HK\$2,900 for the year ended 30 June 2010 and the increase in course enrolments. The course enrolments increased from approximately 9,800 for the year ended 30 June 2009 to approximately 11,500 for the year ended 30 June 2010 as the Group opened 3 and 2 more classes for Form 6 and Form 7 students respectively.

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The increase of revenue from English language training and test preparation courses was mainly due to the increase in course enrolments from approximately 4,400 for the year ended 30 June 2009 to approximately 4,900 for the year ended 30 June 2010, because the Group dedicated more resources such as assigning 1 to 2 more tutors in average to such courses.

Starting from the year 2010, we provide technical consultation, management services and software licencing to Beijing Yasi School. For the year ended 30 June 2010, revenue from our technical consultation, management and software licencing services was approximately HK\$0.9 million.

Other income and expenses

Other income and expenses decreased by approximately 95.3% from approximately HK\$1.7 million for the year ended 30 June 2009 to approximately HK\$0.1 million for the year ended 30 June 2010. In year 2009, we generated management fee income of approximately HK\$1.4 million by providing supporting services to a project of Exam Workshop Limited, a company controlled by Mr. Ng Kum Lun. The project was one-off and was not held in year 2010 and we recorded nil management fee income in 2010, resulting in overall decrease in other income and expenses in 2010 compared to 2009.

Staff costs

Staff costs increased by approximately 17.8% from approximately HK\$49.5 million for the year ended 30 June 2009 to approximately HK\$58.4 million for the year ended 30 June 2010. Such increase was mainly due to the increase of about 60 staff in Hong Kong, as (i) we operated parallelly our ME Centres in Shatin and Mongkok during the year ended 30 June 2010; (ii) the opening of ME Centres in Yuen Long and Fanling and (iii) we recruited more professionals in anticipation of our Listing. Our average staff cost level for the year ended 30 June 2010 increased by approximately 1.0% in 2010 compared to 2009.

Tutor contractor fee

Our tutor contractor fee decreased by approximately 11.0% from approximately HK\$137.3 million for the year ended 30 June 2009 to approximately HK\$122.2 million for the year ended 30 June 2010. Such decrease was mainly due to (i) the drop of approximately HK\$16.2 million in secondary tutoring service income; (ii) approximately HK\$1.3 million of tutor contractor fee forfeited for early contract termination and net off the charge; and (iii) the decrease in revenue contribution by Top Five Tutors, who had higher effective contractor fee rate.

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Marketing expenses

Marketing expenses increased by approximately 19.3% from approximately HK\$17.3 million for the year ended 30 June 2009 to approximately HK\$20.6 million for the year ended 30 June 2010, as the Group dedicated more resources in promoting its businesses in anticipation of the last cohort of Form 5 school students sitting for HKCEE in 2010.

Operating lease payments

Our operating lease payments increased by approximately 38.8% from approximately HK\$36.9 million for the year ended 30 June 2009 to approximately HK\$51.3 million for the year ended 30 June 2010. Such increase was mainly due to (i) the parallel running of our ME Centres in Shatin and Mongkok; and (ii) the opening of ME Centres in Yuen Long and Fanling.

Other operating expenses

Other operating expenses increased by 9.3% from approximately HK\$38.5 million for the year ended 30 June 2009 to approximately HK\$42.1 million for the year ended 30 June 2010. Such increase was mainly due to (i) the increase in building management fee, air-conditioning charges and rates by approximately HK\$3.1 million which was in line with the increase in operating lease payments; (ii) the increase in legal and professional fees of approximately HK\$2.6 million for our PRC operations and restructuring of the Group in anticipation of the Listing. Such increase was partly offset by the decrease in provision of doubtful debts of approximately HK\$0.9 million and the decrease in travelling, transportation and motor vehicle expense of approximately HK\$0.6 million.

Finance costs

Finance costs decreased by 11.5% from approximately HK\$0.3 million for the year ended 30 June 2009 to approximately HK\$0.2 million for the year ended 30 June 2010. Such decrease was mainly due to the decrease in interest on finance leases of our property, plant and equipment.

Taxation

Taxation decreased by 31.2% from approximately HK\$12.3 million for the year ended 30 June 2009 to approximately HK\$8.5 million for the year ended 30 June 2010 as a result of a decrease in profit before tax over the same period. Our effective tax rate was approximately 16.5% and 17.5% for the years ended 30 June 2009 and 30 June 2010 respectively. The increase in effective tax rate was mainly due to an increase in expenses not deductible for tax for the year ended 30 June 2010.

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Profit for the year and net profit margin

Profit for the year decreased by 35.7% from approximately HK\$62.3 million for the year ended 30 June 2009 to approximately HK\$40.1 million for the year ended 30 June 2010. Our net profit margin decreased from 17.3% for the year ended 30 June 2009 to 11.3% for the year ended 30 June 2010. The decrease in net profit margin was mainly due to the decrease in revenue while some operating expenses such as rental expenses and staff costs were semi-fixed in nature and could not be reduced proportionally to the revenue.

2009 compared to 2008

Revenue

Our total course enrolments increased from 0.72 million for the year ended 30 June 2008 to 0.78 million for the year ended 30 June 2009. Our revenue increased by approximately 16.5% from approximately HK\$309.4 million for the year ended 30 June 2008 to approximately HK\$360.4 million for the year ended 30 June 2009. Such increase was mainly due to the increase in revenue from secondary tutoring services of approximately HK\$35.7 million and the increase in revenue generated from secondary day school education and English language training and test preparation courses by approximately HK\$6.9 million and HK\$8.4 million respectively.

The increase of revenue from secondary tutoring services was mainly due to the opening of the ME Centre in Chai Wan and the expansion of the ME Centre in Tseung Kwan O during the year ended 30 June 2009.

The increase of revenue from secondary day school education was mainly due to the increase in average course fee from approximately HK\$2,600 for the year ended 30 June 2008 to approximately HK\$2,700 for the year ended 30 June 2009 and the increase in course enrolments. The course enrolments increased from approximately 7,600 for the year ended 30 June 2008 to approximately 9,800 for the year ended 30 June 2009 as we opened 3 more classes for Form 5 and 2 more classes for Form 6 students respectively.

The significant increase of revenue from English language training and test preparation courses was mainly due to the increase in course enrolments from approximately 1,700 for the year ended 30 June 2008 to approximately 4,400 for the year ended 30 June 2009. Our IELTS and TOEIC preparation courses became eligible for reimbursement under the CEF in 2007. We dedicated more resources such as doubling the number of tutors in our centres. Besides, we commenced to engage external sales agents to refer students for the English courses since mid-2008.

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Other income and expenses

Other income and expenses increased by approximately 50.5% from approximately HK\$1.1 million for the year ended 30 June 2008 to approximately HK\$1.7 million for the year ended 30 June 2009. Such increase was mainly attributable to the management fee income of approximately HK\$1.4 million generated from our supporting services provided to Exam Workshop Limited, a related company controlled by Mr. Ng Kam Lun, for its one-off project in year 2009. The project mainly involved workshop and training on cross-culturing and communication skills. We provided editing, proof reading and translation services to the relevant publications and presentation materials and other supporting services. The increase was partly offset by the loss on disposal/written off of property, plant and equipment of approximately HK\$0.7 million recorded in 2009 whilst a gain was recorded in 2008.

Staff costs

Staff costs increased by approximately 11.9% from approximately HK\$44.3 million for the year ended 30 June 2008 to approximately HK\$49.5 million for the year ended 30 June 2009. Such increase was mainly due to (i) increase of about 60 staff in Hong Kong because of the opening of the ME Centre in Chai Wan and the expansion of the ME Centre in Tseung Kwan O during the year ended 30 June 2009; and (ii) increase in the number of sales and marketing staff due to expansion of businesses. Our average staff cost level for the year ended 30 June 2009 decreased by approximately 8.2% in 2009 compared to 2008 as the new hires were mainly clerical staff.

Tutor contractor fee

Our tutor contractor fee increased by approximately 14.3% from approximately HK\$120.1 million for the year ended 30 June 2008 to approximately HK\$137.3 million for the year ended 30 June 2009. Such increase was in line with the increase in revenue from secondary tutoring services and English language training and test preparation courses of approximately 15.2%.

Marketing expenses

Marketing expenses increased by approximately 13.8% from approximately HK\$15.2 million for the year ended 30 June 2008 to approximately HK\$17.3 million for the year ended 30 June 2009. Such increase was mainly due to the increase in advertising expenses due to expansion of our business in secondary tutoring services.

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Operating lease payments

Operating lease payments increased by approximately 20.5% from approximately HK\$30.7 million for the year ended 30 June 2008 to approximately HK\$36.9 million for the year ended 30 June 2009. Such increase was mainly due to (i) the parallel running of our ME Centre in Shatin; (ii) the opening of the new ME Centre in Chai Wan and the expansion of the ME Centre in Tseung Kwan O during the year ended 30 June 2009; and (iii) increase in lease charge of our ME Centres in Causeway Bay.

Other operating expenses

Other operating expenses increased by 34.3% from approximately HK\$28.6 million for the year ended 30 June 2008 to approximately HK\$38.5 million for the year ended 30 June 2009. Such increase was mainly due to (i) sales commission of approximately HK\$2.9 million was incurred for the year ended 30 June 2009 as the Group engaged external sales agents for our English language training and test preparation courses since mid-2008; (ii) the increase in building management fee, air-conditioning charges and rates by approximately HK\$2.3 million which were in line with the operating lease payments; (iii) the increase of legal and professional fees of approximately HK\$1.4 million mainly for preparation of the Group's PRC Operations; and (iv) provision of doubtful debts of approximately HK\$1.1 million in respect of other receivables not repaid upon demand.

Finance costs

Finance costs decreased by 32.0% from approximately HK\$0.4 million for the year ended 30 June 2008 to approximately HK\$0.3 million for the year ended 30 June 2009. Such decrease was mainly due to the decrease in interest on short term bank borrowings as the outstanding balances were repaid during the year 2008.

Taxation

Taxation increased by 14.2% from approximately HK\$10.8 million for the year ended 30 June 2008 to approximately HK\$12.3 million for the year ended 30 June 2009 as a result of an increase in profit before tax over the same period. Our effective tax rate was approximately 16.5% for both of the years ended 30 June 2008 and 30 June 2009.

Profit for the year and net profit margin

Profit for the year increased by 14.2% from approximately HK\$54.5 million for the year ended 30 June 2008 to approximately HK\$62.3 million for the year ended 30 June 2009. Our net profit margin decreased slightly from 17.6% for the year ended 30 June 2008 to 17.3% for the year ended 30 June 2009. The decrease in net profit margin was mainly due to the increase in rental expenses resulted from the expansion in the Group's ME Centres.

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COMBINED STATEMENTS OF FINANCIAL POSITION ITEMS

The table below set out the Group's audited combined statements of financial position as at 30 June 2008, 2009 and 2010 and as at 31 December 2010 as extracted from Appendix I to this prospectus.

	2008	As at 30 June 2009	2010	As at 31 December 2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets				
Property, plant and equipment	27,465	23,541	29,503	26,862
Intangible assets	–	–	–	4,936
Amount due from a related party	–	16,874	16,874	16,874
Deferred tax assets	200	88	102	581
	<u>27,665</u>	<u>40,503</u>	<u>46,479</u>	<u>49,253</u>
Current assets				
Trade and other receivables	23,005	23,909	23,925	29,143
Amounts due from related parties	35,006	13,057	3,458	2,085
Held-for-trading investments	77	–	–	–
Derivative financial instruments	–	–	–	3,308
Tax recoverable	52	–	–	–
Pledged bank deposits	–	1,037	1,037	1,037
Bank balances and cash	19,751	10,787	21,922	20,082
	<u>77,891</u>	<u>48,790</u>	<u>50,342</u>	<u>55,655</u>
Current liabilities				
Other payables	13,362	14,172	13,438	16,843
Deferred income	8,108	10,134	5,404	13,101
Tax payable	13,799	16,699	10,457	3,095
Amounts due to related parties	3,176	1,351	5,024	18,983
Obligations under finance leases	1,262	705	1,000	583
Bank overdrafts	–	411	–	–
Bank borrowing	–	–	–	210
	<u>39,707</u>	<u>43,472</u>	<u>35,323</u>	<u>52,815</u>
Net current assets	<u>38,184</u>	<u>5,318</u>	<u>15,019</u>	<u>2,840</u>
Total assets less current liabilities	<u>65,849</u>	<u>45,821</u>	<u>61,498</u>	<u>52,093</u>

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	2008	As at 30 June 2009	2010	As at 31 December 2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities				
Obligations under finance leases	1,836	1,005	1,114	621
Deferred tax liabilities	378	397	258	1,021
Provision for long service payments	684	1,066	1,703	1,685
	<u>2,898</u>	<u>2,468</u>	<u>3,075</u>	<u>3,327</u>
Net assets	<u>62,951</u>	<u>43,353</u>	<u>58,423</u>	<u>48,766</u>
Capital and reserves				
Paid-in capital	79	79	109	109
Reserves	59,044	41,459	58,314	46,862
Equity attributable to owners of the Company	59,123	41,538	58,423	46,971
Non-controlling interests	3,828	1,815	–	1,795
Total equity	<u>62,951</u>	<u>43,353</u>	<u>58,423</u>	<u>48,766</u>

Property, plant and equipment

Our property, plant and equipment mainly consist of leasehold improvements and office equipments. The net book value was approximately HK\$27.5 million, HK\$23.5 million, HK\$29.5 million and HK\$26.9 million as at 30 June 2008, 2009, 2010 and 31 December 2010 respectively. The decrease in property, plant and equipment from approximately HK\$27.5 million as at 30 June 2008 to approximately HK\$23.5 million as at 30 June 2009 was mainly due to the decrease in land and building of approximately HK\$6.6 million resulted from the disposal of a subsidiary, such decrease was partially offset by the increase in leasehold improvements of approximately HK\$2.6 million mainly resulted from the renovation of our ME Centres in Shatin, Chai Wan and Tseung Kwan O. The increase in property, plant and equipment from approximately HK\$23.5 million as at 30 June 2009 to approximately HK\$29.5 million as at 30 June 2010 was mainly due to increase in leasehold improvements of approximately HK\$6.0 million mainly resulted from net effect of the relocation of our ME Centres in Shatin and Mongkok and our head office from Shatin to Tsuen Wan and the opening of our ME Centres in Yuen Long and Fanling. The decrease in property, plant and equipment from approximately HK\$29.5 million as at 30 June 2010 to approximately HK\$26.9 million as at 31 December 2010 was mainly due to decrease in motor vehicles of approximately HK\$1.2 million mainly resulted from sales of 2 motor vehicles.

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Trade and other receivables

	As at 30 June			As at
	2008	2009	2010	31 December
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2010 <i>HK\$'000</i>
Trade receivable	–	–	879	612
Rental deposits	11,146	17,496	15,493	15,740
Other deposits	3,949	1,715	1,820	1,122
Prepayments	5,424	3,968	4,491	9,080
Other receivables	2,486	1,783	2,454	3,801
Less: Allowance for doubtful debts	–	(1,053)	(1,212)	(1,212)
	<u>23,005</u>	<u>23,909</u>	<u>23,925</u>	<u>29,143</u>

Trade receivable

Trade receivable represents amount due from Beijing Yasi School of approximately HK\$0.9 million as at 30 June 2010 and approximately HK\$0.6 million as at 31 December 2010 for the provision of technical consultation, management services and software licencing to it. The amount as at 31 December 2010 was fully settled in March 2011.

Rental deposits

Rental deposits mainly represent the deposits of rentals, building management fee and rates for the leases of our ME Centres and offices. Our rental deposits increased from approximately HK\$11.1 million as at 30 June 2008 to HK\$17.5 million as at 30 June 2009, which was mainly due to deposits paid for our new ME centres in Shatin, Yuen Long and Fanling. It then decreased to approximately HK\$15.5 million as at 30 June 2010, which was mainly due to the refund of approximately HK\$1.8 million upon the expiration of the lease of the old premises of our ME Centre in Shatin. Rental deposits as at 31 December 2010 increased to approximately HK\$15.7 million, which was mainly due to (i) increase in deposits by approximately HK\$0.5 million relating to the leases of MBE centres upon the completion of AI Acquisition; and (ii) partially offset by the refund of approximately HK\$0.4 million upon the expiration of the lease of our ME Centre in Jordan.

Other deposits

Other deposits mainly represent deposits for licence and utility deposits. Our other deposits decreased from approximately HK\$3.9 million as at 30 June 2008 to approximately HK\$1.7 million as at 30 June 2009, which was mainly due to (i) the decrease in renovation deposits paid for our ME Centres of approximately HK\$1.3 million, and (ii) the decrease of approximately HK\$0.8 million in deposits as such amount was refunded to the Group due to

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a failed attempt to acquire a school licence in Shenzhen in April 2008, as the counterparty was unable to materialise the transfer of the licence within the prescribed timeframe, in which we did not incur any loss. The other deposits then increased to HK\$1.8 million as at 30 June 2010, which was mainly due to the increase in deposits paid for advertising and production and installation of promotion billboard of approximately HK\$0.4 million. Other deposits as at 31 December 2010 decreased to approximately HK\$1.1 million which was mainly due to the decrease in deposits paid for advertising and production and installation of promotion billboard of approximately HK\$0.5 million.

Prepayments

Prepayments mainly represent the rental and management fee prepayments of approximately HK\$0.2 million, HK\$1.7 million, HK\$3.0 million and HK\$2.7 million as at 30 June 2008, 2009, 2010 and 31 December 2010, respectively and prepaid expenses for the Listing of approximately HK\$4.5 million as at 31 December 2010. Our prepayments decreased from approximately HK\$5.4 million as at 30 June 2008 to approximately HK\$4.0 million as at 30 June 2009, which was mainly due to the decrease in advances to our tutors of approximately HK\$3.0 million, such decrease was partially offset by the increase in the rental and management fee prepayments of approximately HK\$1.5 million. It then increased to HK\$4.5 million as at 30 June 2010, which was mainly due to the increase in the rental and management fee prepayments of approximately HK\$1.3 million and the increase in prepaid decoration expenses for our PRC offices of approximately HK\$0.5 million, such increase was partly offset by the decrease in advances to our tutors of approximately HK\$1.5 million. Prepayments as at 31 December 2010 increased to approximately HK\$9.1 million which was mainly due to prepaid expenses for the Listing. Advances to our tutors amounted to approximately HK\$0.1 million as at 31 December 2010 and will be settled by instalments since April 2011.

Other receivables

Other receivables mainly represent advances to staff of approximately HK\$2.0 million, HK\$0.2 million, HK\$0.1 million and HK\$0.1 million as at 30 June 2008, 2009, 2010 and 31 December 2010, respectively. The increase from HK\$2.5 million as at 30 June 2010 to HK\$3.8 million as at 31 December 2010 was mainly due to other receivables of approximately HK\$0.3 million acquired upon the completion of AI Acquisition and approximately HK\$0.4 million for our PRC Operations. Provision was made in respect of other receivables not repaid upon demand.

Amounts due from related parties

The non-current portion of amount due from related party increased from nil as at 30 June 2008 to approximately HK\$16.9 million as at 30 June 2009, which was due to the aggregate advances to Ms. Huang Hui, the spouse of Mr. KW Ng, for investment in Beijing Yasi School and Beijing Siya during the year. It remained unchanged as at 30 June 2010 and 31 December 2010 respectively.

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The current portion of amounts due from related parties decreased from approximately HK\$35.0 million as at 30 June 2008 to approximately HK\$13.1 million as at 30 June 2009, which was mainly due to the repayment of the amount advanced to the Directors or companies controlled by them. It further decreased to approximately HK\$3.5 million and HK\$2.1 million as at 30 June 2010 and 31 December 2010 respectively, which was mainly due to net repayment of the amount advanced to the Directors or companies controlled by them. The Directors confirm that, as agreed with the related parties, the amounts due from related parties as at 31 December 2010 will be fully settled prior to the Listing.

Other payables

	As at 30 June			As at
	2008	2009	2010	31 December
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2010</i> <i>HK\$'000</i>
Other payables	4,423	2,744	3,834	2,898
Other accruals	2,066	3,188	2,464	2,498
Accrued tutor contractor fee, salary and bonus	6,873	8,240	7,140	11,447
	<u>13,362</u>	<u>14,172</u>	<u>13,438</u>	<u>16,843</u>

Other payables mainly represent decoration, marketing expense, office, stationery and photocopy expenses payables. It decreased from approximately HK\$4.4 million as at 30 June 2008 to approximately HK\$2.7 million as at 30 June 2009 mainly due to the decrease in decoration payables of approximately HK\$0.5 million and marketing expense payables of approximately HK\$0.3 million. It then increased to approximately HK\$3.8 million as at 30 June 2010 mainly due to the increase in decoration payables of approximately HK\$0.8 million. As at 31 December 2010, it decreased to approximately HK\$2.9 million which was mainly due to the decrease in decoration payables of approximately HK\$0.9 million.

Other accruals mainly represent accruals for audit fee, legal and professional fee and sales commission related to our English language training and test preparation course service. It increased from approximately HK\$2.1 million as at 30 June 2008 to approximately HK\$3.2 million as at 30 June 2009 mainly due to the increase in accrual for legal and professional fee for preparation of our PRC operations of approximately HK\$0.7 million. It then decreased to approximately HK\$2.5 million as at 30 June 2010 due to the decrease in such accrual. As at 31 December 2010, it remained at a similar level of approximately HK\$2.5 million.

Deferred income

Deferred income represents tuition fees income received in advance from our students. Deferred income increased from approximately HK\$8.1 million as at 30 June 2008 to approximately HK\$10.1 million as at 30 June 2009, which was mainly due to the increase in the number of Form 5 students in 2009 in anticipation of last cohort of school candidates sitting for HKCEE in 2010. Given the circumstance that a large number of students did not sit for the last round of HKCEE in 2011, the deferred income decreased to approximately HK\$5.4 million as at 30 June 2010.

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As at 31 December 2010, deferred income increased to approximately HK\$13.1 million which was mainly due to seasonal factor in our course enrolments. The Directors confirm that approximately 99.7% of deferred income as at 31 December 2010 were charged to combined statement of comprehensive income subsequently.

Tuition fee of approximately HK\$1.0 million, HK\$1.3 million, HK\$4.0 million and HK\$0.5 million was refunded to students for the years ended 30 June 2008, 2009, 2010 and six months ended 31 December 2010, respectively, as the courses enrolled by students were changed or cancelled. Higher amount during the year 2010 was mainly due to the early contract termination with Tutor A in early 2010.

When students withdraw their enrolments, the Group will refund tuition fee, net of administrative fee, in the form of cash or e-cash to the students. Generally, the e-cash are required to be used before 30 June each year or otherwise expired. During the Track Record Period, tuition fee of approximately HK\$48,000, HK\$51,000, HK\$132,000 and HK\$21,000 was forfeited.

Amounts due to related parties

Amounts due to related parties decreased from approximately HK\$3.2 million as at 30 June 2008 to approximately HK\$1.4 million as at 30 June 2009 was due to the repayment of approximately HK\$0.9 million and HK\$0.9 million to Mr. Lee and Young Energy Company Limited, a company controlled by him. It increased to approximately HK\$5.0 million as at 30 June 2010 which was mainly due to dividends payable of HK\$4.0 million declared by Sino Network during the year but remained unpaid to the shareholders as at 30 June 2010. As at 31 December 2010, it increased to approximately HK\$19.0 million which was mainly due to (i) dividends of approximately HK\$12.2 million declared by Sino Network during the six months ended 31 December 2010 but remained unpaid on 31 December 2010, compared to that of approximately HK\$4.0 million declared by Sino Network during the year ended 30 June 2010 but remained unpaid on 30 June 2010, and (ii) HK\$3.0 million and HK\$3.0 million consideration payable to Six Stars and non-controlling shareholders of a subsidiary under AI Acquisition Agreement and Original AI Acquisition Agreement respectively.

The Directors confirm that the amounts due to related parties as at 31 December 2010 will be fully settled prior to the Listing.

Obligations under finance leases

Obligations under finance leases represent acquisition of motor vehicles under finance leases. The total balance of current portion and non-current portion decreased from approximately HK\$3.1 million as at 30 June 2008 to approximately HK\$1.7 million as at 30 June 2009 due to repayments. It then increased to approximately HK\$2.1 million as at 30 June 2009 due to acquisition of motor vehicle under finance lease of approximately HK\$1.6 million, net of repayments of approximately HK\$1.2 million. It further decreased to approximately HK\$1.2 million as at 31 December 2010 due to repayments.

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Financial ratios

	Year ended 30 June			Six months ended
	2008	2009	2010	31 December 2010
Current ratio ⁽¹⁾	2.0	1.1	1.4	1.1
Return on assets ⁽²⁾	51.7%	69.8%	41.4%	6.1%
Return on equity ⁽³⁾	84.5%	139.0%	68.6%	13.6%

Notes:

- (1) Being the current assets divided by current liabilities at the end of the year/period.
- (2) Being profit for the year/period divided by total assets, multiplied by 100%
- (3) Being profit for the year/period attributable to owners of the Company divided by equity attributable to owners of the Company multiplied by 100%

31 December 2010 compared to 30 June 2010

Current ratio

Current ratio as at 31 December 2010 was 1.1 as compared with that of 1.4 as at 30 June 2010. Current assets increased by approximately HK\$5.3 million from approximately HK\$50.3 million as at 30 June 2010 to approximately HK\$55.7 million as at 31 December 2010, while current liabilities increased by approximately HK\$17.5 million from approximately HK\$35.3 million as at 30 June 2010 to approximately HK\$52.8 million as at 31 December 2010. The decrease in current ratio was mainly due to the declaration of dividend amounted to HK\$17.9 million, given the net profit was approximately HK\$6.4 million for the six months ended 31 December 2010.

Return on assets

Annualised return on assets for the six months ended 31 December 2010 was 12.2% as compared with that of 41.4% for the year ended 30 June 2010. Annualised profit for the six months ended 31 December 2010 was approximately HK\$12.7 million, which has decreased by 68.2% from approximately HK\$40.1 million for the year ended 30 June 2010. Total assets increased by approximately 8.4% from approximately HK\$96.8 million as at 30 June 2010 to approximately HK\$104.9 million as at 31 December 2010. The decrease in return on assets was mainly due to the increase in total assets of approximately HK\$8.1 million following the completion of AI Acquisition on 31 December 2010.

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Return on equity

Annualised return on equity for the six months ended 31 December 2010 was 27.2% as compared with that of 68.6% for the year ended 30 June 2010. Annualised profit attributable to owners of the Company for the six months ended 31 December 2010 was approximately HK\$12.7 million, which has decreased by 68.2% from approximately HK\$40.1 million for the year ended 30 June 2010. Equity attributable to owners of the Company decreased by approximately 19.6% from approximately HK\$58.4 million as at 30 June 2010 to approximately HK\$47.0 million as at 31 December 2010. The decrease in return on equity was mainly due to the decrease in annualized net profit and distribution of dividend amounted to HK\$17.9 million.

30 June 2010 compared to 30 June 2009

Current ratio

Current ratio as at 30 June 2010 was 1.4 as compared with that of 1.1 as at 30 June 2009. Current assets increased by approximately HK\$1.6 million from approximately HK\$48.8 million as at 30 June 2009 to approximately HK\$50.3 million as at 30 June 2010, while current liabilities decreased by approximately HK\$8.1 million from approximately HK\$43.5 million as at 30 June 2009 to approximately HK\$35.3 million as at 30 June 2010. The increase in current ratio was mainly due to net profit of approximately HK\$15.1 million retained after dividend declared for the year ended 30 June 2010.

Return on assets

Return on assets for the year ended 30 June 2010 was 41.4% as compared with that of 69.8% for the year ended 30 June 2009. Profit for the year decreased by 35.7% from approximately HK\$62.3 million for the year ended 30 June 2009 to approximately HK\$40.1 million for the year ended 30 June 2010. Total assets increased by approximately 8.4% from approximately HK\$89.3 million as at 30 June 2009 to approximately HK\$96.8 million as at 30 June 2010. The decrease in return on assets was mainly due to the decrease in net profit but increase in total assets as a result of increase in leasehold improvements for our new ME Centres for the year ended 30 June 2010.

Return on equity

Return on equity for the year ended 30 June 2010 was 68.6% as compared with that of 139.0% for the year ended 30 June 2009. Profit attributable to the owners of the Company for the year decreased by 30.6% from approximately HK\$57.7 million for the year ended 30 June 2009 to approximately HK\$40.1 million for the year ended 30 June 2010. Equity attributable to the owners of the Company increased by approximately 40.6% from approximately HK\$41.5 million as at 30 June 2009 to approximately HK\$58.4 million as at 30 June 2010. The decrease in return on equity was mainly due to the decrease in net profit but increase in equity as a result of net profit of approximately HK\$15.1 million retained after dividend declared for the year ended 30 June 2010.

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30 June 2009 compared to 30 June 2008

Current ratio

Current ratio as at 30 June 2009 was 1.1 as compared with that of 2.0 as at 30 June 2008. Current assets decreased by approximately HK\$29.1 million from approximately HK\$77.9 million as at 30 June 2008 to approximately HK\$48.8 million as at 30 June 2009, while current liabilities increased by approximately HK\$3.8 million from approximately HK\$39.7 million as at 30 June 2008 to approximately HK\$43.5 million as at 30 June 2009. The decrease in current ratio was mainly due to i) a larger amount of dividend declared than the net profit by approximately HK\$20.0 million for the year ended 30 June 2009; and ii) approximately HK\$16.9 million was advanced to Ms. Huang Hui during the year ended 30 June 2009 and such advance was classified as non-current portion of amounts due from related party.

Return on assets

Return on assets for the year ended 30 June 2009 was 69.8% as compared with that of 51.7% for the year ended 30 June 2008. Profit for the year increased by 14.2% from approximately HK\$54.5 million for the year ended 30 June 2008 to approximately HK\$62.3 million for the year ended 30 June 2009. Total assets decreased by approximately 15.4% from approximately HK\$105.6 million as at 30 June 2008 to approximately HK\$89.3 million as at 30 June 2009. The increase in return on assets was mainly due to the expansion of the Group and growth of business.

Return on equity

Return on equity for the year ended 30 June 2009 was 139.0% as compared with that of 84.5% for the year ended 30 June 2008. Profit attributable to the owners of the Company for the year increased by 15.5% from approximately HK\$50.0 million for the year ended 30 June 2008 to approximately HK\$57.7 million for the year ended 30 June 2009. Equity attributable to the owners of the Company decreased by approximately 29.7% from approximately HK\$59.1 million as at 30 June 2008 to approximately HK\$41.5 million as at 30 June 2009. The increase in return on equity was mainly due to the expansion of the Group and growth of business.

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LIQUIDITY AND CAPITAL RESOURCES

Cash flow

The Group generally financed its operations through a combination of internally generated funds and other borrowings. The following table presents selected cash flow data from the Group's audited combined statements of cash flow for the Track Record Period:

	Year ended 30 June			Six months ended
	2008	2009	2010	31 December 2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash from operating activities	67,551	75,941	39,392	7,931
Net cash (used in) from investing activities	(15,602)	(6,820)	(5,059)	1,840
Net cash used in financing activities	(36,378)	(78,496)	(22,787)	(11,611)
Net increase (decrease) in cash and cash equivalents	15,571	(9,375)	11,546	(1,840)
Cash and cash equivalents at the end of year/period	19,751	10,376	21,922	20,082

Net cash from operating activities

Our net cash from operations is mainly generated from our revenue received. Our cash used in operations mainly represents tutor contractor fees paid, operating lease payments, and tax paid.

For the year ended 30 June 2008, the net cash from operating activities was approximately HK\$67.6 million while the profit before taxation was approximately HK\$65.3 million. The difference of approximately HK\$2.2 million was mainly attributable to (i) increase in other payables and (ii) adjustment of depreciation of property, plant and equipment of approximately HK\$5.8 million and HK\$5.3 million respectively. The inflow was partly offset by the increase in trade and other receivables of approximately HK\$7.7 million.

For the year ended 30 June 2009, the net cash from operating activities was approximately HK\$75.9 million while the profit before taxation was approximately HK\$74.6 million. The difference of approximately HK\$1.3 million was mainly attributable to (i) adjustment of depreciation of property, plant and equipment and (ii) increase in deferred income of approximately HK\$7.2 million and HK\$2.0 million respectively. The inflow was partly offset by the Hong Kong profits tax paid of approximately HK\$9.2 million.

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For the year ended 30 June 2010, the net cash from operating activities was approximately HK\$39.4 million while the profit before taxation was approximately HK\$48.5 million. The difference of approximately HK\$9.1 million was mainly attributable to (i) Hong Kong profits tax paid and (ii) decrease in deferred income of approximately HK\$14.9 million and HK\$4.7 million respectively. The outflow was partly offset by adjustment of depreciation of property, plant and equipment of approximately HK\$9.4 million.

For the six months ended 31 December 2010, the net cash from operating activities was approximately HK\$7.9 million while the profit before taxation was approximately HK\$7.7 million. The difference of approximately HK\$0.2 million was mainly attributable to (i) adjustment of depreciation of property, plant and equipment, (ii) increase in other payables and (iii) increase in deferred income of HK\$4.8 million, HK\$3.2 million and HK\$7.5 million respectively. The inflow was partly offset by the gain on disposal/written off of property, plant and equipment and the Hong Kong profits tax paid of approximately HK\$1.9 million and HK\$9.3 million respectively.

Net cash used in investing activities

For the year ended 2008, the net cash used in investing activities was approximately HK\$15.6 million, which mainly represents the purchase of property, plant and equipment and advances to related parties of approximately HK\$10.0 million and HK\$6.2 million respectively.

For the year ended 2009, the net cash used in investing activities was approximately HK\$6.8 million, which mainly represents the purchase of property, plant and equipment of approximately HK\$11.1 million. The outflow was partly offset by the net repayment from related parties of HK\$5.0 million.

For the year ended 2010, the net cash used in investing activities was approximately HK\$5.1 million, which mainly represents the purchase of property, plant and equipment of approximately HK\$15.2 million. The outflow was partly offset by the net repayment from related parties of HK\$9.6 million.

For the six months ended 2010, the net cash from investing activities was approximately HK\$1.8 million, which mainly represents the proceeds from disposal of property, plant and equipment and net repayment from related parties of approximately HK\$3.1 million and HK\$1.5 million respectively. The inflow was partly offset by the purchase of property, plant and equipment of approximately HK\$2.8 million.

Cash flows from financing activities

For the year ended 2008, the net cash used in financing activities was approximately HK\$36.4 million, which mainly represents the dividends paid and repayment of obligations under finance leases of approximately HK\$31.5 million and HK\$2.8 million respectively.

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For the year ended 2009, the net cash used in financing activities was approximately HK\$78.5 million, which mainly represents the dividends paid and repayment of obligations under finance leases of approximately HK\$82.4 million and HK\$1.4 million respectively. The outflow was partly offset by the net advance from related parties of HK\$5.5 million.

For the year ended 2010, the net cash used in financing activities was approximately HK\$22.8 million, which mainly represents the dividends paid and repayment of obligations under finance leases of approximately HK\$21.0 million and HK\$1.2 million respectively.

For the six months ended 2010, the net cash used in financing activities was approximately HK\$11.6 million, which mainly represents the net repayment to related parties, repayment of obligations under finance leases and dividends paid of approximately HK\$0.9 million, HK\$0.9 million and HK\$9.8 million respectively.

Net current assets

	As at 30 June			As at
	2008	2009	2010	31 December
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets				
Trade and other receivables	23,005	23,909	23,925	29,143
Amounts due from related parties	35,006	13,057	3,458	2,085
Held-for-trading investments	77	–	–	–
Derivative financial instruments	–	–	–	3,308
Tax recoverable	52	–	–	–
Pledged bank deposits	–	1,037	1,037	1,037
Bank balances and cash	19,751	10,787	21,922	20,082
	<u>77,891</u>	<u>48,790</u>	<u>50,342</u>	<u>55,655</u>
Current liabilities				
Other payables	13,362	14,172	13,438	16,843
Deferred income	8,108	10,134	5,404	13,101
Tax payable	13,799	16,699	10,457	3,095
Amounts due to related parties	3,176	1,351	5,024	18,983
Obligations under finance leases	1,262	705	1,000	583
Bank overdrafts	–	411	–	–
Bank borrowing	–	–	–	210
	<u>39,707</u>	<u>43,472</u>	<u>35,323</u>	<u>52,815</u>
Net current assets	<u><u>38,184</u></u>	<u><u>5,318</u></u>	<u><u>15,019</u></u>	<u><u>2,840</u></u>

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As at 30 June 2008, 2009, 2010 and 31 December 2010, we had net current assets of approximately HK\$38.2 million, HK\$5.3 million, HK\$15.0 million and HK\$2.8 million, respectively, mainly consisted of trade and other receivables, bank balances and cash, and amounts due from related parties.

As at 31 December 2010, the net current assets was approximately HK\$2.8 million, consisting of HK\$55.7 million of current assets and HK\$52.8 million of current liabilities, which represented a decrease in net current assets of approximately HK\$12.2 million as at 31 December 2010. Current assets mainly comprise trade and other receivables, bank balances and cash, derivative financial instruments and amounts due from related parties of approximately HK\$29.1 million, HK\$20.1 million, HK\$3.3 million and HK\$2.1 million respectively. Current liabilities mainly comprise other payables, amount due to related parties and deferred income of approximately HK\$16.8 million, HK\$19.0 million, and HK\$13.1 million respectively.

On 29 November 2010, the HKICPA issued HK Interpretation 5, “Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contain a Repayment on Demand Clause”. Such interpretation addresses the issue as to whether a term loan that contains a repayment on demand clause shall be classified as a current or non-current liability in the borrower’s statement of financial position. As at 31 December 2010, the Group had a bank borrowing of HK\$210,000, which is repayable within 1 year, had already been classified as current liabilities. In January and May 2011, the Group increased its additional interest-bearing loans to settle our dividends declared in 2010 and 2011 by HK\$12 million and HK\$40 million respectively under loan agreements. The loan of HK\$12 million have been classified as current liabilities under the aforesaid interpretation. The Group has declared a dividend of HK\$40 million in April 2011. Accordingly, we had net current liabilities of approximately HK\$15.1 million as at 30 April 2011. The loan of HK\$40 million is repayable within 6 months and is therefore also classified as current liabilities. Nevertheless, these two loans are expected to be repaid by net proceeds from the Global Offering and thus our net current liabilities situation will be alleviated. Save as disclosed above, the Directors confirm that there is no material impact of the interpretation above on the Group’s financial position or the terms of its borrowings.

FINANCIAL INFORMATION

The table below set forth the net current liabilities of our Group as at 30 April 2011:

	As at 30 April 2011 (unaudited) (HK\$'000)
Current assets	
Trade and other receivables	39,670
Amounts due from related parties	2,017
Derivative financial instruments	3,479
Pledged bank deposits	1,037
Bank balances and cash	<u>22,721</u>
	<u>68,924</u>
Current liabilities	
Other payables	15,150
Deferred income	8,485
Tax payable	6,585
Amounts due to related parties	43,188
Bank borrowings	<u>10,631</u>
	<u>84,039</u>
Net current liabilities	<u><u>(15,115)</u></u>

We expect our net current liabilities situation will be alleviated because we intend to use HK\$50 million of the net proceeds of the Global Offering to repay the loans drawn down in January and May 2011.

FINANCIAL INFORMATION

Working capital

As at 30 June 2008, 2009, 2010 and 31 December 2010, our aggregate cash and cash equivalents, excluding the pledged bank deposits, amounted to approximately HK\$19.8 million, HK\$10.8 million, HK\$21.9 million and HK\$20.1 million, respectively.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company, comprising paid-in capital and accumulated profits.

The management reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through arrangement of borrowings, payment of dividends and new shares issues.

Taking into account the financial resources available to the Group, including internally generated funds and the estimated net proceeds from the Global Offering, our Directors confirm that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this prospectus.

FINANCIAL INFORMATION

INDEBTEDNESS AND CONTINGENT LIABILITIES

Indebtedness

As at 30 April 2011, which is the Latest Practicable Date for the purpose of this indebtedness statement, we had amounts due to related parties of HK\$43,188,000 and bank borrowings of HK\$10,631,000. The following table sets forth our indebtedness as of the dates indicated.

