VIRSCEND EDUCATION COMPANY LIMITED
成實外教育有限公司

(Incorporated in the Cayman Islands with Limited Liability)
Stock Code : 1565

GLOBAL OFFERING

Sole Sponsor

MACQUARIE

Joint Global Coordinators

MACQUARIE　海通國際 HAITONG

Joint Bookrunners and Joint Lead Managers

MACQUARIE　海通國際 HAITONG　國泰君安國際 GUOTAI JUNAN INTERNATIONAL　兴证国际 INDUSTRIAL SECURITIES INTERNATIONAL

With effect from December 29, 2015, the name of Macquarie Capital Securities Limited has officially been changed to Macquarie Capital Limited. Accordingly, all references in this Prospectus to Macquarie Capital Securities Limited should be read as a reference to Macquarie Capital Limited.

IMPORTANT

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

Virscend Education Company Limited
成實外教育有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Total Number of Offer Shares under the Global Offering	**:**	**750,000,000 Shares (subject to the Over-allotment Option)**
Number of Public Offer Shares	**:**	**75,000,000 Shares (subject to adjustment)**
Number of International Placing Shares	**:**	**675,000,000 Shares (subject to the Over-allotment Option and adjustment)**
Offer Price	**:**	**Not more than HK$2.92 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and a Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**HK$0.01 per Share**
Stock code	**:**	**1565**

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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 "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (WUMP) Ordinance. 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 documents referred to above.

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators, on behalf of the Underwriters, and our Company on or before Friday, January 8, 2016 or such later time as may be agreed between the parties, but in any event, no later than Wednesday, January 13, 2016. If, for any reason, the Joint Global Coordinators, on behalf of the Underwriters, and our Company are unable to reach an agreement on the Offer Price by Wednesday, January 13, 2016, the Global Offering will not proceed and will lapse immediately. The Offer Price will be not more than HK$2.92 per Share and is expected to be not less than HK$2.18 per Share, unless otherwise announced. Investors applying for the Public Offer Shares must pay, on application, the maximum offer price of HK$2.92 for each Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027 %and Stock Exchange trading fee of 0.005% subject to refund if the Offer Price is lower than HK$2.92. The Joint Global Coordinators, on behalf of the Underwriters, may, with the consent of our Company, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offering. In such a case, notices of such reduction will be published on the websites of the Stock Exchange at **www.hkexnews.hk** and the Company at **www.virscendeducation.com** as soon as practicable but in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

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

Pursuant to the termination provisions contained in the Hong Kong Underwriting Agreement in respect of the Offer Shares, the Joint Global Coordinators, on behalf of the Hong Kong Underwriters, have the right in certain circumstances, in their absolute discretion, to terminate the obligations of the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement at any time prior to 8:00 a.m. on the Listing Date. Further details of the terms of the termination provisions are set out in the section headed "Underwriting — Grounds for Termination". It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended from time to time (the "U.S. Securities Act") or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, or to, or for the account or benefit of U.S. persons, except that the Offer Shares may be offered, sold or delivered (i) within the United States in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A under the U.S. Securities Act or another exemption from registration under the U.S. Securities Act; and (ii) in offshore transactions outside the United States in reliance on Regulation S under the U.S. Securities Act.

December 31, 2015

*The Company will publish an announcement on the website of the Stock Exchange at **www.hkex.com.hk** and our website at **www.virscendeducation.com** if there is any change in the following expected timetable of the Hong Kong Public Offering.*

Latest time to complete electronic applications under **White Form eIPO** service through the designated website at **www.eipo.com.hk** *(note 4)*	11:30 a.m. on Thursday, January 7, 2016
Application lists for the Hong Kong Public Offering open *(note 2)*	11:45 a.m. on Thursday, January 7, 2016
Latest time for lodging **WHITE** and **YELLOW** Application Forms and giving **electronic application instructions to HKSCC** *(note 3)*	12:00 noon on Thursday, January 7, 2016
Latest time to complete payments for **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Thursday, January 7, 2016
Application lists close *(note 2)*	12:00 noon on Thursday, January 7, 2016
Expected Price Determination Date *(note 6)*	Friday, January 8, 2016
Announcement of the Offer Price, the indications of the level of interest in the International Placing, the level of applications in the Hong Kong Public Offering, and the basis of allocation of the Public Offer Shares to be published at the websites of the Stock Exchange at **www.hkexnews.hk** and the Company at **www.virscendeducation.com** on or before *(note 7)*	Thursday, January 14, 2016
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels. (See "How to Apply for Public Offer Shares — Publication of Results") from	Thursday, January 14, 2016
Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** with a "search by ID function"	Thursday, January 14, 2016

Despatch of share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before *(notes 5 & 8)*	Thursday, January 14, 2016
Share certificates in respect of wholly or partially successful applications to be despatched or deposited into CCASS on *(note 8)*	Thursday, January 14, 2016
White Form e-Refund payment instructions/refund cheques in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications to be despatched on *(notes 7 & 11)*	Thursday, January 14, 2016
Dealings in Shares on the Main Board of the Stock Exchange to commence on	9:00 a.m. on Friday, January 15, 2016

Notes:

(1) All times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering".

(2) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, January 7, 2016, the application lists will not open and close on that day. Further information is set out in "How to Apply for Public Offer Shares — Effect of bad weather on the opening of the application lists". If the application lists do not open and close on Thursday, January 7, 2016, the dates mentioned in this section headed "Expected Timetable" may be affected. A press announcement will be made by us in such event.

(3) Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to "How to Apply for Public Offer Shares — Applying by Giving Electronic Application Instructions to HKSCC via CCASS" for details.

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

(5) Share certificates for the Public Offer Shares will become valid certificates of title at 8:00 a.m. on Friday, January 15, 2016, provided that (i) the Global Offering has become unconditional in all respects; and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates or before the share certificates become valid certificates do so entirely at their own risk.

(6) The Offer Price is expected to be determined by Friday, January 8, 2016 but in any event, the expected time for determination of the Offer Price will not be later than Wednesday, January 13, 2016. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators, on behalf of the Underwriters, and our Company by Wednesday, January 13, 2016, the Global Offering will not proceed and will lapse.

(7) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. 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 purposes. 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.

(8) Applicants who apply on **WHITE** Application Forms for 1,000,000 Public Offer Shares or more under the Hong Kong Public Offering and have provided all information required on their Application Forms, they may collect any refund cheque(s) and/or share certificate(s) in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, January 14, 2016. Applicants being individuals who apply for 1,000,000 Public Offer Shares or more and opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who are applying for 1,000,000 Public Offer Shares or more and opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporations' chop. Identification and (where applicable) authorisation documents acceptable to our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, must be produced at the time of collection.

(9) Applicants who apply on **YELLOW** Application Forms for 1,000,000 Public Offer Shares or more under the Hong Kong Public Offering and have provided all information required by their Application Forms, they may collect their refund cheque(s), where applicable, in person but may not elect to collect their share certificate(s), which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheque(s) for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants specified in note (8) above.

(10) Applicants who apply for Public Offer Shares via **White Form eIPO** should refer to the section headed "How to Apply for Public Offer Shares — Refund of Application Monies".

(11) Uncollected share certificate(s) and refund cheque(s) will be despatched by ordinary post at the applicants' own risk to the addresses specified on the relevant applications. Further details are set out in the section headed "How to apply for Public Offer Shares — Despatch/Collection of Share Certificates and Refund Monies".

For details of the structure of the Global Offering, including the conditions thereof, please refer to the section headed "Structure of the Global Offering".

IMPORTANT NOTICE TO INVESTORS

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

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

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully in full before you decide to invest in the Offer Shares.

OVERVIEW

We are the largest provider of K-12 private education services in Southwest China in terms of student enrollment as of June 30, 2015, according to the Frost & Sullivan Report. As of the Latest Practicable Date, we had established and were operating five schools for grades K-12, namely, Chengdu Foreign Languages School, Chengdu Experimental Foreign Languages School, Chengdu Experimental Foreign Languages School (Western Campus), the Primary School Attached to Chengdu Foreign Languages School and the Chengdu Foreign Languages Kindergarten. As of June 30, 2015, we had an aggregate of approximately 17,896 K-12 students enrolled at our schools. According to the Frost & Sullivan Report, as measured by student enrollment, we ranked first in the highly fragmented private fundamental education industry in Southwest China with a 0.43% market share. In addition, we operate one university, Chengdu Institute Sichuan International Studies University, which had an enrollment of approximately 13,684 students as of June 30, 2015. As of October 31, 2015, our K-12 student enrollment increased to approximately 18,345 and the University student enrollment increased to approximately 14,237. Since 2000, when Chengdu Foreign Languages School was first established, we have accumulated significant experience in educating and nurturing students at each grade level. We strive to cultivate well-rounded students who possess global perspective and practical knowledge.

Through our schools, we provide education services to students in every age group from kindergarten through university. According to the Frost & Sullivan Report, we are one of the few private education companies in Southwest China that offer complete K-12 and university education. This allows us to attract students at an early age and create a stable student pipeline for our schools at each grade within the K-12 system. We have witnessed growth of our schools during the Track Record Period in terms of student enrollment, which increased from approximately 29,227 as of June 30, 2012 to approximately 31,580 as of June 30, 2015. Our revenue also increased from RMB502.1 million for the year ended December 31, 2012 to RMB554.7 million for the year ended December 31, 2013, and further to RMB626.0 million for the year ended December 31, 2014. For the six months ended June 30, 2015, our revenue amounted to RMB364.8 million compared to our revenue of RMB330.5 million for the six month ended June 30, 2014. Our gross profit increased from RMB197.8 million for the year ended December 31, 2012, to RMB207.2 million for the year ended December 31, 2013, and further to RMB254.6 million for the year ended December 31, 2014. For the six months ended June 30, 2015, our gross profit was RMB182.9 million compared to RMB159.8 million for the six months ended June 30, 2014.

We provide high-quality education to our students. We aspire to provide a pathway to first-tier universities in China and to colleges and universities abroad for interested students. For example, for Gaokao administered in 2012, 2013 and 2014, approximately 60.1%, 73.6% and 69.5% of our graduating high school students who participated in such examinations have achieved scores that allowed them to apply to and be accepted by first-tier universities in China, including Peking University, Tsinghua University, Fudan University, Zhejiang University and Shanghai Jiaotong University, among others. In comparison, approximately 9.8%, 5.5% and 15.5% of the total students in the PRC, Sichuan Province and

Chengdu, respectively, who participated in Gaokao achieved scores that allowed them to apply to and be accepted by first-tier universities in China, according to the Frost & Sullivan Report. Moreover, during the Track Record Period, certain of our high school graduating students were accepted by colleges and universities overseas. For example, a total of five graduating students from Chengdu Foreign Languages School were accepted by Harvard University, Columbia University, Cornell University and Northwestern University during Track Record Period.

Through over 15 years of operating private schools in Chengdu, we believe that we have established a strong reputation, which helps us attract high-quality students and teachers and pave the way for our success. We intend to maintain and strengthen our market position in the private fundamental education industry in Southwest China.

OUR SCHOOLS

We currently operate six schools, all of which are located in Chengdu, Sichuan Province. Through these schools, we offer formal education with comprehensive education programs from kindergarten through university. As of June 30, 2015, we had enrollment of an aggregate number of approximately 31,580 students, including approximately 13,684 students at the University, and we employed an aggregate of approximately 1,978 teachers. Except for the University, in which we have a 75.70% effective interest, all of the other five schools we operate are wholly-owned by Sichuan Derui and controlled by our Group through Structured Contracts.

Our tuition rates are generally subject to the approval of the relevant government pricing authorities in the areas where we operate. Under the Interim Measures for the Management of the Collection of Private Education Fees, promulgated by the PRC government authorities on March 2, 2005, the types and amounts of fees charged by a private school providing educational qualifications must be approved by the relevant governmental pricing authority. In April 2015, the Development and Reform Commission of Chengdu* (成都市發改委) and Chengdu Ministry of Education* (成都市教育局) jointly issued the Notice on the Issues Concerning the Tuition Fees of Private Educational Schools (《關於民辦學歷教育學校學費等有關問題的通知》), pursuant to which adjustments to tuition fees of private schools in Chengdu are pre-approved as long as the tuition fees will not increase by more than 20% from the applicable base levels stipulated by the local PRC governmental pricing authority. Please see the section headed “Business — Our Schools” in this prospectus for further details.

Chengdu Foreign Languages School

Chengdu Foreign Languages School is the oldest foreign languages high school in Sichuan Province, and is one of only 16 foreign languages high schools nationwide and the only one in Sichuan Province which is qualified to recommend graduating students to universities in China (students who are recommended for admission by their respective schools are exempt from taking Gaokao, which is China’s annual standardized college entrance examination). As of June 30, 2015, Chengdu Foreign Languages School had a total of approximately 6,226 students (comprising approximately 2,450 high school students and approximately 3,776 middle school students) and employed approximately 443 teachers.

The curriculum we have developed for Chengdu Foreign Languages School is designed based on the standards set by the PRC national, provincial and local educational authorities. It is primarily formulated towards Gaokao for high school students and Zhongkao for middle school students. At the same time, we encourage our students to develop other academic interests. For this purpose, the school offers a total of over 115 elective courses. In addition to the basic educational program in which students obtain PRC middle school and high school diplomas, Chengdu Foreign Languages School established international programs through collaboration with third-party educational service providers. Under these programs, dual high school diplomas (PRC and either American or Canadian) are offered to students who are interested in attending colleges and universities in the United States or Canada. As of June 30, 2015, approximately 300 students were enrolled in the American and Canadian programs, which were taught by approximately 37 PRC teachers and 18 foreign teachers. The school also has established and maintained cooperative and friendly relationships with overseas schools, including schools in the United States, Japan and Canada, which allow our students to take advantage of a variety of exchange programs.

Chengdu Experimental Foreign Languages School

As of June 30, 2015, Chengdu Experimental Foreign Languages School had a total of approximately 4,544 students enrolled in the school (comprising approximately 1,421 high school students and approximately 3,123 middle school students) and employed approximately 373 teachers.

Similar to Chengdu Foreign Languages School, Chengdu Experimental Foreign Languages School offers a core educational curriculum based primarily on the standards set by the PRC national, provincial and local educational authorities. It has established dedicated English language classes for students starting in the seventh grade until the twelfth grade in which such classes are taught only in English. To properly place incoming middle school students with higher English language skills (primarily consisting students who graduated from the Primary School), Chengdu Experimental Foreign Languages School also offers advanced level English courses specifically designed for them. In addition, for students from eighth grade and tenth grade, the school also arranges foreign teachers to teach English language courses to enhance students' language learning experience. Chengdu Experimental Foreign Languages School has set up exchange programs with various overseas high schools pursuant to which students can participate in a variety of programs abroad. Through these programs, the school aims to further develop students' foreign language skills and expose them to different cultures.

Chengdu Experimental Foreign Languages School (Western Campus)

As of June 30, 2015, Chengdu Experimental Foreign Languages School (Western Campus) had a total of approximately 4,118 students (comprising approximately 1,007 high school students and approximately 3,111 middle school students) and employed approximately 370 teachers.

Chengdu Experimental Foreign Languages School (Western Campus) formulates its educational curriculum in accordance with the standards set by the PRC national, provincial and local educational authorities, including the course materials. In line with our philosophy of broadening our student's interests, the school also offers a wide variety of elective courses and after-school programs. It offers its students PRC middle school and high school diplomas. In addition, it encourages students who were interested to attend colleges and universities abroad to contact certain third-party educational service providers directly to take a number of international courses taught by foreign teachers engaged by such parties. The school also encourages its students to take advantage of a variety of exchange programs it has set up with schools in the United States, France, Germany, the United Kingdom and Canada.

The Primary School Attached to Chengdu Foreign Languages School

As of June 30, 2015, a total of approximately 2,696 students were enrolled at the Primary School who were taught by approximately 175 teachers. Our primary school program implements an engaging and proactive learning model that focuses on the English language and culture as well as fine arts. In addition, the Primary School offers various elective classes to stimulate students' learning and develop their individual strengths. In terms of the course materials, the Primary School typically uses the course materials stipulated by the PRC educational authorities. The school has also established friendly relationships with several schools overseas to provide our students with cross-school exchanges and visits.

Chengdu Foreign Languages Kindergarten

We offer a full-day program at the kindergarten. As of June 30, 2015, It had a total of approximately 312 kindergarten students and employed approximately 28 teachers.

The Kindergarten uses an integrated program that stimulates our students' interest to explore the world around them and awakens their inner learning capabilities so that they are well-prepared for the challenging primary school coursework ahead. This program generally comprises of a variety of creative games as well as role playing games. The course materials the school uses combine different aspects of learning to expose our students to various important subjects, including social studies, health, language, science and arts. The Kindergarten program is designed to encourage creative thinking and develop students' analytical abilities and problem-solving skills.

Chengdu Institute Sichuan International Studies University

As of June 30, 2015, the University had a total of approximately 13,684 students and employed approximately 589 teachers, including approximately 24 foreign teachers. Its students came from numerous provinces, autonomous regions and municipalities across China. The University is owned as to 51.87% by Sichuan Derui, 24.30% by Xinhua Winshare and 23.83% by Hongming Property, and the aggregate 75.70% interest of the University beneficially controlled by our Group through Structured Contracts is comprised of the respective amount of interest held by Sichuan Derui and Hongming Property.

The University currently offers bachelor degrees diplomas and junior college diplomas, which are recognized by the MOE. It offers over 1,200 public courses, basic courses, professional courses and elective courses. As a university with internationally-focused foreign language and other related subjects, it also offers 12 foreign language majors and six other majors. Based on the syllabus designed by the MOE, the University combines its teaching goals and the overall quality of the students when designing appropriate course materials. In the meantime, we encourage our university teachers to conduct research on the subject matters they teach and publish teaching materials after such materials are approved by the University's teaching material working committee. In order to provide our students necessary exposure to various cultures around the world, we have established cooperation with schools overseas and offer programs including a number of dual-degree, dual-diploma, bachelor to master and student exchange programs. We encourage our university students to take advantage of these programs to fulfill their educational goals.

Summary Business Operating Data

The following table sets forth the revenue, gross profit margin and average school utilization rate for each of the six schools we operate for the periods indicated.

School (Date of Commencement of Operation)	Revenue (RMB'000)					Gross Profit Margin (%)					Average School Utilization Rate[1] (%)				
	Year ended December 31,			Six months ended June 30,		Year ended December 31,			Six months ended June 30,		School Year				
	2012	2013	2014	2014	2015	2012	2013	2014	2014	2015	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016[2]
Chengdu Foreign Languages School (September 2000)	116,562	135,138	158,667	83,424	95,395	36.6	33.6	40.4	49.0	54.4	104.1	102.2	104.2	110.4	106.0
Chengdu Experimental Foreign Languages School (September 2002)	79,354	93,233	111,647	58,482	65,926	34.3	31.6	38.1	46.4	53.7	101.2	97.5	96.9	96.7	101.1
Chengdu Experimental Foreign Languages School (Western Campus) (June 2003)	85,407	98,207	112,082	58,261	65,121	36.2	37.1	38.3	42.2	49.8	91.7	92.9	93.9	95.8	95.8
The Primary School (May 2003)	52,156	58,552	65,084	34,979	37,169	58.9	53.7	55.9	62.7	65.5	98.6	98.7	97.7	99.9	99.0
The Kindergarten (July 2007)	5,964	5,606	6,518	3,137	3,328	46.7	32.9	37.1	35.3	39.7	N/A[3]	96.7	100.0	100.0	100.3
The University (April 2004)	162,614	163,983	172,009	92,191	97,883	39.5	38.8	39.4	48.2	38.7	91.6	95.4	95.1	98.8	98.3

Notes:

(1) Average school utilization rate is calculated based on the aggregate student enrollment for a school during the year/period divided by such school's total capacity for student enrollment during such year/period. Since all of our high schools, middle schools, the Primary School and the University are boarding schools and the Kindergarten provides beds for students for their noon-time naps, the capacity for student enrollment is calculated based on the approximate number of beds available in student dormitories according to the schools' internal records and calculations.

(2) Average school utilization rate information for the 2015/2016 school was as of October 31, 2015.

(3) The June 30, 2012 student enrollment information in respect of each individual student for the Kindergarten is not available because it does not keep such detailed student enrollment information for a period longer than three years. Therefore, average school utilization rate for 2012 is also unavailable.

The following table sets forth the average tuition fee of each of the six schools we operate for the periods indicated.

School	Average Tuition Fees[1]							
	School Year							
	2011/2012		2012/2013		2013/2014		2014/2015	
	Gross Tuition Fees	Average Tuition Fees	Gross Tuition Fees	Average Tuition Fees	Gross Tuition Fees	Average Tuition Fees	Gross Tuition Fees	Average Tuition Fees
	(RMB'000)	(RMB)	(RMB'000)	(RMB)	(RMB'000)	(RMB)	(RMB'000)	(RMB)
Chengdu Foreign Languages School	125,737	21,758	140,071	25,491	172,951	28,917	196,382	31,542
Chengdu Experimental Foreign Languages School	84,448	20,344	95,217	23,816	116,724	26,772	133,968	29,482
Chengdu Experimental Foreign Languages School (Western Campus)	83,116	21,069	98,495	24,661	113,563	28,138	126,363	30,686
The Primary School	48,631	18,269	52,755	19,803	62,253	23,599	65,846	24,424
The Kindergarten	5,370	N/A[2]	6,072	20,938	6,179	20,259	6,747	21,625
The University	141,992	11,189	146,273	11,076	150,554	11,429	161,605	11,810
Total	489,294	–	538,883	–	622,224	–	690,911	–

Notes:

(1) Average tuition fees are calculated based on the gross tuition fees, which exclude boarding fees, a particular school received for a given school year divided by the total number of students enrolled at such school for the same school year. For the purpose of this calculation, unlike revenue, which is determined after deducting scholarships and refunds, gross tuition fees do not take into account the scholarships given or refunds made by the schools to their students for the relevant school year.

(2) The June 30, 2012 student enrollment information for the Kindergarten is not available because the Kindergarten does not keep such detailed student enrollment information for a period longer than three years.

OUR STUDENTS

We target students who are open-minded and enthusiastic to expand their academic horizons. We seek to enroll students who excel at different subjects while possessing strong English language skills and affinity to learn other foreign languages. The University participates in the PRC national and local admission scheme. For student admissions to our other schools, we have implemented highly selective standards to ensure fair and consistent admission results. We believe having high admission standards allows us to maintain and select from a pool of qualified students who are both well-rounded individuals and academic overachievers. We believe students are attracted to the quality of the education we provide. For example, for the 2014/2015 school year, almost all of our middle school graduating students participated in our internal direct entrance examination into our high schools. See the section headed "Business — Our Students and Student Recruitment" in this prospectus.

OUR TEACHERS

As of June 30, 2015, we had approximately 1,978 teachers (including teachers with administrative responsibilities). Approximately 85.0% of our teachers have a bachelor's degree or above, and approximately 25.7% have a master's degree or above. Our schools employed 43 foreign teachers as of June 30, 2015. A number of our teachers have received advanced credentials, and several were recognized for teaching excellence. As of June 30, 2015, approximately 29.1% of our teachers held the Advanced Teaching Qualification (高級教師) or Associate Professor (副教授), and 16 of our teachers were recognized as Exceptional Teachers (特級教師). See the section headed "Business — Teachers and Teacher Recruitment" in this prospectus for further details.

OUR BUSINESS MODEL

Historically, we have generally operated our schools under a traditional business model pursuant to which our schools or our school sponsor owned substantially all or a large portion of the premises the schools occupy. This traditional business model requires our schools or our school sponsor to obtain the relevant land use rights and expend a significant amount of capital outlay in connection with the establishment of the schools. In the future, in addition to continuing to operate under our existing business model, we plan to enter into cooperation agreements with business partners who are Independent Third Parties, including local governments, real estate developers and other public and private school operators who share our education philosophies and vision, pursuant to which such business partners contribute or lease to us the relevant land and facilities, as the case may be, while we contribute our brand name and teachers and provide funding for the operation of the schools. Under this new business model, we expect to manage and operate the schools. Although we plan to focus more on cooperating with third-party business partners going forward in order to lower our initial capital outlay in connection with the establishment of the schools, we will continue to use the traditional business model if we encounter suitable business opportunities or there are preferential government policies for us to acquire the land and obtain the relevant land use rights for the school premises ourselves. Please refer to the section headed "Business — Our Business Strategies" in this prospectus for further details.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and differentiate us from our competitors: (i) we are a leading provider of K-12 private education services in Southwest China and serve students in every age group from kindergarten to university; (ii) as a pioneer in the private education industry in Sichuan Province, we have accumulated abundant experience in operating private schools, which positions us well to capitalize on the growing opportunities in the PRC private education sector; (iii) we have established a strong reputation for quality education, which helps us attract high-quality students and teachers and pave the way for our success; (iv) we offer diverse curriculums and foreign exchange programs to our students; (v) we employ qualified teachers who are instrumental in providing high-quality education to our students; and (vi) we have an experienced and proven senior management team. Please refer to the section headed "Business — Our Competitive Strengths" in this prospectus for details of our strengths.

OUR BUSINESS STRATEGIES

Our goal is to maintain and further strengthen our position as the largest provider of K-12 private education services in Southwest China in terms of student enrollment. We intend to pursue the following growth strategies to achieve our goal: (i) continue to enhance our reputation as a provider of high-quality education; (ii) continue to improve the quality of our teachers and staff; (iii) expand our school network and increase our market penetration; (iv) enhance our profitability by optimizing our pricing at our schools; (v) diversify our service offerings and increase revenue sources; and (vi) expand our international programs. Please refer to the section headed "Business — Our Business Strategies" in this prospectus for further details of our strategies.

OUR SUPPLIERS

Our suppliers primarily consist of construction companies, plant/tree nursery and gardening companies, a meal catering company and equipment suppliers. For the years ended December 31, 2012, 2013 and 2014 and for the six months ended June 30, 2015, our purchases from our five largest suppliers amounted to RMB356.2 million, RMB112.4 million, RMB76.5 million and RMB11.5 million, respectively. Purchases from one of our five largest suppliers during the Track Record Period, Chengdu Dehong Agriculture Development Co., Ltd., one of our connected persons, which provided one-off plant/tree nursery and gardening services to us during the Track Record Period, amounted to RMB99.9 million, RMB39.5 million, RMB41.0 million and nil, respectively. Most of the purchases from our five largest suppliers were capitalized. Please see the section headed "Business — Customers and Suppliers" in this prospectus for further details.

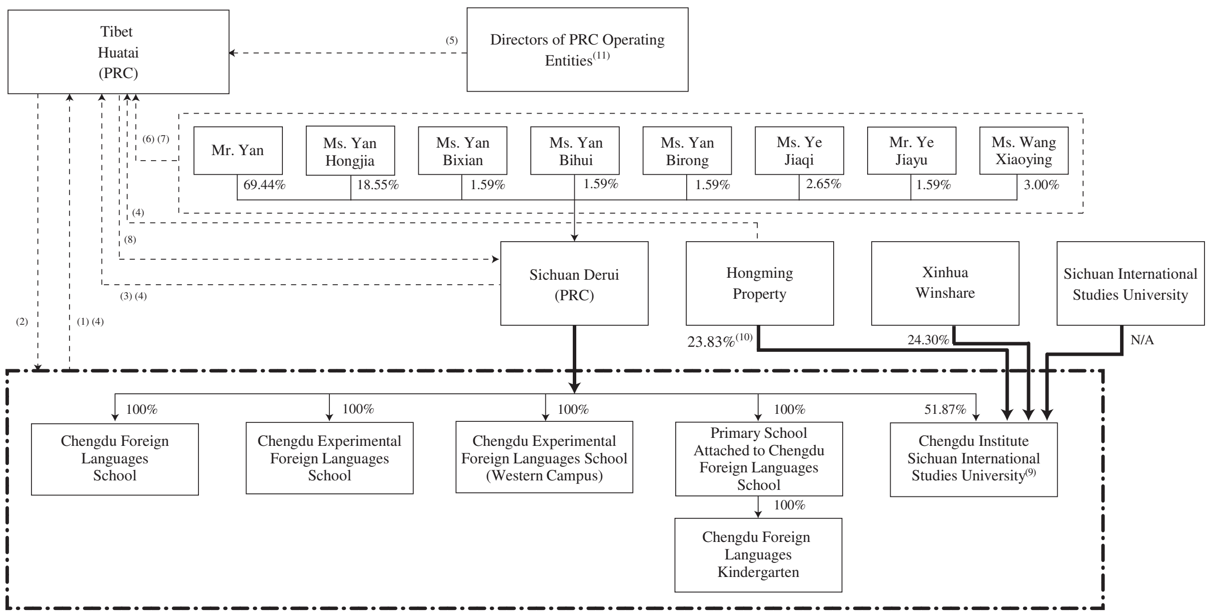
STRUCTURED CONTRACTS

Overview of the Structured Contracts

In light of the existing regulatory regime that PRC laws and regulations currently prohibit foreign ownership of primary and middle school in the PRC and restrict operation of preschool, high school and tertiary education to Sino-foreign ownership, we do not hold any equity interest in our PRC Operating Entities which hold and operate the schools and we therefore conduct our private education business in the PRC through the Structured Contracts. The term "ownership", as applied to our Company in this prospectus, refers to an economic interest in our PRC Operating Entities through the Structured Contracts without holding any equity interest.

On January 19, 2015, MOFCOM published the Draft Foreign Investment Law and its accompanying explanatory notes proposing sweeping changes to the PRC foreign investment regulatory regime, which would likely to have a significant impact on businesses operated in the PRC by foreign invested enterprises primarily through contractual arrangements, including our business conducted through the Structured Contracts. Our Company has adopted measures to ensure our compliance with the Draft Foreign Investment Law and undertakes to provide periodic updates in its annual and interim reports to inform investors of the status of its compliance with the Draft Foreign Investment Law and its accompanying explanatory notes. Please see the section headed "Structured Contracts" in this prospectus for further details.

The following simplified diagram illustrates the flow of economic benefits from our PRC Operating Entities to our Group stipulated under the Structured Contracts:



Notes:

1. Payment of service fees. See "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (2) Exclusive Technical Service and Management Consultancy Agreement" of this prospectus for details.

2. Provision of exclusive technical and management consultancy services. See "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (2) Exclusive Technical Service and Management Consultancy Agreement" of this prospectus for details.

3. Exclusive call option to acquire all or part of the school sponsor's interest of Sichuan Derui in our PRC Operating Entities. See "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (3) Exclusive Call Option Agreement" of this prospectus for details.

4. Entrustment of school sponsor's rights in our PRC Operating Entities by Sichuan Derui, Hongming Property and the Primary School including school sponsors' powers of attorney. See "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (4) School Sponsors' and Directors' Rights Entrustment Agreement" and "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (5) School Sponsors' Powers of Attorney" of this prospectus for details.

5. Entrustment of directors' rights in our PRC Operating Entities by directors of our PRC Operating Entities appointed by Sichuan Derui, Hongming Property and the Primary School including directors' powers of attorney. See "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (4) School Sponsors' and Directors' Rights Entrustment Agreement" and "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (6) Directors' Powers of Attorney" of this prospectus for details.

6. Spouse undertakings by the respective spouse of the Registered Shareholders, who are shareholders of Sichuan Derui. See "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (7) Spouse Undertakings".

7. Pledge of equity interest by the Registered Shareholders of their equity interest in Sichuan Derui. See "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (8) Equity Pledge Agreement".

8. Provision of loans by Tibet Huatai to Sichuan Derui which will be directly settled by Tibet Huatai as capital contribution of our PRC Operating Entities on behalf of Sichuan Derui. See "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (9) Loan Agreement" of this prospectus for further details.

9. The school sponsor's interest in the University is owned as to 51.87% by Sichuan Derui, 24.3% by Xinhua Winshare and 23.83% by Hongming Property, each as a school sponsor, and Sichuan International Studies University is named as a school sponsor, entitled to the rights stipulated under the articles of the University and the relevant PRC laws, and returns under the 2009 University Agreement. Xinhua Winshare is a company listed on the Main Board of the Stock Exchange (stock code: 0811), and as it has a substantial interest in the University, it is a connected person of our Group. Hongming Property is held as to 60% by Ms. He Ling, daughter of Ms. Yan Bihui, and 40% by Mr. Li Zhigang, son of Ms. Yan Bixian.

10. All of the rights and liabilities attached to 23.83% school sponsor's interest held by Hongming Property in the University was assigned to Sichuan Derui pursuant to an agreement dated March 26, 2011. See "History and Corporate Structure — Chengdu Institute Sichuan International Studies University" for further details.

11. Directors of our PRC Operating Entities as appointed by Sichuan Derui, Hongming Property and the Primary School.

12. According to PRC laws and regulations, entities and individuals who establish private schools are commonly referred to as "school sponsors" instead of "owners" or "shareholders." See "Regulatory Overview" of this prospectus for details.

13. "______" denotes direct legal and beneficial ownership in the equity interest.

14. "▬▬▬" denotes school sponsor's interest.

15. "--------" denotes Structured Contracts.

16. "▬·▬··" denotes our PRC Operating Entities.

Risks Relating to Our Structured Contracts

The PRC government may find that the Structured Contracts do not comply with applicable PRC laws and regulations, which may subject us to severe penalties and our business may be materially and adversely affected. See "Structured Contracts" in this prospectus for more information. We strongly urge you to read the section headed "Risk Factors" in its entirety, including "Risk Factors — Risks Relating to Our Structured Contracts" for details of the risks relating to the Structured Contracts.

THE CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalization Issue and the Global Offering, the Controlling Shareholders will together control the exercise of voting rights of more than 30% of the Shares eligible to vote in the general meeting of our Company (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme). The Directors are satisfied that our Group is capable of carrying out its business independently from the Controlling Shareholders and their associates. See the section headed "Relationship with Controlling Shareholders" in this prospectus.

THE SHARE OPTION SCHEME

In order to incentivize our Directors, senior management and other employees for their contribution to the Group and to attract and retain suitable personnel to our Group, we have conditionally adopted the Share Option Scheme on December 28 2015. The principal terms of the Share Option Scheme are summarized in the section headed "F. Share Option Scheme", respectively, in Appendix V to this prospectus.

SUMMARY COMBINED FINANCIAL INFORMATION

The following tables set forth our summary combined financial information as of and for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015. We have derived this summary from our combined financial statements set forth in the Accountants' Report in Appendix I to this prospectus. The table below also presents our summary combined statements of profit or loss and other comprehensive income for the six months ended June 30, 2014, which we have derived from our unaudited combined financial statements set out in the Accountants' Report in Appendix I to this prospectus. Our financial results for the six months ended June 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015 or for any other future year/period. You should read this summary together with the combined financial information as set forth in Accountants' Report in Appendix I to this prospectus, including the related notes, as well as the information set forth in the section headed "Financial Information" in this prospectus.

Combined Statements of Profit or Loss and Other Comprehensive Income

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
				(Unaudited)	
Revenue	502,057	554,719	626,007	330,474	364,822
Cost of sales	(304,305)	(347,480)	(371,384)	(170,712)	(181,968)
Gross profit	197,752	207,239	254,623	159,762	182,854
Other income and gains	5,269	3,083	4,764	2,495	988
Selling and distribution expenses	(2,090)	(3,236)	(2,194)	(1,131)	(1,178)
Administrative expenses	(36,063)	(31,499)	(32,844)	(14,171)	(19,214)
Other expenses	(689)	(296)	(73)	(10)	(269)
Finance costs	(68,782)	(121,487)	(109,848)	(56,686)	(52,755)
Share of profit and loss of an associate	377	(74)	(107)	531	–
Profit before tax	95,774	53,730	114,321	90,790	110,426
Income tax expense	–	–	–	–	–
Profit for the year/period	95,774	53,730	114,321	90,790	110,426

Selected Combined Statements of Financial Position

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Current assets	250,737	305,998	246,415	252,494
Current liabilities	1,032,321	1,178,797	1,075,774	1,048,619
Net current liabilities	(781,584)	(872,799)	(829,359)	(796,125)
Net assets	609,167	607,897	682,283	572,709
Reserves	539,121	538,473	590,058	513,701
Total equity	609,167	607,897	682,283	572,709

Combined Statements of Cash Flows

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Net cash from operating activities	146,726	219,474	273,865	177,296	312,825
Net cash used in investing activities	(605,284)	(180,503)	(343,116)	(42,224)	(187,558)
Net cash used in financing activities	522,345	2,786	(10,352)	(63,301)	(1,943)
Increase/(Decrease) in cash and cash equivalents	63,787	36,185	(79,603)	71,771	123,324
Cash and cash equivalents at beginning of the year/period	89,481	153,268	189,453	189,453	109,850
Cash and cash equivalents at the end of the year/period	153,268	189,453	109,850	261,224	233,174

Key Financial Ratios

	As of/for the year ended December 31,			As of/for the period ended June 30, 2015
	2012	2013	2014	
Net profit margin(1)	19.1%	9.7%	18.3%	30.3%
Return on assets(2)	4.9%	2.2%	4.4%	4.3%
Return on equity(3)	16.1%	8.8%	17.7%	17.6%
Current ratio(4)	0.24	0.26	0.23	0.24
Debt to equity ratios(5)	177.7%	207.0%	181.9%	206.3%
Gearing ratio(6)	202.9%	238.2%	198.0%	247.0%
Interest coverage ratio(7)	2.4	1.4	2.0	3.1

Notes:

(1) Net profit margin equals our net profit after tax divided by revenue for the year/period.

(2) Return on assets equals net profit for the year/period divided by average total assets as of the end of the year/period.

(3) Return on equity equals net profit for the year/period divided by average total equity amounts as of the end of the year/period.

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

(5) Debt to equity ratio equals total interest-bearing bank loans and other borrowings net of cash and cash equivalents at the end of the year/period divided by total equity at the end of the year/period.

(6) Gearing ratio equals total debt divided by total equity as of the end of the year/period. Total debt includes all interest-bearing bank loans and other borrowings.

(7) Interest coverage ratio equals profit before interest and tax of one year/period divided by finance cost of the same year/period.

NET CURRENT LIABILITIES AND WORKING CAPITAL SUFFICIENCY

As of December 31, 2012 and 2013 and 2014 and June 30, 2015, we had net current liabilities of RMB781.6 million, RMB872.8 million, RMB829.4 million and RMB796.1 million, respectively, primarily because (i) the large amount of cash was used in investing activities to finance, among others, the construction of Phase 2 of the University's campus; (ii) all of our short-term loans and borrowings during the Track Record Period were used to finance the aforesaid investment; and (iii) tuition fees and boarding fees from all of our schools were generally paid in advance prior to the beginning of each school year. We record payments of tuition fees and boarding fees initially as a liability under deferred revenue and recognize such amounts received as revenue proportionately over the relevant periods of each academic year. As a school year typically commences in September each year and ends in June the following year, the amounts of deferred revenue as of December 31, 2012, 2013 and 2014 generally represented the amount of tuition fees and boarding fees received from all of our students for the 2012/2013, 2013/2014 and 2014/2015 school years, respectively, but have yet to be recognized as revenue for the remainder of the school year (generally from January to June). However, the amounts of deferred revenue as of June 30, 2015 mainly represented the tuition fees and boarding fees paid in advance by some of our students up to and as of June 30, 2015 for the 2015/2016 school year (i.e., the relevant tuition fees and boarding fees paid by such students for the entire nine-month school year), as such students chose to pay the relevant tuition fees and boarding fees in advance before June 30, 2015 for that upcoming school year, which normally commences in September. The amounts of deferred revenue as of December 31, 2014 and as of June 30, 2015 were similar primarily because (i) we received a large amount of tuition fees and boarding fees paid in advance by a number of our students for the 2015/2016 school year by June 30, 2015, which will be recognized ratably as revenue over a period of approximately nine months (i.e., from September 2015 to June 2016 and excluding approximately one month of winter holiday); and (ii) the amount of deferred revenue as of December 31, 2014, which represented the amount of tuition fees and boarding fees that we received from all of our students for the 2014/2015 school year, remained to be recognized as revenue ratably over a period of approximately five months (i.e., from January to June 2016 and excluding approximately one month of winter holiday). For more information, see the section headed "Risk Factors — Risks Relating to Our Business and Our Industry — We had net current liabilities as of December 31, 2012, 2013 and 2014 and June 30, 2015 and a significant level of indebtedness during the Track Record Period. We may be exposed to liquidation risks, and our business, financial condition and results of operations may be materially and adversely affected as a result" in this prospectus. Our Directors believe that our available cash balance, the anticipated cash from operations, bank loans and other borrowings and the net proceeds from the Global Offering will be sufficient to meet our present and anticipated cash requirements from the next 12 month from the date of this prospectus.

We expect to improve our net current liabilities position by (i) receiving the net proceeds from the Global Offering; (ii) funds generated from our business operations; (iii) utilizing cooperative arrangements with third parties to expand our business, which requires substantially lower capital investment compared to the traditional business model; and (iv) debt restructuring to reduce the percentage of the short-term loans among our total borrowings.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Since June 30, 2015 and up to the Latest Practicable Date, our business generally experienced continued growth, which was in line with the past trends and our expectations. To the best of our knowledge, there is no change to the overall economic and market condition in China or in the PRC private fundamental education industry in which we operate that may have a material adverse effect to our business operations and financial position.

Our PRC Operating Entities entered into the Structured Contracts on September 7, 2015. Tibet Huatai is subject to enterprise income tax and value-added tax. We calculate our effective enterprise income tax rate initially applicable for Tibet Huatai to be 9% for the following reasons: (i) the enterprise income tax rate for Tibet Huatai is 15% based on the relevant tax regulations of Tibet Autonomous Region, as advised by our PRC Legal Advisors, and (ii) however, according to the Notice on the Clarification of Central and Local Income Tax Sharing Ratio (《國務院關於明確中央和地方所得稅分享比例的通知》) issued by the State Council on November 13, 2003, the PRC central government is entitled to receive 60% of the income tax payable by PRC enterprises while local governments are entitled to receive the remaining 40%, and in accordance with the Regulations on the Implementation of Enterprise Income Tax Policy of Tibet Autonomous Region (《西藏自治區企業所得稅政策實施辦法》) promulgated on May 1, 2014, the Tibet local government has exempted 40% enterprise income tax payable by enterprises in Tibet Autonomous Region for a period of two years commencing from January 1, 2015 to December 31, 2017. Beginning in 2018, Tibet Huatai is expected to be subject to an enterprise income tax rate of 15%, according to our PRC Legal Advisors. This will impact our future profitability since we were not subject to any PRC income tax during the Track Record Period. We will also incur higher rental expenses for our schools as we are expected to pay market rental rates for the school premises leased to us by our landlords after the Reorganization. Please refer to the sections headed "Risk Factors — Risks Relating to Our Business and Our Industry" and "Financial Information — Key Components of Our Results of Operations — Profit for the Year/Period — Sensitivity Analysis" for further details.

On September 5, 2015, we entered into an agreement to dispose of our equity interest in Derui Education Fund to Derui Education Management. Derui Education Fund was principally engaged in granting awards to teachers, assisting under-privileged students, and improving and renewing teaching equipment for schools in the PRC. The transfer has been completed on September 30, 2015. Please see "History and Corporate Structure — Corporate Reorganization" of this prospectus for further details.

In order to comply with the relevant PRC regulations, in October 2015, we terminated the relevant outsourcing arrangements with Jiezi Wei Jiangwei Garden Restaurant of Chongzhou City*(崇州市街子味江味花園飯店) ("Jiangwei Restaurant") with respect to each of our schools that provides compulsory education, including the Primary School and our middle schools at Chengdu Foreign Languages School, Chengdu Experimental Foreign Languages School and Chengdu Experimental Foreign Languages Schools (Western Campus), which provided food and meal catering services at all of our schools during the Track Record Period. Subsequently, each of the schools that provides compulsory education manages and operates its own canteen. Prior to the termination, we did not record any income or loss from such outsourcing arrangements with Jiangwei Restaurant. However, for the year ending December 31, 2015 and going forward, the meals fees we collect from our primary school and middle school students will be recorded as income in other income and gains, or loss in the other expense, in our consolidated statement of profit or loss and other comprehensive income, net of the cost incurred by the relevant canteens.

Our Directors confirm that since June 30, 2015 (being the date on which the latest audited combined financial information of our Group was prepared) and up to the date of this prospectus, there had been no material adverse change in the industry in which we operate or in the financial or trading position of our Group that would materially affect the information shown in our combined financial statements included in the Accountants' Report set forth in Appendix I to this prospectus. During the same periods, our results of operations were largely in line with our expectations.

LISTING EXPENSE INCURRED AND TO BE INCURRED

We expect to incur a total of RMB65.1 million of listing expenses (assuming an Offer Price of HK$2.55, being the mid-point of the indicative Offer Price range between HK$2.18 and HK$2.92, and assuming that the Over-allotment Option is not exercised) until the completion of the Global Offering, of which RMB33.2 million is expected to be charged to our combined statements of profit or loss and other comprehensive income for the year ending December 31, 2015 and RMB31.9 million is directly attributable to the issue of the Shares to the public and to be capitalized. Listing expenses represent professional service fees and other fees incurred in connection with the Listing, including underwriting commissions but excluding discretionary bonus. The listing expenses above are the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate.

GLOBAL OFFERING STATISTICS

	Based on an Offer Price of HK$2.18 per Share	**Based on an Offer Price of HK$2.92 per Share**
Market capitalization of our Shares[1]	HK$6,540.0 million	HK$8,760.0 million
Unaudited pro forma adjusted combined net tangible asset value per Share[2]	HK$0.7355	HK$0.9205

Notes:

(1) All statistics in this table are based on the assumption that the Over-allotment Option is not exercised. The calculation of market capitalization is based on 3,000,000,000 Shares expected to be issued and outstanding following the completion of the Capitalization Issue and the Global Offering.

(2) The unaudited pro forma adjusted combined net tangible asset value per Share is calculated after making the adjustments referred to in Appendix II and based on 3,000,000,000 Shares expected to be issued and outstanding following the completion of the Capitalization Issue and the Global Offering.

For the calculation of the unaudited pro forma adjusted net tangible asset value per Share, see "Appendix II — Unaudited Pro Forma Financial Information" to this prospectus.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$1,834.5 million from the Global Offering, assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming the initial Offer Price of HK$2.55 per Share, being the mid-point of the indicative Offer Price range set forth on the cover page of this prospectus. If the Over-allotment Option is exercised in full, we estimate that our additional net proceeds from the offering of these additional Shares will be approximately HK$286.9 million, after deducting the underwriting commissions and our estimated expenses, assuming an Offer Price of HK$2.55 per Share being the mid-point of the indicative Offer Price range. We intend to use the proceeds from the Global Offering for the purposes and in the amounts set out below:

- approximately 48.3%, or HK$885.7 million, is expected to be used to (i) enter into cooperative arrangements with Independent Third Parties to jointly establish new schools in China and overseas, and (ii) purchase the relevant land use rights to develop new schools, or acquire existing schools from Independent Third Parties. When selecting acquisition targets, we will consider factors that include, among other things, the general economic and social condition in the local area in which a target school is located, the demand for the education we provide in such area, the level of government support in promoting private education, and the anticipated cost of an acquisition. We expect to consolidate the new schools and established schools, as applicable, into our Group using the same Structured Contracts. As of the Latest Practical Date, we had not identified any specific acquisition target or the timeline for incurring acquisition expenditure;

- approximately 22.7%, or HK$416.8 million, is expected to be used for repayment of existing short-term bank borrowings, please refer to the section headed "Future Plans and Use of Proceeds — Use of Proceeds" in this prospectus for a detailed list of bank borrowings to be repaid;

- approximately 20.0% or HK$366.9 million, is expected to be used primarily for establishing a teacher and staff training and development center; and

- approximately 9.0%, or HK$165.1 million, is expected to be used to fund our working capital and general corporate purposes.

DIVIDEND POLICY

The payment and the amount of any future dividends will be at the sole discretion of our Board of Directors and will also depend on factors such as our results of operations, cash flow, capital requirements, general financial condition, contractual restrictions, future prospects and other factors that our Board of Directors deem relevant.

As we are a holding company, our ability to declare and pay dividends will depend on receipt of sufficient funds from our subsidiaries and, particularly, our PRC Operating Entities, which are primarily incorporated in the PRC. In 2012, 2013 and 2014, our PRC Operating Entities declared or paid dividends of RMB68.0 million, RMB55.0 million and RMB40.0 million in the aggregate, respectively, to their respective school sponsors. Our PRC Operating Entities declared dividends of RMB220.0 million in aggregate for the six months ended June 30, 2015. As of June 30, 2015, dividends of approximately RMB66.4 million had been settled as amounts due from Sichuan Derui and the remaining balance is expected to be paid to their respective school sponsors using our internal funds before the Listing. Following the Listing, the Board intends to recommend at the relevant Shareholders meeting an annual dividend of no less than 25% of our profit for the year available for distribution to the Shareholders, after taking into consideration the factors described above in the foreseeable future. See the section headed "Financial Information — Dividend Policy" in this prospectus.

RISK FACTORS

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. Major risks we face include, among others, the following:

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

- We face intense competition in the PRC education industry, which could lead to adverse pricing pressure, reduced operating margins, loss of market share, departures of qualified employees and increased capital expenditures;

- Our business relies on our ability to recruit and retain dedicated and qualified teachers and school personnel;
- Our students' academic performance may fall and satisfaction with our educational services may otherwise decline;
- We may not be able to obtain all necessary approvals, licenses and permits and to make all necessary registrations and filings for our education and other services in the PRC;
- We are subject to extensive governmental approvals and compliance requirements for establishing our campuses and school premises;
- We may not be able to execute our growth strategies or manage our growth effectively, which may hinder our ability to capitalize on new business opportunities;
- The PRC government may find that the Structured Contracts do not comply with applicable PRC laws and regulations, which may subject us to severe penalties and our business may be materially and adversely affected; and
- The Structured Contracts may not be as effective in providing control over our PRC Operating Entities as direct ownership.

Please refer to the section headed "Risk Factors" in this prospectus for details of our risk factors.

PROPERTY VALUATION

According to the property valuation report prepared by DTZ Debenham Tie Leung Limited, an independent valuer we engaged, as contained in Appendix III to this prospectus, the market value of the properties we owned and occupied in Chengdu, Sichuan Province as of November 30, 2015 was approximately RMB2,400.0 million. Please see the section headed "Business — Properties" in, and Appendix III attached to, this prospectus for details on our properties. For risks associated with the assumptions made in the valuation of our properties in Chengdu, please refer to the section headed "Risk Factors — Risks Relating to Our Business and Our Industry — The appraisal value of our properties in Chengdu may be different from their actual realizable value and are subject to uncertainty or change" in this prospectus.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period, we were not in compliance with respect to several PRC laws and regulations, including, among others, the relevant requirements for making contributions to social insurance plans and housing provident fund for certain of our employees, and the requirement that schools must obtain relevant practice licenses for their on-site medical infirmaries. Please see the section headed "Business — Legal Proceedings and Compliance" in this prospectus for further details.

2009 LABOR DISPUTE

Chengdu Foreign Languages School was established and commenced the provision of schooling in September 2000 as a private middle and high school pursuant to an agreement entered into between our school sponsor, Sichuan Derui, and Chengdu Education Commission* (成都市教育委員會). When Sichuan Derui began operating the school, based on its internal records, it employed approximately 300 teachers who were registered teachers of the Chengdu public school system. Public school teachers generally take part in and pass the centralized admission examinations organized by the PRC education bureaus and then be designated for assignment to different public schools based on the instructions from such education bureaus. In addition, as stipulated by the education authority in Sichuan Province, public school teaching candidates must satisfy various basic requirements, including, among others, the conditions that the candidate (i) is dedicated to teaching, (ii) has good moral character and is passionate in teaching, (iii) satisfies the relevant teaching qualification requirements and (iv) is in good physical condition. On the other hand, private school teachers are usually recruited by private schools in accordance with such schools' own needs and recruitment criteria, which in our case include, among other things, that the teaching applicants must (i) have relevant education qualifications, such as bachelor's degree or above, as the case may be, (ii) have relevant teaching experience, (iii) possess subject matter expertise, (iv) demonstrate a sense of responsibility and dedication, and (v) satisfy the relevant teaching qualification requirements.

In Sichuan Province, public school registered teachers' salary usually includes position salary, scaled salary and performance salary, all of which are subject to adjustment by the relevant PRC government authority from time to time, and are generally funded by the relevant government finance departments and public institutions. Public school-registered teachers are typically classified so that teachers with different levels of tenure and seniority are entitled to different position and salary scales. Private school teachers' salary, on the other hand, is usually negotiated at arms' length between the private schools as employers and teachers as employees. With respect to social insurance benefits for teachers in Chengdu, both public school-registered teachers and private school teachers are entitled to require the relevant employer to provide for them the basic retirement insurance, basic medical insurance, maternity insurance, unemployment insurance, work-related injury insurance as well as housing provident funds. However, the payment bases and the contribution rates of social insurance premiums and housing provident funds applicable to public school-registered teachers and private school teachers are different in some cases, especially regarding the payment of basic retirement insurance and housing provident fund. Prior to October 2014, the contribution rates for payment of basic retirement insurance applicable to public school-registered teachers were approximately 22% for employers and 4% for employees (generally calculated based on employees' average monthly salary), while that applicable to private school teachers were approximately 20% for employers and 8% for employees. Since October 2014, although the contribution rates and payment bases for basic retirement insurance for public school-registered teachers and private school teachers became the same, there were new differences resulting from the national reform, pursuant to which public school-registered teachers were entitled to legally compulsory supplemental retirement insurance, which was called Occupational Annuity of Government Agencies and Public Institution (機關事業單位職業年金), compared to private school teachers, who were required to negotiate with their employers for the provision of supplemental retirement insurance, which was called Enterprise Annuity (企業年金). Moreover, with respect to the housing provident funds, the contribution rates applicable to public school-registered teachers and private school teachers were 12% and 8% for employers, respectively, as of the Latest Practicable Date.

In November 2009, led by several public school-registered teachers, a number of teachers at Chengdu Foreign Languages School who were registered under the public school system expressed their dissatisfaction with their then-existing compensation package to the school's management and Sichuan Derui. The school subsequently dismissed students from classes early on that day. While almost all of the classes resumed the following school day, the dispute lasted several more days and was resolved through mediation facilitated by the local education bureau of Chengdu. As a result, teachers who were registered under the public school system were given the option to either remain with Chengdu Foreign Languages School or to join other public schools in Chengdu. We estimate approximately 200 of the teachers with such status left Chengdu Foreign Languages School and joined public schools beginning in 2010 and for the next two years. As advised by the Directors, some of the public school-registered teachers took several years after the labor dispute to leave the school and join a designated public school in Chengdu primarily due to (i) personal reasons, such as a sense of responsibility to finish teaching a particular class of students for the remainder of the school year or until they graduate middle school or high school, as the case may be, (ii) personal relocation arrangements, and/or (iii) the time needed for the relevant education authority in Chengdu to make appropriate arrangements so that certain designated public schools in Chengdu have sufficient number of vacancies for such public school-registered teachers to fill. Please see the section headed "Risk Factors — Risks Relating to Our Business and Our Industry — Certain of our schools experienced labor disputes in the past, which could harm our reputation" in the prospectus. Our Directors have confirmed that at the time of the 2009 labor dispute, as a matter of practice, Chengdu Foreign Languages School required its teachers to give one-year advance notice in the event they intend to leave the school to pursue other opportunities. Therefore, teachers registered under the public school system who expressed their intent to join other public schools following the labor dispute provided notice to the school and the education authority in Chengdu one year in advance, and we generally were able to hire a corresponding number of full-time teachers on a timely basis to replace those who departed. As advised by our PRC Legal Advisors, the mutual agreement of one-year advance notice was not in violation of any applicable PRC laws and regulations. Accordingly, the disruption to classes was kept to a minimum, and as a result, our Directors believe there was no material impact to the financial performance and operation of our Group as a result of such dispute.

To prevent possible recurrence of disputes with our teachers, we have implemented the following procedures: (i) we cross-check the professional status of each teacher we hire to determine whether such teacher is designated as a private school teacher or a teacher registered under the public school system in Chengdu and clarify the remuneration structures with them; (ii) based on the teacher's professional status, we design appropriate compensation structure according to the applicable PRC rules and regulations; (iii) our teachers are required to attend mandatory training regarding the relevant provisions of the Teachers Law of the People's Republic of China (《中華人民共和國教師法》), pursuant to which teachers are required to complete their teaching duties; in the event they have any issues, including compensation related-matters, we highly encourage them to communicate with the school management directly for resolution without disrupting their classes; and (iv) we have implemented various measures to improve our teachers' overall compensation, taking into account the prevailing market packages for respective teachers, including the provision of low-cost housing, on-the-job training and certain types of performance bonus to elevate their sense of achievement.

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

"affiliate(s)"	with respect to any specific person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Application Form(s)"	**WHITE** application form(s), **YELLOW** application form(s) and **GREEN** application form(s), or where the context so requires, any one of them, to the Hong Kong Public Offering
"Articles of Association" or "Articles"	the articles of association of our Company conditionally adopted on December 28, 2015 and as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"BPPE"	California Bureau for Private Postsecondary Education, a unit of the California Department of Consumer Affairs charged with regulation of private postsecondary educational institutions operating in the state of California
"Board" or "Board of Directors"	the board of Directors of our Company
"Business Cooperation Agreement"	the business cooperation agreement entered into by and among Tibet Huatai, Sichuan Derui, our PRC Operating Entities and the Registered Shareholders dated September 7, 2015
"Business Day" or "business day"	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or 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, or a CCASS Custodian Participant or a CCASS Investor Participant
"Chengdu Experimental Foreign Languages Primary School"	Primary School Attached to Chengdu Experimental Foreign Languages School* (成都市實驗外國語學校附屬小學), a private primary school established under the laws of the PRC where the school sponsor's interest is owned as to 70% by Mr. Yan and 30% by Ms. Wang Xiaoying, and the school has ceased to provide education services and became dormant since 2007 school year. See "Relationship with Controlling Shareholders — Non-competition Undertaking of the Controlling Shareholders" for more information
"Chengdu Experimental Foreign Languages School"	Chengdu Experimental Foreign Languages School* (成都市實驗外國語學校), a private middle and high school established under the laws of the PRC in September 2012, where the school sponsor's interest is wholly-owned by Sichuan Derui, and a consolidated affiliated entity of our Company
"Chengdu Experimental Foreign Languages School (Western Campus)"	Chengdu Experimental Foreign Languages School (Western Campus)* (成都市實驗外國語學校(西區)), a private middle and high school established under the laws of the PRC on June 11, 2003, where the school sponsor's interest is wholly-owned by Sichuan Derui
"Chengdu Foreign Languages Kindergarten" or "Kindergarten"	Kindergarten of the Primary School attached to Chengdu Jinniu District Foreign Languages School* (成都市金牛區成外附小幼稚園), a private kindergarten school established under the laws of the PRC on July 12, 2007, where the school sponsor's interest is wholly-owned by the Primary School, and a consolidated affiliated entity of our Company

"Chengdu Foreign Languages School"	Chengdu Foreign Languages School* (成都外國語學校), a private school established under the laws of the PRC on September 2000, where the school sponsor's interest is wholly-owned by Sichuan Derui, and a consolidated affiliated entity of our Company
"Chengdu Huatai"	Chengdu Derui Huatai Trading Co., Ltd.* (成都德瑞華泰商貿有限公司), a limited liability company established under the laws of the PRC on October 29, 2015 and a wholly-owned subsidiary of our Company
"Chengdu Institute Sichuan International Studies University" or "University"	Chengdu Institute Sichuan International Studies University* (四川外國語大學成都學院), a private university established under the laws of the PRC on April 28, 2004 and a consolidated affiliated entity of our Company, where the school sponsor's interest is owned as to 51.87% by Sichuan Derui, 24.3% by Xinhua Winshare and 23.83% by Hongming Property, each a school sponsor. Sichuan International Studies University* (四川外國語大學) is named as a school sponsor entitled to the rights stipulated under the articles of the University and the relevant PRC laws, and the returns under the 2009 University Agreements
"China" or "PRC"	the People's Republic of China excluding for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region and Taiwan
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as the same may be amended, supplemented or otherwise modified from time to time
"Companies (WUMP) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as the same may be amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Virscend Education Company Limited (成實外教育有限公司), an exempted company incorporated in the Cayman Islands with limited liability on March 13, 2015
"connected person(s)"	has the meaning ascribed to it under the Listing Rules

"Controlling Shareholder(s)"	has the meaning ascribed to it in the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of our Company, namely Mr. Yan and Virscend Holdings
"Corporate Reorganization"	the corporate reorganization of our Group conducted in preparation for the Listing, details of which are set out in the section headed "History and Corporate Structure — Corporate Reorganization" in this prospectus
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
"Deed of Indemnity"	a deed of indemnity dated December 20, 2015 entered into by our Controlling Shareholders in favor of our Company (for ourselves and as trustee for our Subsidiaries) in respect of, among other things, certain indemnities, further information of which is set out in the section headed "G. Other Information — 1. Deed of Indemnity" in Appendix V to this prospectus
"Dehong Agriculture"	Chengdu Dehong Agriculture Development Co., Ltd.* (成都德弘農業發展有限公司), a company established under the laws of the PRC and held as to 99.6% by Chengdu Dewanxing Enterprise Co., Ltd.* (成都德萬興實業有限公司) and the remaining 0.4% by Mr. Cheng Haibo (程海波) and Ms. He Huan (何媛), Independent Third Parties. Chengdu Dewanxing Enterprise Co., Ltd.* in turn is owned as to 66.66% by Ms. Yan Birong and 33.34% by Yao Jun (姚君), an Independent Third Party
"Derui Education Fund"	Sichuan Derui Education Development Fund* (四川德瑞教育發展基金會), an entity established under the laws of the PRC and held as to 30.95% by Chengdu Foreign Languages School, 26.19% by Chengdu Experimental Foreign Languages School, 14.29% by Chengdu Experimental Foreign Languages School (Western Campus), 4.76% by the Primary School and 9.52% by the University, and the remaining 4.76% by Chengdu Experimental Foreign Languages Primary School and 9.52% Derui Education Management immediately prior to the Corporate Reorganization

"Derui Education Management"	Sichuan Derui Education Management Co., Ltd.* (四川德瑞教育管理有限公司), a company established under the laws of the PRC on May 19, 2003 and held as to 92.9% by Mr. He Qikang (何其康), the husband of Ms. Yan Bihui and brother-in-law of Mr. Yan and Ms. Wang Xiaoying, and 7.1% by Mr. Li Changjiu (李長久), husband of Ms. Yan Bixian and brother-in-law of Mr. Yan and Ms. Wang Xiaoying
"Director(s)"	the directors of our Company
"Directors' Powers of Attorney"	the school director's power of attorney executed by each of Mr. Yan, Ms. Wang Xiaoying, Mr. Ye Jiayu, Mr. Jiang Chenglong (蔣成龍) and Ms. Lv Hongying (呂宏英) in favor of Tibet Huatai dated September 7, 2015
"Draft Foreign Investment Law"	the draft version of the Foreign Investment Law* (中華人民共和國外國投資法(草案徵求意見稿)) issued by MOFCOM on January 19, 2015 for public consultation
"EIT Law"	the PRC Enterprise Income Tax Law* (中華人民共和國企業所得稅法) adopted by the National People's Congress of the PRC on March 16, 2007 and become effective on January 1, 2008
"Equity Pledge Agreement"	the equity pledge agreement entered into by and among the Registered Shareholders, Sichuan Derui and Tibet Huatai dated September 7, 2015
"Exclusive Call Option Agreement"	the exclusive call option agreement entered into by and among Sichuan Derui, our PRC Operating Entities and Tibet Huatai dated September 7, 2015
"Exclusive Technical Service and Management Consultancy Agreement"	the exclusive technical service and management consultancy agreement entered into by and among Tibet Huatai and our PRC Operating Entities dated September 7, 2015
"Foreign Investment Catalog"	the Guidance Catalog of Industries for Foreign Investment (《外商投資產業指導目錄(2015)》), which was promulgated jointly by the MOFCOM and the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) on March 10, 2015 and became effective from April 10, 2015 and is amended from time to time

"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Brand Co., a global market research and consulting company, which is an Independent Third Party
"Frost & Sullivan Report"	an independent market research report dated December 31, 2015, commissioned by our Company on the PRC private education market and prepared by Frost & Sullivan
"GDP"	gross domestic product
"Global Offering"	the Hong Kong Public Offering and the International Placing
"GREEN Application Form(s)"	the application form(s) to be completed by **WHITE Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"Group", "our Group", "we" or "us"	our Company, its subsidiaries, our PRC Operating Entities and the consolidated affiliated entities from time to time, or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time
"Happy Venus"	Happy Venus Limited, a company incorporated in the BVI with limited liability on May 7, 2015 and wholly-owned by Ms. Yan Hongjia, the daughter of Mr. Yan and the step-daughter of Ms. Wang Xiaoying
"HK$", "Hong Kong dollar(s)", "HKD" or "cents"	Hong Kong dollars and cents respectively, the lawful currency for the time being of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Public Offering"	the offer for subscription of the Public Offer Shares in Hong Kong at the Offer Price and on, and subject to, the terms and conditions of this prospectus and the Application Forms, as further described in the section headed "Structure of the Global Offering" in this prospectus
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited

"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering
"Hong Kong Underwriting Agreement"	the Hong Kong underwriting agreement dated December 30, 2015, relating to the Hong Kong Public Offering of our Company, entered into by, among others, our Company, the Joint Bookrunners and the Hong Kong Underwriters, as further described in "Underwriting" in this prospectus
"Hongming Property"	Sichuan Hongming Property Co., Ltd.* (四川弘明置業有限公司), a limited liability company established under the laws of the PRC on November 14, 2005, which is interested in 23.83% of the school sponsor's interest in the University, and which is held as to 60% by Ms. He Ling (何凌), daughter of Ms. Yan Bihui, and 40% by Mr. Li Zhigang (李智鋼), son of Ms. Yan Bixian
"IFRS"	the International Financial Reporting Standard(s)
"International Placing"	the conditional placing by the International Purchasers of the International Placing Shares for cash at the Offer Price plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% of the Offer Price, details of which are described in the section headed "Structure of the Global Offering" in this prospectus, on and subject to the terms and conditions stated herein and in the International Purchase Agreement
"International Placing Share(s)"	the 675,000,000 new Shares initially offered by our Company for subscription at the Offer Price under the International Placing (subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus) together with (unless the context otherwise requires) any Shares issued pursuant to any exercise of the Over-allotment Option
"International Purchase Agreement"	the conditional placing and underwriting agreement relating to the International Placing and to be entered into by, among others, the Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the International Purchasers, on or about the Price Determination Date
"International Purchasers"	the underwriters of the International Placing

"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates
"Joint Bookrunners"	Macquarie Capital Securities Limited, Haitong International Securities Company Limited, Guotai Junan Securities (Hong Kong) Limited and China Industrial Securities International Capital Limited
"Joint Global Coordinators"	Macquarie Capital Securities Limited and Haitong International Securities Company Limited
"Joint Lead Managers"	Macquarie Capital Securities Limited, Haitong International Securities Company Limited, Guotai Junan Securities (Hong Kong) Limited and China Industrial Securities International Capital Limited
"Latest Practicable Date"	December 23, 2015, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its publication
"Listing"	the listing of our Shares on the Main Board of the Stock Exchange
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about January 15, 2016, on which our Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Loan Agreement"	a loan agreement entered into by and among Tibet Huatai, Sichuan Derui and our PRC Operating Entities dated September 7, 2015
"Lucky Sign"	Lucky Sign Global Limited, a company incorporated in the BVI with limited liability on May 11, 2015 and held as to 62.5% by Ms. Ye Jiaqi and 37.5% by Mr. Ye Jiayu. Ms. Ye Jiaqi is the mother of Ms. Yan Hongjia and the sibling of Mr. Ye Jiayu