	As at 30 June		As at 31 December	As at 30 April
	2008	2009	2010	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts due to related parties	3,176	1,351	5,024	43,188
Bank overdrafts	–	411	–	–
Bank borrowings	–	–	–	10,631
Obligations under finance leases	3,098	1,710	2,114	–
	<u>6,274</u>	<u>3,472</u>	<u>7,138</u>	<u>53,819</u>
Carrying amount repayable:				
On demand or within one year	4,438	2,467	6,024	19,776
More than one year but not more than five years	1,836	1,005	1,114	621
	<u>6,274</u>	<u>3,472</u>	<u>7,138</u>	<u>20,397</u>
Less: Amount included in current liabilities	<u>(4,438)</u>	<u>(2,467)</u>	<u>(6,024)</u>	<u>(19,776)</u>
Amount due after one year	<u>1,836</u>	<u>1,005</u>	<u>1,114</u>	<u>621</u>

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As at 31 December 2010 and 30 April 2011, amounts due to related parties amounting to HK\$3,000,000 represented consideration payables to non-controlling shareholders of Able Investment. The consideration payables are unsecured, non-interest bearing and payable within 14 days after the approval of the financial statements of Bachelor Education by its boards of directors for the 12 months period ending 31 August 2011. The remaining balances of amounts due to related parties as at 30 June 2008, 2009 and 2010, 31 December 2010 and 30 April 2011 are unsecured, non-interest bearing and repayable on demand. The remaining balance of amounts due to related parties as at 30 April 2011 mainly represented the dividend of HK\$40 million declared but not yet settled. The dividend was fully settled in May 2011. The outstanding balances as at 30 April 2011 (other than the consideration payables) will be fully settled before Listing.

Bank overdrafts as at 30 June 2009 carried interest at market rates which ranged from 12% to 13% per annum.

Bank borrowing as at 31 December 2010 carried interest at market rate of 7.25% per annum and is secured by personal guarantee provided by non-controlling shareholders of a subsidiary and repayable within one year.

As at 30 April 2011, bank borrowings carried interest at market rate ranged from 2% to 7.25% per annum. The bank borrowing with carrying amount of HK\$106,000 is secured by personal guarantee provided by non-controlling shareholders of Able Investment who are Independent Third Parties, except Mr. Ng Hoi Tin who is a director of Able Investment and repayable by August 2011 according to the loan repayment schedule. And the bank borrowing with carrying amount of HK\$10,525,000 is secured by a personal guarantee provided by Mr. Ng Kam Lun, which will be released before the Listing, and repayable by 24 months instalments but contain a repayment on demand clause.

In May 2011, the Group has drawn down another loan of HK\$40 million to settle the dividends declared in 2011. The HK\$40 million loan carried interest at 6% per annum and is repayable within 6 months. The lender, a licensed money lender under the Money Lenders Ordinance (Cap.163 of the laws of Hong Kong) and an Independent Third Party, offered us repayment terms that were more flexible than those offered by bank. This bank loan was drawn from a licensed money lender under the Money Lenders Ordinance (Cap.163 of the laws of Hong Kong), an Independent Third Party, which offered us repayment terms more flexible than those offered by bank.

The motor vehicles are held under finance lease with lease term ranging from 2 to 5 years during the three years ended 30 June 2008, 2009 and 2010 and the six months ended 31 December 2010. Interest rate underlying all obligations under finance leases are fixed at respective contract dates which range from 4.73% to 14.22%, 4.73% to 14.22%, 4.75% to 14.25% and 4.74% to 4.75% per annum at 30 June 2008, 30 June 2009, 30 June 2010 and 31 December 2010, respectively.

FINANCIAL INFORMATION

Disclaimer

Save as aforesaid, the Group did not have any outstanding bank borrowings, bank overdrafts, mortgages, charges, debentures, loan capital, debt securities or other similar indebtedness, finance leases or hire purchase commitments, acceptance liabilities (other than normal trade bills) or acceptance credits, any guarantees or other material contingent liabilities as at 30 April 2011. The Directors confirm that there has been no material change in the Group's indebtedness and contingent liabilities since 30 April 2011.

MARKET RISKS

Credit risk

The maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets in the combined statements of financial position. Other than financial assets described as below, the management considers the credit risk on remaining financial assets are minimal.

The Group have significant amounts due from its related parties that are controlled by or under the joint control of the shareholders of Sino Network. The management considers the credit risk for amounts due from related parties is not significant because the shareholders of Sino Network are of sound financial position.

The credit risk on pledged bank deposits and bank balances is minimal as such amounts are placed with banks with good reputation.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

Interest rate risk

The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly interest bearing pledged bank deposits, bank balances, bank overdrafts and bank borrowing at the prevailing market interest rates. The Group currently does not have an interest rate hedging policy. However, the management will consider hedging significant interest rate risk should the need arise. The management considered the Group's exposure to cash flow interest rate risk is not material. Hence, no sensitivity analysis is presented. The Group does not have significant exposure to fair value interest rate risk.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents which is deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

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The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay and includes both interest and principal cash flows for non-derivative financial liabilities.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted gross cash outflows on derivative instruments that require gross settlement. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	Weighted average interest rate	Within 1 year <i>HK\$'000</i>	More than 1 year but not more than 5 years <i>HK\$'000</i>	Total undiscounted cash flows <i>HK\$'000</i>	Carrying amount <i>HK\$'000</i>
As at 30 June 2008					
<i>Non-derivative financial liabilities</i>					
Other payables	N/A	4,423	–	4,423	4,423
Amounts due to related parties	N/A	3,176	–	3,176	3,176
Obligations under finance leases	9.1%	1,508	2,095	3,603	3,098
		<u>9,107</u>	<u>2,095</u>	<u>11,202</u>	<u>10,697</u>
As at 30 June 2009					
<i>Non-derivative financial liabilities</i>					
Other payables	N/A	2,744	–	2,744	2,744
Amounts due to related parties	N/A	1,351	–	1,351	1,351
Obligations under finance leases	10.2%	856	1,106	1,962	1,710
Bank overdrafts	13.0%	411	–	411	411
		<u>5,362</u>	<u>1,106</u>	<u>6,468</u>	<u>6,216</u>
As at 30 June 2010					
<i>Non-derivative financial liabilities</i>					
Other payables	N/A	3,834	–	3,834	3,834
Amounts due to related parties	N/A	5,024	–	5,024	5,024
Obligations under finance leases	7.6%	1,132	1,177	2,309	2,114
		<u>9,990</u>	<u>1,177</u>	<u>11,167</u>	<u>10,972</u>

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	Weighted average interest rate	Within 1 year HK\$'000	More than 1 year but not more than 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
As at 31 December 2010					
<i>Non-derivative financial liabilities</i>					
Other payables	N/A	2,898	–	2,898	2,898
Amounts due to related parties	N/A	15,983	3,000	18,983	18,983
Bank borrowing	7.3%	210	–	210	210
Obligations under finance leases	4.7%	639	652	1,291	1,204
		<u>19,730</u>	<u>3,652</u>	<u>23,382</u>	<u>23,295</u>
<i>Derivative – gross settlement</i>					
<i>Contingent consideration arising</i>					
from business combination	N/A	–	2,000	2,000	–
Vendor Put Option	N/A	–	17,160	17,160	–
		<u>–</u>	<u>19,160</u>	<u>19,160</u>	<u>–</u>

DIVIDEND AND DIVIDEND POLICY

We declared dividends of approximately HK\$31.5 million, HK\$82.4 million, HK\$25.0 million and HK\$17.9 million during the three years ended 30 June 2008, 30 June 2009, 30 June 2010 and for the six months ended 31 December 2010, respectively. A bank loan of HK\$12 million was drawn in January 2011 to settle part of the declared dividends. A dividend of HK\$40 million was further declared by the directors of Sino Network on 21 April 2011, which was settled by an interest-bearing loan drawn in May 2011 borrowed from a licensed money lender under the Money Lenders Ordinance (Cap.163 of the laws of Hong Kong). Such lender is an Independent Third Party which offered us repayment terms more flexible than those offered by bank. This loan will be repaid by part of the proceeds from the Global Offering. In June 2011, to eliminate the risk that the approximately HK\$16.9 million advance to Ms. Huang Hui may not be recovered, the Group had discussed with Ms. Huang Hui and the shareholders of Sino Network about the immediate repayment of the advances before Listing. Ms. Huang Hui was not able to repay the advance before Listing. In view of the short period of time and given there was retained profit, a dividend of approximately HK\$18.2 million was declared by the directors of Sino Network comprising of (i) distribution of the Group's advance to Ms. Huang Hui of approximately HK\$16.9 million to its shareholders (except Primo Result) by way

FINANCIAL INFORMATION

of dividend in specie and (ii) cash of approximately HK\$1.4 million to Primo Results financed by internal resources, including but not limited to retained profit up to the payment date. Also, the Group had declared a cash dividend of approximately HK\$1.1 million in June 2010. All of the dividends declared have been fully settled prior to the Listing. Past payments and non-payments of dividends are not indicative of our future dividend policy.

We currently do not have any plans to distribute regular dividends immediately after the Listing, although this is subject to change. Our Board may declare dividends in the future after taking into account our operations, earnings, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Law, including the approval of our Shareholders. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board.

DISTRIBUTABLE RESERVES

The Company was incorporated in the Cayman Islands on 26 January 2011. Accordingly, there was no distributable reserve available for distribution to the Shareholders as at 31 December 2010.

PROPERTY INTERESTS

Vigers Appraisal & Consulting Limited, an independent property valuer, has valued the Group's property interests as at 30 April 2011 as no commercial value. The texts of its letter, summary of valuation and the valuation certificates are set out in Appendix III to this prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The statement of unaudited pro forma adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of Chapter 4 of the Listing Rules is set out below to illustrate the effect of the Share Offer on the audited net tangible assets of the Group as if the Global Offering had taken place on 31 December 2010.

The statement of unaudited pro forma adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the financial position of the Group following the Global Offering.

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The following statement of unaudited pro forma adjusted net tangible assets of the Group is based on the audited combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2010 as shown in the Accountants' Report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as follows:

	Audited combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2010⁽¹⁾ HK\$'000	Estimated net proceeds from the Global Offering⁽²⁾ HK\$'000	Unaudited pro forma adjusted net tangible assets of the Group attributable to owners of the Company HK\$'000	Unaudited pro forma adjusted net tangible assets per Share⁽³⁾ HK\$
Based on the indicative Offer Price of HK\$1.30 per Share	44,498	130,036	174,534	0.44

Notes:

- (1) The audited combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2010 has been derived from the net assets of the Group attributable to owners of the Company with adjustments for intangible assets and respective deferred tax liabilities of approximately HK\$2,473,000 as shown in the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on 116,000,000 shares at the Offer Price of HK\$1.30 per Offer Share, after deduction of estimated related fees and expenses and do not take into account of any Shares that may be issued pursuant to the exercise of the Over-allotment Option. If we decide to exercise the Over-allotment Option, the unaudited pro forma adjusted net tangible assets of the Group attributable to owners of the Company and unaudited pro forma adjusted net tangible assets per Share may change.
- (3) The number of shares used for the calculation of unaudited pro forma adjusted net tangible assets per Share is based on 400,000,000 shares in issue immediately after the Global Offering.
- (4) Subsequent to 31 December 2010, dividends with an aggregate amount of HK\$59,323,000 have been declared by Sino Network. The above adjustment does not take into account these dividends. Taking into account the estimated net proceeds from Global Offering at the Offer Price of HK\$1.30 and the dividends declared of HK\$59,323,000, the unaudited pro forma adjusted net tangible assets per Share would have been approximately HK\$0.29.

NO MATERIAL ADVERSE CHANGE

There was no interruption in our business that may have or has had a significant effect on our financial condition in the last 12 months. The Directors confirm that there is no material adverse change in the financial or trading positions or prospects of the Group since 31 December 2010, the date to which the latest audited financial statements of the Group were prepared as set out in Appendix I to this prospectus.

DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE LISTING RULES

The Directors have confirmed, as at the Latest Practicable Date, there were no circumstances which would give rise to a disclosure obligation pursuant to Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please see the section headed “Business – Our Future Plans and Strategies” in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

Based on an Offer Price of HK\$1.30 per Offer Share, we estimate that we will receive net proceeds from the Global Offering of approximately HK\$130 million from the 116,000,000 Offer Shares to be offered by the Company, after deducting underwriting fees and expenses payable by us and assuming the Over-allotment Option is not exercised.

We intend to use these net proceeds for the following purposes:

- approximately 38% (or approximately HK\$50 million) will be used for the repayment of loans drawn down in January and May 2011 to settle dividends declared in 2010 and 2011 respectively;
- approximately 12% (or approximately HK\$15 million) will be used for opening 3 to 5 new ME Centres in Hong Kong for the provision of secondary tutoring services, secondary day school education and the English language test preparation courses. We plan to open at least one new ME Centre per school year starting from the school year 2012/2013 to 2014/2015. The main reason for the intention of the Group to open 3 to 5 ME Centres in Hong Kong is to expand our centre network into some potential districts such as the Islands, North, Sai Kung, Yuen Long, Central & Western or Southern Districts to (a) better serve our students and (b) attract more students or capture more market share. In relation to the costs for setting up each new ME Centre, we plan to use approximately HK\$3 million in setting up each new ME Centre, which will include costs for the first month’s rental, three months’ rental deposit, renovation, equipment and working capital. Hence, we expect to use an aggregate of approximately HK\$15 million in setting up 5 new ME Centres;
- approximately 5% (or approximately HK\$6 million) will be used for opening 6 to 10 new MBE Centres in Hong Kong for the provision of primary homework tutoring services, skill courses and test preparation courses. We plan to open at least one new MBE Centre per quarter starting from the school year 2011/2012 to 2012/2013. In relation to the costs for setting up each new MBE Centre, we estimate that approximately HK\$600,000 will be used as costs for the first month’s rental, three months’ rental deposit, renovation and working capital. Hence, we expect to use an aggregate of approximately HK\$6 million in setting up 10 MBE Centres;
- approximately 26% (or approximately HK\$34 million) will be used for strategic merger and acquisition of players with experience in the education related industries in Hong Kong and/or the PRC but we do not yet have any target for potential merger and acquisition;

FUTURE PLANS AND USE OF PROCEEDS

- approximately 5% (or approximately HK\$6 million) will be used as initial setup cost for the provision of overseas studies consultancy services in Hong Kong and/or the PRC. We intend to commence provision of overseas studies consultancy services in Hong Kong and/or the PRC within the coming 1 to 3 years. In doing so, we plan to recruit around 10 personnel who have experience in the related fields and a manager to lead this team. We expect to incur approximately HK\$6 million as administration and marketing costs and as working capital for the first year. Hence, we expect to use approximately HK\$6 million as initial costs for this purpose;
- approximately 3% (or approximately HK\$4 million) will be used for offering test preparation or bridging courses for students in the PRC and/or Hong Kong targeting to study overseas. We plan to start conducting bridging courses at our existing ME Centre in Mongkok and to start conducting test preparation courses, for example SAT and AP in Hong Kong and/or in the areas of Guangzhou, Shenzhen and Beijing, the PRC within the coming 4 years. We expect to use approximately HK\$4 million as costs for administrative expenses, salary payment for the first year, marketing expenses, course development costs and as working capital. Hence, we intend to use in aggregate of approximately HK\$4 million for this purpose; and
- approximately 11% (or approximately HK\$15 million) will be used for setting up learning centres for children in the PRC. We plan to set up 5 learning centres for children within the coming 3 years. For the setting up of each of the new centres, we estimate to use approximately HK\$3 million as costs for the first month's rental, three months' rental deposit, renovation and marketing expenses and as working capital. Hence, we expect to use an aggregate of approximately HK\$15 million in setting of 5 learning centres.

If the Over-allotment Option is exercised in full, we estimate that we will receive net proceeds of approximately HK\$152 million at the Offer Price of HK\$1.30 per Offer Share, after deducting the estimated underwriting fees and expenses payable by us. The additional net proceeds received from the exercise of the Over-allotment Option will be applied pro rata to the abovementioned purposes.

Should our Directors decide to re-allocate the intended use of proceeds to our other business plans and/or new projects to a material extent and/or there is to be any material modification to the use of proceeds as described above, we will make appropriate announcement(s) in due course.

To the extent that the proceeds from the Global Offering are not immediately applied for this purpose, we intend to place the proceeds, insofar as permitted by applicable laws and regulations, in short-term deposits interest-bearing bank accounts with authorised financial institutions and/or licenced banks in Hong Kong. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

UNDERWRITING

HONG KONG UNDERWRITER

Joint Lead Managers

Kingsway Financial Services Group Limited

First Shanghai Securities Limited

Hong Kong Underwriter

Kingsway Financial Services Group Limited

INTERNATIONAL UNDERWRITER

Joint Lead Managers

Kingsway Financial Services Group Limited

First Shanghai Securities Limited

International Underwriter

Kingsway Financial Services Group Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

We are offering the Hong Kong Offer Shares for subscription on, and subject to, the terms and conditions of this prospectus and the Application Forms. Subject to the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares to be offered pursuant to the Hong Kong Public Offering as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriter has agreed to subscribe or procure subscribers for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

UNDERWRITING

Grounds for Termination

The obligations of the Hong Kong Underwriter to subscribe or procure subscriptions for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination if, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date:

- (1) there has come to the notice of the Sole Global Coordinator:
 - (a) that any statement, reasonably considered by the Sole Global Coordinator to be material, contained in this prospectus and/or the Application Forms in relation to the Share Offer was when the same was issued, or has become, untrue, incorrect or misleading in any material respect; or
 - (b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom reasonably considered by the Sole Global Coordinator to be material to the Share Offer; or
 - (c) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement (other than on the Hong Kong Underwriters or the Sole Global Coordinator); or
 - (d) any change or development involving a prospective material adverse change in the conditions, business affairs, prospects or the financial or trading position of the Group as a whole; or
 - (e) any breach, reasonably considered by the Sole Global Coordinator to be material, of any of the warranties under the Hong Kong Underwriting Agreement;
- (2) there shall develop, occur, exist or come into effect:
 - (a) any event, or series of events, beyond the reasonable control of the Hong Kong Underwriter (including, without limitation, acts of government, strikes, lockouts, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism, riot, public disorder, economic sanctions, outbreak of diseases or epidemics including SARS, avian influenza and such related/mutated forms or interruption or delay in transportation) which in the reasonable opinion of the Sole Global Coordinator has or would have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Hong Kong Public Offering or pursuant to the underwriting thereof; or

UNDERWRITING

- (b) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change in local, national, international, financial, economic, political, military, industrial, fiscal, regulatory or market conditions and matters and/or disaster or any monetary or trading settlement systems (including any moratorium, suspension or material restriction on trading prices in the securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ National Market or any of the stock exchanges in China, or a material fluctuation in the exchange rate of Hong Kong dollars against any foreign currency or any interruption in securities settlement or clearance service or procedures in Hong Kong or anywhere in the world); or
- (c) any new law or regulation or change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdictions relevant to any member of the Group (the “Specific Jurisdictions”); or
- (d) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for the U.S. or by the European Union (or any member thereof) on Hong Kong or any of the Specific Jurisdictions; or
- (e) a change or development occurs involving a prospective change in taxation or currency exchange control (or the implementation of any currency exchange control) in Hong Kong or any of the Specific Jurisdictions; or
- (f) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (g) any litigation or claim of material importance of any third party being threatened or instigated against any member of the Group; or
- (h) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity; or
- (i) any loss or damage sustained by any member of the Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (j) a petition is presented for the winding-up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional

UNDERWRITING

liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or

- (k) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or other competent authority) or the Specific Jurisdiction,

which in the sole opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriter) (1) is or will have or could be expected to have a material adverse effect on the business, financial or other condition or prospects of the Group as a whole or in the case of paragraph (h) above, to any present or prospective shareholder of the Company in his, her or its capacity as such; or (2) has or will have or could reasonably be expected to have an adverse effect on the success, marketability of the Share Offer or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or (3) makes it inadvisable, inexpedient or impracticable for the Share Offer to proceed.

Undertakings to the Stock Exchange pursuant to the Listing Rules

(a) Undertaking by us

Pursuant to Rule 10.08 of the Listing Rules, no further Shares or securities convertible into equity securities of the Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except in certain prescribed circumstances which includes the issue of Shares pursuant to the Share Option Scheme or pursuant to the Global Offering or for the circumstances prescribed by Rule 10.08 of the Listing Rules.

(b) Undertaking by the Controlling Shareholders

In accordance with Rule 10.07 of the Listing Rules, the Controlling Shareholders have undertaken to the Stock Exchange that except pursuant to any lending of Shares in accordance with the Stock Borrowing Agreement, he or it will not and will procure the registered holder(s) will not or unless otherwise in compliance with applicable requirements of the Listing Rules,

- (i) in the period commencing on the date by reference to which disclosure of his/its shareholding is made in this prospectus and ending on the date which is 6 months from the Listing Date (the “First Six-month Period”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he or it is shown by this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) (the “Parent Shares”); and

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- (ii) in the period of 6 months commencing from the date on which the First Six-month Period expires (the “Second Six-month Period”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Parent Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, that he or it would then cease to be our Controlling Shareholder.

Note (2) to Rule 10.07(2) of the Listing Rules provides that the rule does not prevent the Controlling Shareholders from using the Shares owned by him or it as security (including a charge or a pledge) in favor of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan.

The Controlling Shareholders have further undertaken to us and the Stock Exchange that he or it will, within the period commencing on the Listing Date and ending on the date which is 12 months from the Listing Date, immediately inform us and the Stock Exchange of:

- (i) any pledges or charges of any of our Shares beneficially owned by him in favor of any authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, and the number of such Shares so pledged or charged; and
- (ii) any indication received by him or it, either verbal or written, from any pledgee or chargee of any of our Shares pledged or charged that any of such Shares will be sold, transferred or disposed of.

Upon receiving the above information in writing from the Controlling Shareholders, we will also, as soon as practicable, notify the Stock Exchange and make a public disclosure of such information by way of an announcement pursuant to Rule 2.07C of the Listing Rules.

Undertakings pursuant to the Hong Kong Underwriting Agreement

(a) Undertaking by us

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken to the Sole Global Coordinator, and the Hong Kong Underwriter, and the Controlling Shareholders, the Initial Shareholders and the Executive Directors have agreed to procure that, except pursuant to the Global Offering and the exercise of options that may be granted under the Share Option Scheme, we will not, and will procure that our subsidiaries will not, without the prior written consent of the Sole Global Coordinator (on behalf of the Hong Kong Underwriter) and unless in compliance with the requirements of the Listing Rules, at any time from the date of the Hong Kong Underwriting Agreement to the expiry 6 months from the Listing Date:

- (i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either

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directly or indirectly, conditionally or unconditionally, or repurchase any of its share capital or other securities of our Company or any of our subsidiaries or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein); or

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein; or
- (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or
- (iv) offer to or agree to do any of the foregoing or announce any intention to do so,

whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise, and in the event of us doing any of the foregoing by virtue of the aforesaid exceptions or during the period of 6 months immediately following the expiry of the first 6 month period after the Listing Date, we will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

(b) Undertaking by our Controlling Shareholders, our Initial Shareholders (other than Ms. Chu and Ms. Lau) and Primo Result

Each of our Controlling Shareholders, jointly and severally, each of our Initial Shareholders (other than Ms. Chu and Ms. Lau), jointly and severally, and Primo Result has agreed and undertaken with the Company and the Hong Kong Underwriter that, except as disclosed in this prospectus, he, she or it will not and, will procure that the relevant registered holder(s) will not, without the prior written consent of the Sole Global Coordinator (on behalf of the Hong Kong Underwriter), at any time from the date of the Hong Kong Underwriting Agreement to the expiry of 6 months from the Listing Date:

- (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of nor enter into any agreement to transfer or dispose of or otherwise create any option, rights, interests or encumbrances in respect thereof, either directly or indirectly, conditionally or unconditionally, any of the share capital or debt capital or other securities of our Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein) whether now owned or hereinafter acquired; or

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- (ii) enter into any swap agreement or other arrangement or any transaction that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of ownership of any such capital or securities or any interest therein; or
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (iv) offer or agree or contract to, or publicly announce any intention to enter into, any transaction described in clauses (i) or (ii) or (iii) above, whether any such transaction described in (i) or (ii) or (iii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise.

During the Second Six-month Period, the Controlling Shareholders will not enter into any of the foregoing transactions in paragraphs (i), (ii), (iii) and (iv) or agree or contract to or publicly announce any intention to enter into any such transactions. In addition, during the Second Six-month Period, our Initial Shareholders (other than Ms. Chu and Ms. Lau) will not enter into any of the foregoing transactions in paragraphs (i), (ii), (iii) and (iv) or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transaction, the aggregate interest of the Controlling Shareholders and the Initial Shareholders (other than Ms. Chu and Ms. Lau) in our Company shall be not more than 50%.

Subject to the restrictions above, until the expiry of the Second Six-month Period, if any of the Controlling Shareholders or any of the Initial Shareholders (other than Ms. Chu and Ms. Lau) enters into any of the foregoing transactions in (i), (ii), (iii) and (iv) or agrees or contracts to, or publicly announces an intention to enter into any such transactions, he or it will take all reasonable steps to ensure that he or it will not create a disorderly or false market in the Shares or other securities of our Company.

Indemnity

We and the Controlling Shareholders have agreed to indemnify the Hong Kong Underwriter for certain losses which it may suffer, including, among other things, losses arising from the performance of its obligations under the Hong Kong Underwriting Agreement (other than losses which are attributable to actions of the Hong Kong Underwriter) and any breach by us of the provisions of the Hong Kong Underwriting Agreement.

Hong Kong Underwriter's interests in our Company

Except for its obligations under the Hong Kong Underwriting Agreement and being a fellow subsidiary of Primo Result which will hold more than 5% of the issued share capital of the Company upon Listing, the Hong Kong Underwriter does not have any shareholding interest in our Company or the right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company.

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Following the completion of the Global Offering, the Hong Kong Underwriter and its affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

International Offering

In connection with the International Offering, it is expected that our Company, the Initial Shareholders and the Controlling Shareholders will enter into the International Underwriting Agreement with the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers and the International Underwriter. Under the International Underwriting Agreement, it is expected that the International Underwriter would, subject to certain conditions set out therein, agree to purchase the International Offer Shares being offered pursuant to the International Offering or procure purchasers for such International Offer Shares.

Under the International Underwriting Agreement, our Company intends to grant to the International Underwriter the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Underwriter for up to 30 days from the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue up to an aggregate of 17,400,000 additional Shares, together representing 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price, among other things, to cover over-allocations in the International Offering, if any.

Underwriting Commission and Expenses

The Hong Kong Underwriter will receive a commission of 2.5% of the aggregate Offer Price of all the Hong Kong Offer Shares less any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, out of which the Hong Kong Underwriter will pay any sub-underwriting commission, and ignoring for this purpose any Hong Kong Offer Shares reallocated from the International Offering due to over-subscription in the Hong Kong Public Offering. The underwriting commission for such reallocated shares will continue to be payable under the International Underwriting Agreement.

Assuming the Over-allotment Option is not exercised at all and based on an Offer Price of HK\$1.30, the aggregate commissions and fees, together with the SFC transaction levy of 0.003% per Share, the Hong Kong Stock Exchange trading fee of 0.005% per Offer Share, legal and other professional fees, printing, and other expenses relating to the Global Offering, are estimated to amount to approximately HK\$21.8 million in aggregate.

Joint Sponsors' Independence

First Shanghai Capital Limited satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules. Kingsway Capital Limited does not expect to be independent pursuant to Rule 3A.07 of the Listing Rules as its fellow subsidiary, Primo Result, will hold more than 5% of the issued share capital of the Company upon completion of the Reorganisation and the Global Offering. For details, please refer to the sub-section headed "Investor of our Group" under the section headed "History and Corporate Structure" in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering consists of (subject to the Over-allotment Option):

- the Hong Kong Public Offering of 11,600,000 Shares (subject to reallocation as mentioned below) in Hong Kong as described below under the paragraph headed “The Hong Kong Public Offering”; and
- the International Offering of 104,400,000 Shares (subject to reallocation and the Over-allotment Option as mentioned below).

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the Offer Shares under the International Offering, but may not do both.

In order to facilitate settlement of the over-allocations in the International Offering and for the purpose of stabilisation of the market price of the Shares, it is expected that the Sole Global Coordinator and Speedy Harvest will enter into the Stock Borrowing Agreement pursuant to which Speedy Harvest will, if so requested by the Sole Global Coordinator and subject to the terms of the Stock Borrowing Agreement, make available to the Sole Global Coordinator up to 17,400,000 Shares held by it to facilitate settlement of over-allocations in the International Offering. The stock borrowing arrangements under the Stock Borrowing Agreement are expected to be on the following terms in compliance with Rule 10.07(3) of the Listing Rules:

- such stock borrowing arrangements are fully described in this prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares to be borrowed from Speedy Harvest by the Sole Global Coordinator is the maximum number of Shares that may be issued upon the full exercise of the Over-allotment Option;
- the same number of Shares so borrowed will be returned to Speedy Harvest or its nominees (as the case may be) within 3 Business Days after the last day on which the Over-allotment Option may be exercised or, if earlier, the date on which the Over-allotment Option is exercised in full;
- the borrowing of Shares under the Stock Borrowing Agreement will be effected in compliance with all the applicable laws, rules and regulatory requirements; and
- no payment will be made to Speedy Harvest by the Sole Global Coordinator under the Stock Borrowing Agreement.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

THE HONG KONG PUBLIC OFFERING

Number of Shares initially offered

We are initially offering 11,600,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Shares initially available under the Global Offering. Subject to the reallocation of Shares between (1) the International Offering and (2) the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 2.9% of our Company's enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out below in "Conditions of the Hong Kong Public Offering".

Allocation

Allocation of Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Offer Shares available under the Hong Kong Public Offering, subject to any reallocation referred to below, is to be divided into two pools for allocation purposes: pool A and pool B. The Offer Shares in pool A will consist of 5,220,000 Offer Shares (representing 50% of the 10,440,000 Hong Kong Offer Shares initially comprised in the Hong Kong Public Offering after deducting 1,160,000 Hong Kong Offer Shares made available for preferential applications on **PINK** Application Forms) and will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage fee, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable) or less. The Offer Shares in pool B will consist of 5,220,000 Offer Shares (representing 50% of the 10,440,000 Hong Kong Offer Shares initially comprised in the Hong Kong Public Offering after deducting 1,160,000 Hong Kong Offer Shares made available for preferential applications on **PINK** Application Forms) and will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK\$5 million and up to the total value of pool B (excluding the brokerage fee, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable). Investors should be aware that

STRUCTURE OF THE GLOBAL OFFERING

applications in pool A and applications in pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefor. Applicants can only receive an allocation of Offer Shares from either pool A or pool B, but not from both pools. Multiple or suspected multiple applications and any application for more than 5,220,000 Offer Shares, being the number of Offer Shares initially allocated to each pool, are to be rejected.

Reallocation

The allocation of Offer Shares between (i) the Hong Kong Public Offering and (ii) the International Offering is subject to reallocation. If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offering, then Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 34,800,000 Shares (in the case of (i)), 46,400,000 Shares (in the case of (ii)) and 58,000,000 Shares (in the case of (iii)) representing 30%, 40% and 50% of the Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated equally between pool A and pool B and the number of Shares allocated to the International Underwriter may be reduced in such manner and proportions as the Sole Global Coordinator may agree with the relevant International Underwriter. In addition, the Sole Global Coordinator may at its discretion reallocate Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed for, the Sole Global Coordinator has the authority and discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such manner and proportions as the Sole Global Coordinator may agree with the relevant International Underwriter.

Up to a maximum of 1,160,000 Hong Kong Offer Shares, representing 10% of the total number of Shares initially available under the Hong Kong Public Offering and 1% of the Offer Shares, are available for subscription by our Eligible Employees on a preferential basis, if their applications for the Hong Kong Offer Shares are made on the **PINK** Application Forms. The 1,160,000 Hong Kong Offer Shares initially available to Eligible Employees on **PINK** Application Forms will be allocated to such applicants on a pro-rata basis in proportion (as nearly as possible without involving fraction of a board lot) to the level of valid applications received from Eligible Employees, or balloted if there are insufficient Hong Kong Offer Shares available to **PINK** Application Form applicants. If balloting is conducted, some Eligible Employees may be allocated more Hong Kong Offer Shares than others who have applied for

STRUCTURE OF THE GLOBAL OFFERING

the same number of Hong Kong Offer Shares. Allocation of these Hong Kong Offer Shares will be based on the written guidelines consistent with the allocation guidelines contained in Practice Note 20 of the Listing Rules and distributed to the Eligible Employees. Under such written guidelines, the allocation will be made in an equitable manner based solely on the level of valid applications received from Eligible Employees. The allocation will not be based on the seniority or the length of service of the Eligible Employees. No favour will be given to the Eligible Employees who apply for a large number of Hong Kong Offer Shares and applications made on **PINK** Application Forms for more than the maximum number of Hong Kong Offer Shares available for subscription by Eligible Employees will be rejected.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering. Applicants under the Hong Kong Public Offering are required to pay, on application, the price of HK\$1.30 per Offer Share in addition to the brokerage fee, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable on each Offer Share. Further details are set out below in "How to Apply for Hong Kong Offer Shares".

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

The International Offering will consist of an initial offering of 104,400,000 Shares, representing 90% of the total number of Offer Shares initially available under the Global Offering.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involve dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy additional Shares, and/or hold or sell its Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and its shareholders as a whole.

STRUCTURE OF THE GLOBAL OFFERING

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, it is expected that our Company will grant the Over-allotment Option to the International Underwriter and exercisable by the Sole Global Coordinator on behalf of the International Underwriter.

Pursuant to the Over-allotment Option, the Sole Global Coordinator has the right, exercisable by the Sole Global Coordinator at any time from the Listing Date to 23 July, 2011, being the 30th day from the last day for lodging applications under the Hong Kong Public Offering, to require our Company to allot and issue up to 17,400,000 Shares, representing 15% of the Offer Shares initially available under the Global Offering, at the Offer Price, to, among other things, cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional International Offer Shares will represent approximately 4.17% of our enlarged issued share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a press announcement will be made.

Any proceeds from any exercise of the Over-allotment Option will be used by us as described in the section headed “Future Plans and Use of Proceeds” in this prospectus.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to minimise and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and a number of other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Sole Global Coordinator, its affiliates or any person acting for them, as stabilising manager, on behalf of the Underwriters, may effect transactions with a view to stabilising or supporting the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Sole Global Coordinator, its affiliates or any persons acting for them, to conduct any such stabilising action. Such stabilisation action, if commenced, may be discontinued at any time, and is required to be brought to an end after a limited period. Should stabilising transactions be effected in connection with the Global Offering, this will be at the absolute discretion of the Sole Global Coordinator, its affiliates or any person acting for it or them.

STRUCTURE OF THE GLOBAL OFFERING

Stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules, as amended, includes (1) over-allocating for the purpose of preventing or minimising any reduction in the market price of the Shares, (2) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares, (3) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (1) or (2) above, (4) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares, (5) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases, and (6) offering or attempting to do anything as described in (2), (3), (4) or (5) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Sole Global Coordinator, its affiliates or any person acting for them, may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time or period for which the Sole Global Coordinator, its affiliates or any person acting for them, will maintain such a long position;
- liquidation of any such long position by the Sole Global Coordinator, its affiliates or any person acting for them, may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date, and is expected to expire on Saturday, 23 July 2011, being the 30th day after the date of closing of application lists under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of our Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Sole Global Coordinator, its affiliates or any person acting for it or them may cover such over-allocation by (among other methods) using Shares purchased by the Sole Global

STRUCTURE OF THE GLOBAL OFFERING

Coordinator, its affiliates or any person acting for it or them in the secondary market, exercising the Over-allotment Option in full or in part or a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilisation, the Securities and Futures (Price Stabilising) Rules, as amended, made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which may be issued upon exercise of the Over-allotment Option, being 17,400,000 Shares, representing 15% of the Offer Shares initially available under the Global Offering.

PRICING AND ALLOCATION

The International Underwriter will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire at the Offer Price. This process, known as "book-building," is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

The Sole Global Coordinator, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares below the number stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in the South China Morning Post (in English) and the Hong Kong Economic Journal (in Chinese) notices of the reduction. Upon issue of such a notice, the revised number of Offer Shares will be final and conclusive. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced.

In the event of a reduction in the number of Offer Shares, the Sole Global Coordinator may reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised). The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings.

STRUCTURE OF THE GLOBAL OFFERING

The net proceeds from the Global Offering accruing to us (after deduction of underwriting fees and estimated expenses payable by our Company in relation to the Global Offering assuming that the Over-allotment Option is not exercised), are estimated to be approximately HK\$130 million (or if the Over-allotment Option is exercised in full, approximately HK\$152 million).

The level of indications of interest in the International Offering, level of applications in the Hong Kong Public Offering and the basis of allocation of Offer Shares available under the Hong Kong Public Offering are expected to be announced on Thursday, 30 June, 2011 on the Hong Kong Stock Exchange's website at www.hkexnews.hk, our Company's website at www.moderneducationgroup.com, in the South China Morning Post (in English) and the Hong Kong Economic Journal (in Chinese).

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriter under the terms of the Hong Kong Underwriting Agreement.

We expect to enter into the International Underwriting Agreement relating to the International Offering on or about Thursday, 23 June 2011.

For a summary of these underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement, see the section headed "Underwriting" of this prospectus.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- (1) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue, the Shares being offered pursuant to the Global Offering (subject only to allotment) and the Shares to be issued pursuant to the Share Option Scheme and such listing approval and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (2) the execution and delivery of the International Underwriting Agreement on or about 23 June 2011; and
- (3) the obligations of the Hong Kong Underwriter under the Hong Kong Underwriting Agreement and the obligations of the International Underwriter under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

STRUCTURE OF THE GLOBAL OFFERING

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.moderneducationgroup.com, in the South China Morning Post (in English) and the Hong Kong Economic Journal (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in "How to Apply for Hong Kong Offer Shares – Dispatch/Collection of Share Certificates and Refund Monies". In the meantime, all application monies will be held in separate bank account(s) with the receiving bankers or other bank(s) in Hong Kong licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)(as amended).

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on Monday, 4 July 2011, provided that (1) the Global Offering has become unconditional in all respects and (2) the right of termination as described in "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination" has not been exercised.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein, including the Offer Shares, any Shares to be issued pursuant to the exercise of the Over-allotment Option.

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

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, 4 July 2011, it is expected that dealings in the Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Monday, 4 July 2011. The Shares will be traded in board lots of 2,000 each. The stock code of the Shares is 1082.

HOW TO APPLY FOR HONG KONG OFFER SHARES

MIXED MEDIA OFFER

The Company will be relying on section 9A of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) and will be issuing the **WHITE**, **YELLOW** and **PINK** Application Forms without them being accompanied by a printed prospectus. The contents of this prospectus are identical to the electronic form prospectus. From 9:00 a.m. on Monday, 20 June 2011 until 12:00 noon on Thursday, 23 June 2011, an electronic form of this prospectus can be accessed and downloaded from the websites of the Company at <http://moderneducationgroup.com> under the “Investor Relations>HKIPO Prospectus” section and the Stock Exchange at www.hkexnews.hk, under the “HKExnews>Listed Company Information>Latest Listed Company Information” section, respectively.

Members of the public who wish to obtain a copy of this printed prospectus may obtain a copy, free of charge, upon request during normal business hours from 9:00 a.m. on Monday, 20 June 2011 until 12:00 noon on Thursday, 23 June 2011 at the following locations:

1. any of the following branches of **Bank of China (Hong Kong) Limited**:
 - (a) Bank of China Tower Branch, 3/F, 1 Garden Road, Central, Hong Kong;
 - (b) Tsim Sha Tsui East Branch, Shop G02-03, Inter-Continental Plaza, 94 Granville Road, Tsim Sha Tsui, Hong Kong;
 - (c) Fo Tan Branch, No.2, 1/F, Shatin Galleria, 18-24 Shan Mei Street, Fo Tan, New Territories, Hong Kong;
2. any of the following addresses of the Joint Sponsors:
 - (a) **Kingsway Capital Limited**, 5/F Hutchison House, 10 Harcourt Road, Central, Hong Kong;
 - (b) **First Shanghai Capital Limited**, 19/F Wing On House, 71 Des Voeux Road Central, Hong Kong; and
3. the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong.

Details of where print Prospectus may be obtained will be displayed prominently at every location where Application Forms may be lodged.

During normal business hours from 9:00 a.m. on Monday, 20 June 2011 until 12:00 noon on Thursday, 23 June 2011 (or until 5:00 p.m. on Wednesday, 22 June 2011 at the location where **PINK** Application Forms are distributed), at least three copies of the printed Prospectus will be available for inspection at every location where the **WHITE**, **YELLOW** or **PINK** Application Forms are distributed.

HOW TO APPLY FOR HONG KONG OFFER SHARES

METHOD TO APPLY FOR HONG KONG OFFER SHARES

You may use either a **WHITE** Application Form or a **YELLOW** Application Form and/or a **PINK** Application Form to make an application for the Hong Kong Offer Shares.

Except where you are a nominee and provide the required information in your application, you or your joint applicant(s) may not make more than one application (whether individually or jointly) by using a **WHITE** or **YELLOW** Application Form.

I. Who can Apply for Hong Kong Offer Shares

You can apply for the Hong Kong Offer Shares available for subscription by the public on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the application form must be stamped with the company chop (bearing the company name) and signed by a duly authorised officer, who must state his or her representative capacity.