"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Memorandum of Association" or "Memorandum"	the memorandum of association of our Company adopted on December 28, 2015 and as amended from time to time
"MOE"	Ministry of Education of the PRC
"Mr. Yan"	Mr. Yan Yude (嚴玉德), one of our controlling Shareholders, and an executive Director. Mr. Yan is the husband of Ms. Wang Xiaoying, father of Ms. Yan Hongjia, and brother of Ms. Yan Bixian, Ms. Yan Bihui and Ms. Yan Birong
"Mr. Ye Jiayu"	Mr. Ye Jiayu (葉家郁) is one of our executive Directors, and a shareholder of Lucky Sign, who is interested as to 37.5% of Lucky Sign. Mr. Ye Jiayu is a brother of Ms. Ye Jiaqi (葉家齊) and an uncle of Ms. Yan Hongjia
"Ms. Wang Xiaoying"	Ms. Wang Xiaoying (王小英), one of our executive Directors and the chairwoman of our Board, who is also the sole shareholder of Smart Ally. Ms. Wang Xiaoying is the wife of Mr. Yan, the step mother of Ms. Yan Hongjia and daughter-in-law of Ms. Xie Suhua
"Ms. Xie Suhua"	Ms. Xie Suhua (謝素華) is the mother of Mr. Yan, Ms. Yan Bixian, Ms. Yan Bihui and Ms. Yan Birong, and grandmother of Ms. Yan Hongjia
"Ms. Yan Bihui"	Ms. Yan Bihui (嚴碧輝) is a shareholder of Top Alliance, who is interested as to 33.33% of Top Alliance. Ms. Yan Bihui is a sister of Mr. Yan, Ms. Yan Bixian and Ms. Yan Birong, sister-in-law of Ms. Wang Xiaoying, aunt of Ms. Yan Hongjia, daughter of Ms. Xie Suhua
"Ms. Yan Birong"	Ms. Yan Birong (嚴碧蓉) is a shareholder of Top Alliance, who is interested as to 33.33% of Top Alliance. Ms. Yan Birong is a sister of Mr. Yan, Ms. Yan Bixian and Ms. Yan Bihui, sister-in-law of Ms. Wang Xiaoying, aunt of Ms. Yan Hongjia, daughter of Ms. Xie Suhua

"Ms. Yan Bixian"	Ms. Yan Bixian (嚴碧先) is a shareholder of Top Alliance, who is interested as to 33.33% of Top Alliance. Ms. Yan Bixian is a sister of Mr. Yan, Ms. Yan Bihui and Ms. Yan Birong, sister-in-law of Ms. Wang Xiaoying, aunt of Ms. Yan Hongjia, and daughter of Ms. Xie Suhua
"Ms. Yan Hongjia"	Ms. Yan Hongjia (嚴弘佳) is the sole shareholder of Happy Venus. Ms. Yan Hongjia is a daughter of Mr. Yan and Ms. Ye Jiaqi (葉家齊), step-daughter of Ms. Wang Xiaoying, a grand-daughter of Ms. Xie Suhua, a niece of Ms. Yan Bixian, Ms. Yan Bihui, Ms. Yan Birong and Mr. Ye Jiayu
"Ms. Ye Jiaqi"	Ms. Ye Jiaqi (葉家齊) is a shareholder of Lucky Sign, who is interested as to 62.5% of Lucky Sign. Ms. Ye Jiaqi is a sister of Mr. Ye Jiayu and the mother of Ms. Yan Hongjia
"National People's Congress" or "NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"NDRC"	The National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Offer Price"	the maximum Hong Kong dollar price per Hong Kong Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) at which the Hong Kong Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offer, to be determined as further described in the section headed "Structure of the Global Offering" in this prospectus
"Offer Share(s)"	the Hong Kong Offer Shares and the International Placing Shares, where relevant including any additional Shares issued pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option granted by our Company to the International Purchasers, exercisable by the Joint Global Coordinators on behalf of the International Purchasers, to require our Company to allot and issue up to an aggregate of 112,500,000 additional Shares at the Offer Price, representing approximately 15% of the initial size of the Global Offering, to cover, among other things, over allocations in the International Placing as described in the section headed "Structure of the Global Offering" in this prospectus

"PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), as enacted by the Standing Committee of the Eighth National People's Congress on December 29, 1993 and effective on July 1, 1994, and subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013, as amended, supplemented or otherwise modified from time to time
"PRC government" or "State"	the central government of the PRC, including all governmental sub-divisions (such as provincial, municipal and other regional or local government entities)
"PRC Legal Advisors"	Jingtian & Gongcheng, our legal advisors as to the PRC laws
"PRC Operating Entities"	our consolidated affiliated entities, namely, Chengdu Foreign Languages School, Chengdu Experimental Foreign Languages School, Chengdu Experimental Foreign Languages School (Western Campus), the University, the Primary School and the Kindergarten
"Price Determination Agreement"	an agreement between our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) to fix the Offer Price
"Price Determination Date"	the date, expected to be on or around Friday, January 8, 2016 and, in any event, not later than Wednesday, January 13, 2016, on which the Offer Price is to be fixed by agreement between our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriter) to determine the Offer Price
"Primary School Attached to Chengdu Foreign Languages School" or "Primary School"	Primary School attached to Chengdu Foreign Languages School* (成都外國語學校附屬小學), a private primary school established under the laws of the PRC on May 29, 2003, where the school sponsor's interest is wholly-owned by Sichuan Derui, and a consolidated affiliated entity of our Company
"Prospectus"	this prospectus

"Public Offer Share(s)"	the 75,000,000 Shares being made available by our Company for subscription pursuant to the Hong Kong Public Offering, subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus
"Registered Shareholders"	the shareholders of Sichuan Derui, namely Mr. Yan Yude (嚴玉德), Ms. Yan Hongjia (嚴弘佳), Ms. Wang Xiaoying (王小英), Ms. Ye Jiaqi (葉家齊), Mr. Ye Jiayu (葉家郁), Ms. Yan Bixian (嚴碧先), Ms. Yan Birong (嚴碧蓉) and Ms. Yan Bihui (嚴碧輝)
"Regulation S"	Regulation S under the U.S. Securities Act
"RMB" or "Renminbi"	Renminbi, the lawful currency for the time being of the PRC
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
"SAIC" or "State Administration for Industry and Commerce"	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"SFC" or "Securities and Futures Commission"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of our Company
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on December 28, 2015, the principal terms of which are summarized under the paragraph headed "F. Share Option Scheme" in Appendix V to this prospectus.
"Shareholder(s)"	holder(s) of the Share(s)

"Sichuan Derui"	Sichuan Derui Enterprise Development Co., Ltd.* (四川德瑞企業發展有限公司) (previously known as Sichuan Province Derui Enterprise Development Company* (四川省德瑞企業發展總公司)), a company established under the laws of the PRC on January 3, 1993, which is owned as to 69.44% by Mr. Yan, 18.55% by Ms. Yan Hongjia, 3.00% by Ms. Wang Xiaoying, 2.65% by Ms. Ye Jiaqi, 1.59% Mr. Ye Jiayu, 1.59% by Ms. Yan Bixian, 1.59% by Ms. Yan Birong and 1.59% by Ms. Yan Bihui
"Smart Ally"	Smart Ally International Limited, a company incorporated in the BVI with limited liability on May 12, 2015 and wholly-owned by Ms. Wang Xiaoying, the spouse of Mr. Yan and the step-mother of Ms. Yan Hongjia
"Sole Sponsor"	Macquarie Capital Securities Limited
"Southwest China"	comprises Sichuan, Guizhou and Yunan Provinces and Chongqing Municipality
"School Sponsors' and Directors' Rights Entrustment Agreement"	the school sponsors' and directors' rights entrustment agreement entered into by and among Sichuan Derui, Hongming Property, the Primary School and Mr. Yan, Ms. Wang Xiaoying, Mr. Ye Jiayu, Mr. Jiang Chenglong, Ms. Lv Hongying and Tibet Huatai dated September 7, 2015
"School Sponsors' Powers of Attorney"	the school sponsor's power of attorney executed by each of Sichuan Derui, Hongming Property and the Primary School in favor of Tibet Huatai dated September 7, 2015
"Spouse Undertakings"	the spouse undertakings executed by each of the respective spouse of the Registered Shareholders, namely Mr. Yan, Ms. Wang Xiaoying, Mr. Li Changjiu (李長久), Mr. He Qikang (何其康) and Ms. Zhu Yihong (朱一紅), all dated September 7, 2015
"Stabilizing Manager"	Macquarie Capital Securities Limited
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between Virscend Holdings and the Stabilizing Manager (or its agents) on or around the Price Determination Date

"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Structured Contracts"	collectively, the Business Cooperation Agreement, the Exclusive Technical Service and Management Consultancy Agreement, the Exclusive Call Option Agreement, the Equity Pledge Agreement, the School Sponsors' and Directors' Rights Entrustment Agreement, the School Sponsors' Powers of Attorney, the Directors' Powers of Attorney, the Loan Agreement and the Spouse Undertakings, further details of which are set out in the section headed "Structured Contracts" of this prospectus
"Subsidiary(ies)"	has the meaning ascribed to it in the Listing Rules. For the avoidance of doubt, the Subsidiaries include PRC Operating Entities in this prospectus
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Tianren Hotel"	Chengdu Tianren Grand Hotel Co., Ltd. (成都天仁大酒店有限公司), a company established under the laws of the PRC on July 6, 1998, which is owned as to approximately 99.1% by Xie Suhua (謝素華), the mother of Mr. Yan, and 0.9% by Yang Yan (楊艷), an independent third party
"Tianren Property"	Chengdu Tianren Property Development Co., Ltd.* (成都天仁房地產開發有限公司), a company established under the laws of the PRC on February 4, 1994, which is owned as to 58.20% by Ms. Yan Bihui and the remaining interest is owned by three Independent Third Parties namely, 28.21% by Mr. Yan Wenlong (閆文龍), 3.45% by Mr. Huang Mengyun (黃孟雲) and 10.11% by Mr. Ren Li (任立)
"Tibet Huatai"	Tibet Huatai Education Management Consulting Co., Ltd. (西藏華泰教育管理有限公司), a wholly-foreign owned enterprise established under the laws of PRC on August 22, 2015, and a wholly-owned subsidiary of our Company
"Top Alliance"	Top Alliance Global Limited, a company incorporated in the BVI with limited liability on May 20, 2015 and owned as to approximately 33.33% by Ms. Yan Bixian, 33.33% by Ms. Yan Bihui and 33.33% by Ms. Yan Birong
"Track Record Period"	the years ended December 31, 2012, 2013 and 2014, and the six months ended June 30, 2015

"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollar(s)" or "US$" or "USD"	United States dollars, the lawful currency for the time being of the United States
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder
"Underwriters"	the Hong Kong Underwriters and the International Purchasers
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Purchase Agreement
"USA Tianren Hotel"	USA Tianren Hotel Management Inc., a company incorporated in the State of California, the United States, with limited liability on November 26, 2007 and wholly-owned by Tianren Hotel
"Virscend Holdings"	Virscend Holdings Company Limited, a company incorporated in the British Virgin Islands with limited liability on March 20, 2015 and wholly-owned by Mr. Yan
"Virscend Investment"	Virscend Investment Holding Company Limited, a company incorporated in the British Virgin Islands with limited liability on March 20, 2015 and a wholly-owned subsidiary of our Company
"Wah Tai"	Wah Tai (HK) Investment Limited (香港華泰投資有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of our Company
"Wahtai (US)"	USA Wahtai Educational Consulting Services Inc., a company incorporated in the State of California, the United Sates, with limited liability on November 2, 2015 and owned as to 70% by Wah Tai and 30% by Dr. Robert T. Chi, an independent third party
"White Form eIPO"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **White Form eIPO — www.eipo.com.hk**
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited

"Xinhua Winshare"	Xinhua Winshare Publishing and Media Co., Ltd.* (新華文軒出版傳媒股份有限公司) (previously known as Sichuan Xinhua Winshare Chainstore Co., Ltd.* (四川新華文軒連鎖股份有限公司)), a joint stock limited company established under the laws of the PRC with limited liability whose shares are listed on the Stock Exchange (stock code: 0811)
"%"	per cent

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

In this prospectus, unless otherwise stated, certain amounts denominated in Renminbi have been translated into Hong Kong dollars or U.S. dollars at an exchange rate of RMB0.8350 = HK$1.00 or RMB6.4731 = US$1.00, respectively, for illustration purpose only. Such conversions shall not be construed as representations that amounts in Renminbi were or could have been or could be converted into Hong Kong dollars or U.S. dollars at such rates or any other exchange rates on such date or any other date.

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

Unless otherwise specified, all relevant information in this prospectus assumes no exercise of the Over-allotment Option.

"AP"	advanced placement, which is a program in the United States and Canada created by the College Board, which offers college-level curriculums and examinations to high school students. American colleges and universities often grant placement and course credit to students who obtain high scores in the examinations.
"CAP"	college advanced placement, which represents designated PRC college-level courses offered to select high school students in China
"College Board"	an American private non-profit corporation that was formed in 1900 to expand access to higher education
"compulsory education"	grade one to grade nine education, which all citizens in China must receive, according to the Compulsory Education Law of the PRC
"first-tier universities"	the first batch of universities that enroll students after Gaokao. Except for students with specialties in arts and sports, among other things, the basic admission requirement for the relevant high school graduates is that they achieved certain level of high scores in Gaokao as designated by the relevant PRC provincial education authorities, and they choose such universities for their college entrance application. Generally, these universities have stronger comprehensive strengths, such as school facilities, academic resources and scientific research capabilities, among other things, and frequently gain special support from the PRC central and local government
"Gaokao"	also known as the National Higher Education Entrance Examination, is an academic examination held annually in the PRC. It is a prerequisite for entrance into almost all higher education institutions at the undergraduate level in the PRC
"high schools"	schools that provide education for students in grade ten through grade twelve
"IELTS"	International English Language Testing System, a standardized test of English language proficiency for non-native English language speakers wishing to enroll in the colleges and universities in the United Kingdom, Canada, Australia, New Zealand and the United States

"independent college"	a PRC higher educational institution that is run by non-government institution(s) or individual(s) based on cooperation with a public university or college, which is only permitted to offer undergraduate courses
"K-12"	preschool to grade twelve, also known as "fundamental education"
"middle schools"	schools that provide education for students in grade seven through nine
"primary education"	typically the first stage of compulsory education, which comprises grades one through six
"private institution of higher education"	a PRC higher education institution that is run by non-governmental entity(ies) or individual(s) where public funding is not a major source of capital and has open admission and enrollment to the public. It is able to offer both undergraduate and graduate courses
"private schools"	schools which are not administered by local, provincial or national governments
"public schools"	schools administered by local, provincial or national governments
"SAT"	The Scholastic Assessment Test, a standardized test for most college admissions in the United States
"secondary education"	normally takes place after primary education, which comprises grades seven through twelve, and may be followed by higher education or vocational training
"school year" or "academic year"	except for our preschools, the school year for all of our schools, which generally starts on September 1 of each calendar year and ends on June 30 of the next calendar year
"school sponsor" or "sponsor of the school"	the individual(s) or group(s) that funds or holds interests in an educational institution
"TOEFL"	Test of English as a Foreign Language, a standardized test of English language proficiency for non-native English language speakers wishing to enroll in the colleges and universities in the United States
"Zhongkao"	also known as the Senior High School Entrance Examination, the academic examination held annually in the PRC to distinguish junior high school students

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

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

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

RISKS RELATING TO OUR BUSINESS AND OUR INDUSTRY

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

One of the most significant factors affecting our profitability is the tuition fees we charge at our schools. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, tuition fees constituted 93.2%, 93.6%, 94.0% and 94.4% of our total revenue, respectively, while the boarding fees accounted for the remainder. Our tuition rates are primarily based on the demand for our educational programs, the cost of our operations, the geographic markets where we operate our schools, the tuition charged by our competitors, our pricing strategy to gain market share and general economic conditions in China and the areas in which our schools are located. Our tuition rates are also generally subject to the approval from the relevant government pricing authorities in the areas where we operate. Under the Interim Measures for the Management of the Collection of Private Education Fees promulgated by the PRC government authorities on March 2, 2005, the types and amounts of fees charged by a private school providing educational qualifications must be approved by the relevant governmental pricing authority. In April 2015, the Development and Reform Commission of Chengdu and Chengdu Ministry of Education jointly issued the Notice on the Issues Concerning the Tuition Fees of Private Educational Schools, pursuant to which adjustments to tuition fees of private schools in Chengdu are pre-approved as long as the tuition fees will not increase by more than 20% from the applicable base levels stipulated by the local PRC governmental pricing authority. In addition, according to this notice, new tuition fees will only be applicable to newly admitted students and the tuition levels for other students will not be affected. For the 2015/2016 school year, as permitted by the relevant PRC government authorities, we increased tuition fees in all of our schools (except the University) by up to 20% over the tuition fees for the previous school year, which was applicable to newly admitted students (i.e., students in the first grade, seventh grade and tenth grade) only, while other students were not affected by the fee increase and would continue to pay the tuition fees at pre-existing levels. In addition, we plan to raise our boarding fees within the next three years because we offer 24-hour hot water and air conditioning or fans. However, there can be no assurance that we will be able to maintain or raise the tuition and/or boarding fee levels we charge at our schools in the future due to various reasons, including the failure to obtain necessary approvals, or even if we are able to maintain or raise tuition fees or boarding fees, we cannot assure you that we will be able to attract prospective students to apply for our schools at such increased fee rates. Our business, financial position and results of operations may be materially and adversely affected if we fail to maintain or raise the tuition or attract sufficient prospective students.

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

The education sector in China is rapidly evolving, highly fragmented and competitive, and we expect competition in this sector to persist and intensify. In Chengdu, we compete with public schools and other private schools that offer similar programs of their own or in partnership with other curriculum vendors. In particular, we face significant competition from public schools and other private schools. We compete with these schools across a range of factors, including program and curriculum offerings, tuition fee levels, school location and premises, competent teachers and other key personnel. Public schools may enjoy preferential treatment from governmental authorities in respect of, among other things, tax exemptions and government subsidies. Our competitors may adopt similar curriculums, school support and marketing approaches, with different pricing and service packages that may have greater appeal than our offerings. In addition, some of our competitors may have more resources than we do and may be able to devote greater resources than we can to the development and promotion of their schools and respond more quickly than we can to the changes in student demand, testing materials, admissions standards, market needs or new technologies. As such, we may be required to reduce tuition fees and boarding fees or increase spending in response to competition in order to retain or attract students or pursue new market opportunities. If we are unable to successfully compete for new students, maintain or increase our tuition level, attract and retain competent teachers or other key personnel, enhance the quality of our educational services or control competition costs, our business and results of operations may be materially and adversely affected.

We may not be able to execute our growth strategies or manage our growth effectively, which may hinder our ability to capitalize on new business opportunities.

We have experienced steady growth and expansion that has placed, and continues to place, significant pressure on our management and resources. We plan to further expand our school network in Southwest China by (i) partnering with Independent Third Parties; and (ii) establishing or acquiring new schools directly. We also intend to establish and/or operate schools overseas. In addition, we plan to offer international programs at Chengdu Experimental Foreign Languages School and Chengdu Experimental Foreign Languages School (Western Campus), subject to obtaining approvals from the PRC regulatory authorities and identifying and agreeing with suitable third-party educational service providers. Furthermore, we may consider offering online teaching, academic tutoring services and vocational training to diversify the sources of our revenue. See "Business — Our Business Strategies" in this prospectus for more information.

We have entered into a letter of intent with College of Business Administration of California State University — Long Beach ("CBA") pursuant to which we contemplated establishing a new school in the United States with the assistance from CBA. Under this letter of intent, CBA will provide the relevant education consulting services and assist in formulating teaching materials, while we will be responsible for providing funding for the establishment of the new school. As of the Latest Practicable Date, we have formed our operating entity in the United States, Wahtai (US), and we have submitted a formal application for the approval to operate the new school with the BPPE. We have no prior experience establishing and/or operating schools outside the PRC, in particular, in the United States, and we may encounter barriers and challenges upon entering into such markets, including failure to obtain relevant regulatory approvals, which may result in delay or inability to carry out our overseas expansion plans. In addition, we may need to make significant investments in developing schools overseas and may not be able to effectively manage our costs or generate sufficient revenue to justify the investments we make. We cannot assure you we will be able to successfully establish and/or operate schools overseas.

To manage and support our growth, we must improve our existing operational, administrative and technological systems and our financial and management controls, and recruit, train and retain additional qualified teachers and management personnel as well as other administrative, sales and marketing personnel. All of these endeavors require substantial management time and skills as well as significant additional expenditures. If we cannot adequately update and strengthen our operational, administrative and technological systems and our financial and management controls to support our future expansion, we may not be able to effectively and efficiently manage the growth of our operations, recruit and retain qualified personnel and integrate entities we establish or acquire into our operations. Any failure to effectively and efficiently manage our expansion may materially and adversely affect our ability to capitalize on new business opportunities, which in turn may have a material adverse effect on our business and financial results. Moreover, even if we are able to maintain or expand student enrollment in our existing schools, we may be unable to retain a sufficient number of these students or attract new students in the future to expand the scale of our operations, which could adversely affect our business and results of operations.

We may not be able to successfully integrate businesses that we acquire, which may cause us to lose the anticipated benefits from such acquisitions and to incur significant additional expenses.

One of our growth strategies is to grow our business by acquisitions of additional schools. We believe we face challenges in integrating business operations and management philosophies of acquired schools. The benefits of our future acquisitions depend in significant part on our ability to effectively and timely integrate management, operations, technology and personnel. The integration of acquired schools is a complex, time-consuming and expensive process that, without proper planning and implementation, could significantly disrupt our business operations and reputation. The main challenges involved in integrating acquired entities include the following:

- ability to find suitable targets in Southwest China and overseas given the nature of the schools;
- retaining qualified teaching staff of any acquired school;
- consolidating educational services offered by the acquired school;
- integrating information technology platforms and administrative infrastructure;
- ensuring and demonstrating to our students and their parents that the new acquisitions will not result in any adverse changes to our established brand image, reputation, service quality or standards; and
- minimizing the diversion of our management's attention from on-going business concerns.

We may not successfully integrate our operations and the operations of the schools we acquire in a timely manner, or at all, and we may not realize the anticipated benefits or synergies of the acquisitions to the extent, or in the timeframe we anticipated, which may have a material adverse effect on our business, financial condition and results of operations.

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

We rely substantially on our teachers for the provision of educational services to our students. Our teachers are therefore critical to maintaining the quality of our programs and services and to upholding our reputation. As of June 30, 2015, we had a team of approximately 1,978 teachers.

We must continue to attract qualified teachers who have a strong command of their respective subject areas and meet our high standards. We seek to hire teachers who are capable of delivering innovative and inspirational classroom instruction. There are a limited number of teachers with the necessary experience and language proficiency to teach our courses. Similarly, the pool of qualified school personnel, such as principals, vice principals and other school administrators, all of whom are crucial to the efficient and smooth running of the schools we operate, is relatively limited in China and in particular, in Chengdu where our schools operate. There is no guarantee that we can recruit and retain such personnel in the future. As a result, we must provide competitive compensation and benefits packages to attract and retain qualified teachers and other school personnel. In addition, criteria such as commitment and dedication are difficult to ascertain during the recruitment process, particularly as we continue to expand and add teachers and other school personnel quickly in order to meet rising student enrollment. We must also provide on-going training to our teachers so that they can stay abreast of changes in student demands, admissions and assessment test requirements, admissions standards and other key trends necessary to effectively teach their respective courses.

We may not be able to hire and retain a sufficient number of qualified teachers and qualified school personnel to keep pace with our anticipated growth while maintaining consistent teaching quality and the overall quality of our education programs across different schools. We may also experience difficulty in assisting our foreign teachers obtain employment visas or other approvals required to enter and work in China. If we are unable to recruit and retain an appropriate number of qualified teachers and qualified school personnel, the quality of our services or overall education programs may decrease or be perceived to decrease in one or more of our schools, which may have a material and adverse effect on our reputation, business and results of operations. In addition, there are foreign teachers who teach classes under the international programs at Chengdu Foreign Languages School. Since these teachers are employed and qualified by the foreign school(s) with which we maintain indirect business relationships through our cooperation agreements with Shanghai Dipont Education Management Co., Ltd.* (上海迪邦教育管理有限公司) ("Shanghai Dipont") and Inlet Education Group Canada Inc* (加拿大英萊德教育集團) ("Inlet Education"), both of which are independent third-party education service providers, we do not have direct control over their educational qualification and teaching quality. In the event the quality of the foreign teachers deteriorates, the quality of education under our international programs will be adversely affected, which will negatively impact our business, reputation and results of operations.

Our students' academic performance may fall and satisfaction with our educational services may otherwise decline.

The success of our business depends on our ability to maintain the quality of education we provide, which includes students' satisfactory learning experience, and to ensure the academic performance of our students. Our schools may not be able to meet students' and parents' expectations for academic performance, help our high school graduates achieve their college admissions goals or ensure the University graduates obtain satisfactory jobs upon graduation. A student may not experience expected academic improvement and his or her performance may otherwise decline significantly due to reasons beyond our control. There is no assurance that we can provide school learning experiences that are satisfactory to all of our students. Student and parent satisfaction with our educational programs may decline. We may also experience negative publicity or a decrease in word-of-mouth referrals. In addition, we cannot ensure that our high school students will be accepted by universities at rates we have experienced in the past, or the employment rates of the University graduates will maintain historical levels. Any such negative developments could result in students' withdrawal from or unwillingness to apply for our schools, and therefore have an adverse impact on our reputation. If our student retention rate decreases substantially or if we otherwise fail to continue to attract and admit students of a suitable standard or at all, our business, financial condition and results of operations may be materially and adversely affected.

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

We are required to obtain and maintain various approvals, licenses and permits and fulfill registration and filing requirements in order to conduct and operate our education and other services. For instance, to establish and operate a school, we are required to obtain a private school operation permit from the local education bureau and to register with the local civil affairs bureau to obtain a certificate of registration for a privately run non-enterprise unit, or legal entity. In addition, the operation of international programs at Chengdu Foreign Languages School and engagement of foreign teachers also require approval from the relevant PRC regulatory authorities.

While we intend to obtain, using our best efforts, all requisite permits and complete the necessary filings, renewals and registrations on a timely basis for our schools, there is no assurance that we will be able to obtain all required permits given the significant amount of discretion the local PRC authorities may have in interpreting, implementing and enforcing relevant rules and regulations, as well as other factors beyond our control and anticipation. If we fail to receive required permits in a timely manner or obtain or renew any permits and certificates, we may be subject to fines, confiscation of the gains derived from our noncompliant operations, the suspension of our noncompliant operations or the compensation of any economic loss suffered by our students or other relevant parties, which may materially and adversely affect our business and results of operations.

We are subject to extensive governmental approvals and compliance requirements for establishing our campuses and school premises.

For campuses and school premises constructed and developed for our schools, we must obtain various permits, certificates and other approvals from the relevant administrative authorities at various stages of property development, including, for example, planning permits, construction permits, land use rights certificates, certificates for passing environmental assessments, certificates for passing fire control assessments and certificates for passing construction completion inspections. We may in the future encounter problems in fulfilling the conditions precedent to the receipt of those permits, certificates and approvals, and we may not always be able to obtain them in a timely manner, or at all. If we are not able to rectify the above incidents in a timely manner, or fail to obtain requisite permits, certificates or approvals for campuses and school premises we will develop and construct in the future, we may become subject to administrative fines and other penalties or may be ordered to relocate our schools which could disrupt our business and cause us to incur additional expenses which may have a material adverse effect on our business, prospects, financial condition and results of operations.

Our international programs depend on our continued cooperation with Independent Third Parties.

We have established international programs at Chengdu Foreign Languages School under which dual high school diplomas are offered to students who are interested in attending colleges and universities in the United States or Canada. Such international programs are comprised of the American program (中美班) and the Canadian program (中加班). Under the American program, in addition to PRC mandatory courses, students are also required to take AP classes and supplementary courses that we believe will help them prepare for the U.S. standardized college entrance examinations (such as the SAT and TOEFL). The PRC mandatory classes are taught by PRC teachers while AP courses and the SAT/TOEFL preparatory courses are taught by qualified foreign teachers. The American program was established through a cooperation agreement entered into between the school and Shanghai Dipont in December 2013. Under the Canadian program, in addition to mandatory PRC courses, students are also exposed to a variety of courses that are typically offered to students in Canadian high schools, such as mathematics, pre-calculus, history, physics, chemistry, geography and other relevant English classes, all of which are taught by Canadian teachers. The Canadian program is set up through a cooperation agreement between the school and Inlet Education in March 2011. As of June 30, 2015, a total of approximately 300 students were enrolled in the international programs at Chengdu Foreign Languages School, which was taught by approximately 37 PRC teachers and 18 foreign teachers. Each of these cooperation agreements has a term of five years and may be terminated prior to their expiry dates. For example, the cooperation agreement with Shanghai Dipont will expire in December 2018 and may be terminated by either party with 12 months advanced written notice. In the event any of the cooperation agreements is terminated or a new agreement is not entered into when the initial term expires, or if our business partners are unable to renew their respective licenses, we may not be able to find suitable partners to continue to offer such programs at the school. Should this occur, our business, results of operations, prospects and reputation may be materially and adversely affected. Furthermore, since the international programs were established through cooperative agreements with Independent Third Parties, we are not able to control the education quality of our partners, such as the quality of the foreign teachers and the course and teaching materials. As a result, our reputation, business and results of operations may be materially and adversely affected if students and parents complain about the education quality of such programs and we may not be able to successfully attract and retain students under these programs. It may also negatively impact our plans to launch similar programs at our other two high schools.

Our business is heavily dependent on the market recognition of our brand and reputation.

Our ability to maintain our reputation depends on a number of factors, some of which are beyond our control. As we continue to grow in size and expand our programs, services and products, it may become difficult to maintain the quality and consistency of the services we offer, which may lead to diminishing confidence in our brand name.

Numerous factors can potentially impact our reputation, including, but not limited to, levels of student and parent satisfaction with our curriculums, teachers and teaching quality, the grades achieved by our students, the number of our graduate students being accepted into domestic and overseas universities, accidents on campus, teacher or student scandals, negative press, disruptions to our educational services, failure to pass an inspection by a government educational authority, loss of certifications and approvals that enable us to award dual diplomas in our high schools and unaffiliated parties using our brand without adhering to our standards of education. If our reputation is damaged, students' and parents' interest in our schools may decrease and our business could be materially and adversely affected.

We have developed our student base primarily through word-of-mouth referrals. However, we cannot assure you that our marketing efforts will be successful or sufficient in further promoting our brand or in helping us to remain competitive. If we are unable to further enhance our reputation and increase market awareness of our programs and services, or if we are required to incur excessive marketing and promotional expenses in order to remain competitive, our business, financial condition and results of operations may be materially and adversely affected. If we are unable to maintain or sustain our brand reputation and recognition, we may also be unable to maintain or increase student enrollment, which may have a material adverse effect on our business, financial condition and results of operations.

We are exposed to concentration risks as all of our schools are located in Chengdu.

All of the six schools we operate are located in Chengdu, Sichuan Province. While we intend to expand into other cities in Southwest China in the future, we anticipate that the vast majority of our business operations in the foreseeable future will likely be concentrated in Chengdu. Therefore, any material adverse social, economic or political development, or any natural disaster or epidemic affecting that region could have a material and adverse effect on our business, financial condition and results of operations. We may also be materially and adversely affected if new regulations relating to the private K-12 and university education businesses are adopted in Sichuan Province or Chengdu that may place additional restrictions or burdens on us. In addition, because we currently operate only six schools, any material negative development with respect to any of these schools could have a material and adverse effect on our business, financial condition and results of operations.

Our business depends on our ability to promptly and adequately respond to changes in domestic and overseas college admission standards, testing materials and technologies. Failure to do so could lower our student's admission rates to domestic and overseas colleges or universities and could cause our reputation, curriculums, services and products to be less attractive to students.

Our high school students are subject to college level admissions and assessment tests administered by educational authorities in China, United States, Canada and elsewhere in the world, depending on where our students choose to apply for higher education. These admissions and assessment tests are subject to continuous changes in terms of focus areas, format and the manner in which such tests are administered. For example, with respect to domestic college admissions, the acceptance scores of various first-tier universities in China usually change from year to year. On the other hand, with respect to overseas admissions standards, it was announced on March 5, 2014 that the SAT will no longer involve a timed essay, will focus less on complex vocabulary and will return to the previous 1600-point scoring scale, all starting from early 2016. In addition, some admissions and assessment tests to which our students are subject are commonly offered in a computer-based testing format. These changes require us to continually update and enhance any test preparation courses we offer to our students and to continually train our students to think or take standardized tests in a certain way so as to maximize their performance on these admissions tests. If we fail to adequately prepare our students for such tests in our everyday classroom teaching and in any test preparation courses we offer, our students' admissions rates to domestic and overseas colleges and universities may decrease and, as a result, our programs and services may become less attractive to students, which may materially and adversely affect our business, results of operations and reputation. Furthermore, if we fail to timely develop and introduce new education services and programs in our schools based on the changing education standards in China and abroad, our ability to attract and retain students and our reputation could be materially and adversely affected, which may have a material adverse impact on our business, financial condition and results of operations.

We had net current liabilities as of December 31, 2012, 2013 and 2014 and June 30, 2015 and a significant level of indebtedness during the Track Record Period. We may be exposed to liquidation risks, and our business, financial condition and results of operations may be materially and adversely affected as a result.

We rely on a combination of funds generated from our operations and loans from banks and other financial institutions to finance our business operations and expansion during the Track Record Period. As of October 31, 2015, we had an aggregate of RMB1,337.2 million of bank loans and other borrowings. As of December 31, 2012, 2013 and 2014 and June 30, 2015, we had a net current liabilities position of RMB781.6 million, RMB872.8 million, RMB829.4 million and RMB796.1 million, respectively. Our gearing ratio was 202.9%, 238.2%, 198.0% and 247.0% as of December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. Our high level of indebtedness could materially and adversely affect our liquidity. For example, it could:

- require us to allocate a higher portion of our cash flow from operations to fund repayments of principal and interest on our borrowings, and thus, reducing the availability of our cash flow from operations to fund working capital, capital expenditures and other general corporate purposes;
- increase our vulnerability to adverse economic or industry conditions;
- limit our flexibility in planning for, or reacting to, changes in our business or in the industry in which we operate;
- reduce our ability to obtain financing in the future; and
- increase our exposure to interest rate fluctuations.

Our net current liabilities position exposes us to liquidity risk. Our future liquidity, the payment of trade and other payables and the repayment of our outstanding debt obligations as and when they become due will primarily depend on our ability to maintain adequate cash generated from operating activities and adequate external financing.

In addition, we cannot assure you that we will be able to obtain adequate financing to meet our future working capital requirements and we may continue to have net current liabilities in the future. The inability to generate positive operating cash flow or obtain additional short-term bank loans or other borrowings on a timely basis, on acceptable terms or at all would materially and adversely affect our ability to satisfy our working capital requirements. In addition, we cannot assure you that we will be able to obtain additional working capital to execute our growth strategies, or that future expansion of our school network will not materially and adversely impact the current or future level of working capital. Furthermore, as we generally experience a certain number of students withdrawing from our schools during the course of a school year for various reasons, to whom we refund a portion of their annual tuition fees, if a large number of students were to withdraw from our schools, our financial position may be adversely impacted.

In addition, our financial statements included in this prospectus have been prepared on a going concern basis, which takes into account our financial resources. If there is an adverse change to our profits, cash flow or ability to obtain additional financing, our financial statements may need to be prepared on an alternative basis and adjustments relating to the recoverability and classification of recorded asset amounts or the classification of liabilities may need to be made.

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

We have experienced growth in revenue during the Track Record Period. Our historical growth was driven by the increases in the number of students enrolled at our schools and the level of tuition fees and boarding fees we charged. Our financial condition and results of operations may fluctuate due to a number of other factors, many of which are beyond our control, including: (i) our ability to maintain and increase student enrollment at our schools and maintain and raise tuition and boarding fees; (ii) general economic and social conditions and government regulations or actions pertaining to the provision of private education in China and Sichuan Province; (iii) increased competition and market perception and acceptance of any newly introduced educational programs in any given year; (iv) expansion and related costs in a given period; (v) shifts in attitude towards private education in China from students and their parents; and (vi) our ability to control our cost of sales and other operating costs, and enhance our operational efficiency. In addition, we may not be successful in continuing to increase the number of students admitted to the schools we operate due to our limited capacity, and we may not be as successful in carrying out our growth strategies and expansion plans. Furthermore, historically, we used certain property, plant and equipment owned by our school sponsor free of charge. Accordingly, depreciation and rental expenses were not charged in our books. However, after the Reorganization, additional assets were injected into our schools, which have resulted in substantially higher depreciation charges that had impacted our profitability during the Track Record Period and could have a material and adverse impact on our profitability in the foreseeable future. In addition, during the Track Record Period, although all of our schools have elected to be private schools that require reasonable returns, we were not required to pay any PRC income tax, according to the confirmation letters issued by the PRC local tax bureau and the local offices of State Administration of Taxation, respectively. However, after the Reorganization, Tibet Huatai is initially subject to a PRC income tax rate of 9%, which will be increased to 15% beginning in 2018 when the three-year exemption granted by Tibet local government expires in accordance with the relevant tax regulations, and will also be subject to value-added tax, which was 3% as of the Latest Practicable Date but may be subject to change in the future, according to our PRC Legal Advisors. If the applicable enterprise income tax rate and/or value-added tax rate increase in the future, our profitability may be adversely impacted. In addition, for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, we incurred rental expenses in the amount of RMB7.5 million, RMB8.2 million, RMB8.7 million and RMB0.9 million, respectively. We may also incur higher rental expenses for our schools going forward as we are expected to pay market rental rates for the school premises leased from our landlords after the Reorganization. As of the Latest Practicable Date, based on the existing lease agreements, the aggregate rental expenses to be incurred by our schools for the years ending in December 31, 2015, 2016 and 2017 will be approximately RMB5.2 million, RMB13.7 million and RMB17.0 million, respectively. In addition, our rental expenses may also increase in the future because (i) certain of our independent landlords may begin to charge us rent when the existing lease agreements for some of the school premises we currently lease rent-free (such as the school premises for Chengdu Experimental Foreign Languages School (Western Campus) expire; (ii) we have begun to incur rental expenses payable to our connected landlords after the Reorganization, and as a market practice, we generally make payments to such landlords at a discounted rental rate for the first several years of the lease term, which will gradually increase over the course of the lease term, according to our property valuer, DTZ Debenham Tie Leung Limited; and (iii) we intend to continue to expand our school network by leasing other premises. Please see "Connected Transactions — Non-Exempt Continuing Connected Transactions — (1) Property Lease Agreements" in this prospectus for more details on rental expenses we are expected to incur in the next several years.

Moreover, we may not sustain our past growth rates in future periods, and we may not sustain profitability on a quarterly, interim or annual basis in the future. Our historical results, growth rates and profitability may not be indicative of our future performance. Our Shares could be subject to significant price volatility should our earnings fail to meet the expectations of the investment community. Any of these events could cause the price of our Shares to materially decrease.

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

We generally require students or their families to pay tuition fees and boarding fees for the entire school year up front prior to the commencement of the school year, and recognize revenue from the delivery of educational services on a straight-line basis over the course of the relevant periods in a school year (usually from September to June, excluding January). Accordingly, we have experienced, and expect to continue to experience, seasonal fluctuations in our results of operations, primarily due to seasonal changes in service days and student enrollments. However, our costs and expenses vary significantly and do not necessarily correspond with our recognition of revenue. We expect fluctuations in our revenue and results of operations to continue. These fluctuations could result in volatility and adversely affect the price of our Shares.

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

We provide private K-12 and university education to our students. Our future success heavily depends on the continuing services of our executive Directors and senior management team, including Ms. Wang Xiaoying, our Chairwoman, our executive Director and the principals at our schools.

If one or more of our executive Directors, senior management and other key personnel are unable or unwilling to continue their employment with us, we may not be able to replace them with qualified personnel in a timely manner, or at all, and our business may be disrupted and our results of operations and financial condition may be materially and adversely affected. Competition for experienced educators in the private education industry in the PRC and in particular, in Southwest China, is intense and the pool of qualified candidates is very limited. We may not be able to retain experienced senior management members or other qualified personnel in the future. In the event we lose their services, or if any member of our executive Directors or senior management team or other key personnel joins our competitor(s) or forms a competing company, we may not be able to retain our teachers, students, key educators and other professionals, which could have a material and adverse effect on our business, results of operations and financial condition.

The private for-profit K-12 and university education business is relatively new and may not gain wide acceptance in China.

Our future success is highly dependent on the acceptance, development and expansion of the market for private for-profit K-12 and university education services in China. The private K-12 and university educational services market started to develop in the early 1990s and has grown significantly due to favorable policies enacted by the PRC government. In 1997, the State Council of the PRC promulgated the first regulation to promote the private education industry in China. Chengdu Foreign Languages School, our first private K-12 school, was established in 2000. However, private education services on a for-profit basis were not permitted in China until 2003 when The Law for Promoting Private Education of the PRC became effective.

The development of this industry has been accompanied by significant press coverage and public debate concerning the management and operation of private for-profit K-12 schools and universities. Significant uncertainty remains in China as to public acceptance of this business model. In addition, there is substantial uncertainty relating to the application and interpretation of PRC law as it relates to the promotion of the private for-profit education industry. For example, certain favorable policies referenced in relevant PRC law are available to private schools, such as preferential tax treatment. To date, however, no separate policies, regulations or rules have been introduced by the authorities in this regard. Please refer to the section headed "Regulatory Overview — Regulations on Private Education in the PRC" in this prospectus for further details. If the private education business model fails to gain traction or wide acceptance among the general public in China, especially among students and their parents, or if the favorable regulatory environment otherwise changes in the future, we may be unable to grow our business and the market price of our Shares could be materially and adversely affected.

We maintain limited insurance coverage.

We maintain various insurance policies, such as school liability insurance to safeguard against risks and unexpected events. However, our insurance coverage is still limited in terms of amount, scope and benefit. In addition, we do not carry property insurance for the properties that are owned by third parties and are not required to do so under applicable PRC laws and regulations. Consequently, we are exposed to various risks associated with our business and operations. See "Business—Insurance" for more information. We are exposed to risks including, but not limited to, accidents or injuries in our schools that are beyond the scope of our insurance coverage, fires, explosions or other accidents for which we do not currently maintain insurance, loss of key management and personnel, business interruption, natural disasters, terrorist attacks and social instability or any other events beyond our control. The insurance industry in China is still at an early stage of development. Insurance companies in China offer limited business-related insurance products. We do not have any business disruption insurance, product liability insurance or key-man life insurance. Any business disruption, litigation or legal proceedings or natural disaster, such as epidemics, pandemics or earthquakes, or other events beyond our control could result in substantial costs and the diversion of our resources. Our business, financial condition and results of operations may be materially and adversely affected as a result.

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

We could be held liable for the accidents or injuries or other harm to students or other people at our schools, including those caused by or otherwise arising in connection with our school facilities or employees. We could also face claims alleging that we were negligent, provided inadequate maintenance to our school facilities or supervision of our employees and therefore may be held liable for accidents or injuries suffered by our students or other people at our schools. In addition, if any of our students or teachers commits acts of violence, we could face allegations that we failed to provide adequate security or were otherwise responsible for his or her actions. Our schools may be perceived to be unsafe, which may discourage prospective students from applying to or attending our schools. Furthermore, although we maintain certain liability insurance, this insurance coverage may not be adequate to fully protect us from these kinds of claims and liabilities. In addition, we may not be able to obtain liability insurance in the future at reasonable prices or at all. A liability claim against us or any of our employees could adversely affect our reputation and student enrollment and retention. Even if unsuccessful, such a claim could create unfavorable publicity, cause us to incur substantial expenses and divert the time and attention of our management all of which may have a material adverse effect on our business, prospects, financial condition and results of operations.

If our students are unable to attend colleges or universities overseas due to any political, regulatory, cultural or economic conditions, enrollment at our school could decrease.

We believe one of the key reasons students attend our schools is that our schools enable them to become more competitive candidates when applying to colleges and universities outside of China. However, our graduates may not be able to attend universities abroad due to factors beyond our control. For example, students seeking to attend universities outside China may be required to obtain visas before they study in that country. Visas to enter certain countries such as Canada, the United States and the United Kingdom may be relatively difficult to obtain due to the visa application policies in these countries and any changes in the political relationships between those countries and China. We cannot assure you that our students will be able to successfully obtain the necessary visas to study abroad. In particular, Canada has recently changed its immigration laws, and there is no assurance that such changes will not affect parents' desire to invest in schools potentially leading to study in Canada. Furthermore, other factors such as unfavorable changes in college admission policies or standards, the possible imposition of limits by the PRC government on the number of PRC students allowed to study overseas or changes in the immigration laws or policies of the countries where the universities to which our students apply are located, may also limit our graduates' ability to attend universities outside China. Should this occur, students' and parents' interest in attending our schools may be reduced, and our business and results of operations may be materially and adversely affected.

We have maintained outsourcing arrangements for food and meal catering services with an Independent Third Party during the Track Record Period and therefore, we cannot guarantee the quality and price of the food it serves to our students. While we have terminated such arrangements with respect to certain schools providing compulsory education in October 2015, subsequent to which such schools have managed their own canteens, we may be exposed to potential liabilities if we cannot maintain food quality standards.

During the Track Record Period, all of our schools outsourced the food and meal catering services to an Independent Third Party, Jiangwei Restaurant, which provided such services for a fee to our students. Each such school entered into a school canteen outsourcing agreement with Jiangwei Restaurant on September 1, 2008, which has a term of 10 years (each an "outsource agreement" and collectively, the "outsource agreements"). We provide compulsory education through the Primary School and the middle schools at Chengdu Foreign Languages School, Chengdu Experimental Foreign Languages School and Chengdu Experimental Foreign Languages School (Western Campus). These schools terminated the outsourcing arrangement in October 2015. For those schools that continue to engage Jiangwei Restaurant to provide food and meal catering services, we cannot assure you that we will be able to ensure the quality of food, monitor the meal preparation process to ensure its quality or require Jiangwei Restaurant to adhere to our food quality standards. In the event poor food quality results in any serious health violations or medical emergencies, such as mass food poisoning, our business and reputation could be materially and adversely affected.

While we collect fees from students on behalf of Jiangwei Restaurant for the food and meal catering services it provides to them, in the event the there is a sudden and significant increase in food prices, we may be required to make additional payments to Jiangwei Restaurant. For example, in April 2013, an earthquake ravaged Ya'an, Sichuan Province, which is less than 200km from Chengdu, where our operations are based. As a result of the earthquake, there was a severe shortage of food in the area, which resulted in substantially higher food prices. Accordingly, we made additional payments in the amount of approximately RMB11.0 million to Jiangwei Restaurant. We were generally not able to pass on such increase to our students since they typically pay meal fees in the beginning of the school year. Accordingly, our gross profit margin for the year ended December 31, 2013 was approximately 37.4%, which was lower compared to the gross profit margin of approximately 39.4% and 40.7% for the years ended December 31, 2012 and 2014, respectively. In the event food prices experience substantial increases in the future, our profitability could be materially and adversely affected.

In addition, in August 2014, the relevant PRC regulatory authorities in Sichuan Province adopted the Measures on School Canteen Food Safety and Management in Sichuan Province (《四川省學校食堂食品安全管理辦法》), pursuant to which schools that provide compulsory education are required to manage their canteens themselves. According to these measures, any competent PRC government authority in Sichuan Province may order us to rectify our non-compliance with this requirement within a prescribed time period. In such event, we may incur additional costs as a result of such rectification. As of the Latest Practicable Date, we have not been ordered by any such government authority to rectify this non-compliance. However, as stated above, in October 2015, we have terminated such outsourcing agreements with Jiangwei Restaurant with respect to the Primary School and our middle schools that provide compulsory education and each of the relevant schools has managed its own canteen for students having compulsory education. Although we emphasize the importance of student safety and the quality of food we provide at the canteens we operate, we cannot assure you that we would always meet the changing food quality standards and maintain proper operation of our canteens. If we cannot meet the required standards, health violations or medical emergencies involving our students could occur, which may damage our reputation and affect our student enrollment and therefore, could have a material adverse effect on our business, financial condition and results of operations. Please see the section headed "Business — Legal Proceedings and Compliance" in this prospectus for more details. Furthermore, as we manage canteens at certain schools ourselves, we may also be exposed to risks of food price fluctuations. If food prices increase, we may not be able to directly pass on such price increase to our students since they typically pay meal fees in the beginning of the school year. In such cases, our results of operations and profitability may be materially and adversely affected.

We lease several of our school premises and may not be able to control the quality, maintenance and management of these school premises, nor can we ensure we will be able to find suitable premises to replace our existing school premises in the event our landlords refuse to renew the relevant lease agreements upon the expiry of their terms.

Our schools lease a number of properties from Sichuan Derui and other third parties. As of the Latest Practicable Date, our schools leased 46 properties with a total gross floor area of approximately 350,490.43 sq. m.. Please see the section headed "Business — Properties" in this prospectus for further details. Such school premises and school buildings and facilities were developed and maintained by our landlords. Accordingly, we are not in a position to effectively control the quality, maintenance and management of such premises, buildings and facilities. In the event the quality of the school premises, buildings and facilities deteriorates, or if any or all of our landlords fail to properly maintain and renovate such premises, buildings or facilities in a timely manner or at all, the operation of our schools could be materially and adversely affected. In addition, if any of our landlords terminates the existing lease agreements, refuses to continue to lease the premises to our schools when such lease agreements expire, or increase rent to the level not acceptable to us, we will be forced to relocate our schools to other locations. We may not be able to find suitable premises for such relocation without incurring significant time and costs, or at all. If this occurs, our business, results of operations and financial condition could be materially and adversely affected.

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

Chengdu Experimental Foreign Languages School (Western Campus) currently leases eight properties from Wanhua Property Development Co., Ltd.* (成都萬華房地產開發有限公司) ("Chengdu Wanhua"), an Independent Third Party, among which one of the properties is used as a teachers' dormitory. As of the Latest Practicable Date, Chengdu Wanhua has not provided us a valid building ownership certificate for such property. As a result, there is a risk that the landlord from whom we lease such property may not have the valid building ownership certificate for the premises they lease to us, or otherwise may not have the right to lease such premises to us. According to our PRC Legal Advisors, Jingtian & Gongcheng, in the event Chengdu Wanhua does not have valid building ownership certificates, the relevant lease agreement may be deemed invalid or we may face challenges from property owners or other third parties to the lessor's rights. If any of our leases were terminated as a result of challenges by third parties to the lessor's rights, we may be forced to relocate the affected premises and incur significant expenses, which may affect our operations at the school, and could adversely affect our business, financial condition and results of operations.

Furthermore, we have not registered certain of our lease agreements with the relevant government authorities. Under the relevant PRC laws and regulations, we may be required to register and file with the relevant government authority executed leases. According to our PRC Legal Advisors, Jingtian & Gongcheng, while the lack of registration will not affect the validity and enforceability of the lease agreements, a fine ranging from RMB1,000 to RMB10,000 may be imposed on the parties for each non-registered lease.

The appraisal value of our properties in Chengdu may be different from their actual realizable value and are subject to uncertainty or change.

The property valuation report set out in Appendix III to this prospectus with respect to the appraised value of our properties in Chengdu, Sichuan Province are based on various assumptions, which are subjective and uncertain in nature. The assumptions that DTZ Debenham Tie Leung Limited used in the property valuation report include: (i) transferrable land use rights in respect of our properties in Chengdu for a specific term at nominal annual land use fees have been granted, and that any premium has already been fully settled; and (ii) the grantees or the users of our properties have free and uninterrupted rights to use or to assign the properties for the whole of the unexpired term as granted.

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

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

The educational facilities of our schools are limited in space and size. We may not be able to admit all qualified students who would like to enroll in our schools due to the capacity constraints of our current school facilities. Furthermore, absent building additional facilities such as classrooms and dormitories, we may not be able to expand our capacity at our current campuses unless we relocate to other facilities in the local area with more space. If we fail to expand our capacity as quickly as the demand for our services grows, or if we otherwise fail to grow by establishing or acquiring additional schools and campuses, we could lose potential students to our competitors, and our results of operations and business prospects could be materially and adversely affected.

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

Unauthorized use of any of our intellectual property may adversely affect our business and reputation. We rely on a combination of copyright, trademark and trade secrets laws to protect our intellectual property rights. Nevertheless, third parties may obtain and use our intellectual property without due authorization. The practice of intellectual property rights enforcement action by Chinese regulatory authorities is in its early stage of development and is subject to significant uncertainty. We may also need to resort to litigation and other legal proceedings to enforce our intellectual property rights. Any such action, litigation or other legal proceedings could result in substantial costs and diversion of our management's attention and resources and could disrupt our business. In addition, there is no assurance that we will be able to enforce our intellectual property rights effectively or otherwise prevent others from the unauthorized use of our intellectual property. Failure to adequately protect our intellectual property could materially and adversely affect our brand name and reputation, and our business, financial condition and results of operations.

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

We cannot assure you that materials and other educational content used in our schools and programs do not or will not infringe intellectual property rights of third parties. As of the Latest Practicable Date, we did not encounter any material claims for intellectual property infringement that have not been amicably resolved. However, there is no guarantee in the future that third parties will not claim that we have infringed on their proprietary rights.

Although we plan to defend ourselves vigorously in any such litigation or legal proceedings, there is no assurance that we will prevail in these matters. Participation in such litigation and legal proceedings may also cause us to incur substantial expenses and divert the time and attention of our management. We may be required to pay damages or incur settlement expenses. In addition, in case we are required to pay any royalties or enter into any licensing agreements with the owners of intellectual property rights, we may find that the terms are not commercially acceptable and we may finally lose the ability to use the related content or materials, which in turn could materially affect our educational programs. Any similar claim against us, even without any merit, could also hurt our reputation and brand image. Any such event could have a material and adverse effect on our business, financial condition and results of operations.

Failure to make adequate contributions to various employee benefits plans as required by PRC regulations may subject us to penalties.

Companies operating in the PRC are required to participate in various employee benefit plans, including pension insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance and housing provident fund, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where they operate their businesses. During the Track Record Period, we did not make adequate housing provident fund contributions for certain of our PRC employees, such as our logistics staff, and we did not make adequate social insurance payments for our foreign employees. As of the Latest Practicable Date, we have not received any notice from the local authorities or any claim from our current and former employees regarding our non-compliance in this regard. We estimate that the aggregate amount of social insurance payments and housing provident fund contributions that we did not make for the years ended December 31, 2012, 2013 and 2014 and six months ended June 30, 2015 was approximately RMB0.04 million, RMB0.1 million, RMB0.3 million and RMB0.2 million, respectively. See the section headed "Business — Legal Proceedings and Compliance" in this prospectus for further details. We cannot assure you that the relevant local government authorities will not require us to pay the outstanding amount within a specified time limit or impose late fees or fines on us, which may materially and adversely affect our financial condition and results of operations.

Negative publicity concerning our executive director, Mr. Yan Yude, and the education industry in Sichuan Province may adversely affect our reputation, business and growth prospects.

Mr. Yan Yude is one of our controlling shareholders and an executive director, and any negative publicity concerning him, even if untrue, could have a material and adverse effect on our schools' reputation and our business prospects. For example, on March 3, 2014, 21st Century Business Herald published an article, which reported that Mr. Yan was detained by the PRC authorities as part of the anti-corruption investigation involving Mr. Li Chuncheng, a former Vice Party Secretary of Sichuan Province and Party Secretary of Chengdu. Although 21st Century Business Herald subsequently published an editorial corrective note on March 4, 2014 and issued an apology, which recanted the initial story and clarified that Mr. Yan was not detained by the relevant PRC authorities, we cannot assure you that such news publications or any future negative publicity involving Mr. Yan would not damage our reputation, and have a material and adverse effect on our business and growth prospects.

In addition, in recent years, there have been a number of publicized cases involving corruption or other misconduct by senior officials and school administrators in the education industry in Sichuan Province. While none of our employees or Directors has been subject to any anti-corruption or anti-bribery investigations during the Track Record Period, such negative publicity nevertheless may lead to adverse reputation involving the industry in general and may hinder further development of public and private education in Sichuan Province. Although we have established an anti-corruption internal control system, bribery and other misconduct involving employees may be difficult to detect and we may not be able to deter effectively on a timely basis, or at all. Any failure to do so could harm the reputation of our schools or subject us to investigation and litigation. If we are unable to successfully avoid such negative publicity or prevent any employee misconduct, our business, reputation and prospects may be materially and adversely affected.

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

According to the PRC Security Law and the PRC Property Law, mortgages, pledges or other encumbrances should not be created on properties which are used for public welfare facilities. The buildings that certain of our schools own and occupy may be considered "public welfare facilities" according to the Law for Promoting Private Education (2003), which provides that private education is considered in the nature of "public welfare" in the PRC. Accordingly, these properties may not be pledged as collateral when our schools enter into loan agreements with banks. In such case, the schools' ability to obtain financing to fund their operations will be limited. Even if collateral is meant to be created based on such properties under any loan agreement to be entered into between any of our schools and the potential lender, such pledge may not be valid or enforceable under the laws and regulations of the PRC, and we cannot preclude the possibility that a government authority, including PRC court or administrative authority, may consider the pledge created on such facilities to be in violation of PRC laws if we and the lenders have any dispute with regards to the relevant loans under applicable loan agreements or if the validity of the pledges are otherwise challenged. In such a case it is likely that such pledges would not be enforceable and we may be requested by our lenders to provide other forms of guarantees or prepay the outstanding balance of the loans immediately, which may cause the business operations of the relevant schools and our financial condition to be materially and adversely affected.

Unauthorized disclosures or manipulation of student, teacher and other sensitive personal data, whether through breach of our network security or otherwise, could expose us to litigation or could adversely affect our reputation.

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

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

Our business could be materially and adversely affected by natural disasters, such as earthquakes, floods, landslides, outbreaks of health epidemics such as avian influenza and severe acute respiratory syndrome, or SARS, and Influenza A virus, such as H5N1 subtype and H5N2 subtype flu viruses, as well as terrorist attacks, other acts of violence or war or social instability in the region in which we operate or those generally affecting China. In particular, as all of our high schools, middle schools, the Primary School and the University are boarding schools (and the Kindergarten provides noon-time naps to students) and many of our campuses provide on-campus accommodations to our teacher and staff, the boarding environment makes our students, teachers and staff exceptionally vulnerable to epidemics or pandemics, which may make it more difficult for us to take preventive measures if an epidemic or pandemic were to occur. Any of the above may cause material disruptions to our operations, such as temporary closure of our schools, which in turn may materially and adversely affect our financial condition and results of operations. If any of these occur, our schools and facilities may suffer damage or be required to temporarily or permanently close and our business operations may be suspended or terminated. Our students, teachers and staff may also be negatively affected by such events. In addition, any of these could adversely affect the PRC economy and demographics of the affected region, which could cause significant declines in the number of our students applying to or enrolled in our schools. If this takes place, our business, financial condition and results of operations could be materially and adversely affected.

Certain of our schools experienced labor disputes in the past, which could harm our reputation.

Chengdu Foreign Languages School was established and commenced the provision of schooling in September 2000 as a private middle and high school pursuant to an agreement entered into between our school sponsor, Sichuan Derui, and Chengdu Education Commission. When Sichuan Derui began operating the school, it employed approximately 300 teachers who were registered under the Chengdu public school system. Teachers who were employed by the schools we operate but were registered under the public school system in Chengdu typically receive a base salary plus discretionary performance bonus from us. In 2009, the PRC carried out a nationwide reform on public school teachers' compensation structure, pursuant to which the overall compensation of teachers who taught at public schools increased. When the reform policy was implemented in Chengdu, we increased the base salary for all of our teachers, including those who were registered under the public school system. However, certain of our teachers who were registered under the public school system at the time believed that the increase in the compensation was insufficient compared to the increase in compensation for teachers who taught at public schools in Chengdu. Therefore, in November 2009, led by several public school-registered teachers, a number of teachers at Chengdu Foreign Languages School expressed dissatisfaction with their then-existing compensation package to the school's management and Sichuan Derui and did not attend the classes they were due to teach. The school subsequently dismissed students from classes early on that day. While almost all of the classes resumed the following school day, the dispute was resolved several days later, as a result of which teachers who were registered under the public school system were given the option to either remain with Chengdu Foreign Languages School or to join other public schools in Chengdu. We estimate approximately 200 of the teachers with such status left Chengdu Foreign Languages School and returned to public schools granted by the MOE beginning in 2010 and for the next two years. While the dispute lasted only several days, it was nevertheless widely publicized by the local news media in Chengdu. Such media coverage or any similar labor dispute in the future could have a material adverse effect on our reputation and our ability to attract and retain teachers and students or otherwise result in temporary closure of our school, and therefore have a material adverse impact on our business, financial condition and results of operations.

RISKS RELATING TO OUR STRUCTURED CONTRACTS

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

We entered into a series of arrangements in which our wholly-owned subsidiary, Tibet Huatai, receives full economic benefits from our PRC Operating Entities. See "Structured Contracts" in this prospectus for more information.

Foreign investment in the education industry in China is extensively regulated and subject to numerous restrictions. Under the Foreign Investment Catalog, foreign investors are prohibited from investing in primary and middle schools in the PRC for students in grades one through nine. In addition, preschool education, high school education and higher education are restricted industries for foreign investors, and foreign investors are only allowed to invest in preschool education, high school education and higher education in cooperative ways and the domestic party shall play a dominant role in the cooperation. Furthermore, under the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education, which was issued by the MOE on June 18, 2012, the foreign portion of the total investment in a Sino-foreign joint venture preschool or high school should be below 50%. According to relevant regulations, the foreign investors invested in preschools, high schools and higher education must be foreign education institutions, with relevant qualification and experience. See “Regulatory Overview” of this prospectus for more information.

Accordingly, our subsidiaries in China are currently ineligible to apply for the required education licenses and permits in China for the operation of primary and middle schools. In addition, although foreign investment in preschools, high schools and higher education is not prohibited, our subsidiaries in China are still ineligible to independently operate preschools and high schools. Please refer to the section headed “Structured Contracts — Background of the Structured Contracts” for further information. Accordingly, we have been and are expected to continue to be dependent on our Structured Contracts to operate our education business.

If the Structured Contracts that establish the structure for operating our China business are found to be in violation of any PRC laws or regulations in the future or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities, including the MOE, which regulates the education industry, would have broad discretion in dealing with such violations, including:

- revoking the business and operating licenses of our PRC subsidiaries or PRC Operating Entities;

- discontinuing or restricting the operations of any related-party transactions among our PRC subsidiaries or PRC Operating Entities;

- imposing fines or other requirements with which we or our PRC subsidiaries or PRC Operating Entities may not be able to comply;

- requiring us to restructure our operations in such a way as to compel us to establish new entities, re-apply for the necessary licenses or relocate our businesses, staff and assets;

- imposing additional conditions or requirements with which we may not be able to comply; or

- restricting the use of proceeds from our additional public offering or financing to finance our business and operations in China.

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

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

On January 19, 2015, MOFCOM published a draft of the PRC Law on Foreign Investment (Draft for Comment), or the Draft Foreign Investment Law. At the same time, MOFCOM published an accompanying explanatory note of the Draft Foreign Investment Law, or the Explanatory Note, which contains important information about the Draft Foreign Investment Law, including its drafting philosophy and principles, main content, plans to transition to the new legal regime and treatment of business in the PRC controlled by foreign invested enterprises, or the FIEs, primarily through contractual arrangements. The Draft Foreign Investment Law is intended to replace the current foreign investment legal regime consisting of three laws: the Sino-Foreign Equity Joint Venture Enterprise Law, the Sino-Foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-Invested Enterprise Law, as well as detailed implementing rules. The Draft Foreign Investment Law proposes significant changes to the PRC foreign investment legal regime and introduced the concept of "actual control" determined by the identity of the ultimate natural person or enterprise that controls the domestic enterprise. If an enterprise is actually controlled by a foreign investor through structured contracts or contractual arrangements, such enterprise may be regarded as a FIE. Such FIE is restricted or prohibited from investment in certain industries listed on the negative list unless permission from the competent authority in the PRC is obtained. Nevertheless, as the negative list has yet to be published, it is unclear whether it will differ from the current list of industries subject to restrictions or prohibitions on foreign investment (including our industry). The Draft Foreign Investment Law also provides that any FIEs operating in industries on the negative list will require entry clearance and other approvals that are not required of PRC domestic entities. As a result of the entry clearance and approvals, certain FIE's operating in industries on the negative list may not be able to continue to conduct their operations through contractual arrangements.

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

As a measure to ensure the Structured Contracts remain a domestic investment and compliant with the Draft Foreign Investment Law, Mr. Yan Yude, our Controlling Shareholder, has given an undertaking in favour of our Company that among others, he will continue to maintain his Chinese nationality for as long as he holds a controlling interest in our Company. See the section headed "Structured Contracts—Development in the PRC Legislation on Foreign Investment—Potential Measures to Maintain Control Over and Receive Economic Benefits from our PRC Operating Entities" in this prospectus. Our compliance with the Draft Foreign Investment Law depends on Mr. Yan Yude's adherence to the terms of such undertaking. In the event that Mr. Yan Yude breaches the undertaking, the Stock Exchange has limited enforcement power against Mr. Yan Yude and the Structured Contracts may be deemed invalid and illegal and we may be required to unwind the Structured Contracts and/or dispose our PRC Operating Entities, which could have a material and adverse effect on our business, financial condition and result of operations. In addition, there may be uncertainties that the measures to be adopted by us to maintain control over and receive economic benefits from our PRC Operating Entities alone may not be effective in ensuring compliance with the Draft Foreign Investment Law (if and when it becomes effective). In the event that such measures are not complied with, the Stock Exchange may take enforcement actions against us which may have a material adverse effect on the trading of our Shares. For details of the Draft Foreign Investment Law and the negative list and its potential impact on our Company, and our potential measures to maintain control over and receive economic benefits from our PRC Operating Entities, please refer to the section headed "Structured Contracts — Development in the PRC Legislation on Foreign Investment" in this prospectus.

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

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

In addition, while each of the Registered Shareholders pursuant to the Structured Contracts pledged and granted first priority security interests over all of his/her equity interest in Sichuan Derui together with all related rights thereto to Tibet Huatai as collateral security for performance of the Structured Contracts and all such loss and expenses incurred to Tibet Huatai as a result of any events of default on the part of the Registered Shareholders, Sichuan Derui or each of our PRC Operating Entities, there is no equity pledge arrangement between our Company and Sichuan Derui in respect of the school sponsors' interest of our PRC Operating Entities held by Sichuan Derui. As advised by our PRC Legal Advisors, any equity pledge arrangement where Sichuan Derui pledges its school sponsor's interest in each of our PRC Operating Entities in favor of us would be unenforceable under PRC laws and regulations.

Nevertheless, we have implemented measures to ensure that the company seals of our PRC Operating Entities are properly secured, are under the full control of our Company and cannot be used by Sichuan Derui or the Registered Shareholders without our Company's permission. Please refer to the section headed "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (8) Equity Pledge Agreement" of this prospectus for further details.

If the parties under such Structured Contracts refuse to carry out our directions in relation to everyday business operations, we will be unable to maintain effective control over the operations of our PRC Operating Entities. If we were to lose effective control over our PRC Operating Entities, certain negative consequences would result, including our being unable to consolidate the financial results of our PRC Operating Entities with our financial results. Given that revenue from our PRC Operating Entities constituted all of the total revenue in our combined financial statements for the years ended December 31, 2012, 2013 and 2014 and six months ended June 30, 2015, our financial position would be materially and adversely impacted if we were to lose effective control over our PRC Operating Entities. In addition, losing effective control over our PRC Operating Entities may negatively impact our operational efficiency and brand image. Further, losing effective control over our PRC Operating Entities may impair our access to their cash flow from operations, which may reduce our liquidity.