If an application is made by a person duly authorised under a valid power of attorney, the Sole Global Coordinator (or its respective agents or nominees) may accept it at their discretion, and subject to any conditions it thinks fit, including production of evidence of the authority of the attorney.

The number of joint applicants for **WHITE** or **YELLOW** Application Form may not exceed four.

You can apply for the Hong Kong Offer Shares on a **PINK** Application Form if you:

- are a Eligible Employee of the Company or any of its subsidiaries;
- are 18 years of age or older;
- have a Hong Kong address;
- are applying as an individual.

HOW TO APPLY FOR HONG KONG OFFER SHARES

No joint application is allowed for any application made under the **PINK** Application Forms.

We, the Sole Global Coordinator, or our or its respective agents have full discretion to reject or accept any application, in full or in part, without assigning any reason.

The Hong Kong Offer Shares are not available to existing beneficial owners of Shares in our Company, our Directors or chief executive of our Company or any of our subsidiaries, or associates of any of them (as “associate” is defined in the Listing Rules) or U.S. persons (as defined in Regulation S) or any other connected persons of our Company or persons who will become our connected persons immediately upon completion of the Global Offering.

You may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest for International Offer Shares under the International Offering, but may not do both.

II. Applying by Using an Application Form

Which Application Form to use

Use a **WHITE** Application Form if you want the Hong Kong Offer Shares issued in your own name.

Use a **YELLOW** Application Form if you want the Hong Kong Offer Shares issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant’s stock account.

Use a **PINK** Application Form if you are an Eligible Employee, and want the Hong Kong Offer Shares issued in your own name and want your application to be given preferential treatment. Up to 1,160,000 Shares under the Hong Kong Public Offering representing 10% of the total number of Shares initially available under the Hong Kong Public Offering and 1% of the Offer Shares, are available for subscription by our Eligible Employees.

Where to collect Application Forms

You can collect a **WHITE** Application Form during normal business hours from 9:00 a.m. on Monday, 20 June 2011 until 12:00 noon on Thursday, 23 June 2011 from any of the following offices of the Joint Sponsors:

Kingsway Capital Limited, 5/F Hutchison House, 10 Harcourt Road, Central, Hong Kong;

or

First Shanghai Capital Limited, 19/F Wing On House, 71 Des Voeux Road Central, Hong Kong;

HOW TO APPLY FOR HONG KONG OFFER SHARES

or any of the following branches of **Bank of China (Hong Kong) Limited**:

	Branch Name	Address
Hong Kong Island:	Bank of China Tower Branch	3/F, 1 Garden Road, Central, Hong Kong
	Central District (Wing On House) Branch	71 Des Voeux Road Central, Central, Hong Kong
	North Point (Kiu Fai Mansion) Branch	413-415 King's Road, North Point, Hong Kong
Kowloon:	Tsim Sha Tsui East Branch	Shop G02-03, Inter-Continental Plaza, 94 Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong
	Wang Kwun Road Branch	Unit G1, Nan Fung Commercial Centre, Wang Kwun Road, Kowloon Bay, Kowloon, Hong Kong
	Wong Tai Sin Branch	Shop G13, Wong Tai Sin Plaza, Wong Tai Sin, Kowloon, Hong Kong
	Shanghai Street (Mongkok) Branch	611-617 Shanghai Street, Mongkok, Kowloon, Hong Kong
	Festival Walk Branch	Unit LG256, Festival Walk, Kowloon Tong, Kowloon, Hong Kong
New Territories:	Fo Tan Branch	No. 2, 1/F Shatin Galleria, 18-24 Shan Mei Street, Fo Tan, New Territories, Hong Kong
	Castle Peak Road (Yuen Long) Branch	162 Castle Peak Road, Yuen Long, New Territories, Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

You can collect a **YELLOW** Application Form and this prospectus during normal business hours from 9:00 a.m. on Monday, 20 June 2011 until 12:00 noon on Thursday, 23 June 2011 from:

- the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong;
- or
- your stockbroker, who may have such Application Forms and this prospectus available

Eligible Employees can collect a **PINK** Application Form and this prospectus, during normal business hours from 9:00 a.m. on Monday, 20 June 2011 until 5:00 p.m. on Wednesday, 22 June 2011 at our company's principal place of business in Hong Kong at Suite 2701, 27/F, Tower 2, Nina Tower, 8 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong.

How to complete the Application Form

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheques(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.

Obtain an application form as described in the section entitled "Where to collect Application Forms" above.

Complete the Application Form in English in ink, and sign it. There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions your application may be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form. Each Application Form must be accompanied by payment, in the form of either one cheque or one banker's cashier order. You should read the detailed instructions set out on the Application Form carefully, as an application is liable to be rejected if the cheque or banker's cashier order does not meet the requirements set out on the Application Form.

By signing on the Application Form, you should note, among other thing, that you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee:

- (a) confirm that you have only relied on the information and representations in this prospectus and the Application Form in making your application and will not rely on any other information and representations except as set out in any supplement to this prospectus;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (b) agree that we, our Directors, the Sole Global Coordinator, the Underwriters and other parties involved in the Global Offering are liable only for the information and representations contained in this prospectus and any supplement thereto;
- (c) undertake and confirm that you (if the application is made for your benefit), or the person(s) for whose benefit you have made the application, have not indicated an interest for, applied for or taken up any of the International Offer Shares; and
- (d) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bankers, the Sole Global Coordinator and its respective advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application.

In order for the **YELLOW** Application Form to be valid:

You, as the applicant(s), must complete the form as indicated below and sign on the first page of the application form. Only written signatures will be accepted.

- (a) If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):
 - (i) the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box.
- (b) If the application is made by an individual CCASS Investor Participant:
 - (i) the Application Form must contain the CCASS Investor Participant's name and Hong Kong Identity Card Number; and
 - (ii) the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.
- (c) If the application is made by a joint individual CCASS Investor Participant:
 - (i) the Application Form must contain all joint CCASS Investor Participants' names and Hong Kong Identity Card Numbers; and
 - (ii) the participant I.D. must be inserted in the appropriate box in the Application Form.
- (d) If the application is made by a corporate CCASS Investor Participant:
 - (i) the Application Form must contain the CCASS Investor Participant's company name and Hong Kong business registration number; and

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (ii) the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or incomplete details of the CCASS Participant including participant I.D. and/or company chop bearing its company name) or other similar matters may render the application invalid.

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked “For nominees” account numbers or other identification codes for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner.

If your application is made through a duly authorised attorney, our Company and the Sole Global Coordinator, may accept it at our discretion, and subject to any conditions we think fit, including evidence of the authority of your attorney. Our Company and the Sole Global Coordinator will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

How to make payment for the application

Each completed **WHITE, YELLOW** or **PINK** Application Form must be accompanied by either one cheque or one banker’s cashier order, which must be stapled to the top left hand corner of the application form.

If you pay by cheque, the cheque must:

- (a) be in Hong Kong dollars;
- (b) be drawn on your Hong Kong dollar bank account in Hong Kong;
- (c) bear your account name (or, in the case of joint applicants, the name of the first-named applicant) either pre-printed on the cheque or endorsed on the reverse of the cheque by an authorised signatory of the bank on which it is drawn, which must be the same as the name on your application form (or, in the case of joint applicants, the name of the first-named applicant). If the cheque is drawn on a joint account, one of the joint account names must be the same as the name of the first-named applicant);
- (d) be made payable to Bank of China (Hong Kong) Nominees Limited – Modern Education Public Offer;
- (e) be crossed “Account Payee Only”; and
- (f) not be post dated.

Your application may be rejected if your cheque does not meet all of these requirements or is dishonoured on first presentation.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you pay by banker's cashier order, the banker's cashier order must:

- (a) be in Hong Kong dollars;
- (b) be issued by a licenced bank in Hong Kong and have your name certified on the reverse of the banker's cashier order by an authorised signatory of the bank on which it is drawn. The name on the reverse of the banker's cashier order and the name on the Application Form must be the same. If the application is a joint application, the name on the back of the banker's cashier order must be the same as the name of the first-named applicant;
- (c) be made payable to Bank of China (Hong Kong) Nominees Limited – Modern Education Public Offer;
- (d) be crossed "Account Payee Only"; and
- (e) not be post dated.

Your application may be rejected if your banker's cashier order does not meet all of these requirements.

The right is reserved to present all or any remittance for payment. However, your cheque or banker's cashier order will not be presented for payment before 12:00 noon on Thursday, 23 June 2011. We will not give you a receipt for your payment. We will keep any interest accrued on your application monies (up until, in the case of monies to be refunded, the date of despatch of refund cheques). The right is also reserved to retain any Share certificates and/or any surplus application monies or refunds pending clearance of your cheque or banker's cashier order.

III. When may applications be made

Applications on WHITE or YELLOW Application Forms

Completed **WHITE** and **YELLOW** Application Forms, with payment attached, must be lodged by 12:00 noon Thursday, 23 June 2011, or, if the application lists are not open on that day, then by 12:00 noon on the next day that the lists are open.

Your completed Application Form, with full payment in Hong Kong dollars attached, should be deposited in the special collection boxes provided at any of the branches of the receiving banker listed under the subsection headed "II. Applying by Using an Application Form – Where to collect Application Forms" above at the following times:

Monday, 20 June 2011 – 9:00 a.m. – 5:00 p.m.
Tuesday, 21 June 2011 – 9:00 a.m. – 5:00 p.m.
Wednesday, 22 June 2011 – 9:00 a.m. – 5:00 p.m.
Thursday, 23 June 2011 – 9:00 a.m. to 12:00 noon

Completed **PINK** Application Form, with a cheque or banker's cashier order attached, must be returned to our company's principal place of business in Hong Kong at Suite 2701, 27/F, Tower 2, Nina Tower, 8 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong by 5:00 p.m. on Wednesday, 22 June 2011.

HOW TO APPLY FOR HONG KONG OFFER SHARES

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 23 June 2011.

No proceedings will be taken on applications for the Hong Kong Offer Shares and no allotment of any such Hong Kong Offer Shares will be made until the closing of the application lists. No allotment of any of the Hong Kong Offer Shares will be made later than the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong).

Effect of bad weather on the opening of the application lists

The application lists will not open if there is:

- a tropical cyclone warning signal “number 8” or above; or
- a “black” rainstorm warning signal,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 23 June 2011. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warning signals in force in Hong Kong at anytime between 9:00 a.m. and 12:00 noon.

If the application lists of the Hong Kong Public Offering do not open and close on Thursday, 23 June 2011 or if there is a tropical cyclone warning signal “number 8” or above or a “black” rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section headed “Expected Timetable” in this prospectus, such dates mentioned in the section headed “Expected Timetable” in this prospectus may be affected. An announcement will be made in such event.

IV. How many applications may you make

Multiple applications or suspected multiple applications are liable to be rejected. You may make more than one application for Hong Kong Offer Shares if and only if:

- (i) You are a nominee, in which case you may lodge more than one Application Form in your own name if each application is made on behalf of different beneficial owners. In the box on the Application Form marked “For nominees” you must include:
 - an account number; or
 - some other identification code

for each beneficial owner. If you do not include this information, the application will be treated as being made for your benefit;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (ii) You are an Eligible Employee of our Group and apply on a **PINK** Application Form. You may also make another application for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form.

Otherwise, multiple applications are not allowed and will be rejected.

It will be a term and condition of all applications that by completing and delivering a **WHITE** or **YELLOW** Application Form, you:

- (if the application is made for your own benefit) warrant that the application made pursuant to a **WHITE** or **YELLOW** Application Form is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form; or
- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person which confirm that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form, and that you are duly authorised to sign the Application Form as that other person's agent.

Except as referred to above, all of your applications will be rejected as multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly) on a **WHITE** or **YELLOW** Application Form; or
- both apply (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form; or
- apply on one **WHITE** or **YELLOW** Application Form (whether individually or jointly) for more than 5,220,000 Hong Kong Offer Shares, being 50% of the 10,440,000 Hong Kong Offer Shares being offered under the Hong Kong Public Offering after deducting the 1,160,000 Hong Kong Offer Shares made available for subscription by Eligible Employees of our Group on preferential basis using **PINK** Application Forms, as more particularly described in the section entitled "Structure of the Global Offering – The Hong Kong Public Offering"; or
- make more than one application on **PINK** Application Forms; or
- apply on one **PINK** Application Form for more than 1,160,000 Hong Kong; or
- have applied for, taken up or indicated an interest for or have been or will be placed any of the International Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

All of your applications will also be rejected as multiple applications if more than one application is made for your benefit (unless (and limited) to the situation where you are an Eligible Employee of our Group who has made an application on a **PINK** Application Form). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Stock Exchange.

“**Statutory control**” means you:

- control the composition of the Board of directors of the company; or
- control more than one half of the voting power of the company; or
- hold more than one half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

V. Circumstances in which you will not be allotted Hong Kong Offer Shares

Full details of the circumstances in which you will not be allotted Hong Kong Offer Shares are set out in the notes attached to the Application Forms, and you should read them carefully. You should note in particular the following situations in which Hong Kong Offer Shares will not be allotted to you:

- (a) If your application is revoked:

By completing and submitting an Application Form you agree that your application cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong), unless a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus. This agreement will take effect as a collateral contract with us, and will become binding when you lodge your application accordingly. This collateral contract will be in consideration of our Company agreeing that we will not offer any Hong Kong Offer Shares to any person on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of the prospectus as supplemented.

If your application has been accepted, it cannot be revoked or withdrawn. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

- (b) Full discretion of our Company, the Sole Global Coordinator or our or the Sole Global Coordinator's respective agents or nominees to reject or accept:

We, the Sole Global Coordinator or our or its respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

- (c) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares to you or to HKSCC Nominees (if you apply by a **YELLOW** Application Form) will be void if the Listing Committee does not grant permission to list the Hong Kong Offer Shares either:

- within three weeks from the closing of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies us of that longer period within three weeks of the closing date of the application lists.

- (d) You will not receive any allotment if:

- you make multiple applications or you are suspected to have made multiple applications;
- you or the person whose benefits you apply for have taken up or indicated an interest or applied for or received or have been or will be placed or allocated (including conditionally and/or provisionally) International Offer Shares. By filling in any of the Application Forms, you agree not to apply for or indicate an interest for Offer Shares in the International Offering. Reasonable steps will

HOW TO APPLY FOR HONG KONG OFFER SHARES

be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offering;

- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured upon its first presentation;
- your Application Form is not completed in accordance with the instructions as stated in the Application Form (if you apply by an Application Form);
- you apply for more than 5,220,000 Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form (being 50% of the Hong Kong Offer Shares initially available for subscription under the Hong Kong Public Offering after deducting the 1,160,000 Hong Kong Offer Shares made available for subscription by Eligible Employees on preferential basis);
- you are an Eligible Employee and you apply for more than 1,160,000 Hong Kong Offer Shares;
- our Company believes that by accepting your application, we would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is received or your address overleaf is located;
- the Underwriting Agreements do not become unconditional; or
- the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement are/is terminated in accordance with their respective terms.

You should also note that you may apply for Offer Shares under the Hong Kong Public Offering or indicate an interest for Offer Shares under the International Offering, but may not do both.

VI. How much are the Hong Kong Offer Shares

The Offer Price is HK\$1.30 per Hong Kong Offer Share. You must also pay a brokerage fee of 1%, SFC transaction levy of 0.003%, and Stock Exchange trading fee of 0.005%. This means that for every board lot of 2,000 Hong Kong Offer Shares, you will pay approximately HK\$2,626.21. The Application Forms have tables showing the exact amount payable for the numbers of Hong Kong Offer Shares that may be applied for. You must pay the Offer Price and related brokerage fee, the SFC transaction levy, and the Stock Exchange trading fee in full when you apply for the Hong Kong Offer Shares. You must pay the amount payable upon application for Hong Kong Offer Shares by a cheque or a banker's cashier order in accordance with the terms set out in the Application Forms or this prospectus.

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If your application is successful, the brokerage fee will be paid to participants of the Stock Exchange or the Stock Exchange, the SFC transaction levy and the Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy collected by the Stock Exchange on behalf of the SFC).

VII. Publication of Results; Despatch/Collection of Share Certificates and Refunds of Application Monies

Publication of results

We expect to announce the level of indications of interest in the International Offering, the level of applications under the Hong Kong Public Offering, the basis of allocation of the Hong Kong Offer Shares and the results of allocations under the Hong Kong Public Offering no later than 9:00 a.m. on Thursday, 30 June 2011 and in the manner specified below:

- on the website of the Stock Exchange at www.hkexnews.hk; and
- on the website of our Company at www.moderneducationgroup.com for at least five consecutive days.

An announcement of the Offer Price, the level of the indications of interest in the International Offering, the level of applications of the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares will be published by us on Thursday, 30 June 2011 in the South China Morning Post (in English) and the Hong Kong Economic Journal (in Chinese).

In addition, we expect to announce the results of allocations and the Hong Kong identity card/ passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering at the times and dates and in the manner specified below:

- Results of allocations for the Hong Kong Public Offering will be available from our designated results of allocations website at www.tricor.com.hk/ipo/result on a 24-hour basis from 8:00 a.m. on Thursday, 30 June 2011 to 12:00 midnight on Thursday, 7 July 2011. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation result;
- Results of allocations will be available from our Hong Kong Public Offering allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Offer Shares allocated to them, if any, by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 30 June 2011 to Wednesday, 6 July 2011 (except Saturday, Sunday and Public Holiday); and

HOW TO APPLY FOR HONG KONG OFFER SHARES

- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from Thursday, 30 June 2011 to Tuesday, 5 July 2011 at all the receiving bank branches and sub-branches at the addresses set out in the section headed “How to Apply for Hong Kong Offer Shares – II. Applying by Using an Application Form – Where to collect Application Forms” in this prospectus.

You should note that our website, and all information contained in our website, does not form part of this prospectus.

Despatch/collection of share certificates/refund cheques

If an application is rejected, not accepted or accepted in part only, or if the conditions of the Global Offering are not fulfilled in accordance with the section headed “Structure of the Global Offering – Conditions of the Hong Kong Public Offering” in this prospectus or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage fee, the SFC transaction levy, and the Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

No temporary documents of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application but, subject to personal collection as mentioned below, in due course there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on your Application Form:

- (a) for applications on **WHITE** Application Forms:
 - (i) Share certificate(s) for all the Hong Kong Offer Shares applied for, if the application is wholly successful; or
 - (ii) Share certificate(s) for the number of Hong Kong Offer Shares successfully applied for, if the application is partially successful (for wholly successful and partially successful applications on **YELLOW** Application Forms: Share certificates for the Shares successfully applied for will be deposited into CCASS as described below).
- (b) for applications on **WHITE** or **YELLOW** Application Forms, refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Hong Kong Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; and/or (ii) all the application monies, if the application is wholly unsuccessful, in each case including brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but without interest.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Subject to personal collection as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and the difference between the Offer Price and the offer price per Share initially paid on application (if any) under **WHITE** or **YELLOW** Application Forms and Share certificates for wholly and partially successful applicants under **WHITE** Application Forms are expected to be posted on or around 30 June 2011. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s).

Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

Share certificates will only become valid certificates of title at 8:00 a.m. on Monday, 4 July 2011 provided that the Hong Kong Public Offering has become unconditional in all respects and the rights of termination described in the paragraph headed “Grounds for Termination” in the section headed “Underwriting” in this prospectus have not been exercised. You will receive one Share certificate for all the Hong Kong Offer Shares issued to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Form where Share certificates will be deposited in CCASS).

WHITE Application Form

If you have applied for 1,000,000 Hong Kong Offer Shares or above and have indicated on your application form that you will collect your Share certificate(s) (where applicable) and/or refund cheque (if any) in person, you may collect it/them from:

Tricor Investor Services Limited

26/F, Tesbury Centre
28 Queen’s Road East
Hong Kong

between 9:00 a.m. and 1:00 p.m. on Thursday, 30 June 2011 or any other date notified by our Company in the newspapers as the date of despatch of Share certificates/refund cheques.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) must, in any event, produce, at the time of collection, evidence of identity acceptable to Tricor Investor Services Limited. If you do not collect your Share certificate(s) (if any) and/or refund cheque (if any) within the time for collection specified above, they will be sent to you by ordinary post to the address as specified in your application form (or the address of the first-named applicant in case of a joint application) and at your own risk shortly after the time for collection.

If you have applied for 1,000,000 Hong Kong Offer Shares or above and have not indicated on your Application Form that you will collect your Share certificate(s) (if any) and/or refund cheque (if any) in person; or if you have applied for less than 1,000,000 Hong Kong Offer Shares; or if your application is rejected, not accepted or accepted in part only; or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering – Conditions of the Hong Kong Public Offering" in this prospectus, or if any application is revoked or any allotment pursuant thereto has become void, then your Share certificate(s) (where applicable) and/or refund cheque (where applicable) in respect of the application monies or the appropriate portion thereof, together with the related brokerage fee, the SFC transaction levy and the Stock Exchange trading fee (without interest) will be sent to the address on your Application Form (or the address of the first-named applicant in case of a joint application) by ordinary post and at your own risk on the date of despatch.

YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above.

If you have applied for 1,000,000 Hong Kong Offer Shares or above and have not indicated on your Application Form that you will collect refund cheque(s) (if any) in person, or you have applied for less than 1,000,000 Hong Kong Offer Shares or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure of the Global Offer – Conditions of the Hong Kong Public Offering" in this prospectus, or if any application is revoked or any allotment pursuant thereto has become void, your refund cheque(s) in respect of the application monies or the appropriate parties thereof, together with the related brokerage fee, the SFC transaction levy and the Stock Exchange trading fee (without interest) will be sent to the address on your application form on Thursday, 30 June 2011 by ordinary post and at your own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you on Thursday, 30 June 2011, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):

- for the Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of the Hong Kong Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS investor participant:

- our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the newspapers on Thursday, 30 June 2011. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 30 June 2011 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the "CCASS Phone System" and "CCASS Internet System" (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

PINK Application Form

The Share certificate(s) and/or refund cheque(s) (where applicable) will be sent to the Company on your behalf on the date of despatch and the Company will arrange for onward despatch to you at the address specified in your Application Form or as otherwise notified by you to the Company.

Refund of application monies

If you do not receive any Hong Kong Offer Shares for any reason, we will refund your application monies, including related brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%. No interest will be paid thereon.

If your application is accepted only in part, we will refund to you the appropriate portion of your application monies (including the related brokerage fee of 1%, SFC transaction levy of 0.003%, and Stock Exchange trading fee of 0.005%) without interest.

All such interest accrued prior to the date of despatch of refund will be retained for our benefit.

HOW TO APPLY FOR HONG KONG OFFER SHARES

In a contingency situation involving a substantial over-application, at the discretion of us and the Sole Global Coordinator, for applications made on Application Forms for certain small denominations of Hong Kong Offer Shares (apart from successful applications) may not be cleared.

Refund of your application monies (if any) is expected to be made on Thursday, 30 June 2011 in accordance with the various arrangements as described above.

VIII. Commencement of Dealings in the Shares

Dealings in the Shares on the Stock Exchange are expected to commence on Monday, 4 July 2011. The Shares will be traded in board lots of 2,000 each. The stock code of the Shares is 1082.

IX. Shares will be Eligible for Admission into CCASS

If the Stock Exchange grants the listing of and permission to deal in the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

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

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

All necessary arrangements have been made for the Shares to be admitted into CCASS.



德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

20 June 2011

The Directors
Modern Education Group Limited
Kingsway Capital Limited
First Shanghai Capital Limited

Dear Sirs/Madams,

We set out below our report on the financial information (the “Financial Information”) relating to Modern Education Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended 30 June 2010 and for the six months ended 31 December 2010 (the “Relevant Periods”), for the inclusion in the prospectus of the Company dated 20 June 2011 (the “Prospectus”).

The Company was incorporated and registered as an exempted company in the Cayman Islands under the Companies Law of the Cayman Islands on 26 January 2011. Through a group reorganisation as more fully explained in the paragraph headed “Corporate reorganisation” in Appendix V to the Prospectus (the “Group Reorganisation”), the Company has since 7 June 2011 become the holding company of the Group.

During the Relevant Periods and at the date of this report, the Company has the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Place of operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group				At the date of report	Principal activities
				30 June 2008	30 June 2009	31 December 2010	31 December 2010		
Able Investment Development Limited (“Able Investment”)	British Virgin Islands (“BVI”) 1 July 2009	Hong Kong	US\$10,000	-	-	-	60% (Note e)	60%	Investment holding
Amber Well Limited (“Amber Well”)	Hong Kong 20 October 2009	Hong Kong	HK\$1	-	-	100%	100%	100%	Inactive
Bachelor Education Centre Limited ³ (“Bachelor Education”)	Hong Kong 16 February 2007	Hong Kong	HK\$10,000	-	-	-	60% (Note e)	60%	Provision of primary homework tutoring services
Business Idol Limited (“Business Idol”)	BVI 1 July 2009	Hong Kong	US\$1	-	-	100%	100%	100%	Inactive

Name of subsidiary	Place and date of incorporation/ establishment	Place of operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group				At the date of report	Principal activities
				2008	30 June 2009	31 December 2010	31 December 2010		
Beijing Strength Limited ("Beijing Strength")	BVI 8 August 2008	Hong Kong	US\$100	–	100%	100%	100%	100%	Investment holding
Express Education Limited ("Express Education")	BVI 8 May 1997	Hong Kong	US\$140	65%	65%	100%	100%	100%	(Note a)
Intelligent Education Limited ("Intelligent Education")	Hong Kong 21 August 2000	Hong Kong	HK\$100	100%	100%	100%	100%	100%	Provision of secondary school education services
Modern Beiya (Hong Kong) Limited ("Modern Beiya")	Hong Kong 4 December 2008	Hong Kong	HK\$100	–	100%	100%	100%	100%	Investment holding
Modern Education (Hong Kong) Limited ("Modern Education HK")	Hong Kong 5 June 2002	Hong Kong	HK\$10,000	100%	100%	100%	100%	100%	Provision of tuition services
Modern Education (China) Limited (formerly known as Modern Education and Information Technology (Shenzhen) Limited) ("Modern (China)")	Hong Kong 23 June 2008	Hong Kong	HK\$10,000	90%	–	–	–	–	Inactive
Modern English Group Limited (formerly known as Powerful York Limited) ("Modern English")	Hong Kong 11 March 2009	Hong Kong	HK\$1	–	–	–	100%	100%	Inactive
Strategic Fortune Limited ("Strategic Fortune")	BVI 13 October 2006	Hong Kong	US\$1	100%	–	–	–	–	Property holding
Sino Network Group Limited ¹ ("Sino Network")	BVI 2 July 2003	Hong Kong	US\$13,983	100%	100%	100%	100%	100%	Investment holding
Six Stars Consultants Limited ("Six Stars")	Hong Kong 24 January 2008	Hong Kong	HK\$10,000	60%	–	–	–	–	Provision of consulting and marketing agency services for English courses

Name of subsidiary	Place and date of incorporation/ establishment	Place of operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group				At the date of report	Principal activities
				2008	30 June 2009	2010	31 December 2010		
Sky Link Management Limited ("Sky Link")	Hong Kong 21 October 2009	Hong Kong	HK\$100	-	-	100%	100%	100%	Investment holding
Wise Action Limited ("Wise Action")	Hong Kong 21 June 2000	Hong Kong	HK\$10,000	100%	100%	100%	100%	100%	Provision of printing services for group entities
京力北雅(北京)教育諮詢有限公司 ² ("Jingli Beiya")	People's Republic of China ("PRC") 21 September 2009	PRC	RMB1,000,000	-	-	100%	100%	100%	Provision of educational consultant and management services
廣州天力教育諮詢有限公司 ² ("Guangzhou Tianli")	PRC 27 April 2010	PRC	RMB1,000,000	-	-	-	100% (Note g)	100%	Provision of educational consultant and management services

- 1 Sino Network is directly held by the Company. All other subsidiaries are indirectly held by the Company.
- 2 These companies were established in the PRC in the form of wholly foreign-owned enterprise. The financial year end date of these companies is 31 December.
- 3 The financial year end date of this company is 31 August.

Notes:

- (a) During the two years ended 30 June 2009, Express Education was engaged in the provision of tuition services and administrative services. Express Education became inactive during the year ended 30 June 2010 after its operations were all transferred to Modern Education HK.
- (b) The Group acquired additional interests of 10% in Modern (China) at a consideration of HK\$1,000 from an independent third party on 11 December 2008. On 19 June 2009, in order to simplify the structure of the Group, the Group transferred its entire interests of 100% in Modern (China) at a consideration of HK\$10,000 to Ms. Yiu Wai Yee, Catherine ("Ms. Yiu"), a non-controlling shareholder and director of Sino Network.
- (c) Sino Network transferred its entire interests of 100% in Strategic Fortune at a consideration of US\$1 to Mr. Ng Kam Lun, Eric ("Mr. Ng Kam Lun"), a controlling shareholder and director of Sino Network, on 1 June 2009 due to business decision.
- (d) The Group acquired additional interests of 20% in Six Stars at a consideration of HK\$2,000 from independent third parties on 19 September 2008. In order to simplify the structure of the Group, the Group transferred its 80% interest in Six Stars at a consideration of HK\$8,000 to Ms. Yiu on 20 October 2008.
- (e) On 31 December 2010, Sino Network acquired 60% equity interest in Able Investment, an investment holding company which holds 100% equity interest in Bachelor Education, from Six Stars at a consideration of HK\$8,000,000 subject to a contingent consideration arrangement (see Note 30 to the Financial Information). Six Stars, a company wholly owned by Ms. Yiu, acquired 60% equity interest in Able Investment together with Bachelor Education from independent third parties on 8 October 2010.
- (f) On 2 July 2010, Sino Network acquired the entire share capital of Modern English at a consideration of HK\$1 from an independent third party.

- (g) On 27 April 2010, the Group established Guangzhou Tianli. On 23 August 2010, the Group contributed RMB1,000,000 as its registered capital.

No audited financial statements have been prepared for the Company since its date of incorporation as there is no statutory requirements.

We have acted as auditor of Express Education, Intelligent Education, Modern Education HK and Wise Action for the three years ended 30 June 2010. We have also acted as the auditor of Modern Beiya and Sky Link for the period from 4 December 2008 (date of incorporation) to 30 June 2010 and the period from 21 October 2009 (date of incorporation) to 30 June 2010, respectively. The audited financial statements of these companies are prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The statutory audited financial statements of the following subsidiaries for the period from their date of incorporation/establishment to 31 December 2010 were audited by the following certified public accountants registered in Hong Kong and the PRC as appropriate.

Name of subsidiary	Financial period	Auditor
Amber Well	Period from 20 October 2009 (date of incorporation) to 30 June 2010 ¹	V A Hui & Co Limited
Jingli Beiya	Period from 21 September 2009 (date of establishment) to 31 December 2009 and for the year ended 31 December 2010 ²	北京誠和信會計師事務所
Guangzhou Tianli	Period from 27 April 2010 (date of establishment) to 31 December 2010 ²	廣州市大同會計師事務所有限公司

1 Statutory financial statements prepared in accordance with HKFRSs.

2 Statutory financial statements prepared in accordance with relevant accounting principles and regulations in the PRC.

No audited financial statements have been prepared for Modern (China) and Six Stars as they have not reached their first financial year end in accordance with the relevant rules and regulations in Hong Kong since their incorporation dates and up to the dates they ceased to be subsidiaries of the Group. No audited financial statements have been prepared for Modern English and Bachelor Education because they have not reached their financial year end after they were acquired by the Group.

No audited financial statements have been prepared for the subsidiaries (other than Express Education) which were incorporated in the BVI as they were incorporated in the jurisdiction where there is no statutory audit requirement.

For the purpose of this report, the directors of Sino Network have prepared the consolidated financial statements of Sino Network and its subsidiaries for the Relevant Periods in accordance with HKFRSs issued by the HKICPA (the “Underlying Financial Statements”). We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the Underlying Financial Statements for the Relevant Periods in accordance with the Auditing Guideline 3.340 “Prospectuses and the reporting accountant” as recommended by the HKICPA.

The Financial Information for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 1 to the Financial Information. No adjustments are considered necessary to adjust the Underlying Financial Statements in the preparation of this report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of Sino Network who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 1 to the Financial Information, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 30 June 2008, 30 June 2009, 30 June 2010 and 31 December 2010 and of the combined profits and cash flows of the Group for the Relevant Periods.

The comparative combined statements of comprehensive income, cash flows and changes in equity of the Group for the six months ended 31 December 2009 together with the notes thereon have been extracted from the Group’s unaudited combined financial information for the same period (the “31 December 2009 Financial Information”) which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the 31 December 2009 Financial Information in accordance with the Hong Kong Standard of Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the HKICPA. Our review of the 31 December 2009 Financial Information consisted of making enquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 31 December 2009 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 31 December 2009 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

A. FINANCIAL INFORMATION

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 30 June			Six months ended 31 December	
		2008 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000 (unaudited)	2010 HK\$'000
Revenue	7	309,386	360,416	353,213	178,299	123,721
Other income and expenses	8	1,111	1,672	79	563	3,023
Staff costs	10	(44,284)	(49,544)	(58,361)	(27,979)	(25,680)
Tutor contractor fee	10	(120,118)	(137,266)	(122,225)	(62,013)	(36,966)
Operating lease payments	10	(30,658)	(36,936)	(51,270)	(25,038)	(23,763)
Marketing expenses		(15,170)	(17,266)	(20,597)	(16,328)	(11,198)
Printing costs		(607)	(558)	(583)	(331)	(166)
Depreciation		(5,306)	(7,166)	(9,443)	(4,448)	(4,776)
Other operating expenses	10	(28,645)	(38,463)	(42,054)	(19,037)	(16,379)
Finance costs	9	(372)	(253)	(224)	(123)	(101)
Profit before taxation	10	65,337	74,636	48,535	23,565	7,715
Taxation	12	(10,795)	(12,327)	(8,477)	(4,015)	(1,346)
Profit for the year/period		54,542	62,309	40,058	19,550	6,369
Other comprehensive income						
Exchange differences arising on translation of PRC operation		–	–	12	–	79
Total comprehensive income for the year/period		<u>54,542</u>	<u>62,309</u>	<u>40,070</u>	<u>19,550</u>	<u>6,448</u>
Profit for the year/period attributable to:						
Owners of the Company		49,982	57,725	40,076	19,683	6,369
Non-controlling interests		4,560	4,584	(18)	(133)	–
		<u>54,542</u>	<u>62,309</u>	<u>40,058</u>	<u>19,550</u>	<u>6,369</u>
Total comprehensive income (expense) attributable to:						
Owners of the Company		49,982	57,725	40,088	19,683	6,448
Non-controlling interests		4,560	4,584	(18)	(133)	–
		<u>54,542</u>	<u>62,309</u>	<u>40,070</u>	<u>19,550</u>	<u>6,448</u>
Earnings per share – basic (HK\$)	14	<u>0.20</u>	<u>0.23</u>	<u>0.15</u>	<u>0.08</u>	<u>0.02</u>

COMBINED STATEMENTS OF FINANCIAL POSITION

		As at 30 June			As at
	Notes	2008	2009	2010	31 December
		HK\$'000	HK\$'000	HK\$'000	2010
					HK\$'000
Non-current assets					
Property, plant and equipment	15	27,465	23,541	29,503	26,862
Intangible assets	16	–	–	–	4,936
Amount due from a related party	18	–	16,874	16,874	16,874
Deferred tax assets	25	200	88	102	581
		<u>27,665</u>	<u>40,503</u>	<u>46,479</u>	<u>49,253</u>
Current assets					
Trade and other receivables	17	23,005	23,909	23,925	29,143
Amounts due from related parties	18	35,006	13,057	3,458	2,085
Held-for-trading investments	19	77	–	–	–
Derivative financial instruments	26	–	–	–	3,308
Tax recoverable		52	–	–	–
Pledged bank deposits	20	–	1,037	1,037	1,037
Bank balances and cash	20	19,751	10,787	21,922	20,082
		<u>77,891</u>	<u>48,790</u>	<u>50,342</u>	<u>55,655</u>
Current liabilities					
Other payables	21	13,362	14,172	13,438	16,843
Deferred income	21	8,108	10,134	5,404	13,101
Tax payable		13,799	16,699	10,457	3,095
Amounts due to related parties	22	3,176	1,351	5,024	18,983
Obligations under finance leases	23	1,262	705	1,000	583
Bank overdrafts	20	–	411	–	–
Bank borrowing	24	–	–	–	210
		<u>39,707</u>	<u>43,472</u>	<u>35,323</u>	<u>52,815</u>
Net current assets		<u>38,184</u>	<u>5,318</u>	<u>15,019</u>	<u>2,840</u>
Total assets less current liabilities		<u>65,849</u>	<u>45,821</u>	<u>61,498</u>	<u>52,093</u>
Non-current liabilities					
Obligations under finance leases	23	1,836	1,005	1,114	621
Deferred tax liabilities	25	378	397	258	1,021
Provision for long service payments	27	684	1,066	1,703	1,685
		<u>2,898</u>	<u>2,468</u>	<u>3,075</u>	<u>3,327</u>
Net assets		<u>62,951</u>	<u>43,353</u>	<u>58,423</u>	<u>48,766</u>
Capital and reserves					
Paid-in capital	28	79	79	109	109
Reserves		59,044	41,459	58,314	46,862
Equity attributable to owners of the Company		59,123	41,538	58,423	46,971
Non-controlling interests		3,828	1,815	–	1,795
Total equity		<u>62,951</u>	<u>43,353</u>	<u>58,423</u>	<u>48,766</u>

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company					Total	Non-controlling interests	Total
	Paid-in capital	Merger reserve	Capital reserve	Translation reserve	Accumulated profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
		(Note i)	(Note ii)			HK\$'000	HK\$'000	HK\$'000
At 1 July 2007	79	-	-	-	37,237	37,316	2,588	39,904
Profit and total comprehensive income for the year	-	-	-	-	49,982	49,982	4,560	54,542
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	5	5
Dividends paid	-	-	-	-	(28,175)	(28,175)	(3,325)	(31,500)
At 30 June 2008 and 1 July 2008	79	-	-	-	59,044	59,123	3,828	62,951
Profit and total comprehensive income for the year	-	-	-	-	57,725	57,725	4,584	62,309
Acquisition of additional interests in subsidiaries	-	-	-	-	(3)	(3)	-	(3)
Disposal of subsidiaries (Note 29)	-	-	262	-	-	262	-	262
Waiver of amount due to a shareholder	-	-	184	-	-	184	-	184
Dividends paid	-	-	-	-	(75,753)	(75,753)	(6,597)	(82,350)
At 30 June 2009 and 1 July 2009	79	-	446	-	41,013	41,538	1,815	43,353
Profit (loss) for the year	-	-	-	-	40,076	40,076	(18)	40,058
Exchange differences arising on translation of PRC operation	-	-	-	12	-	12	-	12
Total comprehensive income for the year	-	-	-	12	40,076	40,088	(18)	40,070
Effect of acquisition of a subsidiary under common control (Note 1(a))	30	(30)	-	-	1,797	1,797	(1,797)	-
Dividends paid/declared	-	-	-	-	(25,000)	(25,000)	-	(25,000)
At 30 June 2010 and 1 July 2010	109	(30)	446	12	57,886	58,423	-	58,423

	Attributable to owners of the Company					Total	Non-controlling interests	Total
	Paid-in capital	Merger reserve	Capital reserve	Translation reserve	Accumulated profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Note i)	(Note ii)					
At 1 July 2010	109	(30)	446	12	57,886	58,423	-	58,423
Profit for the period	-	-	-	-	6,369	6,369	-	6,369
Exchange differences arising on translation of PRC operation	-	-	-	79	-	79	-	79
Total comprehensive income for the period	-	-	-	79	6,369	6,448	-	6,448
Acquisition of subsidiaries (Note 30)	-	-	-	-	-	-	1,795	1,795
Dividends paid/declared	-	-	-	-	(17,900)	(17,900)	-	(17,900)
At 31 December 2010	109	(30)	446	91	46,355	46,971	1,795	48,766
At 1 July 2009	79	-	446	-	41,013	41,538	1,815	43,353
Profit and total comprehensive income for the period	-	-	-	-	19,683	19,683	(133)	19,550
At 31 December 2009 (unaudited)	79	-	446	-	60,696	61,221	1,682	62,903

Notes:

- (i) The merger reserve of the Group represented the difference between the nominal value of the shares of Sino Network issued in exchange for the entire share capital of Express Education pursuant to the Group Reorganisation.
- (ii) The capital reserve of the Group represented capital contribution arising from transfers of interest in subsidiaries to shareholders and waiver of amount due to a shareholder.