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

Our control over our PRC Operating Entities is based upon the Structured Contracts with our PRC Operating Entities, Sichuan Derui, the Registered Shareholders and the directors of our PRC Operating Entities as appointed by Sichuan Derui or the Primary School in their respective capacity as school sponsors of our PRC Operating Entities. Sichuan Derui is the direct holder of our school sponsor's interest of our PRC Operating Entities (except for the Kindergarten) and the Registered Shareholders, being shareholders of Sichuan Derui, are also shareholders of our Company. Sichuan Derui or the Registered Shareholders may potentially have conflicts of interest with us and breach their contracts or undertakings with us if it would further their own interest or if they otherwise act in bad faith. We cannot assure you that when conflicts of interest arise between us on the one hand, and Sichuan Derui or our PRC Operating Entities on the other hand, the Registered Shareholders will act completely in our interest or that the conflicts of interest will be resolved in our favor. In the event that such conflict of interest cannot be resolved in our favor, we would have to rely on legal proceedings which could result in disruption to our business and we are subject to any uncertainty as to the outcome of such legal proceedings. If we are unable to resolve such conflicts, including Sichuan Derui or the Registered Shareholders breached their contracts or undertakings with us and as a result or otherwise subject to claims from third parties, our business, financial condition and operations could be materially and adversely affected.

Our exercise of the option to acquire school sponsor's interest of our PRC Operating Entities may be subject to certain limitations and we may incur substantial costs and expend significant resources to enforce the Structured Contracts if any of our PRC Operating Entities fails to perform its obligations thereunder.

Pursuant to the Foreign Investment Catalog and the Sino-Foreign Regulation, the foreign investor in a Sino-foreign joint venture school offering preschool, high school and higher education must be a foreign education institution with relevant qualification and experience (the "Qualification Requirement"), hold less than 50% of the capital in a Sino-foreign education institute ("Foreign Ownership Restriction") and the domestic party shall play a dominant role ("Foreign Control Restriction"). Based on our consultation with the Education Department of Sichuan Province, the foreign investor should be an education institution that can award diploma certificates in the country where the foreign investor is located. As of the Latest Practicable Date, whilst we do not meet the Qualification Requirement as we have no experience in operating schools or universities outside of the PRC, we have taken concrete steps to comply with the Qualification Requirement. As of the Latest Practicable Date, we had taken the following concrete steps to implement our plan. In September, 2015, we entered into a letter of intent with CBA, pursuant to which CBA will provide education consulting services and assist in formulating teaching materials and we will be responsible for provide funding for the establishment of the new school in the United States. In addition, we have formed an operating entity in the United States, Wahtai (US), which was owned as to 70.0% by Wah Tai and 30.0% by Dr. Robert T. Chi, Associate Dean of Accreditation at the Department of Information Systems at CBA. We have submitted a formal application for the approval to operate the new school with the BPPE in November 2015.

We cannot assure you that we will meet the Qualification Requirement in the future and the plan we have adopted will be sufficient to satisfy the Qualification Requirement. If the Foreign Ownership Restriction and Foreign Control Restriction are lifted, we may be unable to unwind the Structured Contracts by acquiring the school sponsor's interest of our PRC Operating Entities before we are in a position to comply with the Qualification Requirement. If we otherwise attempt to unwind the Structured Contracts by acquiring the school sponsor's interest of our PRC Operating Entities before we satisfy the Qualification Requirement, we may be considered by the regulatory authorities as ineligible for operating schools and forced to cease operation of our PRC Operating Entities, which could have a material adverse effect on our business, financial condition and results of operations. Please refer to the section headed "Structured Contracts - Background of the Structured Contracts - Plan to Comply with the Qualification Requirement" for further details on our plans to comply with the Qualification Requirement.

Furthermore, we may incur substantial cost on our part on exercise of the option to acquire the school sponsor's interest of our PRC Operating Entities. Pursuant to the Exclusive Call Option Agreement, Tibet Huatai has the exclusive right to purchase all or part of the school sponsor's interest of Sichuan Derui in our PRC Operating Entities at the lowest price permitted under the PRC laws and regulations. In the event that Tibet Huatai acquires the school sponsor's interest in our PRC Operating Entities and the relevant PRC authorities determine that the purchase price for acquiring the school sponsor's interest of our PRC Operating Entities is below market value, Tibet Huatai may be required to pay enterprise income tax with reference to the market value such that the amount of tax may be substantial, which could materially and adversely affect our business, financial condition and results of operations.

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

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

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

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

We rely on dividend and other payments from Tibet Huatai to pay dividends and other cash distributions to our Shareholders.

We are a holding company and rely principally on dividends paid by our subsidiary in China for our cash needs, including paying dividends and other cash distributions to our Shareholders to the extent we choose to do so, servicing any debt we may incur and paying our operating expenses. Tibet Huatai's income in turn depends on the service fees paid by our PRC Operating Entities. Current PRC regulations permit our subsidiary in China to pay dividends to us only out of its accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. Under the applicable requirements of PRC law, Tibet Huatai may only distribute after-tax dividends after deduction of costs for school operations, donations received, government subsidies (if any), the reserved development fund and other expenses as required by the regulations. These reserves are not distributable as cash dividends. In addition, at the end of each fiscal year, each of our schools that are private school in China is required to allocate a certain amount to its development fund for the construction or maintenance of the school properties or purchase or upgrade of school facilities. In particular, our schools, each of which is a private school that requires reasonable returns, are required to allocate no less than 25% of their annual net income to the development fund of the schools.

Our PRC Operating Entities may be subject to limitations on their ability to operate private education or make payments to related parties.

The principal regulations governing private education in China are the Law for Promoting Private Education (《中華人民共和國民辦教育促進法》), which become effective as of 2003 and was revised in 2013, and the Implementation Rules for the Law for Promoting Private Education (《中華人民共和國民辦教育促進法實施條例》) (the "Implementation Rules"). Under these regulations, a private school may elect to be a school that does not require reasonable returns or a school that requires reasonable returns. A private school that does not require reasonable returns cannot distribute dividends to its school sponsors. At the end of each year, every private school is required to allocate a certain amount to its development fund for the construction or maintenance of the school or procurement or upgrade of educational equipment. For a private school that requires reasonable returns, this amount is at least 25% of the annual net income of the school, while in the case of a private school that does not require reasonable returns, this amount is at least 25% of the annual increase in the net assets of the school, if any. During the Track Record Period, our PRC Operating Entities have made a total contribution of approximately RMB23.6 million, RMB16.5 million, RMB31.3 million and RMB28.7 million for the year ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015. A private school that requires reasonable returns must publicly disclose such election and additional information required under the regulations. All of our PRC Operating Entities have elected to be private schools that require reasonable return. A private 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 educational quality when determining the percentage of the school's net income that would be distributed to the investors as reasonable returns. However, the current PRC laws and regulations do not provide a formula or guidelines for determining what constitutes a "reasonable return." In addition, the current PRC laws and regulations do not set forth different requirements or restrictions on a private school's ability to operate its education business based on such school's status as a school that requires reasonable returns or a school that does not require reasonable returns.

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

We currently conduct our operations in China through Structured Contracts with our PRC Operating Entities, Sichuan Derui and the Registered Shareholders. As part of these arrangements, substantially all of our education-related assets that are important to the operation of our business are held by our PRC Operating Entities. If any of these PRC Operating Entities is wound up, and all or part of their assets become subject to liens or rights of third-party creditors or are distributed to other persons of higher priority than the school sponsor of the schools in accordance with the applicable PRC laws and regulations, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. If any of our PRC Operating Entities undergoes a voluntary or involuntary liquidation proceeding, our PRC Operating Entities may be required to distribute their assets to other persons of higher priority than the school sponsor, or its equity owner or unrelated third-party creditors may claim rights relating to some or all of these assets, which would hinder our ability to operate our business and could materially and adversely affect our business, our ability to generate revenue and the market price of our Shares. Whilst Sichuan Derui undertakes pursuant to the Structured Contracts that in the event of dissolution or liquidation of our PRC Operating Entities, Tibet Huatai shall have the right to exercise all school sponsor's right on behalf of Sichuan Derui and Sichuan Derui shall instruct all of our PRC Operating Entities to transfer assets directly to Tibet Huatai before such dissolution or liquidation, we may not be able to exercise our rights in a timely manner and our business, financial condition and operations may be materially and adversely affected.

In addition, if Sichuan Derui is subject to winding up or liquidation proceedings, the assets of Sichuan Derui, including the school sponsor's interest in our PRC Operating Entities, may be subject to application by the relevant creditors to the courts for compulsory execution and all proceeds generated by the compulsory execution may be applied for settlement of the outstanding liabilities of Sichuan Derui. In such event, under the receivable pledge agreement, pursuant to which Sichuan Derui unconditionally and irrevocably pledged and granted a first priority security interest in favor of Tibet Huatai over the right to request third parties for payment pursuant to the law and/or contracts upon voluntary or involuntary transfer or disposal of all or part of the school sponsor's interest in our PRC Operating Entities by Sichuan Derui ("Pledged Receivables"), the proceeds generated by such compulsory execution shall be the subject matter of the Pledged Receivable and be paid into a bank account as designated by Tibet Huatai. On the occurrence of an event of default as stipulated under the said receivable pledge agreement, Tibet Huatai has the right to directly deduct any amount recovered as Pledged Receivables from such bank account to compensate for its losses as a result of such event of default and/or to sell the Pledged Receivables which have not yet been recovered and to be compensated on a first priority basis from the proceeds out of such sale. As a result, we may become a cash company with assets consisting wholly or substantially of cash and may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO DOING BUSINESS IN CHINA

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

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

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

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

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

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

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

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

In utilizing the proceeds of the Global Offering in the manner described in the section "Future Plans and Use of Proceeds" in this prospectus as an offshore holding company of our PRC subsidiary, we may (i) make loans to our PRC Operating Entities, (ii) make additional capital contributions to our PRC subsidiary, (iii) establish new subsidiaries and make additional new capital contributions to these new

PRC subsidiaries, and (iv) acquire offshore entities with business operations in China in an offshore transaction. However, most of these uses are subject to PRC regulations and approvals. For example:

- loans by us to Tibet Huatai, our subsidiary in China and a foreign-invested enterprise, cannot exceed statutory limits and must be registered with SAFE, or its local counterparts;
- loans by us to our PRC Operating Entities, over a certain threshold, must be approved by the relevant government authorities and must also be registered with the SAFE or its local counterparts; and
- capital contribution to our PRC Operating Entities must be approved by MOE and Ministry of Civil Affairs or their respective local counterparts.

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

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

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

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

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

Any appreciation or depreciation in the value of the Renminbi or other foreign currencies that our operations are exposed to will affect our business in different ways. In addition, changes in foreign exchange rates may have an impact on the value of, and any dividends payable on, the Shares in Hong Kong dollars. In such events, our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

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

The economy of China has been experiencing significant growth, leading to inflation and increased labor costs. According to the National Bureau of Statistics of China, the year-over-year percent change in the consumer price index in China was 1.5% in December 2014. China's overall economy and the average wage in the PRC are expected to continue to grow. Future increases in China's inflation and material increases in the cost of labor may materially and adversely affect our profitability and results of operations unless we are able to pass on these costs to our students by increasing tuition.

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

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

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

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

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

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

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

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

Under the EIT Law and its implementation rules, if an enterprise incorporated outside the PRC has its "de facto management bodies" located within the PRC, such enterprise may be recognized as a PRC tax resident enterprise and be subject to the unified enterprise income tax rate of 25% on its worldwide income. Under the implementation rules for the EIT Law, "de facto management bodies" is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. Since all of our management is currently located in the PRC, we may be recognized as a PRC tax resident enterprise for the purpose of the EIT Law and therefore we would be subject to PRC income tax at the rate of 25% on our worldwide income. In such event, our income tax expenses may increase significantly and our net profit and profit margin could be materially and adversely affected.

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

According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. As a result, private schools providing academic qualification education are eligible to enjoy income tax exemption treatment if the school sponsors of such schools do not require reasonable returns. The school sponsors of all of our schools have elected to require reasonable returns. Preferential tax treatment policies applicable to private schools requiring reasonable returns are to be separately formulated by the relevant authorities. To date, however, no separate regulations or policies have been promulgated in this regard. We have obtained confirmation letters from the local tax bureaus in the areas where we operate our schools, which confirmed, among other things, that our schools are exempt from PRC income tax historically and up to 2015. However, there is a possibility that the PRC government may promulgate relevant tax regulations that will eliminate such preferential tax treatment, or the local tax bureaus may change their policy, in each such case, we will be subject to PRC income tax going forward. In addition, following the execution of the Structured Contracts, Tibet Huatai will initially be subject to an income tax rate of 9% and value-added tax in China. These preferential tax treatments may be subject to change and we cannot provide any assurance that the preferential tax rate applicable to Tibet Huatai will continue to apply in the future, and Tibet Huatai may therefore be required to pay a higher rate of income tax in the future. The discontinuation of any preferential tax treatment currently available to us or the determination of any of the relevant tax authorities that any of the preferential tax treatment we have enjoyed or currently enjoy is not in compliance with the PRC laws would cause our effective tax rate to increase, which would increase our tax expenses and reduce our net profit.

RISKS RELATING TO THE GLOBAL OFFERING

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

Prior to the Global Offering, there has been no public market for our Shares. The initial issue price range for our Shares was the result of negotiations among us and the Joint Global Coordinators on behalf of the Underwriters and 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. There is no assurance that the Global Offering will result in the development of an active, liquid public trading market for our Shares. Factors such as variations in our revenue, earnings and cash flows or any other developments of us may affect the volume and price at which our Shares will be traded.

The liquidity, trading volume and market price of our Shares following the Global Offering may be volatile.

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

- our financial results;
- changes in securities analysts' estimates, if any, of our financial performance;

- the history of, and the prospects for, us and the industry in which we compete;
- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future revenues and cost structures such as the views of independent research analysts, if any;
- the present state of our development;
- the valuation of publicly traded companies that are engaged in business activities similar to ours;
- general market sentiment regarding apparel supply chain servicing and retail industries and companies;
- changes in laws and regulations in China;
- our inability to compete effectively in the market; and
- political, economic, financial and social developments in China and worldwide.

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

Because the initial public Offer Price per Share is higher than the net tangible book value per Share, purchasers of our Shares in the Global Offering will experience immediate dilution.

The Offer Price of our Offer Shares is higher than the net tangible book value per Share immediately prior to the Global Offering. Therefore, purchasers of our Offer Shares in the Global Offering will experience an immediate dilution in pro forma adjusted combined net tangible asset value of HK$0.8280 per Share (assuming an Offer Price of HK$2.55 per Offer Share, being the mid-point of our Offer Price range of HK$2.18 to HK$2.92 per Offer Share) and existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per share of their shares. If we issue additional Shares in the future, purchasers of our Offer Shares may experience further dilution.

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

Sales of substantial amounts of Shares in the public market after the completion of the Global Offering, or the perception that these sales could occur, could adversely affect the market price of our Shares. There will be 3,000,000,000 Shares outstanding immediately following the Global Offering, assuming no exercise of the Over-allotment Option. Our Controlling Shareholders agreed that any Shares held by them will be subject to a lock-up after the Listing. See "Underwriting — Underwriting Arrangements and Expenses" for more information. However, the Underwriters may release these securities from these restrictions at any time and such Shares will be freely tradable after the expiry of the lock-up period. Shares which are not subject to a lock-up arrangement represent approximately 25% of the total issued share capital immediately following the Global Offering (assuming no exercise of the Over-allotment Option) and will be freely tradable immediately following the Global Offering.

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

Immediately after the completion of the Global Offering and the Capitalization Issue (without taking into account of the Shares which may be issued upon the exercise of the Over-allotment Option or the Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), our Controlling Shareholders will own approximately 52.08% of our Shares. As such, our Controlling Shareholders will have substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of Directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive our shareholders of an opportunity to receive a premium for their Shares in a sale of our Company or may reduce the market price of our Shares. These actions may be taken even if they are opposed by our other Shareholders, including those who purchased Shares in the Global Offering. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders.

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

The Offer Price of our Offer Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be four business days after the pricing date. As a result, investors may not be able to sell or deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments, that could occur between the time of sale and the time trading begins.

Prior dividend distributions are not an indication of our future dividend policy.

For the years ended December 31, 2012, 2013 and 2014, we declared and distributed RMB68.0 million, RMB55.0 million and RMB40.0 million, respectively, to our equity holders. Any future dividend declaration and distribution by our Company will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our Articles of Association and the PRC laws, including (where required) the approvals from our shareholders and our Directors. In addition, our future dividend payments will depend upon the availability of dividends received from our subsidiary. As a result of the above, we cannot assure you that we will make any dividend payments on our Shares in the future with reference to our historical dividends. For further details of the dividend policy of our Company, see the section headed "Financial Information — Dividend Policy" in this prospectus.

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

Our management may spend the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favourable return to our Shareholders. We plan to use the net proceeds from the Global Offering, including the expansion of our school network, the establishment of a dedicated teacher and staff training center and the repayment of short-term loans. Please refer to the section headed "Future Plans and Use of Proceeds — Use of Proceeds" for more information. However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net proceeds from this Global Offering.

Waivers have been granted from Compliance with certain requirements of the Listing Rules by the Stock Exchange. Shareholders will not have the benefit of the Listing Rules that are so waived. These waivers could be revoked, exposing us and our Shareholders to additional legal and compliance obligations.

We have applied for, and the Stock Exchange has granted to us, a number of waivers from strict compliance with the Listing Rules. Please see "Waivers from Strict Compliance with the Listing Rules" for further details. There is no assurance that the Stock Exchange will not revoke any of these waivers granted or impose certain conditions on any of these waivers. If any of these waivers were to be revoked or to be subject to certain conditions, we may be subject to additional compliance obligations, incur additional compliance costs and face uncertainties arising from issues of multijurisdictional compliance, all of which could adversely affect us and our Shareholders.

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

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

We cannot, however, guarantee the quality or reliability of such facts and statistics. Although we have taken reasonable care to ensure that the facts and statistics presented are accurately extracted and reproduced from such publications and the Frost & Sullivan Report, they have not been independently verified by us, the Joint Global Coordinators, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy. We therefore make no representation as to the accuracy of such facts and statistics which may not be consistent with other information complied by other sources and prospective investors should not place undue reliance on any facts and statistics derived from public sources or the Frost & Sullivan Report contained in this prospectus.

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

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

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

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

Certain information relating to Chengdu Jinniu District Xingtai Small Loans Co., Ltd.* (成都市金牛區興泰小額貸款有限責任公司) and Sichuan Wuhou Shushang Small Loans Co., Ltd.* (四川武侯蜀商小額貸款有限公司) , related parties of our school sponsor, Sichuan Derui, is obtained from such companies directly, which may not be unduly relied upon.

Certain information relating to Chengdu Jinniu District Xingtai Small Loans Co., Ltd. and Sichuan Wuhou Shushang Small Loans Co., Ltd. is obtained directly from such companies. We believe our Directors have taken all reasonable care to ensure that the facts and statistics contained in such information are accurately reproduced from such sources for inclusion in this prospectus, such information has not been independently verified by us nor reviewed or audited by the reporting accountants and may be incomplete or out-of-date.

Our Company, the Underwriters, their respective directors and advisers or any other parties involved in the Global Offering make no representation as to the accuracy or completeness of such information, take no responsibility for the contents of the said information and expressly disclaim any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of such information. Accordingly, such information should not be unduly relied upon.

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

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

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

In preparation for the Listing, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE

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

(a) We have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules who will act as our principal channel of communication with the Stock Exchange. The two authorised representatives are Dr. Xu Ming and Ms. Wang Xiaoying, our executive Directors. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by home, office, mobile and other telephone numbers, email address and correspondence address (if the authorised representative is not based at the registered office), facsimile numbers if available, and any other contact details prescribed by the Stock Exchange from time to time. Each of the authorised representatives has been duly authorised to communicate on our behalf with the Stock Exchange. All of them have confirmed that they possess valid travel documents to Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required;

(b) Our authorised representatives have means of contacting all Directors promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. To enhance communication between the Stock Exchange, the authorised representatives and our Directors, our Company has implemented a policy whereby (a) each Director will provide his office phone number, mobile phone number, residential phone number, office facsimile number and email address to the authorised representatives; (b) each Director will provide valid phone numbers or means of communication to the authorised representatives when he travels; and (c) all Directors will provide their mobile phone numbers, office phone numbers, email addresses and office fax numbers to the Stock Exchange;

(c) Our Company has, in accordance with Rule 3A.19 of the Listing Rules, also appointed TC Capital Asia Limited as its compliance adviser, who will act as an additional channel of communication with the Stock Exchange. The compliance adviser will advise on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong for a period commencing on the Listing Date at least until the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our Company's financial results for the first full financial year after the Listing Date;

(d) Meetings between the Stock Exchange and our Directors could be arranged through our authorised representatives or our Company's compliance adviser, or directly with our Directors within a reasonable time frame. Our Company will inform the Stock Exchange promptly in respect of any change in our Company's authorised representatives and compliance adviser; and

(e) Each Director who is not ordinarily resident in Hong Kong has confirmed that he has valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange in Hong Kong within a reasonable period upon request.

WAIVER IN RELATION TO CONTINUING CONNECTED TRANSACTIONS

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

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

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 (WUMP) 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 with regard to us. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

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 information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Joint Global Coordinators, the Joint Bookrunners, the Sole Sponsor, any of the Underwriters, any of our or their respective directors, officers or representatives or any other person 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 the Public Offer Shares are set out in the section headed "How to Apply for Public Offer Shares" in this prospectus and in the relevant Application Forms.

UNDERWRITING

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.

The listing of, and permission to deal in, the Shares on the Stock Exchange is sponsored by the Sole Sponsor. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Placing is expected to be fully underwritten by the International Purchasers. If, for any reason, the Offer Price is not agreed among us (for the Joint Global Coordinators (on behalf of the Underwriters)), the Global Offering will not proceed. For further details about the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFERS AND SALES OF SHARES

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

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than in Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not 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 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 and pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE

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

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 is proposed to be sought in the future.

COMMENCEMENT OF DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, January 15, 2016, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, January 15, 2016. The Shares will be traded in board lots of 1,000 Shares each, the stock code of the Shares will be 1565.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, the Shares or exercising any rights attaching to the Shares. We emphasise that none of our Company, the Joint Global Coordinators, the Joint Bookrunners, the Sole Sponsor, the Underwriters, any of our or their respective directors, officers, employees, agents, advisers or representatives or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities resulting from your subscription, purchase, holding or disposing of, or dealing in, the Shares or your exercise of any rights attaching to the Shares.

HONG KONG BRANCH REGISTER AND STAMP DUTY

Our register of members holding Shares will be maintained by our principal share registrar, Codan Trust Company (Cayman) Limited, in the Cayman Islands, and our register of members holding listed Shares will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong.

No stamp duty is payable by applicants in the Global Offering. Dealings in the Shares registered in our Hong Kong share register will be subject to stamp duty in Hong Kong. The current ad valorem rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the vendor on every sale of the Shares. In other words, a total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

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

STABILISATION AND OVER-ALLOTMENT OPTION

Details of the arrangements relating to the Over-allotment Option and stabilisation are set out in the section headed “Structure of the Global Offering” in this prospectus.

OTHER

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

Unless otherwise specified, amounts denominated in RMB and US$ have been translated, for the purpose of illustration only, into HK dollars or US$ in this prospectus at the following exchange rates: HK$1.00: RMB0.8350 and US$1.00: RMB6.4731. No representation is made that any amounts in RMB or US$ were or could have been or could be converted into HK dollars or US$ at such rates or any other exchange rates on such date or any other date.

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

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

DIRECTORS

Name	Address	Nationality
Executive Directors		
Ms. Wang Xiaoying	No. 1, Block 27, No.105 Jinping Street, Wuhou District, Chengdu, Sichuan Province, the PRC	Chinese
Dr. Xu Ming	No.8, Unit 1, Block 5, No. 2 Cao Tang Dong Road, Qingyang District, Chengdu, Sichuan Province, the PRC	Chinese
Mr. Ye Jiayu	No. 1, Unit 3, Block 4, No.2 Longwang Miao Zheng Street, Jinjiang District, Chengdu, Sichuan Province, the PRC	Chinese
Mr. Yan Yude	No.2, 1/F, Unit 3, No.115, Jinli XiRoad, Qingyang District, Chengdu, Sichuan Province, the PRC	Chinese
Independent non-executive Directors		
Mr. Sit Chiu Wing	Flat C, 13/F, Block 4, Felicity Garden, Sai Wan Ho, Hong Kong	Chinese
Mr. Chan Kim Sun	Flat D, 24/F, Block 2, Lynwood Court, Kingswood Villas, Tin Shui Wai, New Territories, Hong Kong	Chinese
Ms. Xu Dayi	No. 2, Unit 1, Block 9, No. 9 Tongshanqiao Nan Street, Qingyang District, Chengdu, Sichuan Province, the PRC	Chinese

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

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	**Macquarie Capital Securities Limited** Level 18 One International Finance Centre 1 Harbour View Street Central Hong Kong
Joint Global Coordinators	**Macquarie Capital Securities Limited** Level 18 One International Finance Centre 1 Harbour View Street Central Hong Kong
	Haitong International Securities Company Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Joint Bookrunners and Joint Lead Managers	**Macquarie Capital Securities Limited** Level 18 One International Finance Centre 1 Harbour View Street Central Hong Kong
	Haitong International Securities Company Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
	Guotai Junan Securities (Hong Kong) Limited 27/F., Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
	China Industrial Securities International Capital Limited 30/F, AIA Central 1 Connaught Road Central Hong Kong

Legal advisors to our Company	*As to Hong Kong law and U.S. law:* Orrick, Herrington & Sutcliffe 43rd Floor, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong *As to PRC law:* Jingtian & Gongcheng 34/F Tower 3, China Central Place 77 Jianguo Road Chaoyang District Beijing The PRC *As to Cayman Islands law:* Conyers Dill & Pearman Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Legal advisors to the Sole Sponsor and the Underwriters	*As to Hong Kong law and U.S. law:* Herbert Smith Freehills 23rd Floor, Gloucester Tower The Landmark 15 Queen's Road Central Central Hong Kong *As to PRC law:* Commerce & Finance Law Offices 6/F NCI Tower A12 Jianguomenwai Avenue Beijing The PRC
Auditors and reporting accountant	Ernst & Young Certified Public Accountant 22/F., CITIC Tower 1 Tim Mei Avenue Central Hong Kong

Property valuer	DTZ Debenham Tie Leung Limited 16/F, Jardine House Central Hong Kong
Receiving banker	Industrial and Commercial Bank of China (Asia) Limited 33/F., ICBC Tower 3 Garden Road, Central Hong Kong
Compliance adviser	TC Capital Asia Limited Suite 1903 & 1904, 19/F, Tower 6 The Gateway, Harbour City 9 Canton Road Tsim Sha Tsui, Kowloon Hong Kong

Registered office	Cricket Square Hutchins Drive, P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Headquarter and principal place of business in PRC	No. 23 He Xin Lu Pi County Chengdu The PRC
Principal place of business in Hong Kong	36/F, Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong
Company's website	www.virscendeducation.com *(information contained in this website does not form part of the prospectus)*
Company secretary	Ms. Ng Sau Mei (伍秀薇) *ACS, ACIS* 36/F, Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong
Authorised representatives	Ms. Wang Xiaoying (王小英) No 105 Jinping Street Wuhou District, Chengdu Sichuan Province, the PRC Dr. Xu Ming (徐明) No.1, Cao Tang Dong Road, Chengdu, Sichuan Province, the PRC
Audit committee	Mr. Chan Kim Sun (陳劍燊) *(Chairman)* Mr. Sit Chiu Wing (薛超穎) Ms. Xu Dayi (許大儀)
Remuneration committee	Mr. Sit Chiu Wing (薛超穎) *(Chairman)* Ms. Wang Xiaoying (王小英) Ms. Xu Dayi (許大儀)

Nomination committee	Mr. Sit Chiu Wing (薛超穎) *(Chairman)* Mr. Yan Yude (嚴玉德) Ms. Xu Dayi (許大儀)
Principal Bankers	Industrial and Commercial Bank of China Sichuan Province Branch No. 35 Zongfu Road Jinjiang District, Chengdu, Sichuan Province The PRC
	China Construction Bank Corporation Sichuan Branch Sichuan CCB Building No. 86, Tidu Street, Chengdu, Sichuan Province The PRC
Cayman Islands share registrar and transfer office	Codan Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

This section contains certain information, statistics and data which are derived from official government publications and industry sources as well as a commissioned report from Frost & Sullivan, an Independent Third Party (the "Frost & Sullivan Report"). The information from official government publications and the Frost & Sullivan Report may not be consistent with information available from other sources within or outside the PRC and Hong Kong. We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any part has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy.

SOURCES OF INFORMATION

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

During the preparation of the Frost & Sullivan Report, Frost & Sullivan performed both primary and secondary research, and obtained knowledge, statistics, information and industry insights on the industry trends of the PRC fundamental education market, PRC private fundamental education market, the private fundamental education market in Southwest China and the PRC higher education market. Primary research involved discussing the status of the industry with leading industry participants and industry experts. Secondary research involved reviewing annual reports of companies, independent research reports and Frost & Sullivan's proprietary database.

The Frost & Sullivan Report was compiled based on the following assumptions: (i) China's economy is likely to maintain steady growth in the next decade; (ii) China's social, economic and political environment is likely to remain stable in the forecast period from 2015 to 2019; and (iii) market drivers, such as Chinese families' attention on children's education, the support from PRC central and local governments, improved investment in private education in China and the increase of household income and wealth, are likely to drive the PRC private fundamental education industry and PRC higher education market.

Frost & Sullivan is an independent global consulting firm, which was founded in 1961 in New York. It offers industry research and market strategies, and provides growth consulting and corporate training. It has over 40 offices worldwide with over 2,000 industry consultants, market research analysts and economists. We are contracted to pay a fee of RMB870,000 to Frost & Sullivan in connection with the preparation of the Frost & Sullivan Report. We have extracted certain information from the Frost & Sullivan Report in this section, as well as in the sections headed "Summary," "Risk Factors," "Business," "Financial Information" and elsewhere in this prospectus to provide our potential investors with a more comprehensive presentation of the industries in which we operate.

OVERVIEW OF THE EDUCATION AND FUNDAMENTAL EDUCATION INDUSTRIES IN CHINA

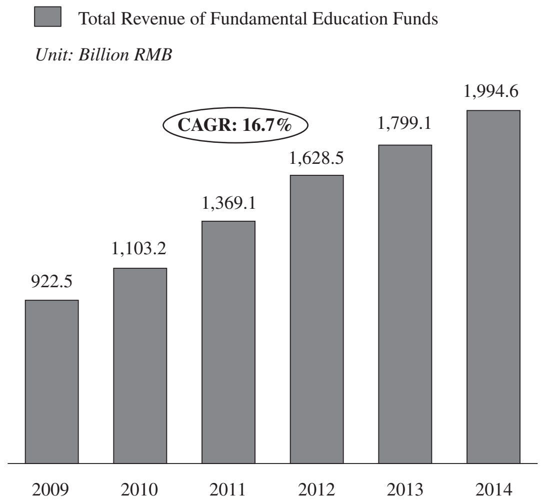
Overview

In general, the PRC education industry can be categorized into formal education and informal education. The PRC formal education industry is divided into five categories: fundamental education (also known as K-12 education), secondary vocational education, higher education, adult education and others, which include special education and correctional work-study schools. Unlike the informal education system, the formal education system provides students with the opportunity to earn official certificates from the PRC government, whereas the informal education systems merely enables students to obtain completion certificates for the training and learning courses they take, which may not be officially recognized in China. Fundamental education in the PRC includes (i) three years of preschool, (ii) nine years of compulsory education involving elementary (or primary) school and middle school, and (iii) three years of high school, which is a prerequisite for admission into college and postgraduate studies in China. Compulsory education (including private fundamental education) is closely regulated by the MOE, including, among other things, curriculums and tuition levels. However, preschools and high schools operate with additional flexibility. Generally speaking, high school graduates in China are offered PRC high school diplomas, and a small number of students are offered international diplomas, such as International Baccalaureate (IB) and American and Canadian diplomas. A very limited number of high schools offer their graduates dual diplomas.

Market Size and Trends in the PRC Fundamental Education Industry

The PRC fundamental education industry has exhibited strong growth over the past five years, primarily driven by rising government public expenditure and private consumption in the PRC. According to the Frost & Sullivan Report, as of the end of 2014, total revenue generated by the PRC fundamental education industry was RMB1,994.6 billion, compared to RMB922.5 billion in 2009, representing a CAGR of approximately 16.7%. Total revenue of the PRC fundamental education industry is calculated by aggregating total PRC government public expenditure allocated to schools in the industry by the PRC central and local governments, funding provided to private schools by investors, revenue generated from the donations to and fundraising by schools, revenue generated by schools from teaching, research and other activities (such as tuition and businesses ran by the schools), and other educational funding or school revenue, according to the Frost & Sullivan Report. For the year ended December 31, 2014, PRC public expenditure accounted for approximately 86.9% of the total revenue generated by the PRC fundamental education industry. The following diagram sets forth total revenue generated by the PRC fundamental education industry from 2009 to 2014.

Total Revenue of Fundamental Education Funds (China), 2009–2014



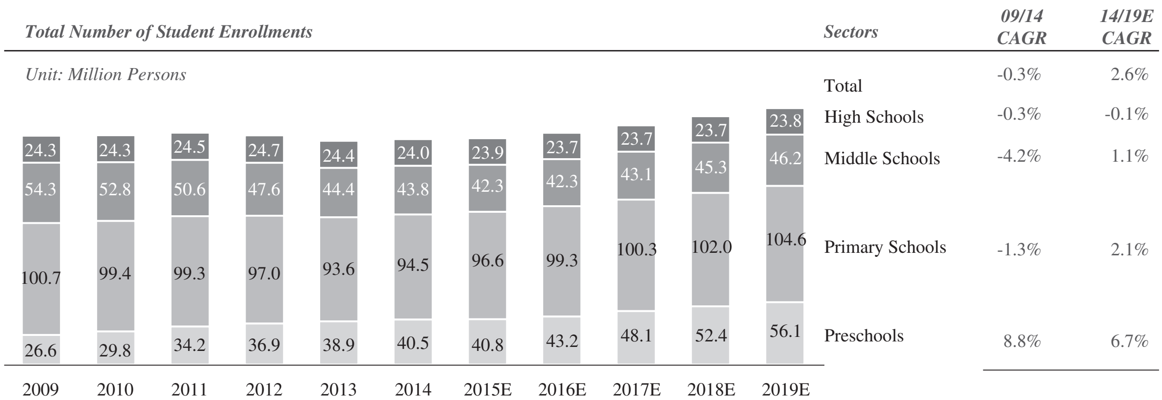
Source: Frost & Sullivan

In addition, according to the Frost & Sullivan Report, the continuous growth of the PRC economy has resulted in increases in annual disposable income of urban households and in the per capita annual living expenditure of urban households. From 2009 to 2014, the PRC per capita consumption expenditure on education, culture and recreation articles and services grew at a CAGR of approximately 10.9%. In addition, in 2014, the per capita expenditure on education, culture and recreation articles and services of urban households was estimated to be RMB2,475, representing approximately 12.9% of total per capita living expenditure of PRC urban households.