COMBINED STATEMENTS OF CASH FLOWS

	Notes	Year ended 30 June			Six months ended 31 December	
		2008 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000 (unaudited)	2010 HK\$'000
Operating activities						
Profit before taxation		65,337	74,636	48,535	23,565	7,715
Adjustments for:						
Interest income		(188)	(28)	(2)	(1)	(1)
Interest expense		372	253	224	123	101
(Gain) loss on disposal/written off of property, plant and equipment		(23)	671	895	(75)	(1,936)
Depreciation of property, plant and equipment		5,306	7,166	9,443	4,448	4,776
Change in fair value of financial assets at fair value through profit or loss		(17)	16	-	-	-
Allowance for doubtful debts (Write-back of provision for provision for long service payments)		-	1,053	159	-	-
		(54)	382	637	619	(18)
Operating cash flows before movements in working capital		70,733	84,149	59,891	28,679	10,637
Increase in trade and other receivables		(7,716)	(2,042)	(163)	(7,954)	(4,065)
Increase (decrease) in other payables		5,835	991	(734)	11,616	3,235
(Decrease) increase in held-for-trading investments		(60)	61	-	-	-
Increase (decrease) in deferred income		1,087	2,026	(4,730)	14,624	7,453
Cash from operations		69,879	85,185	54,264	46,965	17,260
Hong Kong Profits Tax paid		(2,328)	(9,244)	(14,872)	(14,872)	(9,329)
Net cash from operating activities		67,551	75,941	39,392	32,093	7,931
Investing activities						
Proceeds from disposal of property, plant and equipment		402	541	508	323	3,132
Interest received		188	28	2	1	1
Purchase of property, plant and equipment		(9,950)	(11,054)	(15,168)	(7,016)	(2,807)
(Advance to) repayment from related parties, net		(6,242)	21,920	9,599	2,995	1,451
Advance to a related party		-	(16,874)	-	-	-
Increase in pledged bank deposits		-	(1,037)	-	-	-
Disposal of subsidiaries	29	-	(344)	-	-	-
Acquisition of subsidiaries	30	-	-	-	-	63
Net cash (used in) from investing activities		(15,602)	(6,820)	(5,059)	(3,697)	1,840

	Year ended 30 June			Six months ended 31 December	
	2008 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000 (unaudited)	2010 HK\$'000
Financing activities					
Advance from (repayment to) related parties, net	177	5,498	(327)	(1,351)	(850)
Capital contribution from non-controlling shareholders	5	–	–	–	–
Dividends paid	(31,500)	(82,350)	(21,000)	–	(9,750)
Repayment of obligations under finance leases	(2,771)	(1,388)	(1,236)	(407)	(910)
Repayment of bank borrowings	(1,917)	–	–	–	–
Interest paid	(372)	(253)	(224)	(123)	(101)
Acquisition of additional interests in subsidiaries	–	(3)	–	–	–
Net cash used in financing activities	<u>(36,378)</u>	<u>(78,496)</u>	<u>(22,787)</u>	<u>(1,881)</u>	<u>(11,611)</u>
Increase (decrease) in cash and cash equivalents	15,571	(9,375)	11,546	26,515	(1,840)
Cash and cash equivalents at the beginning of the year/period	<u>4,180</u>	<u>19,751</u>	<u>10,376</u>	<u>10,376</u>	<u>21,922</u>
Cash and cash equivalents at the end of the year/period	<u>19,751</u>	<u>10,376</u>	<u>21,922</u>	<u>36,891</u>	<u>20,082</u>
Analysis of the balances of cash and cash equivalents					
Bank balances and cash	19,751	10,787	21,922	37,476	20,082
Bank overdrafts	–	(411)	–	(585)	–
	<u>19,751</u>	<u>10,376</u>	<u>21,922</u>	<u>36,891</u>	<u>20,082</u>

NOTES TO THE FINANCIAL INFORMATION

1. GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

In preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company underwent the Group Reorganisation which includes the following steps:

- (a) Sino Network is the holding company of the following wholly owned subsidiaries, including Amber Well, Business Idol, Beijing Strength, Intelligent Education, Modern Beiya, Modern Education HK, Sky Link, Wise Action and Jingli Beiya. Mr. Ng Kam Lun, Ms. Yiu, Mr. Ng Norman, Mr. Lee Wai Lok, Ignatious ("Mr. Lee"), Mr. Ng Kam Wing, Ms. Lau Yue Lam and Ms. Ng Choi Fong each owned 58.02%, 2.08%, 22.28%, 11.37%, 4.25%, 1.00% and 1.00% equity interest in Sino Network, respectively. On 7 May 2010, Sino Network acquired the 65% equity interest in Express Education from Mr. Ng Kam Lun and 35% equity interest in Express Education from Mr. Lee, a non-controlling shareholder and director of the Company, by issuing and allotting 2,588 shares of US\$1 each to Mr. Ng Kam Lun and 1,395 shares of US\$1 each to Mr. Lee, respectively ("Share Transfer"). Sino Network and Express Education are under the common control of Mr. Ng Kam Lun before and after the Share Transfer and that control is not transitory.
- (b) Pursuant to a share swap agreement dated 7 June 2011, the Company acquired the entire share capital of Sino Network by swapping 283,999,999 shares of HK\$0.1 each to the then existing shareholders of Sino Network. Thereafter, the Company became the holding company of the Group since 7 June 2011. The Company's immediate parent is Speedy Harvest Investments Limited ("Speedy Harvest") (incorporated in the BVI) and its ultimate controlling shareholder is Mr. Ng Kam Lun.

The Group resulting from the Group Reorganisation continued to be controlled by Mr. Ng Kam Lun is regarded as a continuing entity. Accordingly, the combined statements of comprehensive income, cash flows and changes in equity for the Relevant Periods have been prepared, as if the group structure upon the completion of the Group Reorganisation had been in existence throughout the Relevant Periods (other than the acquisition of Able Investment, Bachelor Education and Modern English), or since the respective dates of incorporation/establishment of the entities now comprising the Group where this is a shorter period. The combined statements of financial position as at 30 June 2008, 30 June 2009, 30 June 2010 and 31 December 2010 have been prepared to present the assets and liabilities of the entities now comprising the Group which were in existence as at those dates.

The Financial Information is presented in Hong Kong dollars ("HK\$"), which is the functional currency of the Company.

The activities of the Group are the provision of private tutoring and educational services.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The HKICPA issued a number of new and revised Hong Kong Accounting Standards ("HKASs") and HKFRSs, amendments and interpretations ("INTs") (hereinafter collectively referred to as the "new and revised HKFRSs") which are effective for the Group's accounting period beginning on 1 July 2010. For the purposes of preparing and presenting the Financial Information of the Relevant Periods, the Group has adopted all these new and revised HKFRSs consistently throughout the Relevant Periods.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 ¹
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying asset ²
HKAS 24 (Revised)	Related party disclosures ¹
HKFRS 7 (Amendments)	Disclosures – Transfer of financial assets ⁴
HKFRS 9	Financial instruments ³
HK(IFRIC) – INT 14 (Amendments)	Prepayments of a minimum funding requirement ¹

- ¹ Effective for annual periods beginning on or after 1 January 2011.
- ² Effective for annual periods beginning on or after 1 January 2012.
- ³ Effective for annual periods beginning on or after 1 February 2013.
- ⁴ Effective for annual periods beginning on or after 1 July 2011.

The management anticipates that the application of these new and revised HKFRSs will have no material impact on the Financial Information of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost basis, except for certain financial instruments that are measured at fair values, and in accordance with the following accounting policies which conform with HKFRSs. In addition, the Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of combination

The Financial Information incorporates the financial statements of the group entities controlled by the Company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired (other than business combination involving entities under common control) or disposed of during the Relevant Periods are included in the combined statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on combination.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary and does not retain any interest in that former subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and (ii) the carrying amount of the assets and liabilities of the subsidiary on disposal date.

Business combinations (other than business combinations involving entities under common control)

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation is initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another standard.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39 Financial Instruments: Recognition and measurement, or HKAS 37 Provisions, contingent liabilities and contingent assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Business combinations involving entities under common control

The Financial Information incorporates the financial statements items of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or as gain from bargain purchase, to the extent of the continuation of the controlling party's interest.

The combined statement of comprehensive income includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Intangible assets

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment loss. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes.

Income from tutoring and educational services is recognised when the tutoring and educational services are rendered.

Management fee income is recognised when the management services are rendered.

Consultancy fee income is recognised when the consultancy services are rendered.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Deferred income

Deferred income represents the tuition fee received in advance. Deferred income is recognised as revenue when the tuition services are rendered.

Property, plant and equipment

Property, plant and equipment held for supply of services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group.

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sales, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Impairment

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful life are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

Financial assets and financial liabilities are recognised on the statements of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are mainly classified into one of two categories, including loans and receivables and financial assets at fair value through profit or loss. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related parties, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and derivatives.

A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling in the near future.

Financial assets at fair value through profit or loss are measured at fair value, with changes in fair value arising from measurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occur after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of loans and receivables, such as trade receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a receivable could include the observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

In a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis for debt instruments.

Financial liabilities

Financial liabilities including other payables, amounts due to related parties, bank overdrafts and bank borrowing are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by a group entity are recorded at the proceeds received, net of direct issue cost.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to fair values at the end of each reporting period. The resulting gain or loss is recognised to profit or loss immediately.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit as reported in the combined statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes income and expense that are never taxable nor deductible. The Group's liability for current tax is calculated using the tax rate that has been enacted or substantially enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Financial Information, the assets and liabilities of the foreign operations are translated into the presentation currency of the Group (i.e. HK\$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year/period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as the lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Retirement benefit costs

Payments to retirement benefit plans and government-managed retirement benefit schemes are charged as expenses when employees have rendered service entitling them to the contributions.

Provision for long service payments

Provision for long service payments under the requirements of the Hong Kong Employment Ordinance is recognised when the employees have rendered services entitling them to the benefits. The amounts recognised are determined at the management's best estimate of the future cash outflow for settlement of the obligations and measured on a discounted basis, if the effect is material.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 3, the management has made judgements that have significant effect on the amounts recognised in the Financial Information. The key assumption concerning the future, and other key source of estimation uncertainty at the end of each reporting period, that has a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next twelve months, are discussed below.

Provision for long service payments

The provision for long service payments is based on the best estimate of the future payments required to settle the obligations under the Hong Kong Employment Ordinance in relation to the employees of the Group in Hong Kong.

In making this judgement, the Group mainly considers the number of current employees who have achieved the required number of years of service to the Group, at the end of the reporting period, who are eligible for long service payments under the Hong Kong Employment Ordinance, the employee turnover rate as well as salary growth. Any change in these estimations will affect the provision to be recognised.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The overall strategy remains unchanged during the Relevant Periods.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company, comprising paid-in capital and accumulated profits.

The management reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through arrangement of borrowings, payment of dividends and new shares issues.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 30 June			As at
	2008	2009	2010	31 December
	HK\$'000	HK\$'000	HK\$'000	2010
				HK\$'000
Financial assets				
Loan and receivables (including cash and cash equivalents)	57,243	42,485	45,412	43,279
Held-for-trading investments	77	–	–	–
Derivative financial instruments	–	–	–	3,308
Rental deposits	11,146	17,496	15,493	15,740
Financial liabilities				
Amortised cost	7,599	4,506	8,858	22,091
Obligations under finance leases	3,098	1,710	2,114	1,204

Financial risk management objectives and policies

The Group's major financial instruments include held-for-trading investments, derivative financial instruments, trade and other receivables, amounts due from related parties, pledged bank deposits, bank balances and cash, other payables, amounts due to related parties, bank overdrafts and bank borrowing. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets in the combined statements of financial position. Other than financial assets described as below, the management considers the credit risk on remaining financial assets are minimal.

The Group have significant amounts due from its related parties that are controlled by or under the joint control of the shareholders of Sino Network. The management considers the credit risk for amounts due from related parties is not significant because the shareholders of Sino Network are of sound financial position.

The credit risk on pledged bank deposits and bank balances is minimal as such amounts are placed with banks with good reputation.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

Interest rate risk

The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly interest bearing pledged bank deposits, bank balances, bank overdrafts and bank borrowing at the prevailing market interest rates. The Group currently does not have an interest rate hedging policy. However, the management will consider hedging significant interest rate risk should the need arise. The management considered the Group's exposure to cash flow interest rate risk is not material. Hence, no sensitively analysis is presented. The Group does not have significant exposure to fair value interest rate risk.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents which is deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay and includes both interest and principal cash flows for non-derivative financial liabilities.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted gross cash outflows on derivative financial instruments that require gross settlement. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	Weighted average interest rate	Within 1 year HK\$'000	More than 1 year but not more than 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
As at 30 June 2008					
<i>Non-derivative financial liabilities</i>					
Other payables	N/A	4,423	–	4,423	4,423
Amounts due to related parties	N/A	3,176	–	3,176	3,176
Obligations under finance leases	9.1%	1,508	2,095	3,603	3,098
		<u>9,107</u>	<u>2,095</u>	<u>11,202</u>	<u>10,697</u>
As at 30 June 2009					
<i>Non-derivative financial liabilities</i>					
Other payables	N/A	2,744	–	2,744	2,744
Amounts due to related parties	N/A	1,351	–	1,351	1,351
Obligations under finance leases	10.2%	856	1,106	1,962	1,710
Bank overdrafts	13.0%	411	–	411	411
		<u>5,362</u>	<u>1,106</u>	<u>6,468</u>	<u>6,216</u>

	Weighted average interest rate	Within 1 year <i>HK\$'000</i>	More than 1 year but not more than 5 years <i>HK\$'000</i>	Total undiscounted cash flows <i>HK\$'000</i>	Carrying amount <i>HK\$'000</i>
As at 30 June 2010					
<i>Non-derivative financial liabilities</i>					
Other payables	N/A	3,834	–	3,834	3,834
Amounts due to related parties	N/A	5,024	–	5,024	5,024
Obligations under finance leases	7.6%	1,132	1,177	2,309	2,114
		<u>9,990</u>	<u>1,177</u>	<u>11,167</u>	<u>10,972</u>
As at 31 December 2010					
<i>Non-derivative financial liabilities</i>					
Other payables	N/A	2,898	–	2,898	2,898
Amounts due to related parties	N/A	15,983	3,000	18,983	18,983
Bank borrowing	7.3%	210	–	210	210
Obligations under finance leases	4.7%	639	652	1,291	1,204
		<u>19,730</u>	<u>3,652</u>	<u>23,382</u>	<u>23,295</u>
<i>Derivative – gross settlement</i>					
Contingent consideration arising from business combination (<i>Note i</i>)	N/A	–	2,000	2,000	–
Vendor Put Option (as defined in Note 30) (<i>Note ii</i>)	N/A	–	17,160	17,160	–
		<u>–</u>	<u>19,160</u>	<u>19,160</u>	<u>–</u>

Notes:

- (i) The amount included above for contingent consideration arising from business combination is the maximum amount the Group could be required to pay under the Acquisition Agreement (as defined in Note 30), if the conditions set out in the agreement have been fulfilled (see Note 30). Based on expectations at the end of the reporting period, the management considers that it is unlikely that any amount will be payable as contingent consideration.
- (ii) The Vendor Put Option refers to a put option held by the non-controlling shareholders of Able Investment arising from business combination and the amount disclosed above is the maximum amount the Group could be required to pay under the Acquisition Agreement, if the conditions specified in the agreement have been fulfilled (see Note 30). Based on expectations at the end of the reporting period, the management considers that it is unlikely that any amount will be payable under the Vendor Put Option.

Fair value

The fair value of financial assets (excluding held-for-trading investments and derivative financial instruments) and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The fair value of held-for-trading investments is determined with reference to quoted prices in active market.

The fair value of derivative financial instruments is calculated using the Binomial option pricing model.

The management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate to their fair values at the end of each of reporting period.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets at fair value through profit or loss are measured subsequent to initial recognition at fair value and grouped into Level 1.

Derivative financial instruments are measured subsequent to initial recognition at fair value and grouped into Level 3.

No reconciliation of Level 3 fair value measurements of derivative financial instruments is presented, because no gain or loss is recognised during the six months ended 31 December 2010.

There were no transfers between Level 1 and 2 during the Relevant Periods.

7. REVENUE AND SEGMENT INFORMATION

HKFRS 8 Operating segments requires operating segments to be identified on the basis of internal reports about the Group's business units that are regularly reviewed by the chief operating decision maker, Mr. Ng Kam Lun, the controlling shareholder of Sino Network and Express Education, in order to allocate resources and to assess performance. Before the Share Transfer, the chief operating decision maker regularly reviews financial statements of entities under his control. After the Share Transfer, the chief operating decision maker regularly reviews revenue analysis by services provided, including secondary tutoring services, secondary day school education, English language training and test preparation courses and technical consultation, management and software licencing services. Other than the revenue analysis, no operating results and other discrete financial information is provided to the chief operating decision maker for the assessment of performance of the respective services provided. Hence, the Group's operation is regarded as a single operating segment.

An analysis of the Group's revenue by services is as follows:

	Year ended 30 June			Six months ended 31 December	
	2008 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000 (unaudited)	2010 HK\$'000
Secondary tutoring services	288,904	324,651	308,492	157,407	99,538
Secondary day school education	19,455	26,350	33,130	15,146	15,082
English language training and test preparation courses	1,027	9,415	10,712	5,746	7,898
Technical consultation, management and software licencing services	—	—	879	—	1,203
	<u>309,386</u>	<u>360,416</u>	<u>353,213</u>	<u>178,299</u>	<u>123,721</u>

The Group's assets and revenue derived from activities located outside Hong Kong are less than 1% of the Group's assets and revenue, respectively.

No individual customer accounted for over 10% of the Group's total revenue during the Relevant Periods.

8. OTHER INCOME AND EXPENSES

	Year ended 30 June			Six months ended 31 December	
	2008 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000 (unaudited)	2010 HK\$'000
Interest income	188	28	2	1	1
Gain (loss) on disposal/written off of property, plant and equipment	23	(671)	(895)	75	1,936
Change in fair value of held-for- trading investments	17	(16)	—	—	—
Management fee income	46	1,415	—	—	180
Others	837	916	972	487	906
	<u>1,111</u>	<u>1,672</u>	<u>79</u>	<u>563</u>	<u>3,023</u>

9. FINANCE COSTS

	Year ended 30 June			Six months ended 31 December	
	2008 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000 (unaudited)	2010 HK\$'000
Interests on bank borrowings and bank overdrafts wholly repayable within five years	119	2	3	1	1
Interest on finance leases	253	251	221	122	100
	<u>372</u>	<u>253</u>	<u>224</u>	<u>123</u>	<u>101</u>

10. PROFIT BEFORE TAXATION

	Year ended 30 June			Six months ended 31 December	
	2008 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000 (unaudited)	2010 HK\$'000
Profit before taxation has been arrived at after charging:					
Directors' remuneration (<i>Note 11</i>)	7,609	8,977	8,223	3,007	2,380
Other staff costs	38,167	43,269	51,058	25,113	23,222
Other staff's retirement benefit scheme contributions	1,332	1,699	1,954	1,010	880
	<u>47,108</u>	<u>53,945</u>	<u>61,235</u>	<u>29,130</u>	<u>26,482</u>
Tutor contractor fee to directors and a related company wholly owned by a director (<i>Note 11</i>)	(2,824)	(4,401)	(2,874)	(1,151)	(802)
	<u>44,284</u>	<u>49,544</u>	<u>58,361</u>	<u>27,979</u>	<u>25,680</u>
Auditor's remuneration	960	480	642	303	300
	<u>960</u>	<u>480</u>	<u>642</u>	<u>303</u>	<u>300</u>

Tutor contractor fee was calculated based on certain percentage of the secondary tutoring services and English language training and test preparation courses.

Operating lease payments represented the minimum lease payments under operating leases paid or payable to lessors which are independent third parties.

Other operating expenses mainly consist of building management fee, stationery and other business related expenses.

11. DIRECTORS' EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS

	Year ended 30 June			Six months ended 31 December	
	2008 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000 (unaudited)	2010 HK\$'000
Directors' fees	-	-	-	-	-
Other emoluments to directors					
– basic salaries, bonus and allowances	4,737	4,528	5,301	1,832	1,554
– retirement benefit scheme contributions	48	48	48	24	24
	<u>4,785</u>	<u>4,576</u>	<u>5,349</u>	<u>1,856</u>	<u>1,578</u>
Tutor contractor fee to directors and a related company wholly owned by a director	2,824	4,401	2,874	1,151	802
	<u>7,609</u>	<u>8,977</u>	<u>8,223</u>	<u>3,007</u>	<u>2,380</u>

Details of emoluments paid by the Group to the directors of the Company are as follows:

	Year ended 30 June			Six months ended 31 December	
	2008 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000 (unaudited)	2010 HK\$'000
Mr. Ng Kam Lun					
– basic salaries, bonus and allowances	912	847	1,242	330	330
– tutor contractor fee	650	911	–	–	–
– retirement benefit scheme contributions	12	12	12	6	6
	<u>1,574</u>	<u>1,770</u>	<u>1,254</u>	<u>336</u>	<u>336</u>
Ms. Yiu					
– basic salaries, bonus and allowances	1,101	1,194	1,371	480	480
– retirement benefit scheme contributions	12	12	12	6	6
	<u>1,113</u>	<u>1,206</u>	<u>1,383</u>	<u>486</u>	<u>486</u>
Mr. Ng Norman					
– basic salaries, bonus and allowances	1,284	1,312	1,092	407	414
– tutor contractor fee	454	981	976	532	216
– retirement benefit scheme contributions	12	12	12	6	6
	<u>1,750</u>	<u>2,305</u>	<u>2,080</u>	<u>945</u>	<u>636</u>
Mr. Lee					
– basic salaries, bonus and allowances	1,440	1,175	1,596	615	330
– tutor contractor fee	1,720	2,509	1,898	619	586
– retirement benefit scheme contributions	12	12	12	6	6
	<u>3,172</u>	<u>3,696</u>	<u>3,506</u>	<u>1,240</u>	<u>922</u>
Total	<u>7,609</u>	<u>8,977</u>	<u>8,223</u>	<u>3,007</u>	<u>2,380</u>

The bonus is determined with reference to the operating results, individual performance and comparable market statistics during the Relevant Periods.

No emolument was paid or payable to the remaining directors of the Company, Ms. Chan Mei Bo, Mabel, Mr. Yu Cheeric James (alias Yu Cheeric) and Mr. Choi Kin Cheong, during the Relevant Periods.

The tutor contractor fee of the five highest paid individuals (excluding directors of the Company) during the Relevant Periods were as follows:

	Year ended 30 June			Six months ended 31 December	
	2008	2009	2010	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Tutor contractor fee	<u>72,146</u>	<u>73,960</u>	<u>62,888</u>	<u>34,287</u>	<u>22,739</u>

Tutor contractor fee was collected by individuals through their service companies during the Relevant Periods. Their tutor contractor fees were within the following bands:

	Number of individuals				
	Year ended 30 June			Six months ended 31 December	
	2008	2009	2010	2009	2010
				(unaudited)	
HK\$2,500,001 to HK\$3,000,000	–	–	–	–	1
HK\$4,000,001 to HK\$4,500,000	–	–	–	–	2
HK\$4,500,001 to HK\$5,000,000	–	–	–	1	–
HK\$5,000,001 to HK\$5,500,000	–	–	–	–	1
HK\$5,500,001 to HK\$6,500,000	–	–	–	1	–
HK\$6,500,001 to HK\$7,000,000	–	–	–	1	1
HK\$7,000,001 to HK\$7,500,000	–	–	1	1	–
HK\$9,000,001 to HK\$9,500,000	–	–	–	1	–
HK\$10,500,001 to HK\$11,000,000	1	–	1	–	–
HK\$11,000,001 to HK\$11,500,000	1	–	–	–	–
HK\$11,500,001 to HK\$12,000,000	–	2	–	–	–
HK\$12,000,001 to HK\$12,500,000	–	–	1	–	–
HK\$14,000,001 to HK\$14,500,000	–	1	1	–	–
HK\$15,000,001 to HK\$15,500,000	1	–	–	–	–
HK\$15,500,001 to HK\$16,000,000	1	–	–	–	–
HK\$16,000,001 to HK\$16,500,000	–	1	–	–	–
HK\$18,000,001 to HK\$18,500,000	–	–	1	–	–
HK\$19,000,001 to HK\$19,500,000	1	–	–	–	–
HK\$20,000,001 to HK\$20,500,000	–	1	–	–	–
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

During the Relevant Periods, no emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. No directors waived any emoluments during the Relevant Periods.

12. TAXATION

	Year ended 30 June			Six months ended 31 December	
	2008 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000
(unaudited)					
The taxation comprises:					
Hong Kong Profits Tax:					
Current tax calculated at 16.5% on the estimated assessable profit for the year/period	10,457	12,292	8,672	4,286	1,719
Overprovision in prior years	–	(96)	(42)	–	–
	<u>10,457</u>	<u>12,196</u>	<u>8,630</u>	<u>4,286</u>	<u>1,719</u>
PRC Enterprise Income Tax:					
Current year/period at 25%	–	–	–	–	157
Deferred tax (Note 25):					
Current year/period	329	131	(153)	(271)	(530)
Attributable to a change in tax rate	9	–	–	–	–
	<u>338</u>	<u>131</u>	<u>(153)</u>	<u>(271)</u>	<u>(530)</u>
Taxation for the year/period	<u>10,795</u>	<u>12,327</u>	<u>8,477</u>	<u>4,015</u>	<u>1,346</u>

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced Hong Kong Profits Tax rate by 1% to 16.5% effective from the year of assessment 2008/2009. The effect of such decrease has been reflected in measuring the deferred taxation for the year ended 30 June 2008.

The provision for PRC Enterprise Income Tax is based on the estimated taxable income for PRC taxation purposes at the rate of taxation applicable to each year/period. During the year ended 30 June 2010 and the six months ended 31 December 2009 and 2010, subsidiaries established in the PRC were subject to Enterprise Income Tax at 25%.

Taxation charge for the Relevant Periods is reconciled to profit before taxation as follows:

	Year ended 30 June			Six months ended 31 December	
	2008 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000 (unaudited)	2010 HK\$'000
Profit before taxation	<u>65,337</u>	<u>74,636</u>	<u>48,535</u>	<u>23,565</u>	<u>7,715</u>
Tax at Hong Kong Profits Tax rate of 16.5%	10,781	12,315	8,008	3,888	1,273
Tax effect of income not taxable for tax purposes	(31)	(4)	–	–	–
Tax effect of expenses not deductible for tax purposes	28	33	555	80	13
Overprovision in prior years	–	(96)	(42)	–	–
Change in tax rate	9	–	–	–	–
Effect of different tax rate of subsidiaries operating in the PRC	–	–	21	(19)	22
Utilisation of tax losses previously not recognised	(30)	–	–	–	–
Others	<u>38</u>	<u>79</u>	<u>(65)</u>	<u>66</u>	<u>38</u>
Taxation for the year/period	<u>10,795</u>	<u>12,327</u>	<u>8,477</u>	<u>4,015</u>	<u>1,346</u>

13. DIVIDENDS

No dividend has been declared or paid by the Company since its date of incorporation. However, during the Relevant Periods, Sino Network and Express Education made the following distributions to their shareholders.

	Year ended 30 June			Six months ended 31 December	
	2008 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000 (unaudited)	2010 HK\$'000
Dividends declared and paid/payable to shareholders during the Relevant Periods by:					
– Sino Network	22,000	63,500	25,000	–	17,900
– Express Education	<u>9,500</u>	<u>18,850</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>31,500</u>	<u>82,350</u>	<u>25,000</u>	<u>–</u>	<u>17,900</u>
Dividends attributable to:					
– Owners of the Company	28,175	75,753	25,000	–	17,900
– Non-controlling interests	<u>3,325</u>	<u>6,597</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>31,500</u>	<u>82,350</u>	<u>25,000</u>	<u>–</u>	<u>17,900</u>

The rate of dividends and the number of shares ranking for the above dividends are not presented as such information is not meaningful having regard to the purpose of this report.

14. EARNINGS PER SHARE

The calculation of the basic earnings per share for the Relevant Periods is based on the combined profit attributable to owners of the Company during the Relevant Periods and assuming 255,667,024 shares, 255,667,024 shares, 259,858,752 shares, 255,667,024 shares and 284,000,000 shares of the Company were in issue during the year ended 30 June 2008, 30 June 2009, 30 June 2010 and the six months ended 31 December 2009 and 31 December 2010 respectively after taking into account the Share Transfer and share swap pursuant to the Group Reorganisation as stated in Note 1.

No diluted earnings per share is presented as there were no potential ordinary shares outstanding during the Relevant Periods.

15. PROPERTY, PLANT AND EQUIPMENT

	Land and building HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Computer equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST							
At 1 July 2007	6,800	10,584	3,382	8,158	683	7,448	37,055
Additions	–	5,919	1,112	1,813	866	2,988	12,698
Disposals	–	–	–	(247)	–	(511)	(758)
At 30 June 2008 and 1 July 2008	6,800	16,503	4,494	9,724	1,549	9,925	48,995
Additions	–	6,320	1,146	2,510	1,078	–	11,054
Disposals/written off	–	(1,074)	(99)	(478)	(12)	(949)	(2,612)
Disposal of subsidiaries (see Note 29)	(6,800)	(20)	(30)	(6)	(58)	–	(6,914)
At 30 June 2009 and 1 July 2009	–	21,729	5,511	11,750	2,557	8,976	50,523
Additions	–	11,087	1,763	1,743	475	1,740	16,808
Disposals/written off	–	(3,155)	(334)	(903)	–	(2,887)	(7,279)
At 30 June 2010 and 1 July 2010	–	29,661	6,940	12,590	3,032	7,829	60,052
Additions	–	1,046	810	798	153	–	2,807
Acquisition of subsidiaries (see Note 30)	–	341	129	54	–	–	524
Disposals	–	–	–	(226)	–	(5,021)	(5,247)
At 31 December 2010	–	31,048	7,879	13,216	3,185	2,808	58,136
DEPRECIATION							
At 1 July 2007	34	6,198	2,010	4,493	335	3,533	16,603
Provided for the year	136	1,936	512	1,143	227	1,352	5,306
Eliminated on disposals	–	–	–	(119)	–	(260)	(379)
At 30 June 2008 and 1 July 2008	170	8,134	2,522	5,517	562	4,625	21,530
Provided for the year	136	2,910	701	1,522	387	1,510	7,166
Eliminated on disposals/written off	–	(261)	(25)	(284)	(3)	(827)	(1,400)
Eliminated on disposal of subsidiaries (see Note 29)	(306)	(2)	(2)	(1)	(3)	–	(314)
At 30 June 2009 and 1 July 2009	–	10,781	3,196	6,754	943	5,308	26,982
Provided for the year	–	4,458	922	1,857	523	1,683	9,443
Eliminated on disposals/written off	–	(2,492)	(234)	(647)	–	(2,503)	(5,876)

	Land and building <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 30 June 2010 and 1 July 2010	–	12,747	3,884	7,964	1,466	4,488	30,549
Provided for the period	–	2,535	564	906	275	496	4,776
Eliminated on disposals	–	–	–	(196)	–	(3,855)	(4,051)
At 31 December 2010	–	15,282	4,448	8,674	1,741	1,129	31,274
CARRYING VALUES							
At 30 June 2008	6,630	8,369	1,972	4,207	987	5,300	27,465
At 30 June 2009	–	10,948	2,315	4,996	1,614	3,668	23,541
At 30 June 2010	–	16,914	3,056	4,626	1,566	3,341	29,503
At 31 December 2010	–	15,766	3,431	4,542	1,444	1,679	26,862

At 30 June 2008, the Group's land and building were held under medium-term leases and were situated in Hong Kong. The land and building were pledged to a bank as security for banking facilities granted to the Group.

The carrying value of motor vehicles includes an amount of HK\$5,065,000, HK\$2,251,000, HK\$2,684,000 and HK\$1,563,000 in respect of assets under finance leases at 30 June 2008, 30 June 2009 and 30 June 2010 and 31 December 2010, respectively.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

Land and building	2%
Leasehold improvements	20%
Furniture and fixtures	20%
Office equipment	20%
Computer equipment	20%
Motor vehicles	20%

16. INTANGIBLE ASSETS

	Trademark <i>HK\$'000</i>	Franchise rights <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST			
At 1 July 2007, 30 June 2008, 1 July 2008, 30 June 2009, 1 July 2009, 30 June 2010 and 1 July 2010	–	–	–
Acquisition of subsidiaries (see Note 30)	2,957	1,979	4,936
At 31 December 2010	2,957	1,979	4,936

All the intangible assets above have been acquired by the Group through acquisition of subsidiaries occurred during the six months ended 31 December 2010.

The Group's trademark protects the design and specification of "BACHELOR EDUCATION CENTER LIMITED" logo, and were assessed to have an indefinite useful life. On the date of acquisition (i.e. 31 December 2010), the fair value of this trademark is assessed using an income approach under the relief from royalty method by a firm of professional valuers, Vigers Appraisal & Consulting Limited ("Vigers"). The address of Vigers is 10th Floor, The Grande Building, 398 Kwun Tong Road, Kowloon, Hong Kong.

Franchise rights represent the right to use the name "BACHELOR EDUCATION CENTER LIMITED" under contractual franchise agreements in the business of primary homework tutoring services. The amortisation period of franchise rights is 10 years.

17. TRADE AND OTHER RECEIVABLES

	As at 30 June			As at
	2008	2009	2010	31 December
	HK\$'000	HK\$'000	HK\$'000	2010
				HK\$'000
Trade receivable	–	–	879	612
Rental deposits	11,146	17,496	15,493	15,740
Other deposits	3,949	1,715	1,820	1,122
Prepayments	5,424	3,968	4,491	9,080
Other receivables	2,486	1,783	2,454	3,801
Less: Allowance for doubtful debts	–	(1,053)	(1,212)	(1,212)
	<u>23,005</u>	<u>23,909</u>	<u>23,925</u>	<u>29,143</u>

The trade receivable arose from the provision of technical consultation, management and software licencing services to a related company in which Ms. Huang Hui, the spouse of Mr. Ng Kam Wing and the sister in law of Mr. Ng Kam Lun, control and the credit period is 3 months. The balance is not yet due as it is billed semi-annually in arrears. There is no credit period granted for tuition fee as they are normally received in advance.

Movement in the allowance for doubtful debts:

	As at 30 June			As at
	2008	2009	2010	31 December
	HK\$'000	HK\$'000	HK\$'000	2010
				HK\$'000
At beginning of the year/period	–	–	1,053	1,212
Allowance for doubtful debts	–	1,053	159	–
	<u>–</u>	<u>1,053</u>	<u>1,212</u>	<u>1,212</u>
At end of the year/period	–	1,053	1,212	1,212

At 30 June 2009, 30 June 2010 and 31 December 2010, the allowance for doubtful debts represented individually impaired other receivables which have been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over those balances.

18. AMOUNTS DUE FROM RELATED PARTIES

Particulars of the amounts due from related parties are disclosed as follows:

	Note	As at 30 June			As at
		2008 HK\$'000	2009 HK\$'000	2010 HK\$'000	31 December 2010 HK\$'000
A168 Limited		1,744	–	–	–
Modern Education and Technology Limited		15	628	–	–
Modern (China)		–	246	2,035	–
Century Lucky Limited		1	–	–	–
Modern English Limited		32	33	–	–
Modern Dadi Overseas Edunet Limited		–	–	3	–
Excel Perfect Limited		882	–	–	–
Exam Workshop Limited		1,362	1,394	–	–
Goldstar Enterprises Limited		8	9	–	–
Golden Paradise Limited		–	146	–	–
Head Corporation Limited		56	58	–	–
In Dell Education Limited		7,411	–	–	–
Mactech Limited		8	–	–	–
Make Academy Limited		604	–	–	–
Online Global Limited		8	9	–	–
Phoenix Investment Limited		18	19	–	–
Smarter Choice Limited		12,775	–	–	–
Six Stars		–	934	–	–
Top Action Management Limited		2,492	–	–	–
Union Winner Investment Limited		12	–	–	–
Well Planning Limited		13	–	–	–
World Wide Resources Management Limited		5	5	–	–
北京市朝陽區雅思培訓學校 (“Beijing Yasi School”)		–	3,375	–	–
北京京力思雅教育諮詢有限公司 (“Beijing Siya”)		–	–	603	1,191
Mr. Wong Chung Han, Johnny		3	–	–	–
Ms. Huang Hui	(i)	–	16,874	16,874	16,874
Mr. Ng Kam Wing		22	22	22	22
Mr. Ng Kam Lun		4,488	4,245	45	45
Mr. Lee		2,461	9	9	9
Ms. Yiu		586	1,925	2	2
Mr. Liu Hongbo		–	–	739	739
Ms. Poon Wai Sze		–	–	–	19
Ms. Mok Sze Wan		–	–	–	22
Mr. Ng Hoi Tin		–	–	–	18
Mr. Ng Ping Lun		–	–	–	18
		<u>35,006</u>	<u>29,931</u>	<u>20,332</u>	<u>18,959</u>
Analysed for reporting purposes as:					
Current assets		35,006	13,057	3,458	2,085
Non-current assets		–	16,874	16,874	16,874
		<u>35,006</u>	<u>29,931</u>	<u>20,332</u>	<u>18,959</u>

Maximum amounts outstanding during the Relevant Periods are as follows:

		As at 30 June			As at
		2008	2009	2010	31 December
	Note	HK\$'000	HK\$'000	HK\$'000	2010
					HK\$'000
A168 Limited		1,744	1,757	–	–
Modern Education and Technology Limited		15	628	878	–
Modern (China)		–	246	2,035	2,035
Century Lucky Limited		3,333	1	–	–
Modern English Limited		32	33	33	–
Modern Dadi Overseas Edunet Limited		–	–	3	3
Excel Perfect Limited		882	1,662	–	–
Exam Workshop Limited		1,362	1,394	1,494	–
Goldstar Enterprises Limited		8	9	11	–
Golden Paradise Limited		–	146	146	–
Head Corporation Limited		56	58	59	–
In Dell Education Limited		7,843	7,411	–	–
Mactech Limited		8	11	–	–
Make Academy Limited		604	819	–	–
Online Global Limited		155	9	9	–
Phoenix Investment Limited		18	19	19	–
Smarter Choice Limited		12,775	12,922	–	–
Six Stars		–	1,526	2,643	–
Top Action Management Limited		6,063	2,803	–	–
Union Winner Investment Limited		12	13	–	–
Well Planning Limited		13	15	–	–
World Wide Resources Management Limited		5	6	8	–
Beijing Yasi School		–	3,375	3,547	–
Beijing Siya		–	–	603	1,191
Mr. Wong Chung Han, Johnny		3	3	–	–
Ms. Huang Hui	(i)	–	16,874	16,874	16,874
Mr. Ng Kam Wing		22	22	22	22
Mr. Ng Kam Lun		13,878	8,245	6,224	45
Mr. Lee		2,511	2,461	20	9
Ms. Yiu		9,108	1,925	6,478	2
Mr. Liu Hongbo		–	–	739	739
Ms. Poon Wai Sze		–	–	–	19
Ms. Mok Sze Wan		–	–	–	22
Mr. Ng Hoi Tin		–	–	–	18
Mr. Ng Ping Lun		–	–	–	18

Notes:

- (i) The advance to Ms. Huang Hui, the spouse of Mr. Ng Kam Wing and the sister in law of Mr. Ng Kam Lun, was unsecured, non-interest bearing and with no fixed repayment term. The Group did not expect it to be settled within twelve months from the end of the reporting period and was therefore classified as non-current.

Ms. Huang Hui held equity interest of 65% in Beijing Siya, which holds 100% founding interest in Beijing Yasi School that provides standardised test preparation courses for the United States, United Kingdom and International English proficiency examination under the “Beiya” brand in the PRC. In June 2011, the Group has entered into an option agreement with Ms. Huang Hui, pursuant to which Ms. Huang Hui irrevocably granted the Group an exclusive option to purchase, when and to the extent permitted under the PRC law, 65% of the equity interest in Beijing Siya. The exercise price of the option would be determined by an independent valuer on exercise date.

In June 2011, prior to the completion of the Group Reorganisation, a dividend of approximately HK\$18,242,000 was declared by Sino Network comprising of (i) distribution of the Group's advance to Ms. Huang Hui of approximately HK\$16,874,000 to its shareholders, except Primo Result Limited ("Primo Result"), by way of dividend in specie and (ii) cash of approximately HK\$1,368,000 to Primo Result financed by internal resources, including but not limited to accumulated profits up to the payment date.

- (ii) The amounts (other than the amount stated in note (i) above) are unsecured, non-interest bearing and repayable on demand. The outstanding balances as at 31 December 2010 will be settled before the listing of the Company's shares on the Stock Exchange. The principal business activities and relationship with the Group of each related party are disclosed in Note 34(a).

19. HELD-FOR-TRADING INVESTMENTS

	2008	As at 30 June		As at
	2008	2009	2010	31 December
	HK\$'000	HK\$'000	HK\$'000	2010
				HK\$'000
Equity securities listed in Hong Kong	77	-	-	-

The fair values of the listed securities were determined by reference to the quoted market bid prices available on the Stock Exchange.

20. BANK BALANCES AND CASH, PLEDGED BANK DEPOSITS AND BANK OVERDRAFTS

Bank balances and pledged bank deposits

Bank balances carried interest at market rates which ranged from 0.02% to 1.31%, 0.001% to 0.05%, 0.001% to 0.36% and 0.001% to 0.36% per annum at 30 June 2008, 30 June 2009, 30 June 2010 and 31 December 2010, respectively.

Pledged bank deposits represent deposits pledged to banks to secure bank overdrafts and short term banking facilities granted to the Group and are therefore classified as current assets.

Bank overdrafts

Bank overdrafts as at 30 June 2009 carried interest at market rates which ranged from 12% to 13% per annum.

21. OTHER PAYABLES/DEFERRED INCOME

	2008	As at 30 June		As at
	2008	2009	2010	31 December
	HK\$'000	HK\$'000	HK\$'000	2010
				HK\$'000
Other payables	4,423	2,744	3,834	2,898
Other accruals	2,066	3,188	2,464	2,498
Accrued tutor contractor fee, salary and bonus	6,873	8,240	7,140	11,447
	<u>13,362</u>	<u>14,172</u>	<u>13,438</u>	<u>16,843</u>

Other payables and other accruals mainly comprise payables for marketing expenses, printing expenses and general business expenses and accruals for audit fee, sales commission for the promotion of English language training and test preparation courses and business development expenses.

Deferred income represents the tuition fee received in advance.

22. AMOUNTS DUE TO RELATED PARTIES

		As at 30 June			As at
		2008	2009	2010	31 December
	Notes	HK\$'000	HK\$'000	HK\$'000	2010
					HK\$'000
Young Energy Company Limited	(iii)	875	–	–	–
Regent Mega Limited	(iii)	21	20	–	–
In Dell Education Limited	(iii)	–	152	–	–
Six Stars (see Note 30)	(iii)	–	–	–	3,000
Exam Workshop Limited	(iii)	–	–	–	13
Consideration payables to non-controlling shareholders of Able Investment (see Note 30 and 34(a))	(i)	–	–	–	3,000
Mr. Ng Kam Wing	(ii)(iii)	–	–	816	2,479
Mr. Ng Kam Lun	(ii)(iii)	1,100	1,100	3,263	7,290
Mr. Lee	(ii)(iii)	1,007	69	720	2,187
Ms. Yiu	(ii)(iii)	173	10	64	447
Mr. Liu Hongbo	(iii)	–	–	161	161
Ms. Poon Wai Sze	(iii)	–	–	–	26
Ms. Mok Sze Wan	(iii)	–	–	–	208
Mr. Ng Hoi Tin	(iii)	–	–	–	97
Mr. Ng Ping Lun	(iii)	–	–	–	75
		<u>3,176</u>	<u>1,351</u>	<u>5,024</u>	<u>18,983</u>

Notes:

- (i) The consideration payables are unsecured, non-interest bearing and payable within 14 days after the approval of the financial statements of Bachelor Education by its board of directors for the financial year ending 31 August 2011. The outstanding balance as at 31 December 2010 will not be settled before the listing of the Company's shares on the Stock Exchange.
- (ii) At 30 June 2010 and 31 December 2010, included in amounts due to directors and non-controlling shareholders, HK\$4,000,000 and HK\$12,150,000 represented mainly dividends declared by Sino Network during the year ended 30 June 2010 and the six months ended 31 December 2010 but remained unpaid on 30 June 2010 and 31 December 2010, respectively.
- (iii) The amounts are unsecured, non-interest bearing and repayable on demand. The outstanding balances as at 31 December 2010 (other than the consideration payables) will be settled before the listing of the Company's shares on the Stock Exchange. The principal business activities and relationship with the Group of each related party are disclosed in Note 34(a).

23. OBLIGATIONS UNDER FINANCE LEASES

The motor vehicles are held under finance lease with lease term ranging from 2 to 5 years during the Relevant Periods. Interest rate underlying all obligations under finance leases are fixed at respective contract dates which range from 4.73% to 14.22%, 4.73% to 14.22%, 4.75% to 14.25% and 4.74% to 4.75% per annum at 30 June 2008, 30 June 2009, 30 June 2010 and 31 December 2010, respectively.

Minimum lease payments during the Relevant Periods are as follows:

	2008	As at 30 June		As at
	2009	2010	2010	31 December
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts payable under finance leases				
Within one year	1,508	856	1,132	639
More than one year but not more than five years	<u>2,095</u>	<u>1,106</u>	<u>1,177</u>	<u>652</u>
	3,603	1,962	2,309	1,291
Less: Future finance charges	<u>(505)</u>	<u>(252)</u>	<u>(195)</u>	<u>(87)</u>
Present value of lease obligations	<u><u>3,098</u></u>	<u><u>1,710</u></u>	<u><u>2,114</u></u>	<u><u>1,204</u></u>

Present values of minimum lease payments during the Relevant Periods are as follows:

	2008	As at 30 June		As at
	2009	2010	2010	31 December
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts payable under finance leases				
Within one year	1,262	705	1,000	583
More than one year but not more than five years	<u>1,836</u>	<u>1,005</u>	<u>1,114</u>	<u>621</u>
	3,098	1,710	2,114	1,204
Less: Amount due for settlement within 12 months	<u>(1,262)</u>	<u>(705)</u>	<u>(1,000)</u>	<u>(583)</u>
Amount due for settlement after 12 months	<u><u>1,836</u></u>	<u><u>1,005</u></u>	<u><u>1,114</u></u>	<u><u>621</u></u>

During the six months ended 31 December 2010, HK\$628,000 were settled in advance of its scheduled repayment dates.

24. BANK BORROWING

Bank borrowing as at 31 December 2010 carried interest at market rate of 7.25% per annum and is secured by personal guarantee provided by non-controlling shareholders of Able Investment and repayable within one year. The personal guarantee will not be released before the listing of the Company's shares on the Stock Exchange.

25. DEFERRED TAXATION

The followings are the deferred tax assets (liabilities) recognised and movements thereon during the Relevant Periods:

	Valuation of intangible assets <i>HK\$'000</i>	Depreciation of property, plant and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 July 2007	–	160	160
Charged to profit or loss during the year	–	(329)	(329)
Change in tax rate	–	(9)	(9)
	<u>–</u>	<u>(329)</u>	<u>(329)</u>
At 30 June 2008 and 1 July 2008	–	(178)	(178)
Charged to profit or loss during the year	–	(131)	(131)
	<u>–</u>	<u>(131)</u>	<u>(131)</u>
At 30 June 2009 and 1 July 2009	–	(309)	(309)
Credited to profit or loss during the year	–	153	153
	<u>–</u>	<u>153</u>	<u>153</u>
At 30 June 2010 and 1 July 2010	–	(156)	(156)
Acquisition of subsidiaries (see Note 30)	(814)	–	(814)
Credited to profit or loss during the period	–	530	530
	<u>–</u>	<u>530</u>	<u>530</u>
At 31 December 2010	<u>(814)</u>	<u>374</u>	<u>(440)</u>

For the purposes of presentation in the combined statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred taxation for financial reporting purposes:

	2008 <i>HK\$'000</i>	As at 30 June		As at 31 December 2010 <i>HK\$'000</i>
		2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	
Deferred tax assets	200	88	102	581
Deferred tax liabilities	(378)	(397)	(258)	(1,021)
	<u>(178)</u>	<u>(309)</u>	<u>(156)</u>	<u>(440)</u>

26. DERIVATIVE FINANCIAL INSTRUMENTS

		As at 30 June			As at 31 December 2010 <i>HK\$'000</i>
	Notes	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	
Call Option	(i)	–	–	–	1,711
Put Option	(ii)	–	–	–	1,597
		<u>–</u>	<u>–</u>	<u>–</u>	<u>3,308</u>

Notes:

- (i) The Call Option is granted to the Group for five years which will be expired on 31 December 2015 to purchase the remaining 40% of the issued share capital of Able Investment from the non-controlling shareholders. The exercise price of the Call Option is determined as 40% of the audited net profit after tax ("NPAT") of Bachelor Education adjusted by a multiplier ("Multiplier") set out in the Acquisition Agreement (as defined in note 30) of the respective financial year when the Call Option is exercised.
- (ii) The Put Option is granted to the Group for five years which will be expired on 31 December 2015 to sell back to the non-controlling shareholders 60% issued share capital of Able Investment if the NPAT of Bachelor Education during the five financial years ending 31 August 2015 is less than 60% of the guarantee NPAT set out in the Acquisition Agreement. The exercise price is the total consideration for the acquisition of 60% issued share capital of Able Investment under the Acquisition Agreement plus 60% of the net asset value of Bachelor Education at the date the Put Option is exercised.

The fair value of the Call Option and the Put Option is estimated by Vigers using the binomial option pricing model. Key inputs of the valuation are: (i) risk free rate of 1.76%, (ii) volatility of 40%, and (iii) dividend yield of 0%.

27. PROVISION FOR LONG SERVICE PAYMENTS

	<i>HK\$'000</i>
At 1 July 2007	738
Credited to profit and loss during the year	<u>(54)</u>
At 30 June 2008 and 1 July 2008	684
Charged to profit or loss during the year	<u>382</u>
At 30 June 2009 and 1 July 2009	1,066
Charged to profit or loss during the year	<u>637</u>
At 30 June 2010 and 1 July 2009	1,703
Credited to profit or loss during the period	<u>(18)</u>
At 31 December 2010	<u><u>1,685</u></u>

The provision for long service payments is based on the best estimate of the future payments required to settle the obligations under the Hong Kong Employment Ordinance in relation to the employees of the Group in Hong Kong.

28. PAID-IN CAPITAL

The Company was incorporated and registered as an exempted company in the Cayman Islands on 26 January 2011 with an authorised share capital of HK\$150,000,000 divided into 1,500,000,000 shares of HK\$0.1 each. On 26 January 2011, one subscriber share with the par value of HK\$0.1 each was subscribed by Mapcal Limited which was subsequently transferred to Speedy Harvest on 1 February 2011.

The paid-in capital of the Group at 1 July 2007, 30 June 2008 and 30 June 2009 represented the combined share capital of Sino Network and Express Education.

The paid-in capital of the Group at 30 June 2010 and 31 December 2010 represented the share capital of Sino Network.

29. DISPOSAL OF SUBSIDIARIES

On 20 October 2008, 1 June 2009 and 19 June 2009, the Group transferred 80% of its equity interests in Six Stars to Ms. Yiu, 100% of its equity interests in Strategic Fortune to Mr. Ng Kam Lun and 100% of its equity interests in Modern (China) to Ms. Yiu for a cash consideration of HK\$8,000, US\$1 (equivalent to HK\$8) and HK\$10,000, respectively.

	Year ended 30 June 2009
	<i>HK\$'000</i>
NET ASSETS DISPOSED OF	
Property, plant and equipment	6,600
Other receivables	85
Amounts due from related parties	29
Bank balances and cash	362
Other payables	(181)
Amounts due to related parties	(7,139)
	<u>(244)</u>
Deemed contribution from shareholders	<u>262</u>
Total consideration	<u><u>18</u></u>
Satisfied by:	
Cash	<u><u>18</u></u>
Net cash outflow arising on disposal:	
Cash consideration	18
Bank balances and cash disposed of	(362)
	<u><u>(344)</u></u>

30. ACQUISITION OF SUBSIDIARIES

On 22 December 2010, Sino Network entered into a sale and purchase agreement (the "Acquisition Agreement") with Six Stars, Ms. Yiu, Able Investment and the non-controlling shareholders of Able Investment, namely, Ms. Poon Wai Sze, Ms. Mok Sze Wan, Ms. Ng Hoi Tin and Mr. Ng Ping Lun, for the acquisition of 60% equity interests in Able Investment and its subsidiary, Bachelor Education, from Six Stars at a cash consideration of HK\$6,000,000 (including HK\$3,000,000 which was settled in March 2011 and HK\$3,000,000 which is payable within 14 days after the approval of financial statements of Bachelor Education by its board of directors for the financial year ending 31 August 2011) and a contingent consideration of HK\$2,000,000 (which is adjusted by reference to the financial results of Bachelor Education for the financial years ending 31 August 2012 and 31 August 2013). Upon completion of the acquisition on 31 December 2010, Able Investment was owned as to 60% by the Group and 40% by non-controlling shareholders. Pursuant to the Acquisition Agreement, various call and put options have been granted to Sino Network and non-controlling shareholders of Able Investment. The acquisition was accounted for under the acquisition method. Bachelor Education is engaged in provision of primary homework tutoring services in Hong Kong.

The fair value of the contingent consideration is estimated to be insignificant because the management considers that it is highly unlikely that the specified level of NPAT can be achieved for the two financial years ending 31 August 2012 and 31 August 2013.

Pursuant to the Acquisition Agreement, the Group is granted a Call Option and a Put Option to acquire additional 40% issued share capital of Able Investment and a Put Option to sell back 60% of the issued share capital of Able Investment from/to the non-controlling shareholders. The fair value of the Call Option and Put Option is estimated to be HK\$1,711,000 and HK\$1,597,000 respectively. Details of the Call Option and Put Option are set out in note 26.

In addition, the Group granted a put option to the non-controlling shareholders (the "Vendor Put Option") to sell 40% issued share capital of Able Investment to Sino Network on 31 December 2015 upon fulfillment of various conditions, including, the accumulated NPAT of Bachelor Education for the five financial years ending 31 August 2015 is equal to or above HK\$19.3 million. The exercise price of the Vendor Put Option is determined as 40% of the audited NPAT for the financial year ending 31 August 2015 adjusted for a Multiplier set out in the Acquisition Agreement. The fair value of the Vendor Put Option is estimated to be insignificant since the management considers that it is highly unlikely that the specified level of accumulated NPAT can be achieved by reference to the latest profit forecast of Bachelor Education.

Consideration

	<i>HK\$'000</i>
Consideration payable to a related company, Six Stars (see Note 22)	3,000
Consideration payables (see Note 22)	3,000
Call Option	(1,711)
Put Option	(1,597)
	<u>2,692</u>

Assets and liabilities recognised at the date of acquisition

	<i>HK\$'000</i>
Non-current assets	
Property, plant and equipment	524
Intangible assets	4,936
Current assets	
Trade and other receivables	1,074
Amounts due from related parties	78
Bank balances and cash	63
Current liabilities	
Other payables	(170)
Deferred income	(244)
Tax payable	(91)
Amounts due to related parties	(659)
Bank borrowing	(210)
Non-current liabilities	
Deferred tax liabilities	(814)
	<u>4,487</u>

Goodwill arising on acquisition

	<i>HK\$'000</i>
Consideration	2,692
Plus: Non-controlling interests	1,795
Less: Net assets acquired	<u>(4,487)</u>
	<u><u>–</u></u>

Non-controlling interests

The non-controlling interests (40% in Able Investment and its subsidiary, Bachelor Education) recognised at the acquisition date was measured by reference to the proportionate share of the fair value of the acquiree's identifiable net assets and amounted to HK\$1,795,000.

Net cash inflow arising on acquisition

	<i>HK\$'000</i>
Bank balances and cash acquired	<u>63</u>

31. MAJOR NON-CASH TRANSACTION

During each of the three years ended 30 June 2008, 2009 and 2010 and the six months ended 31 December 2010, the Group entered into finance leases in respect of assets with a total value of HK\$2,748,000, nil, HK\$1,640,000 and nil at the inception of the finance leases, respectively.

32. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for the following minimum lease payments under non-cancellable operating leases to independent third party landlords under license arrangement with related parties (see Note 34) in respect of rented premises which fall due as follows:

	As at 30 June			As at
	2008	2009	2010	31 December
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2010</i>
				<i>HK\$'000</i>
Within one year	26,681	49,934	42,323	42,932
In the second to fifth years	<u>17,897</u>	<u>66,392</u>	<u>31,902</u>	<u>55,878</u>
	<u>44,578</u>	<u>116,326</u>	<u>74,225</u>	<u>98,810</u>

Leases are negotiated and rentals are fixed originally for lease terms of one to four years during the Relevant Periods.

33. CAPITAL COMMITMENTS

	2008 HK\$'000	As at 30 June 2009 HK\$'000	2010 HK\$'000	As at 31 December 2010 HK\$'000
Capital expenditure contracted for but not provided in the Financial Information in respect of the acquisition of property, plant and equipment	1,266	1,218	914	255

34. RELATED PARTY TRANSACTIONS

- (a) Parties are considered to be related if one party has, directly or indirectly, the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The management is of the view that the following companies were related parties that had transactions or balances with the Group during the Relevant Periods.

Name of related party	Principal business activities	Relationship with the Group
A168 Limited	Inactive	99.99% equity interest held by Ms. Yiu and 0.01% equity interest held by Mr. Ng Kam Lun
Modern Education and Technology Limited	Inactive	100% equity interest held by Mr. Ng Kam Lun
Modern (China)	Inactive	100% equity interest held by Ms. Yiu since 19 June 2009
Century Lucky Limited	Inactive	60% equity interest held by Mr. Lee
Modern English Limited	Signing tenancy agreement of premises licensed to the Group	66.67% equity interest held by Mr. Ng Kam Lun
Modern Dadi Overseas Edunet Limited	Inactive	51% equity interest held by Ng Kam Lun since 20 May 2009
Excel Perfect Limited	Inactive	100% equity interest held by Mr. Lee until 30 November 2008
Exam Workshop Limited	Providing tutor services and inactive since 2009	100% equity interest held by Mr. Ng Kam Lun
Goldstar Enterprises Limited	Inactive	99.9% equity interest held by In Dell Education Limited
Golden Paradise Limited	Inactive	55% equity interest held by Mr. Ng Kam Lun
Head Corporation Limited	Signing tenancy agreement of premises licensed to the Group and entering into a license agreement of advertising space for the Group	50% equity interest held by Ms. Yiu and 50% equity interest held by Mr. Lee

Name of related party	Principal business activities	Relationship with the Group
In Dell Education Limited	Providing leasing of tuition facilities and inactive since 2009	28.53% equity interest held by Mr. Ng Kam Wing and 2.08% equity interest held by Ms. Yiu
Mactech Limited	Inactive	100% equity interest held by Mr. Lee until 30 December 2008
Make Academy Limited	Providing make-up services and inactive since 2009	65% and 100% equity interest held by Mr. Lee from 12 June 2007 to 9 October 2008 and from 10 October 2008 to 10 November 2008, respectively.
Online Global Limited	Signing tenancy agreement of premises licensed to the Group and entering into license agreements of advertising space for the Group	50% equity interest held by Ms. Yiu and 50% equity interest held by Mr. Lee
Phoenix Investment Limited	Signing tenancy agreement of premises licensed to the Group	100% equity interest held by Ms. Yiu
Smarter Choice Limited	Signing tenancy agreement of premises licensed to the Group	100% equity interest held by Mr. Ng Kam Lun
Six Stars	Provision of consultancy and marketing services until December 2009 and inactive afterward	100% equity interest held by Ms. Yiu since 20 October 2008
Top Action Management Limited	Inactive	100% equity interest held by Mr. Ng Kam Lun
Union Winner Investment Limited	Inactive	100% equity interest held by Mr. Ng Kam Lun
Well Planning Limited	Inactive	100% equity interest held by Mr. Ng Kam Lun until 30 December 2008
World Wide Resources Management Limited	Signing tenancy agreement for premises licensed to the Group	100% equity interest held by Ms. Yiu
Beijing Yasi School	Providing standardised test preparation courses and international English proficiency examinations in the PRC	100% interest held by Beijing Siya
Beijing Siya	Investment holding	26.5% equity interest held by Mr. Liu Hongbo, 65% equity interest held by Ms. Huang Hui and 8.5% equity interest held by Mr. Cai Hongxiong
Mr. Wong Chung Han, Johnny	N/A	Non-controlling shareholder of Sino Network with 4.2% equity interest in Sino Network at 30 June 2008

Name of related party	Principal business activities	Relationship with the Group
Ms. Huang Hui	N/A	The spouse of Mr. Ng Kam Wing and the sister in law of Mr. Ng Kam Lun
Mr. Ng Kam Wing	N/A	Brother of Mr. Ng Kam Lun and Mr. Ng Norman and shareholder of the Company
Mr. Ng Kam Lun	N/A	A director and controlling shareholder of the Company
Mr. Lee	N/A	A director and shareholder of the Company
Mr. Ng Norman	N/A	A director and shareholder of the Company
Ms. Chu Wai Ling	N/A	A shareholder of the Company
Ms. Yiu	N/A	A director and shareholder of the Company
Mr. Liu Hongbo	N/A	A director of a subsidiary
Ms. Poon Wai Sze	N/A	A non-controlling shareholder of Able Investment with 9.6% equity interest in Able Investment
Ms. Mok Sze Wan	N/A	A director and non-controlling shareholder of Able Investment with 11.2% equity interest in Able Investment
Mr. Ng Hoi Tin	N/A	A director and non-controlling shareholder of Able Investment with 9.6% equity interest in Able Investment
Mr. Ng Ping Lun	N/A	A non-controlling shareholder of Able Investment with 9.6% equity interest in Able Investment
Young Energy Company Limited	Inactive	50% equity interest held by Mr. Lee
Regent Mega Limited	Signing tenancy agreement for premises licensed to the Group and entering into a license agreement of advertising space for the Group	40% equity interest held by Ms. Yiu and 60% equity interest held by Mr. Lee
Tellet Investment Limited	Property holding	33% equity interest held by Mr. Ng Kam Wing and 17% equity interest held by Mr. Ng Kam Lun

- (b) Save as the balances with related parties disclosed in the combined statements of financial position, the Group entered into the following transactions with related parties during the Relevant Periods:

	Notes	Year ended 30 June			Six months ended 31 December	
		2008 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000
						(unaudited)
Continuing transactions						
Rental expenses, building management fee, air-conditioning charges and rates expense to independent third parties under license arrangement with related parties:	(i)					
– Smarter Choice Limited		–	93	2,122	1,061	1,063
– Online Global Limited		2,274	4,365	7,222	3,660	3,669
– Regent Mega Limited		5,153	5,504	5,857	2,931	3,154
– Modern English Limited		3,828	6,119	6,010	3,121	3,249
– Phoenix Investment Limited		1,552	1,505	1,765	862	917
– World Wide Resources Management Limited		–	–	7,693	3,138	4,880
Marketing expenses to independent third parties under license arrangement with related parties:	(ii)					
– Online Global Limited		–	14	286	143	143
– Regent Mega Limited		1	1	1	1	1
Technical consultation, management and software licencing services fee income from:						
– Beijing Yasi School		–	–	879	–	983
Tutor contractor fee to:	(iii)					
– Exam Workshop Limited		650	911	–	–	–
– Mr. Ng Norman		454	981	976	532	216
– Mr. Lee		1,720	2,509	1,898	619	586

Notes:

- (i) These premises were leased initially by the above related parties from independent third party landlords. These related parties then licensed the premises to the Group at the same rates specified in the respective lease agreements with independent third party landlords. The management is of the view that the above transactions were conducted on normal commercial terms.
- (ii) The advertising space were licensed initially by the above related parties from independent third party licensors. These related parties then licensed the advertising space to the Group at the same rates specified under respective license agreements. The management is of the view that the above transactions were conducted on normal commercial terms.
- (iii) The tutor contractor fee was paid to the directors of the Company or a company controlled by the directors of the Company.

The management is of the view that the above transactions were in the ordinary and usual courses of business. The management has confirmed that the above transactions will continue in the future after the listing of the Company's shares on the Stock Exchange.

	Notes	Year ended 30 June			Six months ended 31 December	
		2008 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000
				(unaudited)		
Transactions to be discontinued						
Rental expenses, building management fee, air-conditioning charges and rates expense to independent third parties under license arrangement with related parties:						
– Goldstar Enterprise Limited	(i)	2,435	2,950	2,780	1,473	658
– Golden Paradise Limited	(i)	236	220	–	–	–
– Regent Mega Limited	(iv)	1,406	1,415	1,413	713	713
– Online Global Limited	(i)	–	361	2,112	1,062	1,173
– Modern Education and Technology Limited	(i)	–	190	2,093	1,141	–
– Phoenix Investment Limited	(i)	139	1,664	1,526	832	–
– Smarter Choice Limited	(i)	192	786	632	421	–
– Head Corporation Limited	(i)	14,573	15,936	13,667	8,033	2,783
Commission expenses to:	(ii)					
– Six Stars		–	1,362	1,030	1,030	–
Management fee income from:	(iii)					
– Make Academy Limited		46	–	–	–	–
– Exam Workshop Limited		–	1,394	–	–	–
– Modern Dadi Overseas Edunet Limited		–	21	–	–	–
Management fee expenses to:	(iii)					
– In Dell Education Limited		81	91	–	–	–
– Six Stars		–	27	30	30	–

During the six months ended 31 December 2010, the Group also disposed of property, plant and equipment with a carrying value of HK\$301,000 at a consideration of HK\$2,100,000 to Mr. Ng Kam Lun.

Notes:

- (i) These premises were leased initially by the above related parties from independent third party landlords. These related parties then licensed the premises to the Group at the same rate specified in the respective lease agreements with independent third party landlords. These lease agreements were either terminated or have been renewed and transferred to the Group subsequent to 31 December 2010. The management is of the view that the above transactions were conducted on normal commercial terms.

- (ii) Commission expenses are based on certain percentage of tuition fee from students referred by Six Stars. The management has confirmed that this transaction with Six Stars will not continue after the Listing of the Company's shares on the Stock Exchange.
- (iii) Management fee income/expenses are based on the actual costs incurred in providing/receiving services.
- (iv) The premise was leased initially by the related party from Tellet Investment Limited, a related party, and then licensed to the Group at the same rate specified in the lease agreement. Subsequent to 31 December 2010, the lease agreement has been renewed and transferred to the Group.

The management is of the view that the above transactions were in the ordinary and usual courses of business. The management has confirmed that the above transactions will not continue in the future after the listing of the Company's shares on the Stock Exchange.

- (c) The key management personnel includes solely the directors of the Company and the compensation paid to them is disclosed in note 11.

B. DIRECTORS' REMUNERATION

Save as disclosed herein, no remuneration has been paid or is payable by the Group to the directors of the Company during the Relevant Periods.

Under the arrangement currently in force, the aggregate remuneration of the Company's directors for the year ending 30 June 2011 is approximately HK\$4,708,000.

C. SUBSEQUENT EVENTS

In January 2011, the Group had drawn a bank loan of HK\$12,000,000 for payment of dividend, which is secured by a personal guarantee provided by Mr. Ng Kam Lun. The bank loan carried interest at market rate of 2% per annum and is repayable within two years. The management has confirmed that the personal guarantee will be released before the listing of the Company's shares on the Stock Exchange.

In April 2011, a dividend of HK\$40,000,000 was declared by Sino Network. The dividend was fully settled in May 2011.

In May 2011, the Group had drawn another loan of HK\$40,000,000 for payment of dividend, which is secured by personal guarantees provided by Mr. Ng Kam Lun, Mr. Lee and Mr. Ng Norman. The loan carried interest at 6% per annum and is repayable within 6 months. The management has confirmed that the personal guarantees will be released upon the listing of the Company's shares on the Stock Exchange.

In June 2011, prior to the completion of the Group Reorganisation, a dividend of approximately HK\$18,242,000 was declared by the Sino Network comprising of (i) distribution of the Group's advance to Ms. Huang Hui of approximately HK\$16,874,000 (see Note 18) to its shareholders, except Primo Result, by way of dividend in specie and (ii) cash of approximately HK\$1,368,000 to Primo Result financed by internal resources, including but not limited to accumulated profits up to the payment date. Also, Sino Network has declared a cash dividend of approximately HK\$1,081,000 in June 2011. All of the dividends declared have been fully settled prior to the Listing.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies of the Group subsequent to 31 December 2010.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

A. UNAUDITED PRO FORMA COMBINED EARNINGS PER SHARE

The following unaudited pro forma combined earnings per Share of the Group for the year ended 30 June 2010 has been prepared, in accordance with paragraph 29(8) of Chapter 4 of the Listing Rules, on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 July 2009. This unaudited pro forma combined earnings per Share has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the earnings per Share of the Group for the year ended 30 June 2010 or any future period.

Combined profit attributable to owners of the Company for the year ended 30 June 2010 (<i>Note 1</i>)	HK\$40,076,000
Unaudited pro forma combined earnings per Share for the year ended 30 June 2010 (<i>Note 2</i>)	HK\$0.11

Notes:

- (1) The combined profit attributable to owners of the Company for the year ended 30 June 2010 is extracted from the Accountants' Report as set out in Appendix I in this prospectus.
- (2) The calculation of unaudited pro forma combined earnings per Share for the year ended 30 June 2010 is based on the combined profit attributable to owners of the Company for the year ended 30 June 2010 and a weighted average of 375,858,752 Shares, representing a weighted average of 259,858,752 Shares as stated in Note 14 to the Accountants' Report in Appendix I to this prospectus, adjusted as if the Global Offering of 116,000,000 Shares had been completed on 1 July 2009. The calculation takes no account of any Shares which may fall to be issued upon exercise of the Over-allotment Option.

B. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The statement of unaudited pro forma adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of Chapter 4 of the Listing Rules is set out below to illustrate the effect of the Share Offer on the audited combined net tangible assets of the Group as if the Share Offer had taken place on 31 December 2010.

The statement of unaudited pro forma adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the financial position of the Group following the Share Offer.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following statement of unaudited pro forma adjusted net tangible assets of the Group is based on the audited combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2010 as shown in the Accountants' Report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as follows:

	Audited combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2010⁽¹⁾ HK\$'000	Estimated net proceeds from the Global Offering⁽²⁾ HK\$'000	Unaudited pro forma adjusted net tangible assets of the Group attributable to owners of the Company HK\$'000	Unaudited pro forma adjusted net tangible assets per Share⁽³⁾ HK\$
Based on the indicative Offer Price of HK\$1.30 per Share	44,498	130,036	174,534	0.44

Notes:

- (1) The audited combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2010 has been derived from the net assets of the Group attributable to owners of the Company with adjustments for intangible assets and respective deferred tax liabilities of approximately HK\$2,473,000 as shown in the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on 116,000,000 shares at the Offer Price of HK\$1.30 per Share, after deduction of estimated related fees and expenses and do not take into account of any Shares that may be issued pursuant to the exercise of the Over-allotment Option. If we decide to exercise the Over-allotment Option, the unaudited pro forma adjusted net tangible assets of the Group attributable to owners of the Company and unaudited pro forma adjusted net tangible assets per Share may change.
- (3) The number of shares used for the calculation of unaudited pro forma adjusted net tangible assets per Share is based on 400,000,000 shares in issue immediately after the Global Offering.
- (4) Subsequent to 31 December 2010, dividends with an aggregate amount of HK\$59,323,000 have been declared by Sino Network. The above adjustment does not take into account these dividends. Taking into account the estimated net proceeds from the Global Offering at the Offer Price of HK\$1.30 and the dividends declared of HK\$59,323,000, the unaudited pro forma adjusted net tangible assets per Share would have been approximately HK\$0.29.

C. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**Deloitte.**
德勤德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

20 June 2011

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF MODERN EDUCATION GROUP LIMITED

We report on the unaudited pro forma financial information of Modern Education Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the global offering of 116,000,000 shares of HK\$0.1 each in the Company might have affected the financial information presented, for inclusion in part A and B of Appendix II to the prospectus dated 20 June 2011 (the “Prospectus”). The basis of preparation of the unaudited pro forma financial information is set out in part A and B of Appendix II to the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative:

- the financial position of the Group as at 31 December 2010 or any future date; or
- the earnings per share of the Group for the year ended 30 June 2010 or any future period.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The following is the text of letter, summary of valuation and valuation certificates, prepared for the purpose of incorporation in this prospectus, received from Vigers Appraisal & Consulting Limited, an independent property valuer, in connection with their valuation as at 30th April 2011 of the property interests held by the Group in the People's Republic of China and Hong Kong.

Vigers Appraisal & Consulting Limited
International Asset Appraisal Consultants

10th Floor, The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong



20th June 2011

The Directors
Modern Education Group Limited
Suite 2701, 27/F, Tower 2,
Nina Tower
8 Yeung Uk Road
Tsuen Wan
New Territories
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the property interests held by Modern Education Group Limited (the “Company”) and its subsidiaries (together referred to as the “Group”) in the People’s Republic of China (“the PRC”) and the Hong Kong Special Administrative Region of the PRC (“Hong Kong”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at the 30th April 2011 (“date of valuation”) for the purpose of incorporation into the prospectus issued by the Company on the date hereof.

Our valuation is our opinion of the market value of the property interest where we would define market value as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

The property interests in Groups I, II and III have no commercial value due to the short-term nature, prohibition against transfer, subletting or otherwise due to lack of substantial profit rent.

Our valuation has been made on the assumption that the owner sells the property interests on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interests. In addition, no forced sale situation in any manner is assumed in our valuation.

We have caused searches to be made at the relevant Land Registry for properties in Groups I and III located in Hong Kong, but we have not caused title searches to be made for the property interests at the relevant government bureaus in the PRC for properties in Groups II. We have been provided with certain extracts of title documents relating to the property interests in the PRC. However, we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interests in the PRC, we have relied on the legal opinion (“the PRC legal opinion”) provided by the Group’s PRC legal adviser, Jingtian & Gongcheng.

In valuing the property interests which are situated in Hong Kong and held under the government leases which will be expired before 30th June 2047, we have taken into account of the statement contained in the Annex III of the Joint Declaration of the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the People’s Republic of China on the question of Hong Kong and the New Territories Leases (Extension) Ordinance 1988 that such leases would have been extended without payment of premium until 30th June 2047 and that an annual rent of three percent of the rateable value of the properties would be charged from the date of extension.

We have relied to a considerable extent on information provided by the Group and have accepted advice given to us by the Group on such matters as planning approvals or statutory notices, easements, tenure, occupancy, lettings, site and floor areas and in the identification of the properties and other relevant matters. We have no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We have also been advised by the Group that no material facts had been concealed or omitted in the information provided to us and have no reason to suspect that any material information has been withheld. All documents have been used for reference only. We consider that we have been provided with sufficient information to reach an informed view.

All dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are therefore approximations only. No on-site measurement has been taken to verify the correctness of the site and floor areas of the properties.

We have inspected the exterior and, where possible, the interior of the properties, in the course of our inspection, we did not note any serious defects. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the properties are free from defect though in the course of our inspections we did not note any serious defects. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

In valuing the property interests, we have fully complied with the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors (HKIS), the RICS Appraisal and Valuation Standards (6th Edition 2007) published by the Royal Institution of Chartered Surveyors (the “RICS”) and the requirements set out in Chapter 5 of and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Unless otherwise stated, all money amounts stated are in Hong Kong Dollars (HK\$). The exchange rate adopted in valuing the property interests in the PRC as at 30th April 2011 was HK\$1: RMB0.8356. There has been no significant fluctuation in the exchange rate for this currency against Hong Kong Dollars between that date and the date of this letter.

We enclose herewith a summary of valuation and the valuation certificates.

Yours faithfully,
For and on behalf of
Vigers Appraisal & Consulting Limited
Raymond Ho Kai Kwong
Registered Professional Surveyor (GP)
MRICS MHKIS MSc(e-com)
Managing Director

Contributing Valuer:

Lawrence Chan Ka Wah, Associate Director *BSc(Real Estate) MRICS MHKIS*

Note: Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc(e-com), has over twenty four years’ experience in undertaking valuations of properties in Hong Kong and has over seventeen years’ experience in valuations of properties in the PRC. He joined Vigers Appraisal & Consulting Limited in 1989.

SUMMARY OF VALUATION

Group I – Property interest leased or sub-leased by the Group in Hong Kong as at the date of valuation or the tenancies commenced during the period between the date of valuation and Latest Practicable Date

Property	Market Value in existing state as at 30th April 2011
1. 5th Floor, Causeway Bay Plaza I (Formerly known as Causeway Bay Plaza), No. 489 Hennessy Road, Causeway Bay, Hong Kong	No commercial value
2. 3rd Floor, CIGNA Tower, Nos. 470-484 Jaffe Road, Causeway Bay, Hong Kong	No commercial value
3. Shops 105 to 108 and Shops 116 to 125 on 1st Floor, Marble 33, Marble Garden, 33 Marble Road, North Point, Hong Kong	No commercial value
4. Shop 25, Level 4, New Jade Gardens, No. 233 Chai Wan Road, Chai Wan, Hong Kong	No commercial value
5. Shop 3A on Ground Floor, 1st Floor and 2nd Floor, Union Park Centre, Nos. 771-775 Nathan Road, Kowloon, Hong Kong	No commercial value
6. 3rd Floor, Union Park Centre, Nos. 771-775 Nathan Road, Kowloon, Hong Kong	No commercial value

Property	Market Value in existing state as at 30th April 2011
7. 2nd Floor, Chong Hing Square, No. 601 Nathan Road, Mongkok, Kowloon	No commercial value
8. Shops S68A, S68B to 69, 2nd Floor, Amoy Plaza, Amoy Gardens Phase I, No. 77 Ngau Tau Kok Road, Kowloon, Hong Kong	No commercial value
9. Shops S102 to S104, S104A, S133 to S140, 2nd Floor, Amoy Plaza, Amoy Gardens Phases I & IIA, No. 77 Ngau Tau Kok Road, Kowloon, Hong Kong	No commercial value
10. Units 401 to 405A, 4th Floor, Citylink Plaza, No. 1 Shatin Station Circuit, Shatin, New Territories, Hong Kong	No commercial value
11. Shops 9A and 9B, 2nd Floor (Level 3), Chanway Shopping Centre (the commercial section included in Wai Wah Centre), 11-17 Sha Tin Centre Street, Shatin, New Territories, Hong Kong	No commercial value
12. Shops 8A and 8B, 2nd Floor (Level 3), Chanway Shopping Centre (the commercial section included in Wai Wah Centre), 11-17 Sha Tin Centre Street, Shatin, New Territories, Hong Kong	No commercial value

Property	Market Value in existing state as at 30th April 2011
13. Unit 220A, Level 2, Commercial Accommodation, Park Central, No. 9 Tong Tak Street, Tsueng Kwan O, Sai Kung, New Territories, Hong Kong	No commercial value
14. Unit 220B, Level 2, Commercial Development, Central Heights, No. 9 Tong Tak Street, Tsueng Kwan O, Sai Kung, New Territories, Hong Kong	No commercial value
15. Shops 8 and 9 on Level 1, Fanling Town Center, No. 18 Fanling Station Road, Fanling, New Territories, Hong Kong	No commercial value
16. Shops 203 to 207, Level 2, Integrated Commercial Accommodation, Tai Tak House, Tai Yuen Estate, Tai Po, New Territories, Hong Kong	No commercial value
17. Shop 12 on the Ground Floor and the 1st Floor and its Canopy and the Flat Roof thereof and Shop No. 13 on the Ground Floor, Cheong Wah Building, Nos. 289 to 291 and Nos. 295 to 301 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong	No commercial value

Property	Market Value in existing state as at 30th April 2011
18. 1st Floor and 2nd Floor, Glassview Commercial Building, No. 65 Castle Peak Road Yuen Long, Yuen Long, New Territories, Hong Kong	No commercial value
19. 3rd Floor, Glassview Commercial Building, No. 65 Castle Peak Road Yuen Long, Yuen Long, New Territories, Hong Kong	No commercial value
20. Shop Unit 157, 1st Floor, Tuen Mun Parklane Square, No. 2 Tuen Hi Road, Tuen Mun, New Territories, Hong Kong	No commercial value
21. Shop Unit 158, 1st Floor, Tuen Mun Parklane Square, No. 2 Tuen Hi Road, Tuen Mun, New Territories, Hong Kong	No commercial value
22. Shops Units 127 to 129, 1st Floor, Tuen Mun Parklane Square, No. 2 Tuen Hi Road, Tuen Mun, New Territories, Hong Kong	No commercial value
23. Shops Units 313, 315, 316, 319, 320 and 321, 3rd Floor, Tuen Mun Parklane Square, No. 2 Tuen Hi Road, Tuen Mun, New Territories, Hong Kong	No commercial value

Property	Market Value in existing state as at 30th April 2011
24. Shops Units 130 and 131, 1st Floor, Tuen Mun Parklane Square, No. 2 Tuen Hi Road, Tuen Mun, New Territories, Hong Kong	No commercial value
25. Unit C, 17th Floor, Young Ya industrial Building, Nos. 381 to 389 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong	No commercial value
26. Factory unit B4 on 25th Floor, Block B, Kong Nam Industrial Building, Nos. 603 to 609 Castle Peak Road Tsuen Wan, New Territories, Hong Kong	No commercial value
27. Suites 2701 and 2702, 27th Floor, Tower 2, Nina Tower, 8 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong	No commercial value
28. Shop No. L2-057, Level 2, Metro Town, No. 8 King Ling Road, Tsueng Kwan O, New Territories, Hong Kong	No commercial value
29. Shops Nos. 89-90 on 1st Floor, Laguna Plaza, No. 88 Cha Kwo Ling Road, Kwun Tong, Kowloon, Hong Kong	No commercial value

Property	Market Value in existing state as at 30th April 2011
30. Shop G85 and G90 on Ground Floor, Commercial Development, Metro City, Phase I, 1 Wan Hang Road, Tsueng Kwan O, New Territories, Hong Kong	No commercial value
31. Shop 18B, Ground Floor, Commercial Development, No. 8 Tak Fung Street, Whampoa Garden, Site 9, Kowloon, Hong Kong	No commercial value
32. Shop No. 3, 1st Floor, Commercial Accommodation, Island Resort, No. 28 Siu Sai Wan, Hong Kong	No commercial value
	<hr/>
Sub-total	Nil <hr/>

Property	Market Value in existing state as at 30th April 2011
Group II – Property interests leased by the Group in the PRC	
33. Unit 806, Level 8, Block B, U-Center, No. 28 Chengfu Road, Haidian District, Beijing, the PRC	No commercial value
34. Unit 1005, Level 10, Science & Technology Building, No. 9 Nanda Street, Zhongguancun, Haidian District, Beijing, the PRC	No commercial value
35. Unit 1106, Level 11, Interchina Commercial Building, No. 33 Dengshikou Main Street, Dongcheng District, Beijing, the PRC	No commercial value
36. Unit 6B1, Level 6, CTS Centre, No. 219 Zhongshan 5th Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC	No commercial value
Sub-total	<u>Nil</u>

Property	Market Value in existing state as at 30th April 2011
Group III – Property interests to be leased by the Group in Hong Kong after the Latest Practicable Date	
37. Shop 3A on First Floor of Blocks E, F, G, H, I, J (Site 1), Aberdeen Centre, Nos 13-23 Nam Ning Street, Aberdeen, Hong Kong	No commercial value
38. 4th Floor and the flat roof, Union Park Centre, Nos. 771-775 Nathan Road, Kowloon, Hong Kong	No commercial value
Sub-total	<u>Nil</u>
Grand-total	<u><u>Nil</u></u>

VALUATION CERTIFICATE

Group I – Property interests leased or sub-leased by the Group in Hong Kong as at the date of valuation or the tenancies commenced during the period between the date of valuation and Latest Practicable Date

Property	Description	Particulars of occupancy	Market Value in existing state as at 30th April 2011
1. 5th Floor, Causeway Bay Plaza I (Formerly known as Causeway Bay Plaza), No. 489 Hennessy Road, Causeway Bay, Hong Kong	<p>The property comprises the whole on 5th Floor of a 27-storey composite building completed in about 1989.</p> <p>The total saleable floor area of the property is approximately 7,808 sq.ft.</p>	<p>The property is sub-leased to the Group for a term of 3 years commencing on 11th May 2008 and expiring on 10th May 2011 at a monthly rent of HK\$360,693 exclusive of rates, management fee and other operating outgoings.</p> <p>The property at present is occupied by the Group for lecture room and ancillary uses.</p>	No commercial value

Notes:

- Pursuant to the Land Register, the current registered owner of the property is the Lessor, the Wing On Properties And Securities Company Limited.
- The property is subject to a mortgage in favour of Hang Seng Bank Limited dated 22nd October 2010 vide a memorial no. 10110503520299.
- The property is subject to an Assignment of Rental and Sale Proceeds in favour of Hang Seng Bank Limited dated 22nd October 2010 vide a memorial no. 10110503520309.
- The property is leased by the Lessor to Head Corporation Limited, for a term of 3 years commencing on 11th May 2008 and expiring on 10th May 2011 at a monthly rent of HK\$360,693 exclusive of rates, management fee and other operating outgoings.