Student Enrollment in the PRC Fundamental Education Industry

Due to decades of the "one-child policy," the total number of students enrolled in the PRC fundamental education industry has decreased slightly by 1.5% from 206.0 million in 2009 to 202.9 million in 2014, according to the Frost & Sullivan Report. In particular, there had been a decrease in the number of primary, middle school and high school students despite an increase in the number of preschool students over the same period. However, as the PRC government terminated the "one-child policy" and adopted a universal "two-child policy" in 2015, and continues to support preschool education, the number of students enrolled in the PRC fundamental education industry is expected to rise to 230.8 million in 2019, according to the Frost & Sullivan Report. The number of student enrollment in the PRC fundamental education industry primarily depends on the school-age population, which is expected to increase over the next five years, and student enrollment rate. The following diagram illustrates the total number of student enrollment in the PRC fundamental education industry from 2009 to 2014, as well as a forecast of student enrollment from 2015 to 2019.

Total Number of Student Enrollments in Fundamental Education (China), 2009–2019E



Source: Frost & Sullivan

OVERVIEW OF THE PRIVATE FUNDAMENTAL EDUCATION INDUSTRY IN CHINA

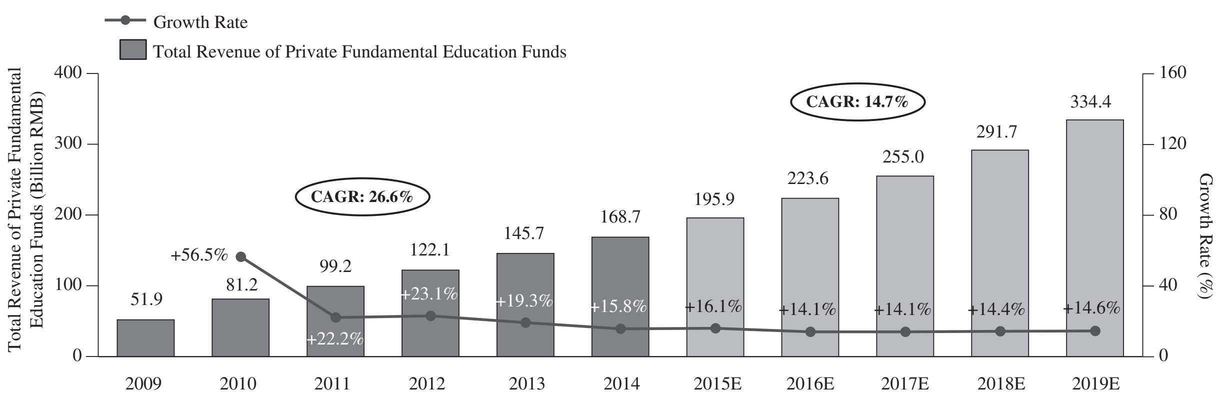
China first allowed private education in the early 1980s and experienced rapid growth of private education in the 1990s. It has since become an important force in the PRC education system. Generally, private schools in China have a higher level of operational independence as they do not operate under the direct administration of the PRC government. While most of the private schools in China follow the required curriculum system as public schools do, they tend to have more diverse and broader curriculum offerings and a greater degree of flexibility in terms of the level of tuition they charge.

Market Size and Trends in the PRC Private Fundamental Education Industry

According to the Frost & Sullivan Report, as of the end of 2014, total revenue generated by the PRC private fundamental education industry was RMB168.7 billion, compared to RMB51.9 billion in 2009, representing a CAGR of approximately 26.6%. This rapid growth was primarily driven by Chinese parents' desire to send their children to private schools for better education, which resulted in increased student enrollment in private schools, and the increased income from tuition fees and private investment. According to the Frost & Sullivan Report, total revenue generated by the PRC private fundamental education industry is expected to reach RMB334.4 billion in 2019. In addition, as of the end of 2014, total revenue of the private fundamental education industry in China accounted for approximately 8.5% of the total revenue generated by the PRC fundamental education, which increased from approximately 5.6% in 2009, according to the Frost & Sullivan Report.

The following chart illustrates the total revenue generated by the PRC private fundamental education industry from 2009 and 2014, and the forecast of revenue from 2015 to 2019.

Total Revenue of Private Fundamental Education Funds (China), 2009–2019E

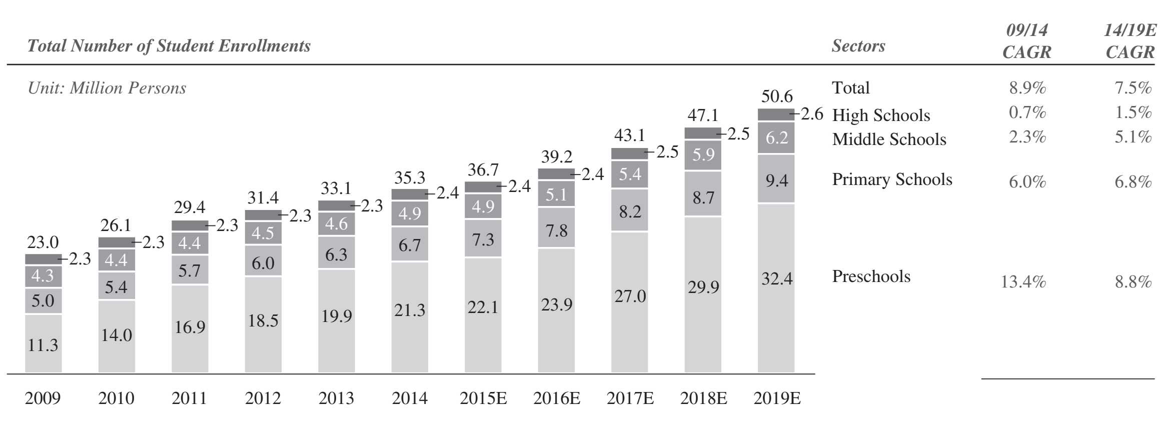


Source: *Frost & Sullivan*

Student Enrollment in the PRC Private Fundamental Education Industry

According to the Frost & Sullivan Report, over the past years, more and more students have enrolled in private schools in China despite a decrease in overall student enrollment in the PRC fundamental education industry. The total number of students enrolled in PRC private schools increased from 23.0 million in 2009 to 35.3 million in 2014, representing a CAGR of approximately 8.9%. The total number of student enrollment in private schools is expected to increase to 50.6 million in 2019, at a CAGR of approximately 7.5%. This growth was primarily driven by favorable government policies and support for private schools in China and the increased demand for private school education from parents. The diagram below sets forth the number of students enrolled in private fundamental education in China from 2009 to 2014, as well as a forecast of student enrollment expected from 2015 to 2019.

Total Number of Student Enrollments of Private Fundamental Education (China), 2009–2019E



Source: *Frost & Sullivan*

Furthermore, not only did the student enrollment in private fundamental education increase in China over the past five years, the number of private schools operating in China also increased. According to the Frost & Sullivan Report, the number of private schools offering fundamental education in China increased from 101,801 in 2009 to 152,148 in 2014, representing a CAGR of approximately 8.4%.

According to the Frost & Sullivan Report, the penetration of private schools in the overall PRC fundamental education system has increased over the past five years. Student enrollment in private schools increased from 11.2% in 2009 to 17.4% in 2014, indicating more students have chosen to attend private schools rather than public ones. The penetration rate is expected to reach 21.9% in 2019.

Tuition and Miscellaneous Fees for Private Schools

According to the Frost & Sullivan Report, tuition and miscellaneous fees in private schools are usually higher than those in public schools, primarily because public schools have public funding to support their operation whereas private schools mostly rely on private investments and tuition and miscellaneous fees. In 2014, the average annual tuition and miscellaneous fees per student in private preschools, primary schools, middle schools and high schools in the PRC were approximately RMB3,252, RMB3,060, RMB4,475 and RMB7,599, respectively. Further, there exists a significant gap between the levels of tuition fees of general private schools and those of premium ones. For example, general private schools are primarily established for meeting the PRC education demand where public resources are not able to fulfil, or for settling school-age population that does not match public schools' enrollment requirements, such as registered residence. On the other hand, premium private schools invest more heavily in academic resources and school facilities. According to the Frost & Sullivan Report, tuition fees for premium private schools generally range from RMB10,000 per student per academic year to over RMB200,000 per student per academic year, whereas the tuition fees for general private schools typically range from RMB2,000 per student per academic year to RMB6,000 per student per academic year. Premium private schools are able to charge substantially more tuition fees than general private schools primarily due to better brand/reputation, higher teaching quality, premium teacher resources, distinguished education philosophy, better facilities and more diversified curriculums, among other factors. In addition, private schools that offer foreign curriculums typically charge much higher fees than schools that do not offer such programs.

OVERVIEW OF THE PRIVATE EDUCATION INDUSTRY IN SOUTHWEST CHINA

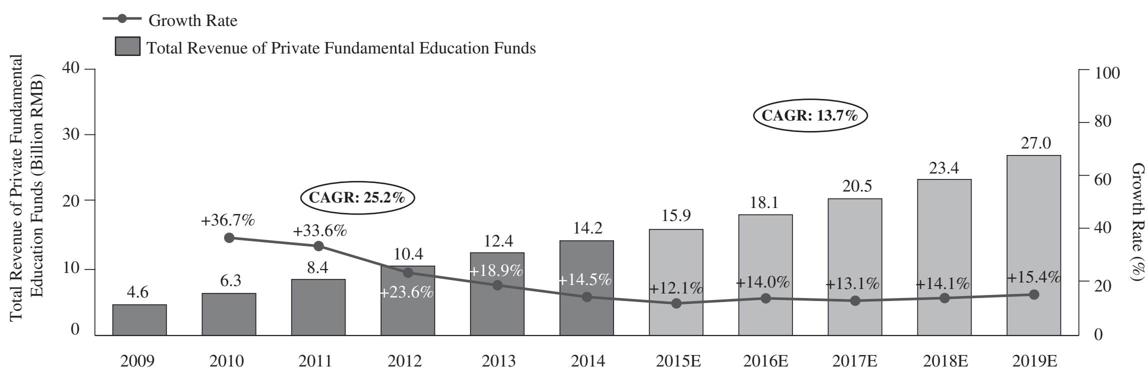
Southwest China, which includes Sichuan, Guizhou and Yunnan Provinces as well as Chongqing Municipality, accounted for 14.2% of China's total population and 10.2% of the national GDP in 2014, according to the Frost & Sullivan Report.

Market Size in the Private Fundamental Education Industry in Southwest China

According to the Frost & Sullivan Report, as of the end of 2014, the total revenue generated by the private fundamental education industry in Southwest China was RMB14.2 billion, compared to RMB4.6 billion in 2009, representing a CAGR of approximately 25.2%. This increase in total revenue was mainly driven by (i) rapid economic growth in Southwest China and increased urbanization; (ii) growing household income level and wealth, which allows parents to increase their investment in private schools for their children's education; (iii) increased social awareness of the benefits of private schools and (iv) favorable regulatory and policy environment that has become conducive to the development of the private fundamental education in Southwest China. In addition, the total revenue to be generated by the private fundamental education industry in Southwest China is expected to reach RMB27.0 billion in 2019, according to the Frost & Sullivan Report.

The following chart illustrates the total revenue generated by the private fundamental education industry in Southwest China from 2009 and 2014, and the forecast of revenue from 2015 to 2019.

Total Revenue of Private Fundamental Education (Southwest China), 2009–2019E

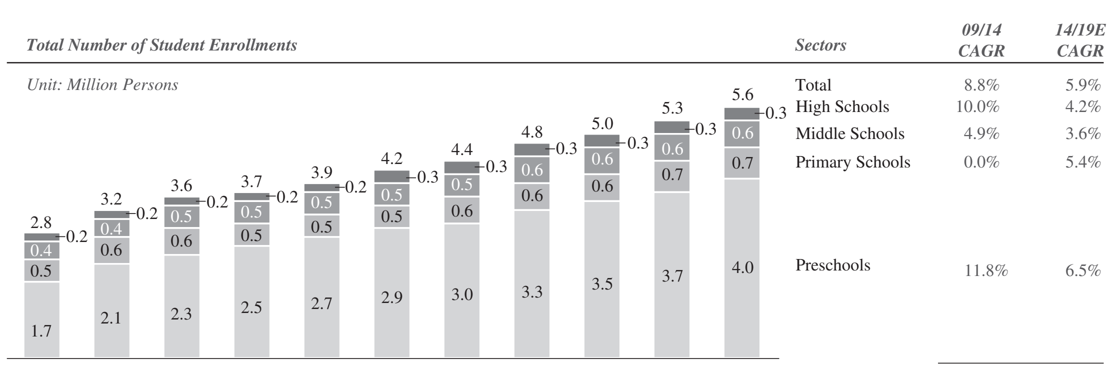


Source: *Frost & Sullivan*

Student Enrollment in the Private Fundamental Education Industry in Southwest China

According to the Frost & Sullivan Report, Southwest China witnessed accelerated growth in private education in the late 1990s and 2000s, primarily due to effective implementation of policies favorable to the development of the sector by attracting private investments through collaborative efforts by various local government authorities. Accordingly, the total number of students enrolled in the private fundamental education industry in Southwest China increased from 2.8 million in 2009 to 4.2 million in 2014, representing a CAGR of approximately 8.8%, and is expected to reach 5.6 million in 2019. The growth in student enrollment was mainly attributable to the growth of preschool enrollment, which increased from 1.7 million in 2009 to 2.9 million in 2014, representing a CAGR of approximately 11.8%, mainly as a result of higher birth rate in the region during the same period. The increase in student enrollment is also contributed by accelerated economic development and increased urbanization, which increased parents' disposable income for investment in private education for their children. In addition, student enrollment in high schools also increased rapidly, which was primarily motivated by the better quality of private education and parents' increasing income and wealth. The diagram below sets forth the number of students enrolled in private fundamental education in Southwest China from 2009 to 2014, as well as a forecast of student enrollment expected from 2015 to 2019.

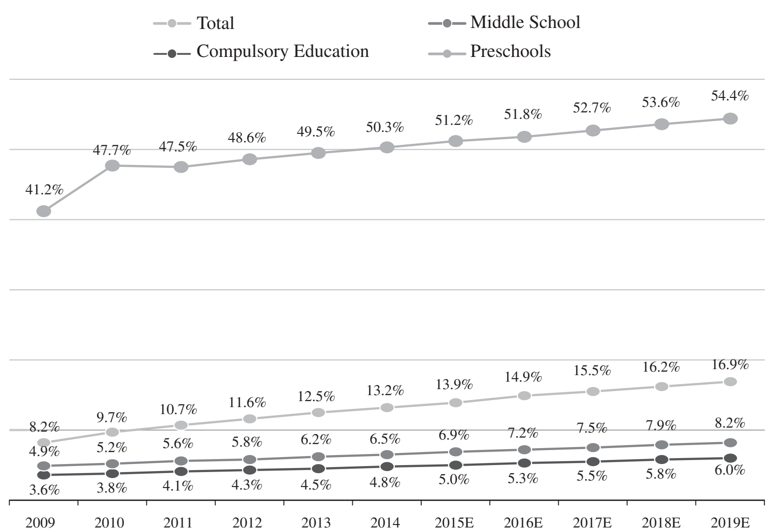
Total Number of Student Enrollments in Private Fundamental Education (Southwest China), 2009–2019E



Source: *Frost & Sullivan*

According to the Frost & Sullivan Report, the penetration rate of private schools in the overall fundamental education system in Southwest China has increased over the past five years. Student enrollment in private schools increased from 8.2% of total fundamental school enrollment in 2009 to 13.2% in 2014, indicating more students have chosen to attend private schools rather than public ones. The penetration rate is expected to reach 16.9% in 2019, according to Frost & Sullivan. The following diagram illustrates the penetration rate of private schools in the private fundamental education industry in Southwest China in terms of student enrollment from 2009 to 2014, and a forecast of penetration rates from 2015 to 2019.

Private Schools Penetration in Fundamental Education by Number of Student Enrollments (Southwest China), 2009–2019E



Source: Frost & Sullivan

Drivers of the Private Fundamental Education Market in Southwest China

The development of the private fundamental education market in Southwest China is driven primarily by the following factors:

- ***Strong local government support***: The local governments in Southwest China have been making continuous efforts to support the development of private education. For example, in 2003, the People's Government of Sichuan Province issued the Decisions of Sichuan Provincial People's Government on Promoting the Development of Non-governmental Education (《四川省人民政府關於大力促進民辦教育發展的決定》), which encouraged the establishment of private schools and ensured that they have equal legal status as public ones. In 2008, the Standing Committee of the 11th Provincial People's Congress of Sichuan Province promulgated the Measures for the Implementation by Sichuan Province of The Law for Promoting Private Education of the PRC (《四川省〈中華人民共和國民辦教育促進法〉實施辦法》) to provide numerous preferential treatments to private schools ranging from financial support to preferential tax treatments. In 2012, the Financial Department of Sichuan Province issued the Interim Procedures of Management of Special Funds for Provincial Non-government Education (《四川省級民辦教育發展專項資金管理暫行辦法》) as a supporting policy to the Decision of Sichuan Provincial People's Government on Promoting the Development of

Non-governmental Education, which was issued in 2003. Furthermore, each of the local governments in Yunnan, Guizhou and Chongqing has enacted similar policies in support of the continued development of private education. For instance, in 2012, the Non-government Education Regulation of Yunnan Province (《雲南省民辦教育條例》) was adopted by the Standing Committee of the 11th Provincial People's Congress of Yunnan Province;

- ***Improved quality of private education***: Although private fundamental education in Southwest China lacked resources and experience to compete with public schools in the early stage of its development, based on the favorable regulatory and policy environment, private fundamental education in Southwest China has gained access to more quality resources, such as public funding. In addition, favorable policies attracted nationally renowned private education service providers to set up campuses and/or branches in the region thus further improving the overall availability and quality of private education; and

- ***Increased household income and wealth***: As a result of the continuous and strong economic development and urbanization in Southwest China, which resulted in enhanced family wealth and income levels in the region, the demand for private fundamental education has increased and is likely to continue to increase, despite the fact that the tuition fees for private schools are usually higher than those of public schools.

Developmental Trends in Private Fundamental Education Industry in Southwest China

According to the Frost & Sullivan Report, the developmental trends of the private fundamental education industry in Southwest China include the following:

- Both the demand for private education and the penetration rate of private schools will likely increase as parents continue to be attracted by the well-rounded education private schools are able to offer to their children and as private schools continue to improve teaching services and provide higher-quality education;

- Strong local educational brands are likely to develop because the local private education market in Southwest China has been fragmented, which creates opportunities for private school operators to integrate resources and improve commercial operations in order to establish strong brand names;

- Continually intensifying competition among private school operators in the region is likely to create steeper differentiation between private and public fundamental education based primarily on the availability of elective courses, foreign language classes and international exposure that private schools are able to offer; and

- The private education market in Southwest China is also undergoing a reform process. Large numbers of ownership transfers and merger and acquisition cases continue to take place, and the market is expected to observe increasing consolidation with the emergence and further development of leading private education operators based primarily on such growth strategy.

OVERVIEW OF THE PRIVATE HIGHER EDUCATION INDUSTRY IN CHINA

Private higher education industry in China experienced rapid growth and entered into regulated development in the 1990s as the PRC regulatory authorities began to implement a regulatory framework to govern private higher education, according to the Frost & Sullivan Report. Private higher education in China can be divided into two categories: private institutions of higher education (民辦普通高校) and independent colleges (獨立學院). Private institutions of higher education and independent colleges are different from public institutions of higher education mainly due to the fact that public institutions of higher education are generally run by the PRC national or local governments and their major source of capital is PRC public expenditure on education.

Market Size in the Private Higher Education Industry in China

According to the Frost & Sullivan Report, from 2009 to 2014, the total number of private higher educational institutions in China increased from approximately 658 to 728, while the total number of independent colleges decreased from 322 to 283. In addition, according to the Frost & Sullivan Report, the total revenue of the private higher education industry has been increasing steadily from RMB51.1 billion in 2009 to RMB84.7 billion in 2014, representing a CAGR of approximately 10.7%.

Student Enrollment in the Higher Education Industry in China

Increasing wealth and greater demand for higher education and academic qualifications have contributed to the growth of the PRC higher education sector. According to the Frost & Sullivan Report, total student enrollment in private higher education in China increased from 4.5 million in 2009 to 5.9 million in 2014, representing a CAGR of approximately 5.6%. In addition, student enrollment in independent colleges in the PRC increased from approximately 2.4 million in 2009 to approximately 2.7 million in 2014.

Market Drivers in the PRC Private Higher Education Industry

According to the Frost & Sullivan Report, the development and growth of the PRC private higher education industry are primarily driven by the following factors:

- ***Increasing household wealth***: As the PRC economy continues to grow, household income and wealth also grew. Hence, more and more high school graduates who otherwise have failed to enroll in public higher education in China are willing and can afford to attend private higher educational institutions;

- ***Growing market demand for technical talents***: In order to continue economic development in China, the market demands more technical talents in all areas, which supports the growth of private higher education since private higher education generally focuses more on practical education and training; and

- ***Increasing diversification and educational quality***: As the PRC government continues to support the development of private higher education, and the industry increases its capability in resource integration, the educational quality of private higher education continues to improve. Recently, numerous leading private universities have emerged that obtained comparable resources and achieved similar educational quality as certain top-tier universities in China, according to the Frost & Sullivan Report. In addition, private educational institutions that primarily focus on professional education and training have expanded their course offerings and increased the level of specialization. Such developments are expected to attract more high school graduates to consider private higher education in China.

COMPETITIVE LANDSCAPE

Competitive Landscape of the PRC Private Fundamental Education Market

According to the Frost & Sullivan Report, the private fundamental education market in China is highly competitive and fragmented. The total number of private fundamental educational schools was approximately 152,148 by the end of 2014, and they were distributed across China based on the distribution of the school-age population and the level of demand for private education in a specific province or region. So far, the PRC private fundamental education market lacks dominant players with a nationwide coverage and significantly higher market share. The market shares of major participants in the industry in terms of student enrollment as of December 31, 2014 were all less than 0.1%, indicating the highly fragmented nature of the market.

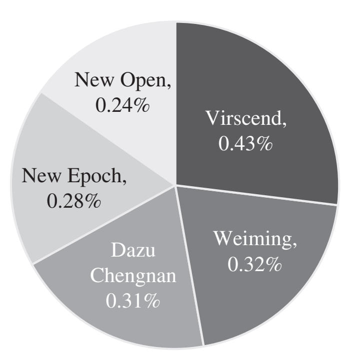
A substantial majority of the private fundamental education operators in China own a limited number of schools and commonly focus on regional markets for their operation and development since China's private fundamental education market is relatively locally-based. The players with different operating region-focus usually have limited competition between one another due to their entirely different customer targets and regulatory and operating environments.

Competitive Landscape of the Private Fundamental Education Market in Southwest China

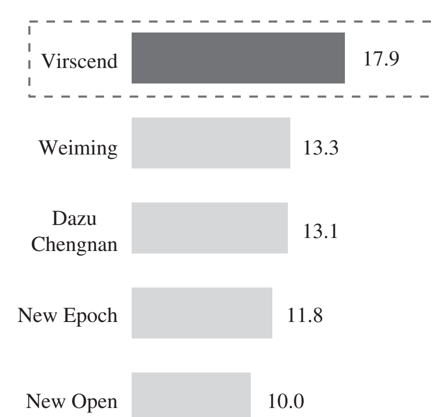
Similar to the PRC private fundamental education market, the private fundamental education market in Southwest China is also fragmented. According to the Frost & Sullivan Report, the total number of student enrollment in such sector in Southwest China was approximately 4.2 million, and the top five private school operators had an aggregate enrollment of approximately 66,100, which accounted for only 1.6% of the total market share. With approximately 17,900 total K-12 student enrollment in 2014, we ranked first in the region, followed by Weiming and Dazu Chengnan with student enrollment of approximately 13,300 and 13,100, respectively. New Epoch and New Open had approximately 11,800 and 10,000 student enrollment in 2014, respectively, ranking fourth and fifth, respectively, in the region.

The following diagrams illustrate the market share and student enrollment information of the top five private school operators in Southwest China in 2014.

Market Share of Top 5 Players (Southwest China), 2014



Student Enrollments of Top 5 Players (Southwest China), 2014



Unit: Thousand Students

Source: Frost & Sullivan

With respect to annual tuition fees, among the top five players in the private fundamental education industry in Southwest China in terms of student enrollment, the primary school and the schools we operate both ranked first in their respective category with average annual tuition fees per capita (which is calculated based on gross tuition fees received for a particular school year divided by the aggregate student enrollment for such school year) of RMB24,424 and RMB30,676 for the 2014/2015 school year, respectively. The kindergarten we operate had an average annual tuition fee of RMB21,625 for the 2014/2015 school year, which ranked second behind Weiming. Furthermore, according to the Frost & Sullivan Report, Weiming ranked first in terms of average annual boarding fees at RMB2,600 in the 2014/2015 school year while we ranked third in terms of average annual boarding fees among the top five players in the private fundamental education industry in Southwest China with an average annual boarding fee of RMB1,300.

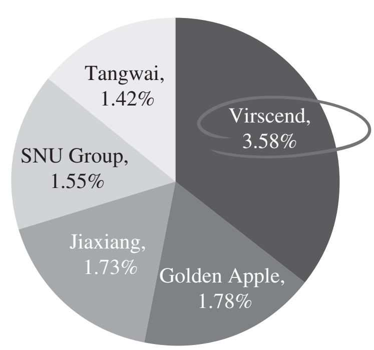
Competitive Landscape of Chengdu Fundamental Education Market

Similar to the PRC fundamental education market and the fundamental education market in Southwest China, the fundamental education market in Chengdu is also fragmented. According to the Frost & Sullivan Report, as of December 31, 2014, the total number of fundamental educational schools in Chengdu was 2,964, and total student enrollment reached approximately 1,746,900. Private education serves a crucial part in Chengdu's educational sector. As of December 31, 2014, the total number of private educational schools was 1,744 and total student enrollment was approximately 499,300. Public and private fundamental schools differ in terms of enrollment policies, especially for the phase of compulsory education. Private fundamental schools generally have more flexible enrollment plans and fewer limitations regarding students' background, whereas public fundamental schools usually have specific requirements, such as the students' registered permanent residence. Therefore, private fundamental schools possess a relatively more expanded student base for enrollment. Meanwhile, major revenue sources for public and private fundamental schools are significantly different, which are reflected in different tuition fee levels between these two types of schools. The major revenue source for private schools is tuition fees while that for public schools is government funding, which is the case in China as a whole, Southwest China and in Chengdu.

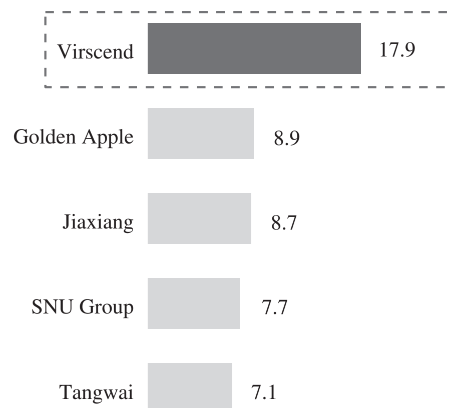
Competitive Landscape of Chengdu Private Fundamental Education Market

Chengdu's private fundamental education market is more concentrated among the top players than those of Southwest China and the PRC. According to the Frost & Sullivan Report, as of December 31, 2014 the total number of student enrollment of the private fundamental education market in Chengdu was approximately 499,300, and the top five private school operators recorded a total enrollment of approximately 50,300 with an aggregated market share of approximately 10.1%. With approximately 17,900 total K-12 student enrollment for the 2014/2015 school year, our Group ranked first in the city, followed by the other four competitors for the same school year, namely, Golden Apple with approximately 8,900 students, Jiaxiang with approximately 8,700 students, SNU Group with approximately 7,700 students and Tangwai with approximately 7,100 students. The following diagrams illustrate the market share and student enrollment information of the top five private school operators in Chengdu in 2014 in terms of student enrollment.

Market Share of Top 5 Players (Chengdu), 2014



Student Enrollments of Top 5 Players (Chengdu), 2014



Source: Frost & Sullivan

Unit: Thousand Students

According to the Frost & Sullivan Report, the differences in annual tuition fee levels in 2014 were less significant among the top five players in the private fundamental education industry in Chengdu than in Southwest China as a whole, which were generally above RMB20,000 per student for primary schools, middle schools and high schools for the 2014/2015 school year. For the tuition fees of pre-schools, they ranged from RMB19,800 per student per school year to RMB36,000 per student per school year for the 2014/2015 school year.

Competitive Landscape of the Private Higher Education Industry in China

According to the Frost & Sullivan Report, China's private higher education market is highly fragmented. As of December 31, 2014, the total number of private higher educational institutions reached approximately 728, and the operators were generally local market-based, primarily because there are several significant challenges to cross-region development, such as familiarity with different local market-specific regulatory environments and an operator's relationship with the local government. The number of private higher educational institutions in Sichuan was approximately 30 to 40 as of the end of 2014. For independent colleges, their brand recognition and reputation are closely associated with the public universities they partner with.

ENTRY BARRIERS FOR THE EDUCATION INDUSTRY IN CHINA

Entry Barriers for the PRC Fundamental Education, Private Fundamental Education Industries and Private Higher Education

According to the Frost & Sullivan Report, the PRC fundamental education industry, private fundamental education industry and the private higher education industry have fairly high entry barriers, in particular, the compulsory education that is tightly regulated by the MOE. Specific entry barriers are set forth below:

- ***Regulatory approvals***: School operators in China are all required to obtain and maintain a series of approvals, licenses and permits by the relevant PRC governmental authorities, and comply with specific registration and filing requirements in order to provide education services. The establishment of a school in China is also subject to approval under the Education Law of the PRC (《中國人民共和國教育法》), whereas the establishment of a private school in China is subject to the approvals under The Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》) and the Implementation Rules for the Law of Promoting Private Education (《中華人民共和國民辦教育促進法實施條例》). The process to obtain approval is lengthy and complex, which becomes a natural barrier for the industry, especially for new school operators. In addition, the establishment of a private school in China is subject to relevant approvals under The Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》) and the Implementation Rules for the Law of Promoting Private Education (《中華人民共和國民辦教育促進法實施條例》). With respect to establishing private higher educational institutions in the PRC, operators must first be authorized by the PRC government. According to the Regulations on the Establishment of Private Higher Education Institutes (《民辦高等學校設置暫行規定》), (i) private higher educational institutions shall introduce at least three majors; (ii) each major should have at least two teachers with the title of associate professor or above; and (iii) each private higher education institution must have at least 500 students enrolled;

- ***Capital requirements***: The establishment of a school in China requires a large initial capital investment for the acquisition of the land use rights and the construction of a campus and school facilities, as well as other related expenses. The establishment of a school also requires an on-going long-term investment commitment in addition to the initial capital outlay. Thus, school operators' ability to secure sufficient capital will be critical;

- ***Availability of land***: The availability of land and relevant facilities remain a challenge for new market entrants as a result of tight supply of available land in certain cities and regions in the PRC and the rising rental costs. A sufficient area of land and adequate school facilities are basic requirements to operate schools and have a direct impact on the class size and quality of education school operators can offer. Based on the foregoing, considerable time and resources are required for school operators to establish new schools in a new location;

- ***Availability of qualified teaching staff***: The quality of education hinges on the quality of the teaching staff. Due to the demand for smaller class sizes and a general shortage of qualified teaching staff, school operators who wish to expand their existing schools or establish new schools are faced with pressure to attract and retain high-quality teachers. In addition, qualified teachers are usually more attracted to public schools and well-established private schools, which makes it more difficult for new schools to obtain their services; and

- ***Brand awareness and source of students***: For private schools, brand awareness is critical because it is one of the most important factors that parents and students consider when choosing schools. A private school with a long operating history and well-established reputation is more attractive to parents and students than new schools. Establishing brand awareness and reputation takes time and experience, which would be difficult for new entrants to attract and enroll students in the early years of their operation.

FOREIGN INVESTMENT IN EDUCATION IN THE PRC

Foreign Investment Industries Guidance Catalog (2015)

Under the Foreign Investment Industries Guidance Catalog (Amended in 2015) (《外商投資產業指導目錄》(2015年修訂)) (the "Foreign Investment Catalog") which was amended and promulgated by the National Development and Reform Commission, or NDRC, and the MOFCOM on March 10, 2015 and became effective on April 10, 2015, preschool education, high school education and higher education are restricted industries for foreign investors, and foreign investors are only allowed to invest in preschool education, high school education and higher education in cooperative ways and the domestic party shall play a dominant role in the cooperation, which means the principal or other chief executive officer of the schools shall be a PRC national and the representative of the domestic party shall account for no less than half of the total members of the board of directors, the executive council or the joint administration committee of the sino-foreign cooperative educational institution. In addition, according to the Foreign Investment Catalog, foreign investors are prohibited from investing in compulsory education, meaning primary school to middle school.

Sino-foreign cooperation in operating schools or training programs is specifically governed by the Sino-Foreign Regulation of the PRC (《中華人民共和國中外合作辦學條例》), the Occupational Education Law of the PRC (《中華人民共和國職業教育法》), the Law for Promoting Private Education of the PRC, and the Implementing Rules for the Regulations on Operating Sino-foreign Schools* (《中華人民共和國中外合作辦學條例實施辦法》) (the "Implementing Rules"), which were issued by the MOE in 2004 and became effective on July 1, 2004.