Head Corporation Limited (the “Sub-lessor”) has sub-leased the property to the Group (the “Sub-lessee”) for a term of 3 years commencing on 11th May 2008 and expiring on 10th May 2011 at a monthly rent of HK\$360,693 exclusive of rates, management fee and other operating outgoings.
- According to the information provided by the Group, the Lessor is an independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.
- According to the information provided, the Sub-lessor, Head Corporation Limited, is a connected party of the Group; which is 50% equity interest held by Ms. Yiu and 50% equity interest held by Mr. Lee.
- The tenancy of the property is further renewed between the Lessor, the Wing On Properties and Securities Company Limited, and the Lessees, Modern Education (Hong Kong) Limited and Intelligent Education Limited, for a term commencing on 11th May 2011 and expiring on 10th May 2014 at a monthly rent of HK\$395,280 for the period from 11th May 2011 to 10th May 2012, HK\$444,690 for the period from 11th May 2012 to 10th May 2013 and HK\$494,100 for the period from 11th May 2013 to 10th May 2014 exclusive of management fee and other operating outgoings.
- According to the information provided by the Group, Modern Education (Hong Kong) Limited and Intelligent Education Limited are indirect wholly-owned subsidiaries of the Company.

VALUATION CERTIFICATE

Property	Description	Particulars of occupancy	Market Value in existing state as at 30th April 2011
2. 3rd Floor, CIGNA Tower, Nos. 470-484 Jaffe Road, Causeway Bay, Hong Kong	The property comprises the whole on 3rd Floor of a 23-storey composite building completed in about 1993. The total gross floor area of the property is approximately 6,735 sq.ft.	The property is sub-leased to the Group for a term commencing on 1st June 2011 and expiring on 9th May 2012 at a monthly rent of HK\$170,400 exclusive of rates, management fee and other operating outgoings. The property at present is occupied by the Group for lecture room and ancillary uses.	No commercial value

Notes:

1. Pursuant to the Land Register, the current registered owner of the property is the Lessor, Siu On Realty Company Limited
2. The property is leased by the Lessor, which is an independent third party to Online Global Limited, which is a connected party, for a term of 3 years commencing on 10th May 2009 and expiring on 9th May 2012 at a monthly rent of HK\$170,400 exclusive of rates, management fee and other operating outgoings.

Online Global Limited (the "Sub-lessor") has sub-leased the property to Modern Education (Hong Kong) Limited (the "Sub-lessee") for a term commencing on 1st June 2011 and expiring on 9th May 2012 at a monthly rent of HK\$170,400 exclusive of rates, management fee and other operating outgoings.
3. According to the information provided by the Group, the Lessor is an independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.
4. According to the information provided, the Sub-lessor, Online Global Limited, is a connected party of the Group; which is 50% equity interest held by Ms. Yiu and 50% equity interest held by Mr. Lee.
5. According to the information provided by the Group, Modern Education (Hong Kong) Limited is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

Property	Description	Particulars of occupancy	Market Value in existing state as at 30th April 2011
3. Shops 105 to 108 and Shops 116 to 125 on 1st Floor, Marble 33, Marble Garden, 33 Marble Road, North Point, Hong Kong	The property comprises 14 retail units on Level 1 of a 4-storey commercial building and various multi-storey residential buildings erected thereon completed in about 1993. The total saleable area of the property is approximately 7,245 sq.ft.	The property is leased to the Group for a term of 3 years commencing on 1st June 2010 and expiring on 31st May 2013 at a monthly rent of HK\$140,300 exclusive of rates, management fee and other operating outgoings. The property at present is occupied by the Group for lecture room and ancillary uses.	No commercial value

Notes:

1. Pursuant to the Land Register, the current registered owner of the property is the Lessor, Lagerfield Limited.
2. The property is subject to a legal charge to secure general banking facilities in favour of the Bank of East Asia Limited dated 19th August 1993 vide a memorial no. UB5788413.
3. The property is subject to a Debenture in favour of the Bank of East Asia Limited dated 3rd November 2004 vide a memorial no. UB9382232.
4. According to the information provided by the Group, the Lessor is an independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.
5. According to the information provided, the Lessee, Amber Well Limited, is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

Property	Description	Particulars of occupancy	Market Value in existing state as at 30th April 2011
4. Shop 25, Level 4, New Jade Gardens, No. 233 Chai Wan Road, Chai Wan, Hong Kong	The property comprises a retail unit on Level 4 of a 4-storey commercial building and various multi-storey residential buildings erected thereon completed in about 1988. The total saleable area of the property is approximately 2,221 sq.ft.	The property is leased to the Group for a term of 2 years commencing on 13th May 2010 and expiring on 12th May 2012 at a monthly rent of HK\$96,280 exclusive of rates, management fee and other operating outgoings. The property at present is occupied by the Group for lecture room and ancillary uses.	No commercial value

Notes:

1. Pursuant to the Land Register, the current registered owner of the property is the Lessor, Yan Yan Motors Limited
2. The property is subject to a mortgage in favour of Hang Seng Bank Limited dated 7th February 2005 vide a memorial no. 05030501670122.
3. According to the information provided by the Group, the Lessor is an independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.
4. According to the information provided, the Lessee, Amber Well Limited, is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

Property	Description	Particulars of occupancy	Market Value in existing state as at 30th April 2011
5. Shop 3A on Ground Floor, 1st Floor and 2nd Floor, Union Park Centre, Nos. 771-775 Nathan Road, Kowloon, Hong Kong	The property comprises portion of Ground Floor, the whole of 1st Floor and 2nd Floor of a 13-storey (exclusive of a single-storey basement) composite building completed in about 1993. The total saleable area of the property is approximately 10,141 sq.ft.	The property is sub-leased to the Group for a term commencing on 1st June 2011 and expiring on 31st May 2013 at a monthly rent of HK\$275,000 exclusive of rates, management fee and other operating outgoings. The property at present is occupied by the Group for lecture room and ancillary uses.	No commercial value

Notes:

1. Pursuant to the Land Register, the current registered owner of the property is the Lessor, Wide Max Enterprise Limited.
2. The property is leased by the Lessor to Modern English Limited, for a term of 3 years commencing on 1st June 2009 and expiring on 31st May 2013 at a monthly rent of HK\$ 275,000 exclusive of rates, management fee and other operating outgoings. Modern English Limited (the "Sub-lessor") has sub-leased the property to Modern Education (Hong Kong) Limited (the "Sub-lessee") for a term commencing on 1st June 2011 and expiring on 31st May 2013 at a monthly rent of HK\$ 275,000 exclusive of rates, management fee and other operating outgoings.
3. According to the information provided by the Group, the Lessor is an independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.
4. According to the information provided, the Sub-lessor, Modern English Limited, is a connected party of the Group; which is 66.67% equity interest held by Mr. Ng Kam Lun.
5. According to the information provided by the Group, Modern Education (Hong Kong) Limited is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

Property	Description	Particulars of occupancy	Market Value in existing state as at 30th April 2011
6. 3rd Floor, Union Park Centre, Nos. 771-775 Nathan Road, Kowloon, Hong Kong	The property comprises the whole of 3rd Floor of a 13-storey (exclusive of a single-storey basement) composite building completed in about 1993. The total saleable area of the property is approximately 4,437 sq.ft.	The property is leased to the Group for a term of 3 years commencing on 23rd May 2009 and expiring on 22nd May 2012 at a monthly rent of HK\$100,000 exclusive of rates, management fee and other operating outgoings. The property at present is occupied by the Group for lecture room and ancillary uses.	No commercial value

Notes:

1. Pursuant to the Land Register, the current registered owner of the property is the Lessor, Tellet Investment Limited.
2. The property is subject to a legal charge to secure general banking facilities in favour of Kwong On Bank Limited (now known as DBS Bank (Hong Kong) Limited) dated 23rd September 1993 vide a memorial no. UB5830591.
3. The property is subject to an Assignment of Rentals in favour of DBS Bank (Hong Kong) Limited dated 20th July 2007 vide a memorial no. 07082403260019.
4. According to the information provided by the Group, the Lessor is a connected party, which is 33% equity interest held by Mr. Ng Kam Wing and 17% equity interest held by Mr. Ng Kam Lun.
5. According to the information provided by the Group, the Lessee, Amber Well Limited is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

Property	Description	Particulars of occupancy	Market Value in existing state as at 30th April 2011
7. 2nd Floor, Chong Hing Square, No. 601 Nathan Road, Mongkok, Kowloon, Hong Kong	The property comprises the whole of 2nd Floor of a 22-storey (exclusive of a 2-storey basement) commercial/office building completed in about 1994. The total gross floor area of the property is approximately 12,246 sq.ft.	The property is leased to the Group for a term commencing on 19th March 2011 and expiring on 18th June 2013 at a monthly rent of HK\$240,000 for the period from 19th March 2011 to 18th October 2011 and HK\$281,000 for the period from 19th October 2011 to 18th June 2013 exclusive of rates, management fee and other operating outgoings. The property at present is occupied by the Group for lecture room and ancillary uses.	No commercial value

Notes:

1. Pursuant to the Land Register, the current registered owner of the property is the Lessor, Yue Tung Ching Kee Company Limited.
2. According to the information provided by the Group, the Lessor is an independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.
3. According to the information provided, the Lessees, Modern Education (Hong Kong) Limited and Intelligent Education Limited, are indirect wholly-owned subsidiaries of the Company.

VALUATION CERTIFICATE

Property	Description	Particulars of occupancy	Market Value in existing state as at 30th April 2011
8. Shops S68A, S68B to 69, 2nd Floor, Amoy Plaza, Amoy Gardens Phase I, No. 77 Ngau Tau Kok Road, Kowloon, Hong Kong	The property comprises various retail units on 2nd Floor of a 3-storey commercial building and various multi-storey residential buildings erected thereon completed in about 1981. The total saleable area of the property is approximately 2,937 sq.ft.	The property is leased to the Group for a term commencing on 1st March 2011 and expiring on 6th June 2013 at a monthly rent of HK\$75,000 for the period from 1st March 2011 to 6th June 2011 and HK\$98,000 for the period from 7th June 2011 to 6th June 2013 exclusive of rates, management fee and other operating outgoings. The property at present is occupied by the Group for lecture room and ancillary uses.	No commercial value

Notes:

1. Pursuant to the Land Register, the current registered owner of the property is Aytat Enterprises Limited.
2. The property is subject to a government notice No. 575 of 1981 pursuant to Section 22(1) dated 20th February 1981 vide a memorial no. UB2026128.
3. The property is subject to a Debenture by Aytat Enterprises Ltd. & Bonna Estates Co., Ltd. in favour of Wardley Limited "the Agent" dated 29th September 1981 vide a memorial no. UB2158460. The property is subject to supplement to Debenture on 30th June 1983 vide a memorial no. UB2443047 and further supplement to Debenture on 28th September 1984 vide a memorial no. UB2660740.
4. According to the information provided by the Group, Aytat Enterprises Limited is an independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.
5. According to the information provided, Amber Well Limited, is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

Property	Description	Particulars of occupancy	Market Value in existing state as at 30th April 2011
9. Shops S102 to S104, S104A, S133 to S140, 2nd Floor, Amoy Plaza, Amoy Gardens Phases I & IIA, No. 77 Ngau Tau Kok Road, Kowloon, Hong Kong	<p>The property comprises various retail units on 2nd Floor of a 3-storey commercial building and various multi-storey residential buildings erected thereon completed in about 1981.</p> <p>The total saleable area of the property is approximately 5,968 sq.ft.</p>	<p>The property is sub-leased to the Group for a term commencing on 1st June 2011 and expiring on 6th June 2012 at a monthly rent of HK\$170,000 for the period from 1st June 2011 to 6th June 2011 and HK\$190,000 for the period from 7th June 2011 to 6th June 2012 exclusive of rates, management fee and other operating outgoings.</p> <p>The property at present is occupied by the Group for lecture room and ancillary uses.</p>	No commercial value

Notes:

- Pursuant to the Land Registers, the current registered owners of the property are Aytat Enterprises Limited and Amoy Properties Limited.
- The property is subject to a government notice No. 575 of 1981 pursuant to Section 22(1) dated 20th February 1981 vide a memorial no. UB2026128.
- The property is subject to a Debenture by Aytat Enterprises Ltd. & Bonna Estates Co., Ltd. in favour of Wardley Limited "the Agent" dated 29th September 1981 vide a memorial no. UB2158460. The property is subject to supplement to Debenture on 30th June 1983 vide a memorial no. UB2443047 and further supplement to Debenture on 28th September 1984 vide a memorial no. UB2660740.
- The property is leased by Aytat Enterprises Limited and Amoy Properties Limited to Regent Mega Limited, which is a connected party, for a term commencing on 7th June 2010 and expiring on 6th June 2012 at a monthly rent of HK\$170,000 for the period from 7th June 2010 to 6th June 2011 and HK\$190,000 for the period from 7th June 2011 to 6th June 2012 exclusive of rates, management fee and other operating outgoings.

Regent Mega Limited (the "Sub-lessor") has sub-leased the property to Modern Education (Hong Kong) Limited (the "Sub-lessee") for a term commencing on 1st June 2011 and expiring on 6th June 2012 at a monthly rent of HK\$170,000 for the period from 1st June 2011 to 6th June 2011 and HK\$190,000 for the period from 7th June 2011 to 6th June 2012 exclusive of rates, management fee and other operating outgoings.
- According to the information provided by the Group, Aytat Enterprises Limited and Amoy Properties Limited are independent third parties, which are not connected with and are independent of, any of the directors, or any of their respective associates of the Group.
- According to the information provided, the Sub-lessor, Regent Mega Limited, is a connected party of the Group; which is 40% equity interest held by Ms. Yiu and 60% equity interest held by Mr. Lee.
- According to the information provided by the Group, Modern Education (Hong Kong) Limited is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

Property	Description	Particulars of occupancy	Market Value in existing state as at 30th April 2011
10. Units 401 to 405A, 4th Floor, Citylink Plaza, No. 1 Shatin Station Circuit, Shatin, New Territories, Hong Kong	The property comprises various retail units on 4th Floor of a 10-storey composite building completed in about 1983. The total gross floor area of the property is approximately 3,146 sq.ft.	The property is sub-leased to the Group for a term commencing on 1st June 2011 and expiring on 31st May 2013 at a monthly rent of HK\$125,840 exclusive of rates, management fee and other operating outgoings. The property at present is occupied by the Group for lecture room and ancillary uses.	No commercial value

Notes:

1. Pursuant to the Land Register, the current registered owner of the property is MTR Corporation Limited.
2. The property is leased by the Lessor to Phoenix Investment Limited, for a term commencing on 1st June 2009 and expiring on 31st May 2013 at a monthly rent of HK\$113,256 for the period from 1st June 2009 to 31st May 2010, HK\$119,548 for the period from 1st June 2010 to 31st May 2011, HK\$125,840 for the period from 1st June 2011 to 31st May 2013 exclusive of rates, management fee and other operating outgoings.

Phoenix Investment Limited (the "Sub-lessor") has sub-leased the property to Modern Education (Hong Kong) Limited (the "Sub-lessee") for a term commencing on 1st June 2011 and expiring on 31st May 2013 at a monthly rent of HK\$125,840 exclusive of rates, management fee and other operating outgoings.
3. According to the information provided by the Group, the Lessor is an independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.
4. According to the information provided, the Sub-lessor, Phoenix Investment Limited, is a connected party of the Group; which is wholly-owned by Ms. Yiu.
5. According to the information provided by the Group, Modern Education (Hong Kong) Limited is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

Property	Description	Particulars of occupancy	Market Value in existing state as at 30th April 2011
11. Shops 9A and 9B, 2nd Floor (Level 3), Chanway Shopping Centre (the commercial section included in Wai Wah Centre), 11-17 Sha Tin Centre Street, Shatin, New Territories, Hong Kong	The property comprises two retail units on 2nd Floor of a 3-storey commercial building and various multi-storey residential buildings erected thereon completed in about 1986. The total gross floor area of the property is approximately 10,861 sq.ft. and the total saleable area of the property is approximately 4,754 sq.ft.	The property is sub-leased to the Group for a term commencing on 1st June 2011 and expiring on 30th June 2013 at a monthly rent of HK\$320,000 exclusive of rates, management fee and other operating outgoings. The property at present is occupied by the Group for lecture room and ancillary uses.	No commercial value

Notes:

1. Pursuant to the Land Register, the current registered owner of the property is the Lessor, Chanway Shatin New Town Development Limited.
2. The property is leased by the Lessor to Online Global Limited, for a term commencing on 1st May 2009 and expiring on 31st May 2011 at a monthly rent of HK\$310,000 exclusive of rates, management fee and other operating outgoings.

Online Global Limited (the "Sub-lessor") has sub-leased the property to Modern Education (Hong Kong) Limited (the "Sub-lessee") for a term commencing on 1st June 2011 and expiring on 30th June 2013 at a monthly rent of HK\$320,000 exclusive of rates, management fee and other operating outgoings.
3. According to the information provided by the Group, the Lessor is an independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.
4. According to the information provided, the Sub-lessor, Online Global Limited, is a connected party of the Group; which is 50% equity interest held by Ms. Yiu and 50% equity interest held by Mr. Lee.
5. The tenancy agreement of the property is renewed between the Lessor and the Sub-lessor for a further three-year term commencing on 1st June 2011 and expiring on 31st May 2014 at a monthly rent of HK\$320,000 exclusive of rates, management fee and other operating outgoings.
6. According to the information provided by the Group, Modern Education (Hong Kong) Limited is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

Property	Description	Particulars of occupancy	Market Value in existing state as at 30th April 2011
12. Shops 8A and 8B, 2nd Floor (Level 3), Chanway Shopping Centre (the commercial section included in Wai Wah Centre), 11-17 Sha Tin Centre Street, Shatin, New Territories, Hong Kong	The property comprises two retail units on 2nd Floor of a 3-storey commercial building and various multi-storey residential buildings erected thereon completed in about 1986. The total gross floor area of the property is approximately 14,672 sq.ft. and the total saleable area of the property is approximately 6,843 sq.ft.	The property is sub-leased to the Group for a term commencing on 1st June 2011 and expiring on 30th June 2013 at a monthly rent of HK\$700,000 exclusive of rates, management fee and other operating outgoings. The property at present is occupied by the Group for lecture room and ancillary uses.	No commercial value

Notes:

1. Pursuant to the Land Register, the current registered owner of the property is the Lessor, Chanway Shatin New Town Development Limited.
2. The property is leased by the Lessor to World Wide Resources Management Limited, for a term commencing on 1st August 2009 and expiring on 31st May 2012 at a monthly rent of HK\$700,000 exclusive of rates, management fee and other operating outgoings.

World Wide Resources Management Limited (the "Sub-lessor") has sub-leased the property to Modern Education (Hong Kong) Limited (the "Sub-lessee") for a term commencing on 1st June 2011 and expiring on 30th June 2013 at a monthly rent of HK\$700,000 exclusive of rates, management fee and other operating outgoings.
3. According to the information provided by the Group, the Lessor is an independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.
4. According to the information provided, the Sub-lessor, World Wide Resources Management Limited, is a connected party of the Group; which is wholly-owned by Ms. Yiu.
5. The tenancy agreement of the property is renewed between the Lessor and the Sub-lessor for a further two-year term commencing on 1st June 2012 and expiring on 31st May 2014 at a monthly rent of HK\$700,000 exclusive of rates, management fee and other operating outgoings.
6. According to the information provided by the Group, Modern Education (Hong Kong) Limited is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

Property	Description	Particulars of occupancy	Market Value in existing state as at 30th April 2011
13. Unit 220A, Level 2, Commercial Accommodation, Park Central, No. 9 Tong Tak Street, Tsueng Kwan O, Sai Kung, New Territories, Hong Kong	<p>The property comprises a retail unit on 2nd Floor of a 4-storey commercial building (exclusive of a single-storey basement) and various multi-storey residential buildings erected thereon completed in about 2003.</p> <p>The saleable area of the property is approximately 566 sq.ft.</p>	<p>The property is sub-leased to the Group for a term commencing on 1st June 2011 and expiring on 30th June 2013 at a monthly rent of HK\$10,760 for the period from 1st June 2011 to 4th May 2012, HK\$11,320 for the period from 5th May 2012 to 4th May 2013 and HK\$11,890 for the period from 5th May 2013 to 30th June 2013 exclusive of rates, management fee and other operating outgoings.</p> <p>The property at present is occupied by the Group for lecture room and ancillary uses.</p>	No commercial value

Notes:

- Pursuant to the Land Register, the current registered owners of the property are the Lessors, Donora Company Limited, Grumete Company Limited, Hintline Investments Limited, Kam Hoi Development Company Limited, Rainforce Limited, Zindemar Investments Corp., Join Fortune Development Limited, Loi Hing Investment Company Limited, On Lee Investment Company Limited, The World Realty Limited, Yau Fook Hong Company Limited, Yick Fung Holdings Limited, Ying Ho Company Limited and Teamfield Property Limited
- The property is leased by the Lessors to Modern English Limited (formerly known as English Now Limited), for a term commencing on 5th May 2008 and expiring on 4th May 2011 at a monthly rent of HK\$8,490 for the period from 5th May 2008 to 4th May 2010, HK\$10,190 for the period from 5th May 2010 to 4th May 2011 exclusive of rates, management fee and other operating outgoings.

Modern English Limited (the "Sub-lessor") has sub-leased the property to Modern Education (Hong Kong) Limited (the "Sub-lessee") for a term commencing on 1st June 2011 and expiring on 30th June 2013 at a monthly rent of HK\$10,760 for the period from 1st June 2011 to 4th May 2012, HK\$11,320 for the period from 5th May 2012 to 4th May 2013 and HK\$11,890 for the period from 5th May 2013 to 30th June 2013 exclusive of rates, management fee and other operating outgoings.
- According to the information provided by the Group, the Lessors are independent third parties, which are not connected with and are independent of, any of the directors, or any of their respective associates of the Group.
- According to the information provided, the Sub-lessor, Modern English Limited, is a connected party of the Group; which is 66.67% equity interest held by Mr. Ng Kam Lun.
- The tenancy agreement of the property is renewed between the Lessors and the Sub-lessor for a term commencing on 5th May 2011 and expiring on 4th May 2014 at a monthly rent of HK\$10,760 for the period from 5th May 2011 to 4th May 2012, HK\$11,320 for the period from 5th May 2012 to 4th May 2013 and HK\$11,890 for the period from 5th May 2013 to 4th May 2014 exclusive of rates, management fee and other operating outgoings.
- According to the information provided by the Group, Modern Education (Hong Kong) Limited is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

Property	Description	Particulars of occupancy	Market Value in existing state as at 30th April 2011
14. Unit 220B, Level 2, Commercial Development, Park Central, No. 9 Tong Tak Street, Tsueng Kwan O, Sai Kung, New Territories, Hong Kong	The property comprises a retail unit on 2nd Floor of a 4-storey commercial building (exclusive of a single-storey basement) and various multi-storey residential buildings erected thereon completed in about 2005. The saleable area of the property is approximately 7,325 sq.ft.	The property is sub-leased to the Group for a term commencing on 1st June 2011 and expiring on 30th June 2013 at a monthly rent of HK\$139,200 for the period from 1st June 2011 to 4th May 2012, HK\$146,500 for the period from 5th May 2012 to 4th May 2013 and HK\$153,830 for the period from 5th May 2013 to 30th June 2013 exclusive of rates, management fee and other operating outgoings. The property at present is occupied by the Group for lecture room and ancillary uses.	No commercial value

Notes:

1. Pursuant to the Land Register, the current registered owner of the property is the Lessor, Special Concept Development Limited.
2. The property is leased by the Lessor to Modern English Limited (formerly known as English Now Limited), for a term commencing on 5th May 2008 and expiring on 4th May 2011 at a monthly rent of HK\$109,900 for the period from 5th May 2008 to 4th May 2010, HK\$131,850 for the period from 5th May 2010 to 4th May 2011 exclusive of rates, management fee and other operating outgoings.

Modern English Limited (the "Sub-lessor") has sub-leased the property to Modern Education (Hong Kong) Limited (the "Sub-lessee") for a term commencing on 1st June 2011 and expiring on 30th June 2013 at a monthly rent of HK\$139,200 for the period from 1st June 2011 to 4th May 2012, HK\$146,500 for the period from 5th May 2012 to 4th May 2013 and HK\$153,830 for the period from 5th May 2013 to 30th June 2013 exclusive of rates, management fee and other operating outgoings.
3. According to the information provided by the Group, the Lessor is an independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.
4. According to the information provided, the Sub-lessor, Modern English Limited, is a connected party of the Group; which is 66.67% equity interest held by Mr. Ng Kam Lun.
5. The tenancy agreement of the property is renewed between the Lessor and the Sub-lessor for a term commencing on 5th May 2011 and expiring on 4th May 2014 at a monthly rent of HK\$139,200 for the period from 5th May 2011 to 4th May 2012, HK\$146,500 for the period from 5th May 2012 to 4th May 2013 and HK\$153,830 for the period from 5th May 2013 to 4th May 2014 exclusive of rates, management fee and other operating outgoings.
6. According to the information provided by the Group, Modern Education (Hong Kong) Limited is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

Property	Description	Particulars of occupancy	Market Value in existing state as at 30th April 2011
15. Shops 8 and 9 on Level 1, Fanling Town Center, No. 18 Fanling Station Road, Fanling, New Territories, Hong Kong	The property comprises 2 retail units on Level 1 of a 3-storey (exclusive of a single-storey basement) commercial building and various multi-storey residential buildings erected thereon completed in about 1993. The total gross floor area of the property is approximately 6,090 sq.ft.	The property is sub-leased to the Group for a term commencing on 1st June 2011 and expiring on 15th April 2012 at a monthly rent of HK\$155,000 exclusive of rates, management fee and other operating outgoings. The property at present is occupied by the Group for lecture room and ancillary uses.	No commercial value

Notes:

1. Pursuant to the Land Register, the current registered owners of the property are the Lessors, Fung Cheung Realty Limited, Virginia Investments Limited, The World Realty Limited and Ying Ho Company Limited.
2. The property is leased by the Lessors to Smarter Choice Limited, for a term commencing on 16th April 2009 and expiring on 15th April 2012 at a monthly rent of HK\$155,000 exclusive of rates, management fee and other operating outgoings.

Smarter Choice Limited (the "Sub-lessor") has sub-leased the property to Modern Education (Hong Kong) Limited (the "Sub-lessee") for a term commencing on 1st June 2011 and expiring on 15th April 2012 at a monthly rent of HK\$155,000 exclusive of rates, management fee and other operating outgoings.
3. According to the information provided by the Group, the Lessors are independent third parties.,which are not connected with and are independent of, any of the directors, or any of their respective associates of the Group.
4. According to the information provided, the Sub-lessor, Smarter Choice Limited, is a connected party of the Group; which is wholly-owned by Mr. Ng Kam Lun.
5. According to the information provided by the Group, Modern Education (Hong Kong) Limited is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

Property	Description	Particulars of occupancy	Market Value in existing state as at 30th April 2011
16. Shops 203 to 207, Level 2, Integrated Commercial Accommodation, Tai Tak House, Tai Yuen Estate, Tai Po, New Territories, Hong Kong	The property comprises 5 retail units on Level 2 of a 3-storey commercial building and a multi-storey residential building erected thereon completed in about 1980. The total saleable area of the property is approximately 3,658 sq.ft.	The property is leased to the Group for a term commencing on 1st June 2010 and expiring on 31st May 2013 at a monthly rent of HK\$45,000 exclusive of rates, management fee and other operating outgoings. The property at present is occupied by the Group for lecture room and ancillary uses.	No commercial value

Notes:

1. Pursuant to the Land Register, the current registered owner of the property is the Lessor, The Link Properties Limited
2. According to the information provided by the Group, the Lessor is an independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.
3. According to the information provided, the Lessee, Amber Well Limited, is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

Property	Description	Particulars of occupancy	Market Value in existing state as at 30th April 2011
17. Shop 12 on the Ground Floor and the 1st Floor and its Canopy and the Flat Roof thereof and Shop No. 13 on the Ground Floor, Cheong Wah Building, Nos. 289 to 291 and Nos. 295 to 301 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong	<p>The property comprises various retail portions on Ground Floor and 1st Floor of a 22-storey commercial/residential building completed in about 1973.</p> <p>The total saleable area of the property is approximately 10,697 sq.ft. (excluding of the areas of the flat roof of approximately 472 sq.ft. and the canopy of approximately 1,938 sq.ft.)</p>	<p>The property is sub-leased to the Group for a term commencing on 1st June 2011 and expiring on 30th April 2012 at a monthly rent of HK\$264,500 exclusive of rates, management fee and other operating outgoings.</p> <p>The property at present is occupied by the Group for lecture room and ancillary uses.</p>	No commercial value

Notes:

- Pursuant to the Land Registers, the current registered owner of the property is the Lessor, Kingdom Power Development Limited.
- The property is subject to a Legal Charge in favour of Fubon Bank (Hong Kong) Limited dated 30th September 2008 vide a memorial no. 08101600430018.
- The property is subject to an Assignment of Rental in favour of Fubon Bank (Hong Kong) Limited dated 30th September 2008 vide a memorial no. 08101600430020.
- The property is leased by the Lessor to Regent Mega Limited, for a term commencing on 1st May 2009 and expiring on 30th April 2012 at a monthly rent of HK\$264,500 exclusive of rates, management fee and other operating outgoings.

Regent Mega Limited (the "Sub-lessor") has sub-leased the property to Modern Education (Hong Kong) Limited (the "Sub-lessee") for a term commencing on 1st June 2011 and expiring on 30th April 2012 at a monthly rent of HK\$264,500 exclusive of rates, management fee and other operating outgoings.
- According to the information provided by the Group, the Lessor is an independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.
- According to the information provided, the Sub-lessor, Regent Mega Limited, is a connected party of the Group; which is 40% equity interest held by Ms. Yiu and 60% equity interest held by Mr. Lee.
- According to the information provided by the Group, Modern Education (Hong Kong) Limited is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

Property	Description	Particulars of occupancy	Market Value in existing state as at 30th April 2011
18. 1st Floor and 2nd Floor, Glassview Commercial Building, No. 65 Castle Peak Road Yuen Long, Yuen Long, New Territories, Hong Kong	<p>The property comprises the whole on 1st Floor and 2nd Floor of a 24-storey composite building completed in about 2002.</p> <p>The total saleable area of the property is approximately 2,854 sq.ft.</p>	<p>The property is leased to the Group for a term commencing on 1st June 2011 and expiring on 31st May 2014 at a monthly rent of HK\$126,500 exclusive of rates, management fee and other operating outgoings.</p> <p>The property is occupied by the Group for lecture room and ancillary uses as at the Latest Practicable Date.</p>	No commercial value

Notes:

- Pursuant to the Land Registers, the current registered owner of the property is the Lessor, Sun Chung Hing Investment Limited.
- The property is subject to a Tripartite Legal Charge/Mortgage in favour of CITIC Ka Wah Bank Limited (now known as CITIC Bank Limited) dated 29th March 2010 vide a memorial no. 10041901090081.
- The property is subject to a Rental Assignment in favour of CITIC Ka Wah Bank Limited (now known as CITIC Bank Limited) dated 29th March 2010 vide a memorial no. 10041901090098.
- According to the information provided by the Group, the Lessor is an independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.
- The property is leased by the Lessor to Online Global Limited (the "Original Lessee") for a term commencing on 16th February 2009 and expiring on 31st May 2011 at a monthly rent of HK\$110,000 exclusive of rates, management fee and other operating outgoings.
- The tenancy agreement of the property is renewed between the Lessor and Modern Education (Hong Kong) Limited (the "New Lessee") for a term commencing on 1st June 2011 and expiring on 31st May 2014 at a monthly rent of HK\$126,500 exclusive of rates, management fee and other operating outgoings.
- According to the information provided, the New Lessee, Modern Education (Hong Kong) Limited, is an indirect wholly-owned subsidiary of the Company.
- According to the information provided by the Group, the Original Lessee, Online Global Limited is a connected party, which is 50% equity interest held by Ms. Yiu and 50% equity interest held by Mr. Lee.

VALUATION CERTIFICATE

Property	Description	Particulars of occupancy	Market Value in existing state as at 30th April 2011
19. 3rd Floor, Glassview Commercial Building, No. 65 Castle Peak Road Yuen Long, Yuen Long, New Territories, Hong Kong	The property comprises the whole on 3rd Floor of a 24-storey composite building completed in about 2002. The total saleable area of the property is approximately 1,427 sq.ft.	The property is leased to the Group for a term commencing on 1st June 2011 and expiring on 31st May 2014 at a monthly rent of HK\$57,500 exclusive of rates, management fee and other operating outgoings. The property is occupied by the Group for lecture room and ancillary uses as at the Latest Practicable Date.	No commercial value

Notes:

1. Pursuant to the Land Register, the current registered owner of the property is the Lessor, Sun Chung Hing Investment Limited.
2. The property is subject to a Tripartite Legal Charge/Mortgage in favour of CITIC Ka Wah Bank Limited (now known as CITIC Bank Limited) dated 29th March 2010 vide a memorial no. 10041901090081.
3. The property is subject to a Rental Assignment in favour of CITIC Ka Wah Bank Limited (now known as CITIC Bank Limited) dated 29th March 2010 vide a memorial no. 10041901090098.
4. According to the information provided by the Group, the Lessor is an independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.
5. The property is leased by the Lessor to Online Global Limited (the "Original Lessee") for a term commencing on 1st August 2009 and expiring on 31st May 2011 at a monthly rent of HK\$50,000 exclusive of rates, management fee and other operating outgoings.
6. The tenancy agreement of the property is renewed between the Lessor and Modern Education (Hong Kong) Limited (the "New Lessee") for a term commencing on 1st June 2011 and expiring on 31st May 2014 at a monthly rent of HK\$57,500 exclusive of rates, management fee and other operating outgoings.
7. According to the information provided, the New Lessee, Modern Education (Hong Kong) Limited, is an indirect wholly-owned subsidiary of the Company.
8. According to the information provided by the Group, the Original Lessee, Online Global Limited is a connected party, which is 50% equity interest held by Ms. Yiu and 50% equity interest held by Mr. Lee.

VALUATION CERTIFICATE

Property	Description	Particulars of occupancy	Market Value in existing state as at 30th April 2011
20. Shop Unit 157, 1st Floor, Tuen Mun Parklane Square, No. 2 Tuen Hi Road, Tuen Mun, New Territories, Hong Kong	The property comprises a unit on 1st Floor of a 13-storey composite building completed in about 1997. The gross floor area of the property is approximately 921 sq.ft. and the saleable area of the property is approximately 469 sq.ft.	The property is leased to the Group for a term commencing on 1st June 2010 and expiring on 31st May 2011 at a monthly rent of HK\$16,500 exclusive of rates, management fee and other operating outgoings. The property at present is occupied by the Group for lecture room and ancillary uses.	No commercial value

Notes:

1. Pursuant to the Land Register, the current registered owner of the property is the Lessor, Enrich Investments Limited.
2. According to the information provided by the Group, the Lessor is an independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.
3. According to the information provided, the Original Lessee, Amber Well Limited, is an indirect wholly-owned subsidiary of the Company.
4. The tenancy agreement of the property is renewed between the Lessor and Modern Education (Hong Kong) Limited and Intelligent Education Limited (the "New Lessees") for a term commencing on 1st June 2011 and expiring on 31st May 2013 at a monthly rent of HK\$19,000 exclusive of rates, management fee and other operating outgoings.
5. According to the information provided by the Group, Modern Education (Hong Kong) Limited and Intelligent Education Limited are indirect wholly-owned subsidiaries of the Company.

VALUATION CERTIFICATE

Property	Description	Particulars of occupancy	Market Value in existing state as at 30th April 2011
21. Shop Unit 158, 1st Floor, Tuen Mun Parklane Square, No. 2 Tuen Hi Road, Tuen Mun, New Territories, Hong Kong	The property comprises a unit on 1st Floor of a 13-storey composite building completed in about 1997. The gross floor area of the property is approximately 672 sq.ft. and the saleable area of the property is approximately 342 sq.ft.	The property is leased to the Group for a term commencing on 15th May 2010 and expiring on 31st May 2011 at a monthly rent of HK\$15,500 exclusive of rates, management fee and other operating outgoings. The property at present is occupied by the Group for lecture room and ancillary uses.	No commercial value

Notes:

1. Pursuant to the Land Register, the current registered owner of the property is the Lessor, Enrich Investments Limited.
2. According to the information provided by the Group, the Lessor is an independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.
3. According to the information provided, the Original Lessee, Amber Well Limited, is an indirect wholly-owned subsidiary of the Company.
4. The tenancy agreement of the property is renewed between the Lessor and Modern Education (Hong Kong) Limited and Intelligent Education Limited (the "New Lessees") for a term commencing on 1st June 2011 and expiring on 31st May 2013 at a monthly rent of HK\$17,800 exclusive of rates, management fee and other operating outgoings.
5. According to the information provided by the Group, Modern Education (Hong Kong) Limited and Intelligent Education Limited are indirect wholly-owned subsidiaries of the Company.

VALUATION CERTIFICATE

Property	Description	Particulars of occupancy	Market Value in existing state as at 30th April 2011
22. Shops Units 127 to 129, 1st Floor, Tuen Mun Parklane Square, No. 2 Tuen Hi Road, Tuen Mun, New Territories, Hong Kong	The property comprises three units on 1st Floor of a 13-storey composite building completed in about 1997. The total gross floor area of the property is approximately 3,004 sq.ft. and the total saleable area of the property is approximately 1,531 sq.ft.	The property is leased to the Group for a term commencing on 1st June 2010 and expiring on 31st May 2011 at a monthly rent of HK\$54,000 exclusive of rates, management fee and other operating outgoings. The property at present is occupied by the Group for lecture room and ancillary uses.	No commercial value

Notes:

1. Pursuant to the Land Registers, the current registered owner of the property is the Lessor, Enrich Investments Limited.
2. According to the information provided by the Group, the Lessor is an independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.
3. According to the information provided, the Original Lessee, Amber Well Limited, is an indirect wholly-owned subsidiary of the Company.
4. The tenancy agreement of the property is renewed between the Lessor and Modern Education (Hong Kong) Limited and Intelligent Education Limited (the "New Lessees") for a term commencing on 1st June 2011 and expiring on 31st May 2013 at a monthly rent of HK\$62,100 exclusive of rates, management fee and other operating outgoings.
5. According to the information provided by the Group, Modern Education (Hong Kong) Limited and Intelligent Education Limited are indirect wholly-owned subsidiaries of the Company.

VALUATION CERTIFICATE

Property	Description	Particulars of occupancy	Market Value in existing state as at 30th April 2011
23. Shops Units 313, 315, 316, 319, 320 and 321, 3rd Floor, Tuen Mun Parklane Square, No. 2 Tuen Hi Road, Tuen Mun, New Territories, Hong Kong	<p>The property comprises 6 units on 3rd Floor of a 13-storey composite building completed in about 1997.</p> <p>The total gross floor area of the property is approximately 3,849 sq.ft. and the total saleable area of the property is approximately 1,960 sq.ft.</p>	<p>The property is leased to the Group for a term commencing on 1st June 2010 and expiring on 31st May 2011 at a monthly rent of HK\$63,088 exclusive of rates, management fee and other operating outgoings.</p> <p>The property at present is occupied by the Group for lecture room and ancillary uses.</p>	No commercial value

Notes:

1. Pursuant to the Land Registers, the current registered owner of the property is the Lessor, Enrich Investments Limited.
2. The property is subject to a mortgage in favour of the Hongkong and Shanghai Banking Corporation Limited dated 15th December 1999 vide a memorial no. TM932127.
3. According to the information provided by the Group, the Lessor is an independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.
4. According to the information provided, the Original Lessee, Amber Well Limited, is an indirect wholly-owned subsidiary of the Company.
5. The tenancy agreement of the property is renewed between the Lessor and Modern Education (Hong Kong) Limited and Intelligent Education Limited (the "New Lessees") for a term commencing on 1st June 2011 and expiring on 31st May 2013 at a monthly rent of HK\$72,600 exclusive of rates, management fee and other operating outgoings.
6. According to the information provided by the Group, Modern Education (Hong Kong) Limited and Intelligent Education Limited are indirect wholly-owned subsidiaries of the Company.

VALUATION CERTIFICATE

Property	Description	Particulars of occupancy	Market Value in existing state as at 30th April 2011
24. Shops Units 130 and 131, 1st Floor, Tuen Mun Parklane Square, No. 2 Tuen Hi Road, Tuen Mun, New Territories, Hong Kong	The property comprises 2 units on 1st Floor of a 13-storey composite building completed in about 1997. The total gross floor area of the property is approximately 907 sq.ft. and the total saleable area of the property is approximately 462 sq.ft.	The property is leased to the Group for a term commencing on 1st June 2010 and expiring on 31st May 2011 at a monthly rent of HK\$18,369 exclusive of rates, management fee and other operating outgoings. The property at present is occupied by the Group for lecture room and ancillary uses.	No commercial value

Notes:

1. Pursuant to the Land Registers, the current registered owner of the property is the Lessor, Enrich Investments Limited.
2. According to the information provided by the Group, the Lessor is an independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.
3. According to the information provided, the Original Lessee, Amber Well Limited, is an indirect wholly-owned subsidiary of the Company.
4. The tenancy agreement of the property is renewed between the Lessor and Modern Education (Hong Kong) Limited and Intelligent Education Limited (the "New Lessees") for a term commencing on 1st June 2011 and expiring on 31st May 2013 at a monthly rent of HK\$21,100 exclusive of rates, management fee and other operating outgoings.
5. According to the information provided by the Group, Modern Education (Hong Kong) Limited and Intelligent Education Limited are indirect wholly-owned subsidiaries of the Company.

VALUATION CERTIFICATE

Property	Description	Particulars of occupancy	Market Value in existing state as at 30th April 2011
25. Unit C, 17th Floor, Young Ya Industrial Building, Nos. 381 to 389 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong	The property comprises a unit on 17th Floor of a 25-storey industrial building completed in about 1979. The gross floor area of the property is approximately 6,720 sq.ft.	The property is leased to the Group for a term commencing on 30th July 2008 and expiring on 29th July 2011 at a monthly rent of HK\$30,000 exclusive of rates, management fee and other operating outgoings. The property at present is occupied by the Group for printing, office and ancillary uses.	No commercial value

Notes:

1. Pursuant to the Land Register, the current registered owner of the property is the Lessor, Lim Por Yen (deceased).
2. According to the information provided by the Group, the Lessor is an independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.
3. According to the information provided, the Lessee, Wise Action Limited, is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

Property	Description	Particulars of occupancy	Market Value in existing state as at 30th April 2011
26. Factory unit B4 on 25th Floor, Block B, Kong Nam Industrial Building, Nos. 603 to 609 Castle Peak Road Tsuen Wan, New Territories, Hong Kong	The property comprises a unit on 25th Floor of a 27-storey industrial building completed in about 1981. The gross floor area of the property is approximately 3,001 sq.ft. and the total saleable area of the property is approximately 2,250 sq.ft.	The property is leased to the Group for a term commencing on 16th March 2010 and expiring on 15th March 2012 at a monthly rent of HK\$8,500 inclusive of rates and management fee but exclusive of other operating outgoings. The property at present is occupied by the Group for storage uses.	No commercial value

Notes:

1. Pursuant to the Land Register, the current registered owner of the property is the Lessor, Kong Yick Vacuum Plating Company Limited.
2. The property is subject to a mortgage to secure general banking facilities in favour of Liu Chong Hing Bank Limited dated 23rd July 1993 vide a memorial no. UB5755814.
3. The property is subject to a G.N. 4960 Re Creation of permanent rights with plan on 16th January 1999 dated 15th October 1998 vide a memorial no. UB7601793.
4. According to the information provided by the Group, the Lessor is an independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.
5. According to the information provided, the Lessee, Amber Well Limited, is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

Property	Description	Particulars of occupancy	Market Value in existing state as at 30th April 2011
27. Suites 2701 and 2702, 27th Floor, Tower 2, Nina Tower, 8 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong	The property comprises two units on 27th Floor of a 77-storey commercial/office building completed in about 2006. The total gross floor area of the property is approximately 10,418 sq.ft.	The property is leased to the Group for a term commencing on 10th January 2010 and expiring on 9th January 2013 at a monthly rent of HK\$156,270 exclusive of rates, management fee and other operating outgoings. The property at present is occupied by the Group for office use.	No commercial value

Notes:

1. Pursuant to the Land Register, the current registered owners of the property are the Lessors, Ying Ho Company Limited, Cheong Ming Investment Company Limited, Dorfolk Investments Limited, Kwong Fook Investors & Developers Limited, The World Realty Limited, On Lee Investment Company Limited, Yau Fook Hong Company Limited and Tsing Lung Investment Company Limited.
2. According to the information provided by the Group, the Lessors are independent third parties, which are not connected with and are independent of, any of the directors, or any of their respective associates of the Group.
3. According to the information provided, the Lessee, Amber Well Limited, is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

Property	Description	Particulars of occupancy	Market Value in existing state as at 30th April 2011
28. Shop No. L2-057, Level 2, Metro Town, No. 8 King Ling Road, Tsueng Kwan O, New Territories, Hong Kong	The property comprises a unit on Level 2 of a 3-storey commercial building and various multi-storey residential buildings erected thereon completed in about 2006. The saleable area of the property is approximately 798 sq.ft.	The property is leased to the Group for a term commencing on 1st April 2010 and expiring on 31st March 2013 at a monthly rent of HK\$37,500 exclusive of rates, management fee and other operating outgoings. The property at present is occupied by the Group for classroom room and ancillary uses.	No commercial value

Notes:

1. Pursuant to the Land Register, the current registered owner of the property is the Lessor, Mega Gain Resources Limited.
2. The property is subject to an Order No. C/TC/002220/10/NT under Section 24(1) of the Building Ordinance dated 22nd September 2010 vide a memorial no. 10101200750019.
3. According to the information provided by the Group, the Lessor is an independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.
4. According to the information provided, the Lessee, Bachelor Education Centre Limited, is an indirect 60%-owned subsidiary of the Company since 31st December 2010.

VALUATION CERTIFICATE

Property	Description	Particulars of occupancy	Market Value in existing state as at 30th April 2011
29. Shops Nos. 89-90 on 1st Floor, Laguna Plaza, No. 88 Cha Kwo Ling Road, Kwun Tong, Kowloon, Hong Kong	The property comprises two units on the 1st Floor of a 3-storey (exclusive of a single-storey basement) commercial building completed in about 1991. The total saleable area of the property is approximately 651 sq.ft.	The property is leased to the Group for a term commencing on 1st February 2011 and expiring on 30th June 2012 at a monthly rent of HK\$32,000 exclusive of rates, management fee and other operating outgoings. The property at present is occupied by the Group for classroom room and ancillary uses.	No commercial value

Notes:

1. Pursuant to the Land Register, the current registered owner of the property is Wililoy Limited.
2. According to the information provided by the Group, Wililoy Limited is an independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.
3. According to the information provided by the Group, Bachelor Education Centre Limited, is an indirect 60%-owned subsidiary of the Company since 31st December 2010.

VALUATION CERTIFICATE

Property	Description	Particulars of occupancy	Market Value in existing state as at 30th April 2011
30. Shop G85 and G90 on Ground Floor, Commercial Development, Metro City, Phase I, 1 Wan Hang Road, Tsueng Kwan O, New Territories, Hong Kong	The property comprises two units on the Ground Floor of a 2-storey commercial building and various multi-storey residential buildings erected thereon completed in about 1997. The total saleable area of the property is approximately 490 sq.ft.	The property is leased to the Group for a term commencing on 1st September 2010 and expiring on 31st August 2012 at a monthly rent of HK\$34,000 exclusive of rates, management fee and other operating outgoings. The property at present is occupied by the Group for classroom room and ancillary uses.	No commercial value

Notes:

1. Pursuant to the Land Register, the current registered owner of the property is Sunlight Crownwill Limited.
2. The property is subject to a mortgage in favour of the Hongkong and Shanghai Banking Corporation Limited dated 21st December 2006 vide a memorial no. 07011100770026.
3. According to the information provided by the Group, the Lessor is an independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.
4. According to the information provided by the Group, the Lessee, Bachelor Education Centre Limited, is an indirect 60%-owned subsidiary of the Company since 31st December 2010.

VALUATION CERTIFICATE

Property	Description	Particulars of occupancy	Market Value in existing state as at 30th April 2011
31. Shop 18B, Ground Floor, Commercial Development, No. 8 Tak Fung Street, Whampoa Garden, Site 9, Kowloon, Hong Kong	<p>The property comprises a unit on the Ground Floor of a single-storey commercial building and various multi-storey residential buildings erected thereon completed in about 1985.</p> <p>The saleable area of the property is approximately 1,749 sq.ft.</p>	<p>The property is leased to the Group for a term commencing on 16th March 2011 and expiring on 15th March 2013 at a monthly rent of HK\$29,580 exclusive of rates, management fee and other operating outgoings.</p> <p>The property at present is occupied by the Group for classroom room and ancillary uses.</p>	No commercial value

Notes:

1. Pursuant to the Land Register, the current registered owner of the property is Darwin Investment Limited.
2. According to the information provided by the Group, the Lessor is an independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.
3. According to the information provided by the Group, the Lessee, Bachelor Education Centre Limited, is an indirect 60%-owned subsidiary of the Company since 31st December 2010.

VALUATION CERTIFICATE

Property	Description	Particulars of occupancy	Market Value in existing state as at 30th April 2011
32. Shop No. 3, 1st Floor, Commercial Accommodation, Island Resort, No. 28 Siu Sai Wan, Hong Kong	<p>The property comprises a unit on the 1st Floor of a 3-storey commercial building and various multi-storey residential buildings erected thereon completed in about 2001.</p> <p>The saleable area of the property is approximately 1,141 sq.ft.</p>	<p>The property is leased to the Group for a term commencing on 15th December 2010 and expiring on 14th December 2013 at a monthly base rent of HK\$27,505 for the period from 15th December 2010 to 14th December 2011, HK\$28,505 for the period from 15th December 2011 to 14th December 2012, HK\$29,505 for the period from 15th December 2012 to 14th December 2013 or an amount equivalent to 12% of the monthly gross sales turnover exceeds the monthly base rent of each month exclusive of rates, management fee and other operating outgoings.</p> <p>The property at present is occupied by the Group for classroom room and ancillary uses.</p>	No commercial value

Notes:

1. Pursuant to the Land Register, the current registered owner of the property is Silver Link Investment Limited.
2. According to the information provided by the Group, the Lessor is an independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.
3. According to the information provided, the Lessee, Bachelor Education Centre Limited, is an indirect 60%-owned subsidiary of the Company since 31st December 2010.

VALUATION CERTIFICATE

Group II – Property interests leased by the Group in the PRC

Property	Description	Particulars of occupancy	Market Value in existing state as at 30th April 2011
33. Unit 806, Level 8, Block B, U-Center, No. 28 Chengfu Road, Haidian District, Beijing, the PRC	<p>The property comprises a unit on Level 8 of a 17-storey (exclusive of a 3-storey basement) commercial/office building completed in about 2006.</p> <p>The gross floor area of the property is approximately 175.01 sq.m.</p>	<p>The property is leased to the Group for a term commencing on 1st March 2009 and expiring on 28th February 2013 at a monthly rent of RMB17,567 for the period from 1st March 2009 to 28th February 2011 and RMB23,954 for the period from 1st March 2011 to 28th February 2013 exclusive of management fee and other operating outgoings.</p> <p>The property at present is occupied by the Group for office use.</p>	No commercial value

Notes:

1. According to the information provided by the Group, the Lessor is an independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.
2. According to the information provided, the Lessee, Jingli Beiya (Beijing) Education Consulting Limited Company, is an indirect wholly-owned subsidiary of the Company.
3. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, Jingtian & Gongcheng, which contains, inter alia, the following information:
 - (a) As the property is absence of the relevant Building Ownership Certificate, the current registered owner of the property cannot be verified;
 - (b) As advised by the Group, the tenancy agreement has not been duly registered in the relevant government organisation, but it would not cause material effects on the validity of the tenancy agreement;
 - (c) There are no foreseeable difficulties for the Group to rent similar property in the locality if the tenancy of the property is terminated, which would not cause substantial effects on the business operation of the Group; and
 - (d) It cannot be verified whether the property is free from any mortgages, charges and other legal encumbrances which may cause adverse effects on the ownership of the property.

VALUATION CERTIFICATE

Property	Description	Particulars of occupancy	Market Value in existing state as at 30th April 2011
34. Unit 1005, Level 10, Science & Technology Building, No. 9 Nanda Street, Zhongguancun, Haidian District, Beijing, the PRC	The property comprises a unit on Level 10 of a 23-storey (exclusive of a single-storey basement) commercial/office building completed in about 1995. The gross floor area of the property is approximately 172 sq.m.	The property is leased to the Group for a term commencing on 1st September 2010 and expiring on 31st August 2013 at an annual rent of RMB200,896 exclusive of management fee and other operating outgoings. The property at present is occupied by the Group for office use.	No commercial value

Notes:

1. According to the information provided by the Group, the Lessor is an independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.
2. According to the information provided, the Lessee, Jingli Beiya (“Beijing”) Education Consulting Limited Company, is an indirect wholly-owned subsidiary of the Company.
3. We have been provided with a legal opinion on the property prepared by the Group’s PRC legal adviser, Jingtian & Gongcheng, which contains, inter alia, the following information:
 - (a) As the property is absence of the relevant Building Ownership Certificate, the current registered owner of the property cannot be verified;
 - (b) As advised by the Group, the tenancy agreement has not been duly registered in the relevant government organisation, but it would not cause material effects on the validity of the tenancy agreement;
 - (c) There are no foreseeable difficulties for the Group to rent similar property in the locality if the tenancy of the property is terminated, which would not cause substantial effects on the business operation of the Group; and
 - (d) It cannot be verified whether the property is free from any mortgages, charges and other legal encumbrances which may cause adverse effects on the ownership of the property.

VALUATION CERTIFICATE

Property	Description	Particulars of occupancy	Market Value in existing state as at 30th April 2011
35. Unit 1106, Level 11, Interchina Commercial Building, No. 33 Dengshikou Main Street, Dongcheng District, Beijing, the PRC	<p>The property comprises a unit on Level 11 of a 12-storey (exclusive of a 3-storey basement) commercial/office building completed in about 1997.</p> <p>The gross floor area of the property is approximately 111.6 sq.m.</p>	<p>The property is leased to the Group for a term commencing on 18th January 2010 and expiring on 17th January 2012 at a monthly rent of RMB8,436.96 exclusive of management fee and other operating outgoings.</p> <p>The property at present is occupied by the Group for office use.</p>	No commercial value

Notes:

1. According to the information provided by the Group, the Lessor is an independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.
2. According to the information provided, the Lessee, Jingli Beiya (“Beijing”) Education Consulting Limited Company is an indirect wholly-owned subsidiary of the Company.
3. We have been provided with a legal opinion on the property prepared by the Group’s PRC legal adviser, Jingtian & Gongcheng, which contains, inter alia, the following information:
 - (a) According to the Building Ownership Certificate (Document No. Jing Fang Quan Zheng Dong Shi Dong Si Zi No.0550313), the current registered owner of the property is the Lessor, which is entitled to lease the property to Jingli Beiya (“Beijing”) Education Consulting Limited Company. The tenancy agreement is valid and legally effective;
 - (b) As advised by the Group, the tenancy agreement has not been duly registered in the relevant government organisation, but it would not cause material effects on the validity of the tenancy agreement; and
 - (c) The property is free from any mortgages, charges and other legal encumbrances which may cause adverse effects on the ownership of the property.

VALUATION CERTIFICATE

Property	Description	Particulars of occupancy	Market Value in existing state as at 30th April 2011
36. Unit 6B1, Level 6, CTS Centre, No. 219 Zhongshan 5th Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC	The property comprises a unit on Level 6 of a 25-storey (exclusive of a 2-storey basement) commercial/office building completed in about 2000. The gross floor area of the property is approximately 54 sq.m.	The property is leased to the Group for a term commencing on 1st April 2010 and expiring on 31st December 2012 at a monthly rent of RMB2,700 for the period from 1st April 2010 to 31st December 2011 and RMB2,835 for the period from 1st January 2012 to 31st December 2012 exclusive of management fee and other operating outgoings. The property at present is occupied by the Group for office use.	No commercial value

Notes:

1. According to the information provided by the Group, the Lessor is an independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.
2. According to the information provided, the Lessee, Sky Link Management Limited is an indirect wholly-owned subsidiary of the Company.
3. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, Jingtian & Gongcheng, which contains, inter alia, the following information:
 - (a) As the property is absence of the relevant Building Ownership Certificate, the current registered owner of the property cannot be verified;
 - (b) The tenancy agreement has been duly registered in the relevant government organisation; and
 - (c) It cannot be verified whether the property is free from any mortgages, charges and other legal encumbrances which may cause adverse effects on the ownership of the property.

VALUATION CERTIFICATE

Group III – Property interests to be leased by the Group in Hong Kong after the Latest Practicable Date

Property	Description	Particulars of occupancy	Market Value in existing state as at 30th April 2011
37. Shop 3A on First Floor of Blocks E, F, G, H, I, J (Site 1), Aberdeen Centre, Nos. 13-23 Nam Ning Street, Aberdeen, Hong Kong	<p>The property comprises a retail unit on 1st Floor of a 2-storey commercial building (exclusive of basement) and various multi-storey residential buildings erected thereon completed in about 1982.</p> <p>The saleable area of the property is approximately 1,720 sq.ft.</p>	<p>The property will be leased to the Group for a term commencing on 4th July 2011 and expiring on 3rd July 2013 at a monthly rent of HK\$ 37,280 exclusive of rates, service charges and other operating outgoings.</p> <p>As confirmed by the Group, the property will be occupied by the Group for classroom and ancillary uses.</p>	No commercial value

Notes:

1. Pursuant to the Land Register, the current registered owner of the property is the Lessor, Aberdeen Commercial Investment Limited.
2. According to the information provided by the Group, the Lessor is an independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.
3. According to the information provided by the Group, the Lessee, Bachelor Education Centre Limited, is an indirect 6%-owned subsidiary of the Company since 31st December 2010.

VALUATION CERTIFICATE

Property	Description	Particulars of occupancy	Market Value in existing state as at 30th April 2011
38. 4th Floor and the flat roof, Union Park Centre, Nos. 771-775 Nathan Road, Kowloon, Hong Kong	<p>The property comprises the whole of 4th Floor of a 13-storey (exclusive of a single-storey basement) composite building completed in about 1993.</p> <p>The total saleable area of the property is approximately 2,929 sq.ft. (excluding of the flat roof with the saleable area of approximately 1,163 sq.ft.)</p>	<p>The property is leased to the Group for a term of 2 years commencing on 1st July 2011 and expiring on 30th June 2013 at a monthly rent of HK\$81,000 exclusive of rates, management fee and other operating outgoings.</p> <p>The property at present is occupied by the Group for lecture room and ancillary uses.</p>	No commercial value

Notes:

1. Pursuant to the Land Register, the current registered owner of the property is the Lessor, Strategic Fortune Limited.
2. The property is subject to a mortgage in favour of the Hongkong and Shanghai Banking Corporation Limited dated 27th March 2007 vide a memorial no. 07042400490042.
3. According to the information provided by the Group, the Lessor is a connected party; which is wholly-owned by Mr. Ng Kam Lun.
4. According to the information provided, the Lessee, Modern Education (Hong Kong) Limited, is an indirect wholly-owned subsidiary of the Company.

**APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANIES LAW**

SUMMARY OF THE CONSTITUTION OF THE COMPANY

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law on 26 January 2011.

1 Memorandum Of Association

The Memorandum of Association was adopted on 11 June 2011 and states, inter alia, that the liability of members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix VI in the section headed “Documents available for inspection”.

2 Articles Of Association

The Articles of Association was adopted on 11 June 2011 and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles of Association is HK\$150,000,000 divided into 1,500,000,000 shares of par value HK\$0.10 each.

2.2 Directors

(a) Power to allot and issue Shares

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such time and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

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(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors and associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided,

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nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall he be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his associates of any security or indemnity in respect of money lent or obligations incurred by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal concerning any other company in which the Director or any of his associates is/are interested only, whether directly or indirectly, as an officer, executive or shareholder or in which the Director or any of his associates is/are beneficially interested in shares of that company, provided that the Director and any of his associates, are not in aggregate beneficially interested in five per cent. or more of the issued shares of any class of such company (or of any third company through which his interest or that of any of his associates is derived) or of the voting rights;
- (v) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his associates may benefit;

**APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY
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(B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his associates as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(vi) any contract or arrangement in which the Director or any of his associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission, or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

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(h) Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;

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- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

The rights of the Directors to exercise these powers may only be varied by a special resolution.

(j) Proceedings of the Board

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall mutatis mutandis apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company in general meeting may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

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- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and

- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

2.6 Special resolution – majority required

A “special resolution” is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

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Where any member of the Company is, under the Listing Rules, required to abstain from voting on any particular resolution or is restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be counted in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognised clearing house (or its nominee) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee) which he represents as that recognised clearing house (or its nominee) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation.

2.8 Annual general meetings

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other general meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months (or such longer period as the Stock Exchange may authorise) shall elapse between the date of one annual general meeting of the Company and that of the next.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date at which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 clear days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at any annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by notice of not less than 21 clear days and any other extraordinary general meeting shall be called by not less than 14 clear days. The notice shall be inclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a

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special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (a) the declaration and sanctioning of dividends;
- (b) the consideration and adoption of the accounts and balance sheets and the reports of the Directors and the auditors and other documents required to be annexed to the balance sheet;
- (c) the election of Directors in place of those retiring;
- (d) the appointment of auditors;
- (e) the fixing of, or the determining of the method of fixing of, the remuneration of the Directors and of the auditors;
- (f) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than 20 per cent. (or such other percentage as may from time to time be specified in the Listing Rules) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to sub-paragraph (g) below; and
- (g) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

2.11 Transfer of Shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such maximum as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the instrument of transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 14 days' notice being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own Shares

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase, unless the directors resolve prior to the repurchase that upon the repurchase, the shares shall be held in the name of the Company as treasury shares.

2.13 Power of any subsidiary of the Company to own Shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distributions

Subject to the Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

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Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may

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disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing, or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on Shares and forfeiture of Shares

The Directors may from time to time make calls upon the members of the Company in respect of any moneys unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other moneys due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15 per cent. per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be sold, re-allotted or otherwise disposed of.

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A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15 per cent. per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 14 days' notice being given by advertisement published on the Stock Exchange's website, or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of such fee not exceeding HK\$2.50 (or such higher amount as may from time to time be permitted under the Listing Rules) as the Directors may determine for each inspection.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

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A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in sub-paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. And if in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

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2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (i) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) the Company has not during that time or before the expiry of the three month period referred to in (iv) below received any indication of the whereabouts or existence of the member; (iii) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (iv) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION**1 Introduction**

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 26 January 2011 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

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Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner of purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see 3 above for further details).

5 Shareholders' suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and auditing requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of books and records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of not less than two-thirds (or such greater number as may be specified in the articles of association of the company) of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary owning shares in parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company and (b) a "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger

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or consolidation, which must then be authorized by either (a) a special resolution of each constituent company or (b) such other authorization, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75 per cent. in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court of the Cayman Islands is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90 per cent. of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company is placed in liquidation either by an order of the court or by a special resolution (or, in certain circumstances, an ordinary resolution) of its members. A liquidator is appointed whose duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company obtained an undertaking from the Governor in Cabinet:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (i) on or in respect of the shares, debentures or other obligations of the Company; or
 - (ii) by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concession Law (1999 Revision).

The undertaking is for a period of twenty years from 8 February 2011.

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The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made to or by the Company.

20 Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents available for inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation**

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law on 26 January 2011.

Our Company is registered as an overseas company in Hong Kong under Part XI of the Companies Ordinance and our principal place of business in Hong Kong is at Suite 2701, 27/F, Tower 2, Nina Tower, 8 Yeung Uk Road, Tsuen Wan, Hong Kong. Ms. Yiu has been appointed as the authorised representative for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, our operation is subject to the relevant laws and regulations of the Cayman Islands and the Company's constitution which comprises our memorandum of association and the Articles of Association. A summary of the relevant laws and regulations of the Cayman Islands and of our constitution is set out in the section headed "Appendix IV – Summary of the Constitution of the Company and Cayman Islands Companies Law" to this prospectus.

2. Changes in share capital of our Company

As at the date of our incorporation, our authorised share capital was HK\$150,000,000, divided into 1,500,000,000 shares of a par value of HK\$0.1 each. One share was subscribed by Mapcal Limited which was subsequently transferred to Speedy Harvest.

Immediately following completion of the Global Offering but taking no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or the exercise of options that may be granted under the Share Option Scheme, the issued share capital of the Company will be HK\$40,000,000 divided into 400,000,000 Shares, all fully paid or credited as fully paid and 1,100,000,000 Shares will remain unissued.

Other than pursuant to the exercise of the Over-allotment Option or the exercise of options that may be granted under the Share Option Scheme, there is no intention to issue any of the authorised but unissued share capital of the Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save for aforesaid, there has been no alteration in the share capital of the Company since the date of its incorporation.

3. Changes in share capital of our subsidiaries

Our subsidiaries are set out in the section headed “Appendix I – Accountants’ Report” to this prospectus. In addition to those disclosed in the sub-paragraphs headed “Changes in share capital of our Company” and “Corporate reorganisation” in this Appendix, the following alterations in the share or registered capital of our subsidiaries had taken place within the two years immediately preceding the date of this prospectus.

(a) *Modern English*

Modern English was incorporated as a limited liability company under the laws of Hong Kong on 11 March 2009. On 13 May 2009, Mr. Lee acquired one share of Modern English from Company Kit Registrations Limited for a consideration of HK\$1.0. On 26 May 2009, the said one share was transferred from Mr. Lee to Mr. Johnny Wong Chung Han for a consideration of HK\$1.0. On 2 July 2010, that one share was transferred from Mr. Johnny Wong Chung Han to Sino Network for a consideration of HK\$1.0.

(b) *Express Education*

On 7 May 2010, Mr. Ng Kam Lun and Mr. Lee through his trustee transferred 91 and 49 shares of Express Education respectively to Sino Network in consideration of 2,588 and 1,395 shares of Sino Network, as part of the internal restructuring of the Group.

(c) *Able Investment*

Able Investment was incorporated as a limited liability company under the laws of the BVI on 1 July 2009. On the same date, 10,000 shares were issued and allotted to Ms. Yiu for a consideration of US\$10,000. On 2 October 2010, Ms. Yiu transferred 2,812 shares of Able Investment to Ms. Mok Sze Wan and 2,396 shares of Able Investment to each of Mr. Ng Hoi Tin, Mr. Ng Ping Lun and Ms. Poon Wai Sze for an aggregate consideration of US\$10,000. On 11 October 2011, pursuant to the Original AI Acquisition Agreement, 1,687, 1,438, 1,438 and 1,437 shares of Able Investment were transferred from Ms. Mok Sze Wan, Mr. Ng Hoi Tin, Ms. Ng Ping Lun and Ms. Poon Wai Sze, respectively to Ms. Yiu, who held such shares on behalf of Six Stars, for a maximum consideration of HK\$8.0 million (subject to adjustment).

(d) *Business Idol*

Business Idol was incorporated as a limited liability company under the laws of the BVI on 1 July 2009. On 29 July 2009, one share of Business Idol was issued and allotted to Sino Network for a consideration of US\$1.0.

(e) *Jingli Beiya*

Jingli Beiya was established by Modern Beiya as a limited liability company under the laws of the PRC on 21 September 2009 with a registered capital of RMB1 million.

(f) Amber Well

Amber Well was incorporated as a limited liability company under the laws of Hong Kong on 20 October 2009. On 3 November 2009, Sino Network acquired one subscriber share of Amber Well from Company Kit Secretarial Services Limited for a consideration of HK\$1.0.

(g) Sky Link

Sky Link was incorporated as a limited liability company under the laws of Hong Kong on 21 October 2009. On 25 November 2009, 99 shares of Sky Link were issued and allotted to Sino Network for a consideration of HK\$99.0. On 7 December 2009, Sino Network acquired one share of Sky Link from Company Kit Secretarial Services Limited for a consideration of HK\$1.0. Sino Network further transferred its one share and 99 shares of Sky Link to Business Idol on 13 August 2010 and 19 November 2010, respectively, for a consideration of HK\$1.0 and HK\$99.0, respectively.

(h) Guangzhou Tianli

Guangzhou Tianli was established by Sky Link as a limited liability company under the laws of the PRC on 27 April 2010 with a registered capital of RMB1 million.

(i) Sino Network

On 7 May 2010, a total of 3,983 shares of Sino Network of US\$1.0 each were issued and allotted, credited as fully paid, as to (i) 2,588 shares of Sino Network to Mr. Ng Kam Lun and (ii) 1,395 shares of Sino Network to Mr. Lee, as consideration of the transfer of shares of Express Education mentioned in (b) above. On 28 June 2011, Mr. Lee transferred 15 shares of Sino Network to Ms. Yiu for a consideration of US\$15.0 as part of the internal restructuring of the Group.

(j) Bachelor Education

On 2 October 2010, Ms. Mok Sze Wan, Mr. Ng Hoi Tin, Mr. Ng Ping Lun and Ms. Poon Wai Sze transferred an aggregate of 10,000 shares of Bachelor Education to Able Investment for an aggregate consideration of HK\$10,000, pursuant to the Second BEC Acquisition Agreement.

Save as disclosed in this prospectus, there has been no alteration in the share capital of any of our subsidiaries within the two years preceding the date of this prospectus.

4. Written resolutions of our Shareholders passed on 11 June 2011

Written resolutions were passed by our Shareholders held on 11 June 2011 pursuant to which, among other matters:

- (a) the Company approved and adopted the Articles of Association;
- (b) conditional on the same conditions as stated in the sub-section headed “Conditions of the Hong Kong Public Offering” in the section headed “Structure of the Global Offering”:
 - (i) the Global Offering was approved and the Directors were authorised to allot and issue the new Shares under the Global Offering;
 - (ii) the Over-allotment Option was approved;
 - (iii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraphs headed “Share Option Scheme” in this Appendix, were approved and adopted and the Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme; and
- (c) a general unconditional mandate was given to the Directors to allot, issue and deal with, otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of the Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the exercise of any subscription or conversion rights attaching to any warrants or any securities which are convertible into Shares, or pursuant to the Global Offering or the exercise of the Over-allotment Option or the Shares to be issued upon the exercise of options to be granted under the Share Option Scheme, Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal value of the issued share capital of the Company immediately following completion of the Global Offering (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option or pursuant to any options which have been granted under the Share Option Scheme), such mandate to remain in effect until (i) on the conclusion of our next annual general meeting; or (ii) upon the expiration of the period within which the Company is required by law or its Articles to hold its next annual general meeting; or (iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest;

- (d) a general unconditional mandate was given to the Directors to exercise all the powers of the Company to repurchase Shares on the Stock Exchange or on any other approved stock exchange(s) on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, and which are made in accordance with the Listing Rules, such number of Shares as will represent up to not more than 10% of the total nominal value of the share capital of our Company in issue immediately following completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of options that may be granted under the Share Option Scheme), such mandate to remain in effect until (i) on the conclusion of our next annual general meeting; (ii) upon the expiration of the period within which the Company is required by law or its Articles to hold its next annual general meeting; or (iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest.

5. Corporate reorganisation

The companies within our Group underwent the following reorganisation in preparation for the Listing. The Reorganisation included the following steps:

- (a) On 22 December 2010, Six Stars, Ms. Yiu, Sino Network, Able Investment, Mr. Poon Wai Sze, Ms. Mok Sze Wan, Mr. Ng Hoi Tin and Mr. Ng Ping Lun entered into the AI Acquisition Agreement, pursuant to which Sino Network acquired 60% of the issued share capital of Able Investment from Six Stars for a consideration of HK\$3.0 million. In addition, Sino Network also agreed to replace Six Stars as a party to the Original AI Acquisition Agreement.
- (b) On 11 January 2011, a sale and purchase agreement was entered into among Primo Result, Mr. Ng Kam Lun, Mr. Lee, Mr. Ng Norman, Ms. Ng and Mr. KW Ng and Sino Network, pursuant to which Primo Result acquired from Mr. Ng Kam Lun, Mr. Lee, Mr. Ng Norman, Ms. Ng and Mr. KW Ng an aggregate of 7.5% of issued share capital of Sino Network for a consideration of HK\$26.01 million.
- (c) On 26 January 2011, our Company was incorporated under in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK\$150,000,000 divided into 1,500,000,000 shares of HK\$0.1 each. One share was subscribed by Mapcal Limited which was subsequently transferred to Speedy Harvest.
- (d) On 7 June 2011, a share swap agreement was entered into among the Company, Mr. Ng Kam Lun, Mr. KW Ng, Mr. Ng Norman, Mr. Lee, Ms. Chu, Primo Result, Ms. Lau, Ms. Ng and Ms. Yiu, pursuant to which the Company acquired the entire issued share capital of Sino Network from Mr. Ng Kam Lun, Mr. KW Ng, Mr. Ng Norman, Mr. Lee, Ms. Chu, Primo Result, Ms. Lau, Ms. Ng and Ms. Yiu and in return 283,999,999 Shares were issued to such shareholders and/or their nominees.

- (e) On 14 June 2011, as a result of the entering of the share swap agreement on 7 June 2011 referred to in (d) above, an amendment agreement to the sale and purchase agreement dated 11 January 2011 referred to in (b) above was entered into among Primo Result, Mr. Ng Kam Lun, Mr. Lee, Mr. Ng Norman, Ms. Ng, Mr. KW Ng and Sino Network, pursuant to which the parties thereto agreed, among others, that the basis of calculating the profit guarantee will be by reference to the audited consolidated net profit of the Company and its subsidiaries instead of the audited net profit of Sino Network.

For information relating to our Reorganisation, please refer to the section headed “History and corporate structure – Corporate reorganisation” in this prospectus.

6. Repurchase by our Company of our Shares

This section includes information relating to the repurchase by us of our own Shares, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their shares on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(a) Shareholders’ approval

All proposed repurchases of shares on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of a general mandate or by specific approval of a particular transaction.

Pursuant to a written resolution passed by all Shareholders on 11 June 2010, a general unconditional mandate (“Repurchase Mandate”) was granted to our Directors authorising them to exercise all the powers for and on behalf of our Company to repurchase our Shares on the Stock Exchange, or on any other approved stock exchange(s) on which our securities may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, with an aggregate nominal value not exceeding 10% of the aggregate nominal value of our share capital in issue immediately following the completion of the Global Offering (excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or the exercise of options that may be granted under the Share Option Scheme), such mandate will expire at the conclusion of our next annual general meeting unless the mandate is renewed either unconditionally or subject to conditions by ordinary resolution passed at that meeting or the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying such mandate, whichever is the earliest.

Under the Listing Rules, the shares which are proposed to be repurchased by a company must be fully paid up.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders as a whole to have a general authority from our Shareholders to enable us to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and/or our earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders as a whole.

(c) Funding of repurchases

In repurchasing Shares, we may only apply funds legally available for such purpose in accordance with our memorandum of association and the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands. We shall not repurchase our own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

On the basis of our current financial position as disclosed in this prospectus and taking into account our current working capital position, our Directors consider that, if the Repurchase Mandate was to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Company as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or our gearing position.

(d) Directors' undertaking

Our Directors have made an undertaking to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the applicable laws of the Cayman Islands, our memorandum of association and the Articles of Association.

(e) Disclosure of interests

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective associates has any present intention, if the Repurchase Mandate is exercised, to sell any Shares to our Company or any of our subsidiary.

No connected person of our Company has notified us that he or she has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

(f) *Takeovers Code consequences*

If, as a result of a securities repurchase, a shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code and the provision may apply as a result of any such increase. Our Directors are not aware of any consequences which may arise under the Takeovers Code as a result of any repurchase under the Repurchase Mandate.

(g) *Share capital*

Exercising in full of the Repurchase Mandate, on the basis of 400,000,000 Shares in issue immediately after completion of the Global Offering, but taking no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme, could accordingly result in up to 40,000,000 Shares being repurchased by us during the course of the period prior to the date on which such Repurchase Mandate expires or terminates as mentioned in the paragraph headed "Further information about our Company – Written resolutions of our Shareholders passed on 11 June 2011" in this appendix.

(h) *Share repurchase made by our Company*

No repurchase of Shares has been made by our Company since its incorporation.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of our material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of our Group within the two years preceding the date of this prospectus which are or may be material:

- (a) a sale and purchase agreement dated 22 December 2010 entered into among Six Stars, Ms. Yiu, Sino Network, Able Investment, Ms. Poon Wai Sze, Ms. Mok Sze Wan, Mr. Ng Hoi Tin and Mr. Ng Ping Lun, pursuant to which Sino Network acquired 60% of the issued share capital of Able Investment from Six Stars for a consideration of HK\$3.0 million. In addition, Sino Network also agreed to replace Six Stars as a party to the Original AI Acquisition Agreement;
- (b) a sale and purchase agreement dated 11 January 2011 entered into among Mr. Ng Kam Lun, Mr. Lee, Mr. KW Ng, Mr. Ng Norman, Ms. Ng, Primo Result and Sino Network, pursuant to which Primo Result acquired from Mr. Ng Kam Lun, Mr. Lee, Mr. KW Ng, Mr. Ng Norman and Ms. Ng an aggregate of 7.5% of issued share capital of Sino Network for a consideration of HK\$26.01 million;

- (c) a share swap agreement dated 7 June 2011 entered into among the Company, Mr. Ng Kam Lun, Mr. Ng Norman, Mr. Lee, Primo Result, Ms. Chu, Mr. KW Ng, Ms. Yiu, Ms. Lau and Ms. Ng pursuant to which the Company acquired all the issued share capital of Sino Network from Mr. Ng Kam Lun, Mr. Ng Norman, Mr. Lee, Primo Result, Ms. Chu, Mr. KW Ng, Ms. Yiu, Ms. Lau and Ms. Ng and in return 283,999,999 Shares were issued to such shareholders and/or their nominees;
- (d) an option agreement dated 10 June 2011 entered into between Modern Beiya and Ms. Huang Hui, pursuant to which Ms. Huang Hui, irrevocably granted Modern Beiya or its designated person an exclusive option to purchase 65% of the equity interest in Beijing Siya;
- (e) a deed of indemnity dated 11 June 2011 given by Speedy Harvest and Mr. Ng Kam Lun in favor of the Company for itself and as trustee for each of its subsidiaries as more particularly referred to in the paragraph headed “Estate duty, tax and other indemnity” of this Appendix;
- (f) a deed of non-competition dated 7 June 2011 given by Speedy Harvest, Mr. Ng Kam Lun, Beautiful Choice, Mr. Lee, Ms. Chu, Classic King, Mr. Ng Norman, Ultra Strong, Mr. KW Ng, Ms. Lau, Ms. Ng, Creative Master and Ms. Yiu in favor of the Company as more particularly referred to in the section headed “Controlling Shareholders – Independence from Controlling Shareholders – Non-competition undertaking” in this prospectus;
- (g) an amendment agreement dated 14 June 2011 in relation to the sale and purchase agreement dated 11 January 2011 referred to in (b) above and entered into by and among Primo Result, Mr. Ng Kam Lun, Mr. Lee, Mr. Ng Norman, Ms. Ng, Mr. KW Ng and Sino Network pursuant to which the parties thereto agreed, among others, that the basis of calculating the profit guarantee will be by reference to the audited consolidated net profit of the Company and its subsidiaries instead of the audited net profit of Sino Network as a result of the entering of the share swap agreement on 7 June 2011 referred to in (c) above; and
- (h) the Hong Kong Underwriting Agreement.