The Sino-Foreign Regulation and its Implementing Rules apply to the activities of educational institutions established in the PRC cooperatively by foreign educational institutions and Chinese educational institutions, which recruit their students primarily among PRC citizens and encourage substantial cooperation between overseas educational organizations with relevant qualifications and experience in providing high-quality education. PRC educational organizations jointly operate various types of schools in the PRC, with such cooperation in the areas of higher education and occupational education being encouraged. The overseas educational organization must be a foreign educational institution with relevant qualification and experience. Our PRC Legal Advisors have advised that based on their current understanding and knowledge, it is uncertain as to what type of information (including the length and type of experience) a foreign investor must provide to the competent PRC government authority to demonstrate that it meets the qualification requirement. PRC-foreign cooperative schools are not permitted, however, to engage in compulsory education and military, police, political and other kinds of education that are of a special nature in the PRC. Any PRC-foreign cooperation school and cooperation program shall be approved by relevant education authorities and obtain an Operation Permit for Sino-foreign cooperation school, and a sino-foreign cooperation school established without the above approval or permit may be prohibited by the relevant authorities, be ordered to refund the fees collected from its students and be subject to a fine of no more than RMB100,000, while a sino-foreign cooperation program established without such approval or permit may also be banned and be ordered to refund the fees collected from its students.

On June 18, 2012, MOE issued the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education (《關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》) to encourage private investment and foreign investment in the field of education. According to these opinions, the proportion of foreign capital in a sino-foreign education institute shall be less than 50%.

Pursuant to the Draft Foreign Investment Law, as far as new VIE structures are concerned, if the domestic enterprise under the VIE structure is controlled by Chinese nationals, such domestic enterprise may be treated as a Chinese investor and therefore, the VIE structures may be regarded as legal. On the contrary, if the domestic enterprise is controlled by foreign investors, such domestic enterprise may be treated as a foreign-investor or foreign-invested enterprise, and therefore, the operation of such domestic enterprise through VIE structures may be regarded as illegal if the domestic enterprise operates in a sector which is on the negative list and the domestic enterprise does not apply for and obtain the necessary permission.

The Draft Foreign Investment Law stipulates restriction of foreign investment in certain industry sectors. The negative list set out in the Draft Foreign Investment Law classified the relevant prohibited and restricted industries into the Catalogue of Prohibitions and the Catalogue of Restrictions, respectively.

Foreign investors are not allowed to invest in any sectors set out in the Catalogue of Prohibitions. Where any foreign investor directly or indirectly holds shares, equities, properties or other interests or voting rights in any domestic enterprise, such domestic enterprise is not allowed to invest in any sector set out in the Catalogue of Prohibitions, unless otherwise specified by the State Council.

Foreign investors are allowed to invest in sectors set out in the Catalogue of Restrictions, provide that the foreign investors are required to fulfil certain conditions and apply for permission before making such investment.

Notwithstanding that the accompanying explanatory notes of the Draft Foreign Investment Law (the "Explanatory Notes") do not provide a clear direction in dealing with VIE structures existing before the Draft Foreign Investment Law becoming effective, which is still pending for further study as of the Latest Practicable Date, the Explanatory Notes contemplate three possible approaches in dealing with foreign-invested enterprises with existing VIE structures that conduct business in an industry falling in the Negative List:

(a) to make a declaration to the competent authority that the actual control is vested with Chinese investors, then the VIE structures may be retained for its operation;

(b) to apply to the competent authority for certification of its actual control vested with Chinese investors and upon verification by the competent authority, the VIE structures may be retained for its operation; and

(c) to apply to the competent authority for permission and the competent authority together with the relevant departments shall make a decision after taking into account the actual control of the foreign-invested enterprise and other factors.

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

(i) holding directly or indirectly 50% or more of the equity interest, assets, voting rights or similar equity interest of the subject entity;

(ii) holding directly or indirectly less than 50% of the equity interest, assets, voting rights or similar equity interest of the subject entity but (a) having the power to directly or indirectly appoint or otherwise secure at least 50% of the seats on the board or other equivalent decision making bodies, (b) having the power to secure its nominated person to acquire at least 50% of the seats on the board or other equivalent decision making bodies, or (c) having the voting power to exert material influence over decision-making bodies, such as the shareholders' meeting or the board; or

(iii) having the power to exert decisive influence, via contractual or trust arrangements, over the subject entity's operations, financial, staffing and technology matters.

In respect of "actual control," the Draft Foreign Investment Law looks at the identity of the ultimate natural person or enterprise that controls the foreign-invested enterprise. "Actual control" refers to the power or position to control an enterprise through investment arrangements, contractual arrangements or other rights and decision-making arrangements. Article 19 of the Draft Foreign Investment Law defined "actual controllers" as the natural persons or enterprises that directly or indirectly control foreign investors or foreign-invested enterprises.

Where foreign investors and foreign-invested enterprises circumvent the provisions of the Draft Foreign Investment Law by entrusted holding, trust, multi-level re-investment, leasing, contracting, financing arrangements, protocol control, overseas transaction or otherwise, make investments in sectors specified in the Catalogue of Prohibitions, or make investments in sectors specified in the Catalogue of Restrictions without permission or violate the information reporting obligations specified therein, the penalty shall be imposed in accordance with Article 144 (Investments in Sectors Specified in the Catalogue of Prohibitions), Article 145 (Violation of Provisions on Access Permission), Article 147 (Administrative Legal Liability for Violating the Information Reporting Obligation) or Article 148 (Criminal Legal Liability for Violating the Information Reporting Obligation) of the Draft Foreign Investment Law, as the case may be.

Where foreign investors make investments in the sectors specified in the Catalogue of Prohibitions, the competent authorities of foreign investment of the people's governments of provinces, autonomous regions and municipalities directly under the Central Government at the place where the investments are made shall order them to cease the implementation of such investments, dispose of equity or other assets within a prescribed time limit, confiscate illegal gains, if any, and impose a fine of not less than RMB100,000 but not more than RMB1.0 million or of not more than 10% of illegal investments.

Where foreign investors make investments in the sectors specified in the Catalogue of Restrictions without authorization, the competent authorities of foreign investment of the people's governments of provinces, autonomous regions and municipalities directly under the PRC central government at the place where the investments are made shall order them to cease the implementation of such investments, dispose of equity or other assets within a prescribed time limit, confiscate illegal gains, if any, and impose a fine of not less than RMB100,000 but not more than RMB1.0 million or of not more than 10% of illegal investments.

Where foreign investors or foreign-invested enterprises are in violation of the provisions of the Draft Foreign Investment Law, including failing to perform on schedule, or evading the performance of the information reporting obligation, or concealing the truth or providing false or misleading information, the competent authorities of foreign investment of the people's governments of provinces, autonomous regions and municipalities directly under the Central Government at the place where the investments are made shall order them to make rectifications within a prescribed time limit; if they fail to make rectifications within the prescribed time limit, or the circumstances are serious, a fine of not less than RMB50,000 but not more than RMB500,000 or of not more than 5% of the investments shall be imposed.

Where foreign investors or foreign-invested enterprises are in violation of the provisions of the Draft Foreign Investment Law, including failing to perform on schedule, or evading the performance of, the information reporting obligation, or concealing the truth or providing false or misleading information, and if the circumstances are extremely serious, a fine shall be imposed on the foreign investors or foreign-invested enterprises and the directly responsible person-in-charge and other persons liable shall be sentenced to fixed-term imprisonment of not more than one year or criminal detention.

REGULATIONS ON PRIVATE EDUCATION IN THE PRC

Education Law of the PRC

On March 18, 1995, the National People's Congress of the PRC* (中華人民共和國全國人民代表大會) enacted the Education Law of the PRC (《中華人民共和國教育法 》) (the "Education Law"), which was amended on August 27, 2009. The Education Law sets forth provisions relating to the fundamental education systems of the PRC, including a school education system comprising pre-school education, primary education, secondary education and higher education, a system of nine-year compulsory education, a national education examination system, and a system of education certificates. The Education Law stipulates that the government formulates plans for the development of education, establishes and operates schools and other educational institutions. Furthermore, it provides that in principle, enterprises, social organizations and individuals are encouraged to establish and operate schools and other types of educational institution in accordance with PRC laws and regulations. Meanwhile, no organization or individual may establish or operate a school or any other educational institution for profit-making purposes. However, private schools may be operated for "reasonable returns," as described in more detail below. The Education Law also stipulates that some basic conditions shall be fulfilled for the establishment of a school or any other institution of education, and the establishment, modification or termination of a school or any other institution of education shall, in accordance with the relevant PRC laws and regulations, go through the procedures of examination, verification, approval, registration or filing.

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

The Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》) became effective on September 1, 2003 and was amended on June 29, 2013, and the Implementation Rules for the

Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法實施條例》) became effective on April 1, 2004. Under these regulations, "private schools" are defined as schools established by enterprises, institutions, public organizations, other social organizations or individuals using non-government funds. The establishment of a private school shall meet the local need for educational development and the requirements provided for by the Education Law and relevant laws and regulations, and the standards for the establishment of private schools shall conform to those for the establishment of public schools of the same grade and category. In addition, private schools providing academic qualifications education, pre-school education, education for self-study examination and other education shall be subject to approval by the education authorities at or above the county level, while private schools engaging in occupational qualification training and occupational skill training shall be subject to approvals from the authorities in charge of labor and social welfare at or above the county level. A duly approved private school will be granted a Permit for operating a Private School* (民辦學校辦學許可證), and shall be registered with the Ministry of Civil Affairs of the PRC* (中華人民共和國民政部) (the "MCA"), or its local counterparts as a privately run non-enterprise institution* (民辦非企業單位). Each of our schools has obtained the Permit for Operating a Private School and has been registered with the relevant local counterpart of the MCA.

Under the above regulations, private schools have the same status as public schools, though private schools are prohibited from providing military, police, political and other kinds of education which are of a special nature. Public schools that provide compulsory education are not permitted to be converted into private schools. The operations of a private school are highly regulated. For example, a private school shall establish the executive council, the board of directors or any other form of the decision-making body and such decision-making body shall meet at least once a year. Furthermore, the text books selected by the private primary schools and middle schools for teaching state fundamental classes should be approved in accordance with related laws and regulations, and the curriculum arrangements of the teaching courses should be in conformity with the provisions of the MOE. Teachers employed by a private school shall have the qualifications specified for teachers and meet the conditions for the post as provided for in the Teachers Law of the PRC (《中華人民共和國教師法》) and other relevant laws and regulations, and there shall be a definite number of full-time teachers in a private school, and in private schools offering academic qualifications education full-time teachers shall account for not less than one-third of the total number of the teachers. Each of our schools (excluding the Kindergarten) provides a diploma or certificate to students. In line with relevant regulations, all of our courses required for PRC diplomas are taught by teachers that are certified by the relevant city education bureaus after undergoing systematic training and passing standardized tests in the subject matters they teach.

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

- *Right to receive a return on investment.* Either school sponsors or owners shall have the right to receive a return on investment. However, the portion of after-tax profits that can be distributed by a company to its owner is different from that which can be distributed by a school to its school sponsor. Under the PRC Company Law, a company is required to allocate 10% of its after-tax profits to statutory reserve funds, while under the Law for Promoting Private

Education and the Implementation Rules for the Law for Promoting Private Education, a school that requires reasonable returns is required to allocate no less than 25% of its annual net profit or annual increased net assets to its development fund as well as make allocation for mandatory expenses as required by applicable laws and regulations. Please refer to the subsection headed "— School Sponsor's Reasonable Returns" below for further details on the right to receive reasonable returns; and

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

School Sponsor's Reasonable Returns

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

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

At the end of each fiscal year, every private school is required to allocate a certain amount to its development fund for the construction or maintenance of the school or procurement or upgrade of educational equipment. In the case of a private school the school sponsor which requires reasonable returns, this amount shall be no less than 25% of the annual net income of the school, while in the case of a private school, its school sponsor does not require reasonable returns, this amount shall be equal to no less than 25% of the annual increase in the net assets of the school, if any. Private schools the school sponsor of which does not require reasonable returns shall be entitled to the same preferential tax treatment as public schools, while the preferential tax treatment policies applicable to private schools whose school sponsor require reasonable returns shall be formulated by the finance authority, taxation authority and other authorities under the State Council. To date, however, no regulations have been promulgated by such authorities in this regard.

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

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

The Interim Measures for the Management of the Collection of Private Education Fees (《民辦教育收費管理暫行辦法》) (the "Private Education Fees Collection Measures") was promulgated by the NDRC, the MOE and the Ministry of Labor and Social Security (currently known as the Ministry of Human Resources and Social Security* (中華人民共和國人力資源和社會保障部) on March 2, 2005. According to the Private Education Fees Collection Measures and the Implementation Rules for the Law for Promoting Private Education, the types and amounts of fees charged by a private school providing academic qualifications education shall be examined by education authorities or the labor and social welfare authorities and approved by the governmental pricing authority, and the school shall obtain the Fee Charge Permit. A private school that provides non-academic qualifications education shall file its pricing information with the governmental pricing authority and publicly disclose such information. If a school raises its tuition levels without obtaining the proper approval or making the relevant filing with the relevant government pricing authorities, the school would be required to return the additional tuition fees obtained through the raise and become liable for compensation of any losses incurred by the students in accordance with relevant PRC laws. As a result, each of our schools' Fee Charge Permits will be updated for each tuition fee increment and renewed upon its expiry.

Regulations on Safety and Health Protection of Schools

According to the Laws of the PRC on the Protection of Minors (《中華人民共和國未成年人保護法》), which was amended on October 26, 2012 and became effective on January 1, 2013, schools, kindergartens and nurseries shall establish safety systems, improve safety education among the minors and adopt measures to guarantee their personal safety.

In accordance with the Regulation on Safety Management of Middle, Primary schools and Kindergartens (《中小學幼兒園安全管理辦法》), which was promulgated on June 30, 2006 and became effective on September 1, 2006, schools shall be responsible for safety management and safety education, establish and improve internal safety management systems and safety emergency response mechanisms, incorporate safety education in to teaching content and carry out safety education among the students.

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

According to the Regulation on Safety Management of School Canteens (《四川省學校食堂安全管理辦法》), which was promulgated on July 2, 2014 and became effective on August 10, 2014, schools offering compulsory education programs are required to operate and manage their catering service by themselves. We did not fully comply with such rules during the Track Record Period. See "Business — Legal Proceedings and Compliance" of this prospectus for further details.

Regulations on Compulsory Education

The Law for Compulsory Education of the PRC (《中華人民共和國義務教育法》) was promulgated by the National People's Congress on April 12, 1986 and was amended by the tenth Standing Committee of the National People's Congress on June 29, 2006 and by the twelfth Standing Committee of the National People's Congress on April 24, 2015. Based on this law, a nine-year system of compulsory education, including six years of primary school and three years of middle school, was adopted.

Further, the MOE issued the Reform Guideline on the Curriculum System of Compulsory Education (Trial) (《基礎教育課程改革綱要(試行)》) on June 8, 2001, which became effective on the same day, pursuant to which schools providing compulsory education shall follow a "state-local-school" three-tier curriculum system. In other words, the schools must follow the state curriculum standard for state courses, while the local educational authorities have the power to determine the curriculum standard for other courses, and the schools may also develop curriculums that are suitable for their specific needs.

According to the Foreign Investment Catalog, foreign investors are prohibited from investing in compulsory education, i.e., primary schools or middle schools.

Regulations on the Operation of High Schools

According to the Foreign Investment Catalog, high school education, namely, tenth to twelfth grades, is categorized as a restricted industry limited to be established in the form of cooperative joint venture.

The MOE has promulgated several regulations on the operation of high schools, mainly concerning the choice of textbooks, the curriculum system and the graduation exam system.

According to the Circular of the Central Office of the MOE on the Selection of the Trial Text books for the Curriculum of High Schools (《教育部辦公廳關於做好普通高中新課程實驗教材選用工作的通知》) promulgated on April 26, 2005 and the Interim Measures for the Management of the Selection of the

Primary and Middle School Textbooks (《中小學教科書選用管理暫行辦法》) which was promulgated and simultaneously came in to effect on September 30, 2014, the text books used by primary and middle schools can only be selected from the catalog created by the MOE, and the provincial educational authority is in charge of textbook selection within its relevant administrative jurisdiction and has the power to approve the curriculum system applied in its primary and middle schools.

Further, the MOE issued the Notice on Developing Trial Curriculum System in High Schools (《教育部關於開展普通高中新課程實驗工作的通知》), the Guidance on Strengthening Instruction on Developing Trial Curriculum System in High Schools (《教育部關於進一步加強普通高中新課程實驗工作的指導意見》), the Notice on Propelling 2006 Trial Curriculum System in High Schools (《教育部辦公廳關於2006年推進普通高中新課程實驗工作的通知》) and the Notice on Propelling 2007 Trial Curriculum System in High Schools (《教育部辦公廳關於2007年推進普通高中新課程實驗工作的通知》) from 2003 through 2007, pursuant to which the MOE developed a new curriculum system in high schools nationwide, and the implementation of such curriculum system is carried out mainly by the provincial educational authorities while the MOE primarily provides guidance to its local counterparts. Under the guidelines of the MOE and subject to approval by the respective provincial educational authorities, the high schools may adopt their own unique curriculum system.

In addition to the supervision and administration in textbooks and curriculum system applied in high schools, the PRC government also provides strict guidelines on the graduation examination system. According to the National Educational Committee's Opinions on Carrying Graduation Examination System in High Schools (《國家教委關於在普通高中實行畢業會考制度的意見》) (the "Graduation Examination System Opinions"), which became effective from August 20, 1990, the graduation examination is a standard test uniformly organized by a provincial educational authority to determine the studying results of a high school graduate, who can only obtain a high school diploma after passing such graduation exam. Thereafter, the MOE promulgated the Opinions on the Reform of the Graduation Exam System in High Schools (《關於普通高中畢業會考制度改革的意見》) (the "Reform Opinions") on March 15, 2000. Based on the Reform Opinions, passing the uniform graduation examination is no longer a prerequisite condition for getting a high school diploma. Upon approval by a provincial educational administration, a high school may select its own way to conduct the graduation exam, including picking the subjects and the scope of such exam.

Regulations on the Operation of Independent Colleges

According to Measures for the Establishment and Administration of Independent Colleges (《獨立學院設置與管理辦法》), which was promulgated on February 22, 2008 and came into effect on April 1, 2008, the term "Independent Colleges" refers to the colleges engaging in undergraduate diploma education, which are set up by the cooperation between colleges and universities providing undergraduate and graduate diploma education, on the one hand, and non-state social organizations and individuals, on the other hand, with non-state funds.

Social organizations applying to be a school sponsor of an independent college shall be qualified as a legal person, have at least a registered capital of RMB50 million, at least RMB300 million of total assets, at least RMB120 million of net assets and an asset-to-liability ratio not exceeding 60%. Common colleges and social organizations that intend to set up an independent college shall enter into a cooperation agreement which contains the independent college's education aim, its cultivation goal, each party's investment sum and method of investment, the rights and obligations of each party, the methods for resolving disputes, and other appropriate terms. The application for the establishment of an independent college shall be subject to the approval by the MOE in accordance with the same procedures for setting-up colleges and universities engaging in undergraduate diploma education.

An independent college shall establish an executive council, a board of directors and other forms of decision-making bodies. The executive council or the board of directors of an independent college shall comprise the representatives of the colleges, universities and social organizations who are school sponsors of the independent college, the president of the independent college and the representatives of the faculty and staff of the independent college. At least two-fifths of the members of the executive council or the board of the directors of the independent college shall be the representatives of the colleges or universities. The executive council or the board of directors of the independent college shall consist of at least five persons, with one acting as the director-general of the executive council or chairman of the board of directors. Their names shall be reported to the examination and approval authority for record.

The executive council, the board of directors or a decision-making body of other forms for an independent colleges shall hold a meeting at least twice each year. Upon the proposal of one-third or more of its members, the executive council, the board of directors or other decision-making body may convene a temporary meeting. The quorum required for a meeting of the executive council, the board of directors or other decision-making body shall be more than half of the executive or directors of an independent college. Material matters such as the appointment or dismissal of the president, the modification of the articles of association of the independent college, the preparation of development plans, the review and approval of budget and final accounts and other material matters specified in the articles of association of the independent college shall be subject to the resolution of the executive council, the board of directors or other decision-making body passed by two-thirds or more of its members.

An independent college shall grant graduation certificates with the name of the college on it to students who have completed the required study with qualified performance. And furthermore, an independent college that obtains the appropriate qualification for conferring degrees after it is examined and approved in accordance with the relevant regulations is permitted to grant a bachelor's degree certificate to the students who satisfy the required conditions.

Where an independent college makes utilization of the management resources, teachers, curriculums and other education resources of the colleges and universities who act as its school sponsors, the payment made by the independent college to its school sponsors is permitted to be deemed and calculated as the running cost of the independent college in accordance with the cooperation agreement among the school sponsors and/or the relevant PRC regulations. And the sponsors of an independent college may require to have reasonable returns from the balance of the college which is calculated by deducting the running costs, drawing the reserved development funds and other necessary expenses in accordance with PRC regulations from the income of the independent college.

The Regulations on the Administration of Kindergartens

The Regulations on The Administration of Kindergartens (《幼兒園管理條例》) (the "Preschool Regulations") was promulgated by the then State Education Commission (now renamed as the MOE) on September 11, 1989. According to the Preschool Regulations, any preschool that enrolls children who are three-years-old or older is subject to the child-care and education administration system provided by such

Preschool Regulations. According to the Preschool Regulations, the issue of safety is the most important for the operation of preschools. Thus, the teachers, doctors and child-care staff of preschools are required to meet certain qualifications, and preschools should be located in secure zones without pollution or dangerous factors nearby. Preschools are allowed to determine the content of their teaching activities as long as such activities are not hazardous to the physical and mental health of the children. In addition, a series of regulations have been promulgated by the MOE and other related governmental agencies to further regulate the operation of preschools, including the Measures for the Management of the Health and Health-care of Nursery and Preschools (《托兒所幼兒園衛生保健管理辦法》) and the Notice of the MOE on Printing and Distributing the Allocation Standards of Teachers and Staffs in Preschools (Trial) (《教育部關於印發〈幼兒園教職工配備標準(暫行)〉的通知》).

Pursuant to the Preschool Regulations and the Law for Promoting of Private Education, the establishment of private kindergartens by any type of PRC legal entities and individuals is subject to the approval of the local counterpart of the MOE. The Primary School has acquired such approval.

The Interim Measures for the Management of the Collection of Kindergarten Fees (《幼兒園收費管理暫行辦法》) was promulgated by the NDRC, the MOE and the Ministry of Finance (中華人民共和國財政部) on December 31, 2011, which set forth that the healthcare and education fees and boarding fees charged by a private preschool shall be determined by the private preschool according to its cost and filed with the local governmental pricing authority and educational authority before execution.

The Guidelines for Overseas Study Tour participated by the Primary and Middle School Students (Trial)

The Ministry of Education has promulgated the Guidelines for Overseas Study Tour participated by the Primary and Middle School Students (Trial) (《中小學學生赴境外研學旅行活動指南》(試行)) (the "Guidelines") on July 15, 2014. The Guidelines stipulate that overseas study tours participated in by primary and middle school students (the "Overseas Study Tour") means, by adapting to the characteristics of the primary and middle school students and the educational needs, programmes that organize the primary and middle school students to go overseas to learn foreign languages and other short-term curriculum, perform art shows, compete in contests, visit schools, attend summer/winter school programmes, or take part in other activities that help the students expand their horizon and promote enrichment and enhancement, in the manner of group travel and group accommodation during the academic term or vacation. Overseas Study Tours attended by the primary and middle school students shall follow the principles of safety, civility and efficiency. The schedule for study, from the perspective of both the content and the duration, shall be no less than 1/2 of the total schedule. The organizer shall choose legitimate and qualified cooperation institutions, and stress the importance of safety education, and shall appoint a guiding teacher for each group. The organizer shall apply the rules of cost accounting, notify the students and their guardians of the composition of the fees and expenses, and enter into an agreement with the guardians of the students as required by the Guidelines. The school and its staff shall not seek any economic benefit from organizing its own students to attend an Overseas Study Tour.

Outline of China's National Plan for Medium- and Long-Term Education Reform and Development (2010-2020)

On July 8, 2010, the PRC central government promulgated the Outline of China's National Plan for Medium-and Long-Term Education Reform and Development (2010-2020) (《國家中長期教育改革和發

展規劃綱要》(2010-2020)), which for the first time announced the policy that the government will implement a reform to divide private education entities into two categories: (i) For-profit private education entities and (ii) not-for-profit private education entities. On October 24, 2010, the General Office of the State Council (國務院辦公廳) issued the Notices on the National Education System Innovation Pilot (《關於發展國家教育體制改革試點的通知》) ("Pilot Notice"). Following the Pilot Notice, the MOE submitted to the State Council A Series of Suggested Amendments to Varies of Educational Laws (《教育法律一攬子修訂建議草案(送審稿)》) (the "Draft Amendments"), which were published by the legislation office of the State Council on September 5, 2013. Under the Pilot Notice and Drafted Amendments, the PRC government plans to implement a for-profit and not-for-profit classified management system for private schools.

On June 18, 2012, the MOE issued the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education (《關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》) to encourage private investment and foreign investment in the field of education. According to these opinions, the proportion of foreign capital in a Sino-foreign education institute shall be less than 50%.

LEGAL REGULATIONS OVER REAL PROPERTY IN THE PRC

Pursuant to the Property Law of the PRC (《中華人民共和國物權法》) (the "Property Law") which was promulgated on March 16, 2007 and with effect from October 1, 2007, educational, medical and health and other public welfare facilities and other properties of institutions and social groups with the aim of benefiting the public, such as schools, kindergartens and hospitals, are not allowed to be mortgaged.

According to the Property Law, transferable fund units and equity, property right in intellectual property rights of transferable exclusive trademark rights, patent rights, copyrights, accounts receivable and other property rights as stipulated by any law or administrative regulation to be pledgeable may be pledged. As advised by our PRC Legal Advisors, on the basis that the Property Law provides that only property rights as stipulated by law or administrative to be pledgeable can be pledged, the school sponsor's right cannot be pledged under the PRC laws and regulations as no laws or administrative regulations stipulate that the school sponsor's right is pledgeable.

LEGAL REGULATIONS OVER INTELLECTUAL PROPERTY IN THE PRC

Copyright

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

Trademark

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

Patent

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

Domain Name

Pursuant to the Measures for the Administration of Internet Domain Names of China (《中國互聯網域名管理辦法》), which was promulgated on November 5, 2004 and with effect from December 20, 2004, "domain name" shall refer to the character mark of hierarchical structure, which identifies and locates a computer on the internet and corresponds to the Internet protocol (IP) address of that computer. And the principle of "first come, first serve" is followed for the domain name registration service. After completing the domain name registration, the applicant becomes the holder of the domain name registered by him/it. Furthermore, the holder shall pay operation fees for registered domain names on schedule. If the domain name holder fails to pay the corresponding fees as required, the original domain name registrar shall write it off and notify the holder of the domain name in written form.

LEGAL REGULATIONS OVER LABOR PROTECTION IN THE PRC

According to the Labor Law of the PRC (《中華人民共和國勞動法》) (Order No.28 of the President) (the "Labor Law"), which was promulgated by the Standing Committee of the National People's Congress on July 5, 1994, came into effect on January 1, 1995 and was amended on August 27, 2009, an employer shall develop and improve its rules and regulations to safeguard the rights of its workers. An employer shall develop and improve its labor safety and health system, stringently implement national protocols and standards on labor safety and health, conduct labor safety and health education for workers, guard against labor accidents and reduce occupational hazards. Labor safety and health facilities must comply with relevant national standards. An employer must provide workers with the necessary labor protection gear that complies with labor safety and health conditions stipulated under national regulations, as well as provide regular health checks for workers that are engaged in operations with occupational hazards. Laborers engaged in special operations shall have received specialized training and obtained the pertinent qualifications. An employer shall develop a vocational training system. Vocational training funds shall be set aside and used in accordance with national regulations and vocational training for workers shall be carried out systematically based on the actual conditions of the company.

The Labor Contract Law (《勞動合同法》) (Order No.65 of the President), which was promulgated by the SCNPC on June 29, 2007, came into effect on January 1, 2008, and was amended on December 28, 2012, and the Implementation Regulations on Labor Contract Law (《勞動合同法實施條例》) (Order No. 535 of the State Council), which was promulgated on September 18, 2008 and became effective since the same day, regulate both parties through a labor contract, namely the employer and the employee, and contain specific provisions involving the terms of the labor contract. It is stipulated under the Labor Contract Law and the Implementation Regulations on Labor Contract Law that a labor contract must be made in writing. An employer and an employee may enter into a fixed-term labor contract, an un-fixed term labor contract, or a labor contract that concludes upon the completion of certain work assignments, after reaching agreement upon due negotiations. An employer may legally terminate a labor contract and dismiss its employees after reaching agreement upon due negotiations with the employee or by fulfilling the statutory conditions. Labor contracts concluded prior to the enactment of the Labor Law and subsisting within the validity period thereof shall continue to be honored. With respect to a circumstance where a labor relationship has already been established but no formal contract has been made, a written labor contracts shall be entered into within one month from the effective date of the Labor Contract Law.

According to the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), the Regulations on Work Injury Insurance* (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例》) and the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》), enterprises in the PRC shall provide benefit plans for their employees, which include basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance. An enterprise must provide social insurance by processing social insurance registration with local social insurance agencies, and shall pay or withhold relevant social insurance premiums for or on behalf of employees. The Law on Social Insurance (《社會保險法》) (No. 35 of the President), which was promulgated on October 28, 2010 and became effective on July 1, 2011, has consolidated pertinent provisions for basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance, and has elaborated in detail the legal obligations and liabilities of employers who do not comply with relevant laws and regulations on social insurance.

According to the Interim Measures for Participation in the Social Insurance System by Foreigners Working within the Territory of China (《在中國境內就業的外國人參加社會保險暫行辦法》), which was promulgated by the Ministry of Human Resources and Social Security on September 6, 2011 and became effective on October 15, 2011, employers who employ foreigners shall participate in the basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, and maternity leave insurance in accordance with the law, with the social insurance premiums to be contributed respectively by the employers and foreigner employees as required. In accordance with such

Interim Measures, the social insurance administrative agencies shall exercise their right to supervise and exam the legal compliance of foreign employees and employers and the employers who do not pay social insurance premium in conformity with the laws shall be subject to the administrative provisions provided in the Social Insurance Law and the relevant regulations and rules mentioned above.

According to the Regulations on the Administration of Housing Provident Fund* (《住房公積金管理條例》) (Order No.262 of the State Council), which was promulgated and became effective on April 3, 1999, and was amended on March 24, 2002, housing provident fund contributions by an individual employee and housing provident fund contributions by his or her employer shall belong to the individual employee.

The employer shall timely pay up and deposit housing provident fund contributions in full amount and late or insufficient payments shall be prohibited. The employer shall process housing provident fund payment and deposit registrations with the housing provident fund administration center. With respect to companies who violate the above regulations and fail to process housing provident fund payment and deposit registrations or open housing provident fund accounts for their employees, such companies shall be ordered by the housing provident fund administration center to complete such procedures within a designated period. Those who fail to process their registrations within the designated period shall be subject to a fine ranging from RMB10,000 to RMB50,000. When companies breach the these regulations and fail to pay up housing provident fund contributions in full amount as due, the housing provident fund administration center shall order such companies to pay up within a designated period, and may further apply to the People's Court for mandatory enforcement against those who still fail to comply after the expiry of such period.

LEGAL REGULATIONS OVER TAX IN THE PRC

Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "EIT Law"), which was promulgated on March 16, 2007 and with effect from January 1, 2008, and the Implementation Rules to the EIT Law (《中華人民共和國企業所得稅法實施條例》) (the "Implementation Rules"), which was promulgated on December 6, 2007 and with effect from January 1, 2008 by the State Council, enterprises are divided into resident enterprises and non-resident enterprises. A resident enterprise shall pay enterprise income tax on its income deriving from both inside and outside China at the rate of enterprise income tax of 25%. A non-resident enterprise that has an establishment or place of business in the PRC shall pay enterprise income tax on its income deriving from inside China and obtained by such establishment or place of business, and on its income which derives from outside China but has actual relationship with such establishment or place of business, at the rate of enterprise income tax of 25%. A non-resident enterprise that does not have an establishment or place of business in China, or has an establishment or place of business in China but the income has no actual relationship with such establishment or place of business, shall pay enterprise income tax on its income deriving from inside China at the reduced rate of enterprise income tax of 10%.

According to Notice of the Ministry of Finance and the State Administration of Taxation on Tax Policies Relating to Education (《財政部國家稅務總局關於教育稅收政策的通知》) (the "Circular 39") and Notice of the Ministry of Finance and the State Administration of Taxation on Issues Concerning Strengthening the Administration over the Collection of Business Tax on Educational Services (《財政

部、國家税務總局關於加強教育勞務營業税徵收管理有關問題的通知》) (the "Circular 3"), schools shall be exempt from enterprise income tax on fees they have collected upon approval and have incorporated under the fiscal budget management or the special account management of the funds outside the fiscal budget. Schools shall be exempt from enterprise income tax on the financial allocations they have received and special subsidies they have obtained from their administrative departments or institutions at higher levels.

According to the Law of PRC for Promoting Private Education (《中華人民共和國民辦教育促進法》) and its implementing rules, a private school that does not require reasonable returns enjoys the same preferential tax treatment as public schools, whereas the preferential tax treatment policies applicable to private schools that require reasonable returns are separately formulated by the relevant authorities under the PRC State Council.

Income Tax In Relation To Dividend Distribution

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

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (《國家税務總局關於執行税收協定股息條款有關問題的通知》) promulgated by the State Administration of Taxation of the PRC (中華人民共和國國家税務總局) (the "State Administration of Taxation") and became effective on February 2, 2009, all of the following requirements shall be satisfied where a fiscal resident of the other party to a tax agreement needs to be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a Chinese resident company: (i) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (ii) owner's equity interests and voting shares of the Chinese resident company directly owned by such a fiscal resident reaches a specified percentage; and (iii) the equity interests of the Chinese resident company directly owned by such a fiscal resident, at any time during the twelve months prior to the obtainment of the dividends, reach a percentage specified in the tax agreement.