2. Particulars of our subsidiaries

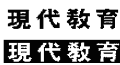

As at the Latest Practicable Date, our Company had the following subsidiaries:



Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid up/ registered capital	Attributable equity interest	Principal activities
Able Investment	BVI	1 July 2009	US\$10,000	60%	Investment holding
Amber Well	Hong Kong	20 October 2009	HK\$1	100%	Inactive
Bachelor Education	Hong Kong	16 February 2007	HK\$10,000	60%	Provision of education service
Beijing Strength	BVI	8 August 2008	US\$100	100%	Investment holding
Business Idol	BVI	1 July 2009	US\$1	100%	Inactive
Express Education	BVI	8 May 1997	US\$140	100%	Inactive
Guangzhou Tianli	PRC	27 April 2010	RMB1,000,000	100%	Inactive
Intelligent Education	Hong Kong	21 August 2000	HK\$100	100%	Provision of secondary school education service
Jingli Beiya	PRC	21 September 2009	RMB1,000,000	100%	Provision of educational consultant and management services
Modern Beiya	Hong Kong	4 December 2008	HK\$100	100%	Investment holding
Modern Education HK	Hong Kong	5 June 2002	HK\$10,000	100%	Provision of tuition services
Modern English	Hong Kong	11 March 2009	HK\$1	100%	Inactive
Sky Link	Hong Kong	21 October 2009	HK\$100	100%	Investment holding
Sino Network	BVI	2 July 2003	US\$13,983	100%	Investment holding
Wise Action	Hong Kong	21 June 2000	HK\$10,000	100%	Provision of printing services for group entities

3. Our intellectual property rights




(a) Trademarks

- (i) As at the Latest Practicable Date, we were the registered proprietor and beneficial owner of the following trademarks:

Trademark	Registered owner	Place of registration	Class	Validity period	Registration number
	Modern Education HK	Hong Kong	41	18 January 2001 – 18 January 2018	200401999
	Intelligent Education	Hong Kong	41	3 December 2009 – 2 December 2019	301490553

Trademark	Registered owner	Place of registration	Class	Validity period	Registration number
	Modern Education HK	Hong Kong	41	3 December 2009 – 2 December 2019	301490544
	Modern Education HK	Hong Kong	41	9 June 2010 – 8 June 2020	301634823
	Modern Education HK	Hong Kong	41	3 December 2009 – 2 December 2019	301490508
	Modern Education HK	Hong Kong	41	13 August 2010 – 12 August 2020	301688392
	Intelligent Education	Hong Kong	41	8 September 2010 – 7 September 2020	301709857
	Modern Beiya	PRC	41	28 January 2011 – 27 January 2021	7831163
	Modern Education HK	PRC	41	7 April 2011 – 6 April 2021	8166903

- (ii) As at the Latest Practicable Date, we have applied for registration of the following trademarks, the registration of which has not yet been granted:

Trademark	Applicant	Place of application	Class	Application date	Application number
	Bachelor Education	Hong Kong	41	7 October 2010	301730556
	Modern Education HK	PRC	41	31 March 2010	8166904
	Modern Education HK	PRC	41	31 March 2010	8166905

(b) Domain names

As at the Latest Practicable Date, we had registered the following domain names:

Domain Name	Registrant	Registration date	Expiration date
<u>moderneducationgroup.com</u>	Modern Education HK	12 June 2008	12 June 2014
<u>modernenglishgroup.com</u>	Modern Education HK	14 June 2008	14 June 2014
<u>Meenglish.com</u>	Modern Education HK	19 February 2010	19 February 2015
<u>Moderngrp.com</u>	Modern Education HK	19 February 2010	19 February 2016
<u>Moderngrp.org</u>	Modern Education HK	19 February 2010	19 February 2016
<u>Xiandaijiaoyu.org</u>	Modern Education HK	13 March 2010	13 March 2015
<u>xdjy.org</u>	Modern Education HK	13 March 2010	13 March 2016
<u>Xiandaijiaoyu.com</u>	Modern Education HK	29 August 2008	29 August 2016
<u>現代教育.hk</u>	Modern Education HK	18 November 2009	18 November 2012
<u>現代教育.公司</u>	Modern Education HK	18 November 2009	18 November 2012
<u>現代教育集團.中國</u>	Modern Education HK	26 November 2009	26 November 2012
<u>現代英語.中國</u>	Modern Education HK	26 November 2009	26 November 2012
<u>現代教育控股.com</u>	Modern Education HK	26 November 2009	26 November 2012
<u>現代書院.com</u>	Modern Education HK	26 November 2009	26 November 2012
<u>北雅.com</u>	Modern Education HK	26 November 2009	26 November 2012
<u>北雅英語.com</u>	Modern Education HK	26 November 2009	26 November 2012
<u>現代北雅.com</u>	Modern Education HK	26 November 2009	26 November 2012
<u>雅思課程.com</u>	Modern Education HK	26 November 2009	26 November 2012

Domain Name	Registrant	Registration date	Expiration date
<u>現代教育</u>	Modern Education HK	16 December 2009	16 December 2019
<u>現代書院</u>	Modern Education HK	18 January 2010	18 January 2020
<u>xiandaicollege.com</u>	Intelligent Education	07 June 2003	07 June 2016
<u>moderncollege.com.hk</u>	Intelligent Education	05 October 2008	23 October 2015
<u>moderncollege.edu.hk</u>	Modern College (Shatin)	24 September 2008	24 September 2014
<u>moderneducation.edu.hk</u>	Modern College (Shatin)	24 January 2005	01 February 2015
<u>modern.edu.hk</u>	Modern Education Centre (Shatin Citylink Plaza) Evening School	15 March 2005	24 March 2013
<u>bachelor-education.com</u>	Bachelor Education	29 November 2007	29 November 2011

Save as aforesaid, as at the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our Group's business.

C. FURTHER INFORMATION ABOUT THE DIRECTORS

1. Particulars of our Directors' service contracts and letters of appointment

(a) *Executive Directors and independent non-executive Directors*

Each of our executive Directors has entered into a service agreement with us for an initial term of three years commencing on 11 June 2011 and will continue thereafter until terminated by not less than six months' notice in writing served by either party on the other. The aggregate annual salary of our executive Directors is approximately HK\$6,600,000.

Each of our INEDs has entered into a letter of appointment with our Company. Each letter of appointment is for an initial term of three years commencing on the Listing Date. The aggregate annual salary of our INEDs is approximately HK\$520,000.

Save as disclosed above, none of our Directors has or is proposed to enter into any service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without the payment of compensation other than statutory compensation).

(b) Remuneration of Directors

During the three years ended 30 June 2010 and the six months ended 31 December 2010, the aggregate amount of remuneration paid and benefits in kind granted to the Directors by the Group was approximately HK\$7.6 million, HK\$9.0 million, HK\$8.2 million and HK\$2.4 million, respectively. None of the Directors has waived any remuneration during the Track Record Period.

Under the arrangements currently in force, the estimated amounts of remuneration, excluding the discretionary bonuses, if any, payable to our Directors for the financial year ending 30 June 2011 will be approximately HK\$4.7 million.

2. Disclosure of interests

(a) Interests and short positions of our Directors and chief executives in the share capital of our Company and its associated corporations following the Global Offering

Immediately following completion of the Global Offering and without taking into account of any Shares which may be allotted and issued pursuant to the exercise of any option that may be granted under the Share Option Scheme or the exercise of the Over-allotment Option, the interests or short positions of our Directors and our chief executives in the shares, underlying shares and debentures of our Company and its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or

which will be required, pursuant to section 352 of the SFO, to be recorded in the register as referred therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, once the Shares are listed, will be as follows:

Name of Director	Number of shares held	Member of our Group	Capacity/ Nature of interest	Approximate percentage of shareholding in the corporation
Mr. Ng Kam Lun ⁽¹⁾	157,405,421	The Company	Interest in a controlled corporation	39.35%
Mr. Lee ⁽²⁾	47,221,626	The Company	Interest in a controlled corporation	11.81%
Mr. Ng Norman ⁽³⁾	41,819,066	The Company	Interest in a controlled corporation	10.45%
Ms. Yiu ⁽⁴⁾	4,529,214	The Company	Interest in a controlled corporation	1.13%

Notes:

- (1) Mr. Ng Kam Lun is deemed to be interested in the Shares held by Speedy Harvest by virtue of his controlling interest in Speedy Harvest.
- (2) Mr. Lee is deemed to be interested in the Shares held by Beautiful Choice by virtue of his controlling interest in Beautiful Choice.
- (3) Mr. Ng Norman is deemed to be interested in the Shares held by Classic King by virtue of his controlling interest in Classic King.
- (4) Ms. Yiu is deemed to be interested in the Shares held by Creative Master by virtue of her controlling interest in Creative Master.

(b) Interests and short positions of the Substantial Shareholders in the shares which are discloseable under Divisions 2 and 3 of Part XV of the SFO following the Global Offering

Immediately following completion of the Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the exercise of any option that may be granted under the Share Option Scheme or the exercise of the Over-allotment Option (and assuming that the obligations of the Underwriters to subscribe and/or purchase, and/or procure the subscription and/or purchase of, Shares under the Underwriting Agreements will terminate on the Listing Date) and none of the Underwriters is required to subscribe and/or purchase, and/or procure the subscription and/or purchase of Shares thereunder on or prior to the Listing

Date, in addition to the interests disclosed under paragraph (a) above, so far as our Directors were aware, as at the Latest Practicable Date, the following persons (other than our Director or chief executive or our members) were expected to have interests and/or short positions in the Shares and underlying Shares of our Company which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are expected to be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our other member:

Name of Shareholder	Number of shares held	Member of our Group	Nature of interest	Approximate percentage of shareholding in the corporation
Speedy Harvest	157,405,421	The Company	Beneficial owner	39.35%
Beautiful Choice	47,221,626	The Company	Beneficial owner	11.81%
Ms. Chu ⁽¹⁾	47,221,626	The Company	Interest in a controlled corporation	11.81%
Classic King	41,819,066	The Company	Beneficial owner	10.45%
Primo Result	21,305,585	The Company	Beneficial owner	5.33%
SW Kingsway Capital Holdings Limited ⁽²⁾	21,305,585	The Company	Interest in a controlled corporation	5.33%
Mok Sze Wan	1,125	Able Investment	Beneficial owner	11.25%

Notes:

- (1) Ms. Chu is deemed to be interested in the Shares held by Beautiful Choice by virtue of her controlling interest in Beautiful Choice.
- (2) SW Kingsway Capital Holdings Limited is deemed to be interested in the Shares held by Primo Result by virtue of its controlling interest in Primo Result.

3. Disclaimers

Save as disclosed in this prospectus, as at the Latest Practicable Date:

- (a) Our Directors were not aware of any person (not being a Director or chief executive of our Company) who would, immediately after completion of the Global Offering (without taking into account of the Over-allotment Option or any Shares which may be taken up under the Global Offering or any exercise of any options that may be granted under the Share Option Scheme), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who would, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our other member;

- (b) None of our Directors had any interest or short position in any of the Shares, underlying Shares or debentures or any shares, underlying shares or debentures of any associated corporation within the meaning of Part XV of the SFO, which would be required to be notified our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she is deemed to have under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, in each case once the Shares are listed;
- (c) None of our Directors or any of the parties listed in the section headed “Consents of experts” of this Appendix was interested, directly or indirectly, in the promotion of, or in any assets which had been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of its subsidiaries, or were proposed to be acquired or disposed of by or leased to our Company or any of its subsidiaries;
- (d) None of our Directors or any of the parties listed in the section headed “Consents of experts” of this Appendix was materially interested in any contract or arrangement subsisting at the date of this prospectus which was significant in relation to our business;
- (e) Save in connection with the Underwriting Agreements, none of the parties listed in the section headed “Consents of experts” of this Appendix:
 - (i) were interested legally or beneficially in any securities of any of our member; or
 - (ii) had any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any of our member; and
- (f) None of our Directors or their associates, or to the knowledge of our Directors, any Shareholder who held more than 5% of the total issued Shares as at the Latest Practicable Date, had any interest in any of the service companies used or controlled by our Top Five Tutors.

D. SHARE OPTION SCHEME**Summary of terms**

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by the Shareholders of the Company on 11 June 2011:

(a) Purposes of the Share Option Scheme

The purposes of the Share Option Scheme are to attract and retain the best available personnel and to provide additional incentives or rewards to employees, Directors, consultants, business associates and advisers of the Company for their contribution to and to promote our success.

(b) Who may join

The Board may offer the following classes of participants, namely, any of our employee (whether full-time or part-time), Director, consultant, business associate or adviser (the “Eligible Person”) options to subscribe for Shares (the “Option”) at a price calculated in accordance with paragraph (g) below based on the terms of the Share Option Scheme summarised below. The amount payable for the acceptance of an Option shall be the sum of HK\$1.00 which shall be paid upon acceptance of the offer of such Option. This consideration shall not be refundable to the grantee of the Option (the “Participant”) and shall not be deemed to be a part payment of the Exercise Price (as defined below).

(c) Maximum number of Shares available for subscription

- (i) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed such number of Shares as shall represent 30% of the issued share capital of our Company from time to time (the “Overall Limit”). No Options may be granted under the Share Option Scheme if this will result in the Overall Limit being exceeded.
- (ii) Subject always to the Overall Limit specified in paragraph (c)(i) above:
 - (A) the Board may grant Options under the Share Option Scheme generally and without further authority in respect of such number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and all options to be granted under any other share option schemes in aggregate not exceeding 10% of the issued share capital of our Company as at the date on

which the Shares are first listed on the Stock Exchange (the “Scheme Mandate Limit”). For the avoidance of doubt, Options that have lapsed in accordance with the Share Option Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit;

- (B) the Scheme Mandate Limit may be renewed by obtaining approval of our Shareholders in general meeting provided that such renewed limit shall not exceed 10% of the Shares in issue as at the date of approval of such limit (the “Refreshed Limit”). Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled and lapsed shall not be counted for the purpose of calculating the Refreshed Limit. In obtaining the approval of the Shareholders, the Company shall send a circular to our Shareholders in accordance with and containing such information as is required under Rules 17.03(3) and 17.06 of the Listing Rules and/or such other requirements as prescribed in the Listing Rules; and
- (C) the Board may grant Options in excess of the Scheme Mandate Limit (as renewed or refreshed from time to time) if the grant of such Options is to specifically identified Eligible Persons and the grant of such Options to specifically identified Eligible Persons is first approved by our Shareholders in general meeting. In obtaining the approval of our Shareholders, the Company shall send a circular to our Shareholders in accordance with and containing such information as is required under Rules 17.03(3) and 17.06 of the Listing Rules and/or such other requirements as prescribed in the Listing Rules.

(d) *Maximum entitlement of each participant and connected persons*

- (i) Unless approved by our Shareholders in the manner as set out in paragraph (d)(ii) below, the total number of Shares issued and to be issued upon the exercise of the Options granted under the Share Option Scheme and any other share option schemes of our Company (including exercised, cancelled and outstanding Options) to an Eligible Person in any 12-month period shall not exceed 1% of the relevant class of securities of the Company in issue (“Individual Limit”).
- (ii) The Company may grant further Options to an Eligible Person notwithstanding that, if exercised, would result in such Eligible Person becoming entitled to subscribe for Shares in excess of the Individual Limit provided that the grant of such Options is first approved by our Shareholders in general meeting at which such Eligible Person and his associates shall abstain from voting. The terms (including the exercise price) and number of Shares subject to the Options to be granted to such Eligible Person shall be fixed before the relevant Shareholders’ approval

of the Company is obtained, and the date of the Board meeting for proposing such further grant shall be deemed to be the date of grant for the purpose of calculating the Exercise Price (as defined in paragraph (g) below) of the relevant Options under Rule 17.03(9) of the Listing Rules. In obtaining the approval of our Shareholders, the Company shall send a circular to our Shareholders in accordance with and containing such information as is required under Rules 17.03(4) and 17.06 of the Listing Rules and/or such other requirements as prescribed in the Listing Rules.

(e) *Options granted to Directors, chief executive or substantial shareholders of the Company*

- (i) In addition to our Shareholders' approval set out in Note (1) to Rule 17.03(3) and Note to Rule 17.03(4) of the Listing Rules, each grant of Options to a Director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options).
- (ii) Where any grant of Options to a substantial shareholder or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) under the Share Option Scheme or any other share option schemes of our Company to such person in the 12-month period up to and including the date of such grant:
 - (A) representing in aggregate more than 0.1% of the Shares in issue; and
 - (B) having an aggregate value, based on the closing price of our Shares at the date of each grant, in excess of HK\$5 million,

such further grant of Options must be approved by our Shareholders. All connected persons of our Company must abstain from voting in favour at such general meeting. In obtaining the approval of our Shareholders, the Company shall despatch a circular to our Shareholders containing such information as is required under Rule 17.04(3) of the Listing Rules.

(f) *Performance target*

The Share Option Scheme does not set out performance targets which must be achieved before the Options may be exercised. However, upon the grant of Options by the Board to an Eligible Person, the Board may, at its absolute discretion, specify, as part of the terms and conditions of such Option, the performance targets which must be achieved and any other conditions that must be fulfilled before the Option can be exercised.

(g) *Exercise price*

The amount payable of each Share to be subscribed for under an Option in the event of the Option being exercised shall be determined by the Board in its absolute discretion and shall be not less than the greater of:

- (i) the closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the date of grant of such Option (which must be a Business Day);
- (ii) the average closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet for the five Business Days immediately preceding the date of grant of such option; and
- (iii) the nominal value of the Shares (the "Exercise Price").

(h) *Rights are personal to grantee*

An Option which has been duly granted and remains outstanding and exercisable in accordance with the Share Option Scheme and has neither lapsed nor been cancelled or exercised in full (the "Subsisting Option") and an offer to grant an Option shall be personal to the Eligible Person to whom it is granted or made and shall not be transferable or assignable.

(i) *Notice of Grant of Options*

- (i) The Board may from time to time during the term of the Share Option Scheme (at its absolute discretion) offer an Option to an Eligible Person (to be selected in each case at the discretion of the Board), specifying the number of Options granted, the period to be notified by the Board upon the grant of such Option during which it may be exercised (the "Exercise Period"), and the Exercise Price and specifying any other applicable terms and conditions relating to such Options which may include provisions as to performance conditions which must be satisfied before the Options can be exercised, the minimum period for which the Options must be held before they can be exercised, vesting conditions (if any) which must be satisfied before the Options shall become vested, lapse conditions which may be different from the general provisions set out in paragraph (u) below (but not so as to extend the Exercise Period beyond 10 years from the date of grant); and such other provisions as the Board may determine provided that such provisions are not in contravention of the requirements of the Share Option Scheme or the Listing Rules. The offer of grant of an Option may be accepted in writing in such manner as the Board may prescribe within 21 calendar days (from and including the date of offer by the Company).

- (ii) The Board shall not grant any Options under the Share Option Scheme after a price sensitive event concerning the Company or any subsidiary has occurred or a price sensitive matter concerning the Company or any subsidiary has been the subject of a decision until an announcement of such price sensitive information has been published in accordance with the Listing Rules. In particular, no Option shall be granted during the period commencing one month immediately preceding the earlier of (A) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (B) the deadline for the Company to publish an announcement of its results for any year or half-year period under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the announcement of the results for such year, half-year, quarterly or interim period (as the case may be).

(j) Time of exercise of an option

An Option may be exercised in whole or in part in accordance with the terms and conditions of the Share Option Scheme by the Participant at any time during its Exercise Period by delivering to the Company a notice ("Exercise Notice") duly signed in a form approved by the Board (together with payment of the Exercise Price in full in respect of each Share to be subscribed for) and delivery of the written notice (issued under paragraph (i) above) for cancellation or amendment (as the case may be), and subject to compliance with the foregoing shall be effective on the date of receipt of the same by the Company.

(k) Cancellation of option

Any cancellation of any Subsisting Option shall be conditional on the approval by the Board (including the approval of independent non-executive Directors) and the Participant(s) concerned. In the event that the Board elects to cancel any Subsisting Options and issue new Options to the Participant(s) concerned, the offer or grant of such new Options shall only be made under the Share Option Scheme if there are available unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit or the Refreshed Limit, as the case may be.

(l) Voting and dividend rights

No dividends shall be payable and no voting rights shall be exercisable in relation to Shares that are the subject of Options that have not been exercised.

(m) Effects of alterations to the capital structure of the Company

Subject to paragraph (c) above, in the event of a capitalisation issue, rights issue, consolidation, subdivision or reduction of the share capital of the Company in accordance with applicable laws and regulatory requirements, corresponding adjustments (if any) shall be made in relation to any Subsisting Option to (i) the number of Shares subject to the Subsisting Option; and/or (ii) the Exercise Price; and/or (iii) in the event of a consolidation and subdivision of the share capital of the Company and to the extent necessary, the maximum number of Shares referred to in paragraph (c) above, as the independent valuers shall, at the request of the Company, certify in writing, either generally or, if applicable, as regards any particular Participant, to be in their opinion fair and reasonable, provided that (i) any such adjustment shall give a Participant the same proportion (or rights in respect of the same proportion) of the issued share capital of the Company as that to which he was previously entitled; (ii) no such adjustments shall be made to the advantage of the Participants (including, but not limited to, adjustments which would increase the intrinsic value of any Subsisting Option) except with the prior sanction of a resolution of the Shareholders in general meeting; and (iii) no such adjustment shall be made if the effect of which would be to enable a Share to be issued at less than its nominal value or which would result in the aggregate amount payable on the exercise of any Subsisting Option in full being increased.

Where any such adjustment shall be required for any alteration in the capital structure of our Company (other than by way of a capitalisation of profits or reserves) such adjustment shall be further conditional on the independent valuers also certifying in writing that (i) such adjustment shall give a Participant the same proportion of the issued share capital of our Company as that to which he was previously entitled, and (ii) such adjustment shall not have the effect of enabling a Share to be issued at less than its nominal value. The certification of the independent valuers shall be final and binding on our Company and the Participants. The costs of the independent valuers in so certifying shall be borne by our Company. Our Company shall notify Participants of any adjustment made under this paragraph.

Any adjustment made to the exercise price of and/or the number of Shares subject to Subsisting Options will be made in compliance with applicable requirements under Chapter 17 of the Listing Rules and any applicable guidance and/or interpretation thereof issued by the Stock Exchange from time to time. In particular, the applicable requirements set out in the Supplemental Guidance on Rule 17.03(13) of the Listing Rules and the Note immediately thereafter issued by the Stock Exchange to all listed issuers on 5 September 2005 will be complied with.

(n) Rights on a takeover

If during the Exercise Period of any Subsisting Options a general offer or partial offer by way of takeover is made to all the Shareholders (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) to acquire all or part of the issued Shares, our Company shall use all reasonable endeavours to procure that such offer is extended to all the Participants (or his personal representative(s)) on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the Options granted to them, Shareholders. If such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, the Company shall give written notice to all Participant then holding Subsisting Options of the offer becoming unconditional as soon as reasonably practicable after becoming so aware, and such Participant may (notwithstanding any other terms on which his Options were granted), by notice in writing to the Company, within 14 calendar days of the date of such notice (and subject to paragraph (j) above), exercise any of their Subsisting Options (to the extent not already exercised) to their full extent or to the extent specified in such notice.

(o) Rights on schemes of compromise or arrangement

If during the Exercise Period of any Subsisting Options, an application is made to the court (otherwise than where the Company is being voluntarily wound up) pursuant to the Companies Ordinance (or any analogous event under any equivalent legislation applicable to the Company) in connection with a proposed compromise or arrangement between the Company and its creditors (or any class of them) or between the Company and its members (or any class of them), the Company shall give written notice to all Participant and the Participant holding Subsisting Options may (notwithstanding any other terms on which his Options were granted), by notice in writing to the Company, within the period of 14 calendar days after the date of such application (and subject to paragraph (j) above), exercise any of his Subsisting Options (to the extent not already exercised) to their full extent or to the extent specified in such notice.

(p) Rights on a voluntary winding up

In the event of a notice is given by the Company to its members to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution for the voluntary winding up of the Company during the Exercise Period of any Subsisting Options, the Company shall forthwith upon notice of such meeting being given, give to the Participants holding such Subsisting Options written notice of the convening of such meeting and such Participants may (notwithstanding any other terms on which his options were granted), thereupon by notice in writing to the Company, exercise any Subsisting Options (to the extent not already exercised) to its full extent or to the extent specified in such notice to us at any time not later than five Business Days prior to the proposed general meeting of the Company to its full extent or to the extent specified in such notice.

(q) Ranking of Shares

The Shares to be allotted and issued on the exercise of an Option shall rank *pari passu* in all respects with the then existing fully paid Shares of the same class in issue at the date of allotment (including without limitation as to voting, dividend and transfer rights and rights arising on the liquidation of the Company) and will be subject to all the provisions of our memorandum of association and the articles of association for the time being in force, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of exercise of the Option other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with reference to a record date falling before the date of exercise of the Option. A Share allotted and issued upon the exercise of an option shall not carry voting rights until it shall have been registered in the name of the relevant Participant (or its nominee) as the holder thereof on our register of members.

(r) Duration of the Share Option Scheme

Subject to earlier termination by the Board and approved in advance by the Shareholders in general meeting, the Share Option Scheme shall be valid and effecting for a period commencing from 11 June 2011 and expiring at 5:00 p.m. on the business day preceding the tenth anniversary of such date.

(s) Amendment of the Share Option Scheme

- (i) Subject to paragraph (s)(ii) below, the Board may amend any of the provisions of the Share Option Scheme or withdraw or otherwise terminate the Share Option Scheme at any time but no amendments shall be made to the advantage of any Participant or prospective Participant unless with the prior approval of our Shareholders in general meeting. In addition, no such amendment shall operate to affect adversely any rights which have accrued to any Participant at that date.
- (ii) Our Shareholders in general meeting must approve in advance by ordinary resolution any proposed change which relates to the following:
- the category of eligible persons to or for whom Options may be granted under the Share Option Scheme;
 - the authority of the Board in relation to any alteration to the terms of the Share Option Scheme;
 - the limits as to the number of Shares which may be issued under the Share Option Scheme;
 - the individual limits as to the number of Options for each Participant under the Share Option Scheme;

- the determination of the Exercise Price;
 - any rights attaching to the Options and the Shares;
 - the terms of any granted Options;
 - the rights of Participants in the event of rights issue, sub-division or consolidation of Shares or reduction or any other variation of capital of the Company;
 - the terms of this paragraph;
 - any matters set out in Rule 17.03 of the Listing Rules; or
 - any amendment to the Share Option Scheme which is of a material nature.
- (iii) Except as described in paragraph (s)(ii) above, the Board need not obtain the approval of our Shareholders in general meeting for any minor amendments:
- to benefit the administration of the Share Option Scheme;
 - to comply with or take account of the provisions of any proposed or existing legislation; or
 - to take account of any changes to the legislation; or to obtain or maintain favourable tax, exchange control or regulatory treatment of the Company or any subsidiary or associated company (having the meaning under the HKFRS) or any present or future Participant.
- (iv) Any amendment to the terms and conditions of the Share Option Scheme which is of a material nature shall be subject to the clearance of the Stock Exchange save where the amendment takes effect automatically under the existing terms of the Share Option Scheme; or
- (v) Unless otherwise cleared by the Stock Exchange, the amended terms of the Share Option Scheme or the Options must comply with the relevant requirements of the Listing Rules.
- (t) Lapse of options**
- (i) The right to exercise an Option (to the extent not already exercised) shall lapse and/or terminate forthwith on the occurrence of the earliest of the following events:

- (A) the expiry of the Exercise Period;
- (B) the death of the Participant (or such other period as the Board may determine);
- (C) if the Participant is our employee or Director, upon such Participant ceasing to be our employee or Director by reason of dismissal from employment or termination of office; or if the Participant is our consultant, business associate or adviser, by reason of the termination by the relevant member of our Group of the contract for the provision of services by such Participant, on any of the following grounds:
- the Participant's misconduct;
 - the Participant's committing an act of bankruptcy;
 - the Participant's beginning to appear to be unable to pay or has no reasonable prospect of being able to pay his debts or becoming insolvent or making any arrangements or composition with his creditors generally; or
 - the Participant's being convicted of any criminal offence involving his integrity or honesty;
- (D) three months (or such other period as the Board may determine) after the Participant ceases to be an employee by reason of:
- his retirement on or after attaining normal retirement age;
 - his resignation;
 - his ill-health or disability;
 - the company by which he is employed ceasing to be a subsidiary or associated company of the Company;
 - the expiry of his contract of employment with the Company; or
 - termination of his employment for reasons other than the reasons specified in paragraphs (B) and (C) above;
- (E) three months (or such other period as the Board may determine) after the Participant ceases to be a Director for reasons other than the reasons specified in paragraphs (B) and (C) above;

- (F) the expiry of any period referred to in paragraph (n) and (o), provided that in the case of paragraph (o) the proposed compromise or arrangement becomes effective;
 - (G) save as otherwise provided in paragraph (p), the earlier of the close of business on the fifth Business Day prior to the general meeting referred to in paragraph (p) or the date of the commencement of the winding up of the Company;
 - (H) any breach of the provisions described in paragraph (h) above;
 - (I) in the case of a Participant who is our consultant, business associate or adviser, on the date which falls three months after the date on which the Participant is notified by the Board that the Board has resolved that the Participant no longer provides consultancy, business or advisory (as appropriate) services to us and is therefore no longer our consultant, business associate or adviser;
- (ii) the decision of the Board as to whether an Option has lapsed under this paragraph (t) shall be conclusive and binding on the relevant Participant; or
 - (iii) if an Option shall be determined by the Board to have lapsed, the Board shall notify the relevant Participant in writing of such lapse and forthwith upon such notification the Participant shall be bound to surrender to the Company the written notice evidencing such Option.

(u) Termination

Our Company by resolution in general meeting, or the Board, may at any time terminate the operation of the Share Option Scheme, and in such event no further Options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. All Options granted but not yet exercised prior to such termination shall continue to be valid and exercisable subject to and in accordance with the provisions of the Share Option Scheme.

Details of the Options granted, including Options exercised or outstanding, under the Share Option Scheme and (if applicable) Options that become void or non-exercisable as a result of the termination must be disclosed in the circular to our Shareholders seeking approval of the first new scheme (if any) to be established after such termination.

(v) Disclosure of the Share Option Scheme

The Company shall disclose all information as required by the Listing Rules or any other applicable rules and regulations in its annual and interim reports.

(w) *Present status of the Share Option Scheme*

- (i) The Share Option Scheme shall take effect subject to and is conditional on:
 - (A) the Listing Committee granting approval of the listing of, and permission to deal in, the Shares and any Shares which may fall to be issued pursuant to the exercise of any Option granted under the Share Option Scheme;
 - (B) the commencement of dealings in the Shares on the Stock Exchange; and
 - (C) the passing of the necessary ordinary resolution to adopt the Share Option Scheme by the Shareholders in general meeting.
- (ii) As at the date of this prospectus, no Option has been granted or agreed to be granted by the Company under the Share Option Scheme. Options may be granted at any time after the commencement of dealing in the Shares.

(x) *Status of the Hong Kong Listing Rules*

The Share Option Scheme shall comply with the Listing Rules as amended from time to time. In the event that there are differences between the terms of the Share Option Scheme and the Listing Rules, the Listing Rules shall prevail.

E. OTHER INFORMATION

1. Estate duty, tax and other indemnity

Our Controlling Shareholders have entered into a deed of indemnity in favour of our Group to provide the following indemnities. Our Directors have been advised that no material liability for estate duty is likely to fall on us or any of our subsidiaries.

Under the deed of indemnity, among others, our Controlling Shareholders will jointly and severally indemnify each of the members of the Group on demand against (a) taxation falling on any member of the Group resulting from or by reference to any income, profits or gains accrued or received (or deemed to be so earned, accrued or received) on or before the date when the Global Offering becomes unconditional; (b) any costs, expenses and operating and business losses arising from the relocation of the business or assets from any property leased or licenced by us in the event any member of the Group is evicted from such property before the expiry of the relevant lease or licence agreement as a result of the breach of the relevant existing lease by the relevant connected person for licensing the relevant premises to us; (c) any costs, expenses and operating and

business losses arising from third-party infringement of our intellectual property rights; and (d) any losses, costs and expenses which may be suffered or incurred by any member of the Group resulting from or in connection with any claims, legal actions or other proceedings relating to the termination or non-performance of the Cooperative Framework Agreement. Our Controlling Shareholders will also jointly and severally indemnify each of the members of the Group on demand against any losses, damages, costs or expenses in connection with the above.

2. Litigation

On 15 January 2010, we filed a writ of summons with the High Court of Hong Kong against an independent consulting company (the “first defendant”) and Tutor A (the “second defendant”), who is one of our former English tutors, for breach of an agreement dated 5 July 2007 entered into among Modern Education HK, the first defendant and the second defendant (the “Agreement”). We claimed, among other things, damages in the sum of HK\$18,000,000 or to be assessed by the court for loss of profits for the period between the date of termination of the Agreement and the expiry of its contractual terms and further or alternatively the sum of HK\$8,546,572 for the gratuity already prepaid to the first defendant between May 2006 and November 2006. On 1 April 2010, the first defendant filed a counterclaim against Modern Education HK for, among other things, damages for breach and wrongful repudiation of the Agreement and the commission and gratuity for the months of December 2009 and January (up to 20 January) 2010, interests and costs, the amounts of which, if the first defendant was successful, would be assessed by the court. On 17 June 2010, Modern Education HK filed a reply and defence to counterclaim and on 24 November 2010, the second defendant was ordered bankrupt in Hong Kong. As at the Latest Practicable Date, the date of the first trial of the case had not been fixed and we are unable to provide an estimated timeframe when the case will be heard in court. The legal costs incurred so far in relation to this legal proceeding amounted to HK\$1,176,670. For further details, please refer to the section headed “Business – Legal proceedings” of this prospectus.

During the Track Record Period, there were two intellectual property claims against us and/or our tutors and three intellectual property claims against us alone. For further details, please refer to the section headed “Business-Intellectual property infringement claims and compliance” of this prospectus. The Directors are of the view that these intellectual property claims are not material to the Group.

Save as disclosed above, as at the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance. As at the Latest Practicable Date, no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against any member of our Group that would have a material adverse effect on our Group’s results of operations or financial condition.

3. Preliminary expenses

The preliminary expenses incurred by our Company in relation to our incorporation were approximately HK\$35,490 and were paid by our Company.

4. Promoter

The Company does not have any promoter.

5. Joint Sponsors

First Shanghai Capital Limited satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules. Kingsway Capital Limited is not expected to be independent pursuant to Rule 3A.07 of the Listing Rules as its fellow subsidiary, Primo Result, will hold more than 5% of the issued share capital of the Company upon completion of the Reorganisation and the Global Offering. For details, please refer to the sub-section headed “Investor of our Group” under the section headed “History and Corporate structure” in this prospectus.

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares in issue as mentioned in this prospectus and any Shares falling to be issued pursuant to the Global Offering, the exercise of the Over-allotment Option, and any options that may be granted under the Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

6. No material adverse change

Our Directors confirm that there has been no material adverse change in our financial or trading position since 31 December 2010 (being the date on which our latest audited combined financial statements was made up).

7. Compliance adviser

Our Company will appoint Kingsway Capital Limited as our compliance adviser upon Listing in compliance with Rule 3A.19 of the Listing Rules.

8. Agency fees or commissions received

Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries.

9. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

10. Registration procedures

Subject to the provisions of the Companies Law, our register of members will be maintained in Hong Kong by Tricor Investor Services Limited.

11. Qualifications of experts

The following are the qualifications of the experts (as defined under the Listing Rules and the Companies Ordinance) who have given opinion or advice which are contained in this prospectus:

Name	Qualification
Kingsway Capital Limited	Licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, acting as one of the Joint Sponsors of the Global Offering
First Shanghai Capital Limited	Licensed to conduct Type 6 (advising on corporate finance) regulated activity under the SFO, acting as one of the Joint Sponsors of the Global Offering
Deloitte Touche Tohmatsu	Certified Public Accountants
Jingtian & Gongcheng	Legal advisers to our Company on PRC law
Maples and Calder	Legal advisers to our Company on Cayman Islands law
Stephen Mok & Co. in association with Eversheds LLP	Legal advisers to our Company on Hong Kong law
Vigers Appraisal & Consulting Limited	Professional property valuer

12. Consents of experts

Each of Kingsway Capital Limited, First Shanghai Capital Limited, Deloitte Touche Tohmatsu, Jingtian and Gongcheng, Maples and Calder, Stephen Mok & Co. in association with Eversheds LLP and Vigers Appraisal & Consulting Limited has given and has not withdrawn their respective consents to the issue of this prospectus with the inclusion of its report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and references to its name included in the form and context in which it appears.

As at the Latest Practicable Date and save for Kingsway Capital Limited whose fellow subsidiary, Primo Result, will hold more than 5% of the issued share capital of the Company upon Listing, none of the experts named in the section headed “Qualifications of experts” in this Appendix had any shareholding interests in any of our member or the right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any of our member.

13. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, Chapter 32L of the Laws of Hong Kong.

14. Miscellaneous

- (a) Save as disclosed in this prospectus:
- (i) Within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) No share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) Neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;
 - (iv) Within the two years immediately preceding the date of this prospectus, no commission has been paid or payable (except commissions to underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company;
 - (v) None of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;
 - (vi) there is no arrangement under which future dividends are waived or agreed to be waived; and
 - (vii) Our Company has no outstanding convertible debt securities or debentures.

APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE, YELLOW** and **PINK** Application Forms, the written consents referred to in the section headed “Appendix V – Statutory and General Information – Other information – Consents of experts” in this prospectus, and copies of the material contracts referred to in the section headed “Appendix V – Statutory and General Information – Further information about our business – Summary of our material contracts” in this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Stephen Mok & Co. in association with Eversheds LLP, Suites 2101-2106 & 2110, Gloucester Tower, The Landmark, 15 Queen’s Road Central, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- our memorandum of association and our Articles of Association;
- the accountants’ report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- the audited combined financial statements of our Company for the three years ended 30 June 2008, 2009 and 2010 and the six months ended 31 December 2010;
- the letter prepared by Deloitte Touche Tohmatsu relating to the unaudited pro forma financial information of our Company, the text of which is set out in Appendix II to this prospectus;
- the full valuation report relating to the property interests of our Company prepared by Vigers Appraisal & Consulting Limited, the text of which is set out in Appendix III to this prospectus;
- the letter of advice prepared by Maples and Calder, summarising certain aspects of the Companies Law referred to in Appendix IV to this prospectus;
- the PRC legal opinion issued by Jingtian & Gongcheng, our PRC Legal Advisors;
- the Hong Kong legal opinion issued by Stephen Mok & Co. in association with Eversheds LLP, our Hong Kong Legal Advisors;
- copies of material contracts referred to under the section headed “Appendix V – Statutory and General Information – Further information about our business – Summary of our material contracts” in this prospectus;

**APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND AVAILABLE FOR INSPECTION**

- the written consents referred to under the section headed “Appendix V – Statutory and General Information – Other information – Consents of experts” in this prospectus;
- the service agreements and letters of appointment referred to under the paragraph headed “Appendix V – Statutory and General Information – Further information about the Directors” in this prospectus;
- the Companies Law; and
- the rules of the Share Option Scheme.

現代教育

Modern Education Group Limited
現代教育集團有限公司