Pursuant to the Administrative Measures for Non-resident Enterprises to Enjoy Treatments under Tax Treaties (Trial) (《非居民享受税收協定待遇管理辦法(試行)》) (the "Administrative Measures"), which came into force on October 1, 2009, where a non-resident enterprise (as defined under the PRC tax laws) that receives dividends from a PRC resident enterprise wishes to enjoy the favorable tax benefits under the tax arrangements, it shall submit an application for approval to the competent tax authority. Without being approved, the non-resident enterprise may not enjoy the favorable tax treatments provided in the tax arrangements.

Business Tax

According to the Provisional Regulations on Business Tax (《營業税暫行條例》) (Order No.136 of the State Council), which was promulgated by the State Council on December 13, 1993, came into effect on January 1, 1994, and was amended on November 10, 2008, and the Detailed Implementing Rules on the Temporary Regulations on Business Tax (《營業稅暫行條例實施細則》), which was promulgated by the MOF and the SAT and came into effect on December 25, 1993, was amended on May 22, 1997, December 15, 2008 and further amended on October 28, 2011, business tax is imposed on income derived from the furnishing of specified services and transferring of immovable property or intangible property at rates ranging from 3% to 20%, depending on the activity.

According to Circular 39, Circular 3 and the Provisional Regulations of the PRC on Business Tax, nursing services provided by nurseries, kindergartens and educational services provided by schools and other educational institutions shall be exempt from business tax. Hence, the nursing services and educational services provided by our schools and kindergarten are not subject to business tax.

Other Tax Exemptions

According to Circular 39 and Circular 3, the real properties and land used by schools, nurseries and kindergartens established by enterprises shall be exempt from house property tax and urban land use tax. Schools and kindergartens expropriate arable land upon approval shall be exempt from arable land use tax. Schools and educational institutions established by any enterprises, government affiliated institutions, social groups or other social organizations or individuals and citizens with non-state fiscal funds for education and open to the public upon the approval of the administrative department for education or for labor of the relevant people's government at the county level or above which has also issued the relevant school running license, shall be exempted from deed tax on their ownerships of land and houses used for teaching activities.

Value-added Tax

According to the Temporary Regulations on Value-added Tax (《增值稅暫行條例》) (Order No.538 of the State Council), which was promulgated by the State Council on December 13, 1993, came into effect on January 1, 1994, and was amended on November 10, 2008, and the Detailed Implementing Rules of the Temporary Regulations on Value-added Tax (《增值稅暫行條例實施細則》) (Order No.65 of the MOF), which was promulgated by the MOF and came into effect on December 25, 1993, and was amended on December 15, 2008 and October 28, 2011, all taxpayers selling goods, providing processing, repairing or replacement services or importing goods within the PRC shall pay value-added tax. The tax rate of 17% shall be levied on general taxpayers selling or importing various goods; the tax rate of 17% shall be levied on the taxpayers providing processing, repairing or replacement service; the applicable rate for the export of goods by taxpayers shall be nil, unless otherwise stipulated.

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

REGULATIONS ON COMPANIES IN PRC

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

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

LEGAL REGULATIONS OVER FOREIGN EXCHANGE IN THE PRC

The principal regulation governing foreign currency exchange in China is the Foreign Exchange Administration Rules of the PRC (《中華人民共和國外匯管理條例》) (the "Foreign Exchange Administration Rules"). These were promulgated by the State Council of the PRC on January 29, 1996 and with effect from April 1, 1996 and were amended on January 14, 1997 and August 1, 2008. Under these rules, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loans, unless the prior approval by the competent authorities for the administration of foreign exchange is obtained.

Under the Foreign Exchange Administration Rules, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of SAFE for paying dividends by providing certain evidencing documents (board resolutions, tax certificates, etc.), or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain foreign currency (subject to a cap approval by SAFE) to satisfy foreign exchange liabilities. In addition, foreign exchange transactions involving overseas direct investment or investment and trading in securities, derivative products abroad are subject to registration with the competent authorities for the administration of foreign exchange and approval or filings with the relevant governmental authorities (if necessary).

According to the Circular on the Management of Offshore Investment and Financing and Round Trip Investment By Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (Hui Fa [2014] 37) (the "Circular No.37"), which is promulgated on July 14, 2014 and with effect from the same day, before a domestic resident contributes its legally owned onshore or offshore assets and equity into an SPV, the domestic resident shall conduct foreign exchange registration for offshore investment with the local branch of the SAFE, and in the event of change of basic information such as the individual shareholder, name and operation term, among other things, or if there is a capital increase, decrease, equity transfer or swap, merge, spin-off or other amendment of the material items, the domestic resident shall complete foreign exchange alteration registration formality for offshore investment. The "SPV" is defined as "offshore enterprise directly established or indirectly controlled by the domestic resident (including domestic institution and individual resident) with their legally owned assets and equity of the domestic enterprise, or legally owned offshore assets or equity, for the purpose of investment and financing;" "Round Trip Investments" refer to "the direct investment activities carried out by a domestic resident directly or indirectly via an SPV, i.e., establishing a foreign-invested enterprise or project within the PRC through a new entity, merger or acquisition and other ways, while obtaining ownership, control, operation and management and other rights and interests." In addition, according to the procedural guidelines as attached to the Circular No. 37, the principle of review has been changed to "the domestic individual resident is only required to register the SPV directly established or controlled (first level)."

Pursuant to Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (the "Circular 13") (《關於進一步簡化和改進直接投資外匯管理政策的通知》), which was promulgated on February 13, 2015 and implemented June 1, 2015, the initial foreign exchange registration for establishing or taking control of a SPV by domestic residents can be conducted with a qualified bank, instead of the local foreign exchange bureau.

Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (Revised in 2009)

Under the Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (Revised in 2009) (the "M&A Rules"), a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise via an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. According to Article 11 of the M&A Rules, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him, approval from MOFCOM is required.

REGULATIONS ON PRIVATE POSTSECONDARY EDUCATION IN THE STATE OF CALIFORNIA

California Private Postsecondary Education Act

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

Approval to Operate Private Postsecondary Educational Institution

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

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

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

Formal application can be made to BPPE for approval to operate a private postsecondary educational institution and the non-accredited application process consists of two stages of review: completeness review and compliance review. After submission of an application to BPPE by an educational institution together with the required documentation and fees, the bureau will review the completeness of the application within 30 days of receipt of the application. After the bureau is satisfied with the completeness of the application, the application will be put before an analyst for compliance review. During the stage of compliance review, the analyst will determine whether the institution has the capacity to satisfy the minimum operating standards. If applicable, the application will then be submitted to the Quality of Education Unit ("QEU") to review the educational programs if they are not solely approved by another licensing entity. Once the QEU has completed its review, findings of the QEU will be forwarded to the licensing analyst of the BPPE and an approval to operate may be granted by the BPPE.

Voluntary Non-Governmental Accreditation Process

Accreditation is a voluntary non-governmental review process and an educational institution may apply to an accrediting body for accreditation. Accreditation can be regional or national and the eligibility criteria to become accredited depend on the specific rules as adopted by the relevant accrediting body. The Western Association of Schools and Colleges, Senior Colleges and University Commission ("WSCUC") is one of the regional accrediting agencies recognized by the U.S. Secretary of Education for its accreditation and preaccreditation of senior colleges and universities in (among other regions) California. The accreditation process for the WSCUC involves three progressive stages: (i) eligibility, (ii) preaccreditation or candidacy, and (iii) initial accreditation. An educational institution will be granted a maximum of five years of eligibility after review by the WSCUC that the educational institution meets the eligibility criteria set by WSCUC. Preaccreditation is a preliminary affiliation with the WSCUC awarded to an education institution that meets all or nearly all the standard at a minimum level for a maximum of five years. Initial accreditation will be awarded to an education institution that has met the WSCUC's standards at a substantial level for a maximum of six years before the next comprehensive review.

OUR HISTORY AND DEVELOPMENT

Overview

According to the Frost & Sullivan Report, we are the largest provider of K-12 private education services in Southwest China in terms of student enrolment as of June 30, 2015. In addition, we operate a university. Our first school, Chengdu Foreign Languages School, was established in 2000 by Sichuan Derui as a school sponsor. At the time, Sichuan Derui was an investment holding company, which invested in diverse businesses such as transportation, hospital, hotel, property development, construction and restaurants. Sichuan Derui entered the education industry through its investment and establishment of Chengdu Foreign Languages School in 2000 with the funds generated from its internal sources. See also "Relationship with Controlling Shareholders" for more details on Sichuan Derui.

Sichnan Derui is the sole school sponsor of Chengdu Experimental Foreign Languages School, the Primary School, Chengdu Experimental Foreign Languages School (Western Campus) and the Kindergarten, and a joint school sponsor of the University.

Today, we have a total of six schools, namely, Chengdu Foreign Languages School, Chengdu Experimental Foreign Languages School, Chengdu Experimental Foreign Languages School (Western Campus), the Primary School, the Kindergarten and the University, providing private education services from K-12, and up to university-level education.

The following illustrates our major development milestones:

Year	Event
2000	Chengdu Foreign Languages School was established
2002	Chengdu Experimental Foreign Languages School was established
2003	Chengdu Experimental Foreign Languages School (Western Campus) and the Primary School were established
2004	The University was established jointly by Sichuan Derui and Sichuan International Studies University
2007	The Kindergarten was established

See also "Business — Awards and Recognitions" in this prospectus for details on the awards and recognitions received by our schools.

HISTORY OF OUR SIX SCHOOLS

We set forth below the history of our six schools:

Chengdu Foreign Languages School

Chengdu Foreign Languages School was established and commenced schooling in September 2000 as a private middle and high school pursuant to an agreement entered into between Sichuan Derui and Chengdu Education Commission* (成都市教育委員會) with a capital of RMB52 million (as of 2003). Under the agreement, among others, (i) prior to Sichuan Derui having recovered its investment in the school, Chengdu Education Commission* would not share any profit of Chengdu Foreign Languages School but Sichuan Derui must pay RMB600,000 per annum to Chengdu Education Commission* in assisting weaker schools; and (ii) after Sichuan Derui recovered all of its investment in the school, new assets and returns would then be owned and shared as to 35% by Chengdu Education Commission* and 65% by Sichuan Derui provided the daily operations and development of the school was not affected. At the time, Chengdu Education Commission* was the competent authority of Chengdu Foreign Languages School. The school sponsor of Chengdu Foreign Languages School was Sichuan Derui, and the school sponsor's interest was wholly-owned by Sichuan Derui. As advised by our PRC Legal Advisors, (i) the capital of Chengdu Foreign Languages School was fully paid-up; and (ii) as Chengdu Education Commission's* school sponsor's interest was neither registered nor reflected in the private school operating license, it had an economic interest of 35% in Chengdu Foreign Languages School binding only as between Sichuan Derui and Chengdu Education Commission*.

On January 24, 2005, pursuant to a notice from Chengdu Education Bureau* (successor of the Chengdu Education Commission*, the competent authority of Chengdu Foreign Languages School), the school sponsor's interest in the name of Chengdu Education Commission* in Chengdu Foreign Languages School was allocated from Chengdu Education Commission* to Chengdu Xingjiao Investment Development Co., Ltd.* (成都市興教投資發展有限公司) ("Chengdu Xingjiao"), who would share the 35% of the new assets and returns from the school in place of Chengdu Education Commission* after Sichuan Derui recovered all of its investment in the school. To the best knowledge, information and belief of our Directors, Chengdu Xingjiao was a state-owned enterprise that held the state's interest in certain schools in Chengdu. There was no consideration involved in this transfer. As advised by our PRC Legal Advisors, the transfer was valid under the PRC laws and regulations even though the interest was transferred without any consideration. As advised by our PRC Legal Advisors, this transfer was binding among Sichuan Derui and Chengdu Xingjiao, and the economic interest of 35% in Chengdu Foreign Languages School became held by Chengdu Xingjiao. As advised by our PRC Legal Advisors, Chengdu Xingjiao's school sponsor's interest was neither registered nor reflected in the private school operating license, it had an economic interest of 35% in Chengdu Foreign Languages School binding only as between Sichuan Derui and Chengdu Xingjiao. At the time, Sichuan Derui was owned as to 78.70% by Mr. Yan, 8.52% by Ms. Ye Jiaqi, 5.11% by Mr. Ye Jiayu, 2.56% by Ms. Yan Bixian, 2.56% by Ms. Yan Bihui and 2.56% by Ms. Yan Birong.

In June 2012, Chengdu Xingjiao engaged Southwest United Equity Exchange* (西南聯合產權交易所) to auction its 35% economic interest in Chengdu Foreign Languages School in an open auction held on June 29, 2012 at a target bid price of RMB41,860,000, which was equivalent to the valuation of 35% of the economic interest in Chengdu Foreign Languages School as of June 30, 2011. Sichuan Derui won the bid at the open auction for a total consideration of RMB42,060,000. In August 2012, Sichuan Derui and Chengdu Xingjiao entered into a state-owned assets transfer agreement, pursuant to which, Chengdu Xingjiao transferred its 35% of economic interest in Chengdu Foreign Languages School to Sichuan Derui for a total consideration of RMB42,060,000, which was fully paid on August 21, 2012. The transfer was completed on September 14, 2012. After the transfer, Chengdu Foreign Languages School became wholly-owned by Sichuan Derui, and Chengdu Xingjiao no longer had any economic interest in Chengdu Foreign Languages School.

As confirmed by Sichuan Derui, since the establishment of Chengdu Foreign Languages School, Sichuan Derui had not shared any of its economic returns in Chengdu Foreign Languages School with the Chengdu Education Commission* or Chengdu Xingjiao based on the arrangements as set out above as Sichuan Derui had not recovered its investment at the relevant time when each of Chengdu Education Commission* and Chengdu Xingjiao had an economic interest in Chengdu Foreign Languages School.

Chengdu Experimental Foreign Languages School

Chengdu Experimental Foreign Languages School was jointly established by Tianren Property and Chengdu Education Bureau* and commenced schooling in September 2002 as a private middle and high school with a capital of RMB132,034,900 (as of 2005), which was owned as to 56.99% by Tianren Property and 43.01% by Chengdu Education Bureau*. Our PRC Legal Advisors confirmed that the capital of Chengdu Experimental Foreign Languages School was fully paid-up. Chengdu Education Bureau* is the competent authority of Chengdu Experimental Foreign Languages School.

On January 24, 2005, pursuant to a notice from the Chengdu Education Bureau*, Chengdu Education Bureau* allocated its school sponsor's interest in Chengdu Experimental Foreign Languages School to Chengdu Xingjiao. There was no consideration involved in this transfer. As advised by our PRC Legal Advisors, the transfer was valid under the PRC laws and regulations even though the school sponsor's interest was transferred without any consideration. The transfer was completed on August 11, 2005. After the transfer, Chengdu Experimental Foreign Languages School was owned as to 56.99% by Tianren Property and 43.01% by Chengdu Xingjiao.

On March 1, 2011, Tianren Property and Sichuan Derui entered into an equity transfer agreement, pursuant to which Tianren Property agreed to transfer to Sichuan Derui its 56.99% school sponsor's interest in Chengdu Experimental Foreign Languages School for a total consideration of RMB108,253,300, which was determined with reference to the total investment amount paid by Tianren Property for its investment in Chengdu Experimental Foreign Languages School. The consideration was fully-settled in April 2011. On March 1, 2011, Tianren Property and Sichuan Derui entered into a trust agreement. Under the trust agreement, Sichuan Derui expressed its intention to acquire the remaining 43.01% school sponsor's interest in the school. As confirmed by Sichuan Derui, Sichuan Derui would complete the registration process for the transfer of all of the school sponsor's interest in the school upon completion of such acquisition. Pursuant to the trust agreement, Tianren Property held the 56.99% of school sponsor's interest in Chengdu Experimental Foreign Languages School on trust for Sichuan Derui commencing on March 1, 2011 until completion of the said registration process. As advised by our PRC Legal Advisors, the trust agreement and the arrangements contemplated under the trust agreement were valid and legally binding under the PRC laws and regulations. At the time, Tianren Property was owned as to 57.29% by Mr. Yan, 25.70% by Ms. Xie Suhua, 2.30% by Derui Education Management, 0.91% by Ms. Yan Bihui, 0.91% by Ms. Yan Birong, and the remaining 12.89% by Independent Third Parties.

Subsequently, Chengdu Xingjiao engaged Southwestern United Assets and Equity Exchange* (西南聯合產權交易所) to auction its 43.01% school sponsor's interest in Chengdu Experimental Foreign Languages School in an open auction held on December 31, 2011 with a target bid price of RMB160,835,100, which was determined with reference to the valuation of 43.01% school sponsor's interest in Chengdu Experimental Foreign Languages School as of December 31, 2010. Tianren Property won the bid at the open auction for a total consideration of RMB160,835,100. On November 8, 2012, Tianren Property and Chengdu Xingjiao entered into a state-owned assets transfer agreement, pursuant to which, Chengdu Xingjiao transferred its 43.01% school sponsor's interest in Chengdu Experimental Foreign Languages School to Tianren Property for a total consideration of RMB160,835,100, plus interest at an interest rate equivalent to the prevailing bank lending rate of similar term on the outstanding amount of the consideration. The total amount paid by Tianren Property for the acquisition of 43.01% school sponsor's interest from Chengdu Xingjiao amounted to RMB164,479,413.85, comprised of the consideration, transaction fee and interest for the acquisition, which was fully paid on August 15, 2013, and the transfer was completed in November 2013. After completion of this transfer, the entire school sponsor's interest in Chengdu Experimental Foreign Languages School was held by Tianren Property and Tianren Property continued to hold 56.99% school sponsor's interest in Chengdu Experimental Foreign Languages School on trust for Sichuan Derui.

On October 10, 2013, Tianren Property and Sichuan Derui entered into another share transfer agreement, pursuant to which Tianren Property agreed to transfer to Sichuan Derui 43.01% school sponsor's interest in Chengdu Experimental Foreign Languages School for a total consideration of RMB164,479,413.85, which was determined with reference to the final bid price paid by Tianren Property to Chengdu Xingjiao for the acquisition of the 43.01% school sponsor's interest in the school, the related transaction fees and interest on August 15, 2012. The consideration was fully paid on December 18, 2013. As advised by our PRC Legal Advisors, the transfer of 56.99% school sponsor's interest in the school from Tianren Property to Sichuan Derui was only completed in May 2014 together with the transfer of 43.01% school sponsor's interest from Tianren Property to Sichuan Derui as mutually agreed among the parties under the trust agreement entered into by the parties on March 1, 2011. Upon completion of the transfers, the school sponsor's interest in Chengdu Experimental Foreign Languages School became wholly-owned by Sichuan Derui.

In July 2014, the capital of Chengdu Experimental Foreign Languages School increased by RMB65,100 to RMB132,100,000. Our PRC Legal Advisors confirmed that the increase in capital of Chengdu Experimental Foreign Languages School was fully paid-up.

Chengdu Experimental Foreign Languages School (Western Campus)

Chengdu Experimental Foreign Languages School (Western Campus) was established on June 11, 2003 as a private middle and high school with a capital of RMB1,000,000. The school sponsor's interest in Chengdu Experimental Foreign Languages School (Western Campus) was wholly-owned by Sichuan Derui since establishment. Our PRC Legal Advisors confirmed that the capital of Chengdu Experimental Foreign Languages School (Western Campus) was fully paid-up.

The Primary School

The Primary School was established on May 29, 2003 as a private primary school with a capital of RMB1,000,000. The school sponsor's interest in the Primary School was wholly-owned by Sichuan Derui. Our PRC Legal Advisors confirmed that the capital of the Primary School was fully paid-up.

The Kindergarten

The Kindergarten was established on July 12, 2007 as a private kindergarten with a capital of RMB1,000,000. The school sponsor's interest in the Kindergarten was wholly-owned by Sichuan Derui through the Primary School. Our PRC Legal Advisors confirmed that the capital of the Kindergarten was fully paid-up.

Chengdu Institute Sichuan International Studies University

The University was established jointly by Sichuan Derui and Sichuan International Studies University on April 28, 2004 as an independent college pursuant to an agreement dated January 10, 2001 and a supplemental agreement dated September 19, 2003. Under the agreements, among others (i) Sichuan International Studies University would share the returns of the university as it provided certain assets such as the brand name of the school, intellectual properties related to teaching, teaching and management skills, teaching faculty and management team, and books and software for the university; and (ii) the sharing of returns for the first 3,000 students, after the deduction of operation costs of not more than 40% of the tuition fees, the balance would be shared as to 65% for Sichuan Derui and 35% for Sichuan International Studies University, the school fees would be shared as to 85% for Sichuan Derui and 15% for Sichuan International Studies University after deduction of operation costs. The capital of the University was RMB63,000,000, was wholly-owned by Sichuan Derui. Sichuan International Studies University was named as a school sponsor entitled to the rights stipulated under the articles of the University and the returns stipulated under the 2001 agreement as amended by the 2003 supplemental agreement. According to the Frost & Sullivan Report, independent colleges are run by non-governmental institutions or individuals cooperating with public universities or colleges which offer undergraduate courses as a prerequisite. As a general practice, the cooperating public university or college will be named as a school sponsor for the relevant independent college, according to the Frost & Sullivan Report. Hence, Sichuan International Studies University, as a cooperating public university which offers undergraduate courses, is named as a school sponsor for the University. Our PRC Legal Advisors confirmed that the capital of the University was fully paid-up. Sichuan International Studies University is an Independent Third Party.

On June 8, 2009, the University, Sichuan Derui, Xinhua Winshare and Hongming Property entered into a capital increase and equity transfer agreement and two supplemental agreements (the "2009 University Agreements"). Xinhua Winshare is a company listed on the Main Board of the Stock Exchange (stock code: 0811). At the time, Hongming Property was owned as to 60% by Tianren Property and 40% by Sichuan Derui. At the time, Tianren Property was held as to 5.00% by Ms. Wang Xiaoying, 3.50% by Ms. Yan Bihui, 3.50% by Ms. Yan Birong, 3.50% by Ms. Xie Suhua and the remaining 84.50% by Independent Third Party.

Pursuant to the 2009 University Agreements, among others, (i) Hongming Property and Xinhua Winshare, contributed new capital for the development of the University in the form of land use rights and construction in progress, and cash, respectively, of which, (a) Xinhua Winshare contributed to an increase of new capital of RMB130,000,000 for a 12.15% school sponsor's interest in the University and then paid a total consideration of RMB130,000,000 to Sichuan Derui for an additional 12.15% of the school sponsor's interest in the University; and (b) Hongming Property contributed land use rights and constructions in progress valued at RMB255,000,000 for a 23.83% school sponsor's interest in the

University; and (ii) the University shall pay a five-year management fee for a total of RMB33 million to Sichuan International Studies University commencing from 2008, of which, RMB20 million shall be paid before December 31, 2008. The management fees to Sichuan International Studies University were fully paid. The consideration of the transfer was determined with reference to the net asset valuation of the University. The contribution of new capital by Xinhua Winshare and Hongming Property were made on July 29, 2009. The transfer was completed on August 20, 2009. After the contribution of new capital and the transfer, the increased capital of the University was owned as to 51.87% by Sichuan Derui, 24.3% by Xinhua Winshare and 23.83% by Hongming Property each as a school sponsor, and Sichuan International Studies University was named as a school sponsor entitled to the rights stipulated rights under the articles of the University and the relevant PRC laws, and the returns under the 2009 University Agreements.

Furthermore, pursuant to the 2009 University Agreements, among others, (i) the University should pay to Xinhua Winshare (a) the equivalent to at least 8% of its investment amount as dividend for 2009, (b) the equivalent to at least 9% of its investment amount as dividend for 2010, (c) the equivalent to at least 10% of its investment amount as dividend for 2011 and thereafter, and (d) Sichuan Derui and Hongming Property guaranteed the payment of the dividends to Xinhua Winshare for any shortfall in the payment by the University by renouncing their rights of distribution; (ii) dividend payments shall be paid before March 31 of each year for the dividends of the prior year, other than for the year of 2009, which shall be paid by December 31, 2009; (iii) if the University or its ultimate beneficial owner(s) fail(s) to list on a recognized stock exchange by January 1, 2014, commencing in 2014, Sichuan Derui and/or Hongming Property shall repurchase 6.075% school sponsor's interest of Xinhua Winshare in the University per year over a four-year period; (iv) if the school license of the University fails to be renewed, Sichuan Derui and/or Hongming Property shall repurchase 6.075% school sponsor's interest of Xinhua Winshare in the University per year over a four-year period; (v) before the completion of the repurchase referred to in (iii) and (iv) above, the University shall pay a distributable return to Xinhua Winshare equivalent to the remaining equity proportion held by Xinhua Winshare after the repurchase over 24.3% multiplied by the entire distributable return payable to Xinhua Winshare for that year. As of the Latest Practicable Date, Sichuan Derui is in discussions with Xinhua Winshare on the price and timing of the repurchase referred to (iii) above, and we have paid all dividends to Xinhua Winshare as required under the 2009 University Agreements. The basis for determining the repurchase price will be initially made by reference to the total investment made by Xinhua Winshare in the University (i.e. RMB260,000,000) subject to final negotiation between the parties on an arm's length basis. If Sichuan Derui repurchases the 24.3% school sponsor's interest in the University from Xinhua Winshare, we expect to repay Sichuan Derui with an amount equivalent to the repurchase price. Assuming that the repurchase price is RMB260,000,000 in cash, we will derecognize the same amount of financial liability which was already recorded in our balance sheet and there will be no impact on our profit and loss account upon derecognition, while our cash balance will decrease by the same amount.

On March 26, 2011, Hongming Property and Sichuan Derui entered into an equity transfer agreement, pursuant to which Hongming Property transferred its 23.83% school sponsor's interest in the University to Sichuan Derui for a total consideration of RMB255,000,000, which was determined with reference to the contribution made by Hongming Property to the capital of the University. On the same day, Hongming Property and Sichuan Derui entered into a supplement agreement whereby all the rights and liabilities attached to the 23.83% interest in the University were assigned to Sichuan Derui. As advised by our PRC Legal Advisors, the assignment was valid and binding among the parties. The consideration was fully paid on August 30, 2012. Based on our experience and as advised by our PRC Legal Advisors, changes to a school sponsor's interests are subject to the administrative processes and approvals of the relevant education authorities and civil affairs departments. As confirmed by Sichuan Derui, as Hongming Property was at the time owned as to 60% by Tianren Property and 40% by Sichuan Derui, and the rights and liabilities attached to the 23.83% school sponsor's interest in the University attributable to Hongming Property were already assigned to Sichuan Derui in accordance with the agreements between them, Sichuan Derui did not immediately process the changes. Further, Sichuan Derui planned to complete the transfer together with the anticipated repurchase of the school sponsor's interest from Xinhua Winshare, which was originally expected after January 1, 2014. However, as it was unknown when the repurchase would be completed with Xinhua Winshare, Sichuan Derui therefore proceeded with following the administrative processes to complete the transfer of the 23.83% school sponsor's interest in the University from Hongming Property. As advised by our PRC Legal Advisors, (i) as the completion of the transfer of the 23.83% school sponsor's interest in Chengdu Institute Sichuan International Studies University was in progress, the capital in the University was still owned as to 51.87% by Sichuan Derui, 24.3% by Xinhua Winshare and 23.83% by Hongming Property, each as a school sponsor, and Sichuan International Studies University was named as a school sponsor entitled to the rights stipulated under the articles of the University and the relevant PRC laws, and the returns under the 2009 University Agreements; and (ii) there are no legal consequences for the delay in completing the performance of the transfer agreements regarding school sponsor's interests under the PRC laws. Our PRC Legal Advisors further advised that there is no legal impediments in completing the transfer from Hongming Property to Sichuan Derui. As of the Latest Practicable Date, the transfer has been approved by the Education Department of Sichuan Province and we expect the transfer will be completed by end of June 2016.

CORPORATE REORGANIZATION

In preparation for the Global Offering, we underwent the following Corporate Reorganization:

1. Incorporation of the Offshore Group Companies

Our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on March 13, 2015 with an authorized share capital of US$50,000 divided into 50,000 shares with par value of US$1.00 each. On the same day, Mr. Yan acquired one share in the share capital of our Company from the incorporator at a nominal consideration of US$1.00, and a further 49,999 shares of our Company were allotted and issued to Mr. Yan as fully-paid at par value.

Virscend Investment

Virscend Investment was incorporated as a limited liability company under the laws of the BVI on March 20, 2015 with an authorized share capital of US$50,000 divided into 50,000 shares with par value of US$1.00 each. On the same day, 50,000 shares of Virscend Investment were allotted and issued to Mr. Yan as fully-paid at par value.

Wah Tai

Wah Tai was incorporated as a limited liability company under the laws of Hong Kong on September 8, 2014 with 10,000 shares allotted and issued to Mr. Yan at a nominal value of HK$1.00 per share, credited as fully paid.

2. Transfer of Wah Tai to Virscend Investment

On June 18, 2015, Virscend Investment acquired the entire issued share capital of Wah Tai from Mr. Yan at a nominal consideration of HK$1.00 as part of the Corporate Reorganization. The transfer was completed on the same day and Wah Tai became wholly-owned by Virscend Investment.

3. Transfer of Virscend Investment to Our Company

On June 19, 2015, our Company acquired the entire issued share capital of Virscend Investment from Mr. Yan at a nominal consideration of US$1.00 as part of the Corporate Reorganization. The transfer was completed on the same day, and Virscend Investment and Wah Tai became our wholly-owned subsidiaries.

4. Redenomination and Subdivision of the Shares of Our Company

On June 19, 2015, the authorized share capital of our Company was redenominated from U.S. dollars to Hong Kong dollars at an exchange rate of US$1.00 to HK$7.60. Following such redenomination, the authorized share capital of our Company became HK$380,000 divided into 380,000 shares with par value of HK$1.00 each.

On the same day, each of the shares in the authorized share capital of our Company and each of the issued shares of our Company with a par value of HK$1.00 per share were subdivided into 100 shares with par value of HK$0.01 each. Following such subdivision, the authorized and issued share capital of our Company became HK$380,000 divided into 38,000,000 shares with par value of HK$0.01 each, and wholly-owned by Mr. Yan.

5. Transfer of Our Company to Shareholders of Sichuan Derui

On June 20, 2015, Virscend Holdings, Happy Venus, Top Alliance, Lucky Sign and Smart Ally acquired 26,388,340 shares, 7,048,240 shares, 1,812,220 shares, 1,611,200 shares and 1,140,000 shares, of our Company, respectively, from Mr. Yan, each at a nominal consideration of HK$1.00 as part of the Corporate Reorganization.

The transfers were completed on the same day and the ultimate individual shareholders and the proportion of shareholdings of our Company became identical to that of Sichuan Derui. Our Company is then held as to approximately 69.44% by Virscend Holdings, 18.55% by Happy Venus, 4.77% by Top Alliance, 4.24% by Lucky Sign and 3.00% by Smart Ally.

6. Establishment of Tibet Huatai in the PRC

On August 22, 2015, Tibet Huatai was established in the PRC as a wholly-foreign owned enterprise with a registered capital of US$500,000, which was wholly-owned by Wah Tai. Our PRC Legal Advisors confirmed that the registered capital of Tibet Huatai had been fully paid-up within the required timeframe.

Tibet Huatai is principally engaged in the provision of technical and management consultancy services to our PRC Operating Entities.

7. Disposal of Interest in Derui Education Fund

Immediately prior to the Corporate Reorganization, Chengdu Foreign Languages School, Chengdu Experimental Foreign Languages School, Chengdu Experimental Foreign Languages School (Western Campus), the Primary School and the University were interested in Derui Education Fund as to 30.95%, 26.19%, 14.29%, 4.76% and 9.52%, respectively. The remaining interest in Derui Education Fund were held as to 4.76% by Chengdu Experimental Foreign Languages Primary School and 9.52% by Derui Education Management. See "Relationship with Controlling Shareholders — Controlling Shareholders" in this prospectus for more information on Chengdu Experimental Foreign Languages Primary School. As for Derui Education Management, it is owned as to 92.9% by Mr. He Qikang (何其康), the husband of Ms. Yan Bihui and brother-in-law of Mr. Yan and Ms. Wang Xiaoying, and 7.1% by Mr. Li Changjiu (李長久), husband of Ms. Yan Bixian and brother-in-law of Mr. Yan and Ms. Wang Xiaoying. Derui Education Management is principally engaged in the provision of services including education and school logistics. As such, we believe Derui Education Management does not compete directly or indirectly with our business.

Derui Education Fund was engaged in granting awards to teachers, assisting under-privileged students and improving and renewing teaching equipment for schools in the PRC. As part of the Corporate Reorganization to streamline our shareholding structure and to consolidate all related education operations into our Group, on September 5, 2015, among others, Chengdu Foreign Languages School, Chengdu Experimental Foreign Languages School, Chengdu Experimental Foreign Languages School (Western Campus), the Primary School and the University as sellers entered into an agreement with Derui Education Management as purchaser for the disposal of an aggregate of 85.71% interest in Derui Education Fund for a total consideration of RMB1,799,910, which was determined with reference to the amount of the net assets of Derui Education Fund as of June 30, 2015. Pursuant to the agreement, the rights and liabilities attached to the 85.71% interest were assigned to Derui Education Management on the same day. As advised by our PRC Legal Advisors, the assignment was valid and binding among the parties. The consideration was fully paid on September 18, 2015 and the transfer has been completed on September 30, 2015.

8. Entering into the Structured Contracts to control our schools

On September 7, 2015, Tibet Huatai entered into various agreements that constitute the Structured Contracts with, among others, our PRC Operating Entities, under which all economic benefits arising from the business of our PRC Operating Entities are transferred to the Tibet Huatai by means of services fees payable by our PRC Operating Entities to Tibet Huatai.

See "Structured Contracts" in this prospectus for further details.

9. Establishment of Chengdu Huatai

Chengdu Huatai was established in the PRC as a limited liability company on October 29, 2015 with a registered capital of RMB100,000, which was wholly-owned by Tibet Huatai. We are required to contribute to the initial registered capital of Chengdu Huatai on or before October 28, 2017. Hence, as of the Latest Practicable Date, we have not made any registered capital contribution.

10. Incorporation of Wahtai (US)

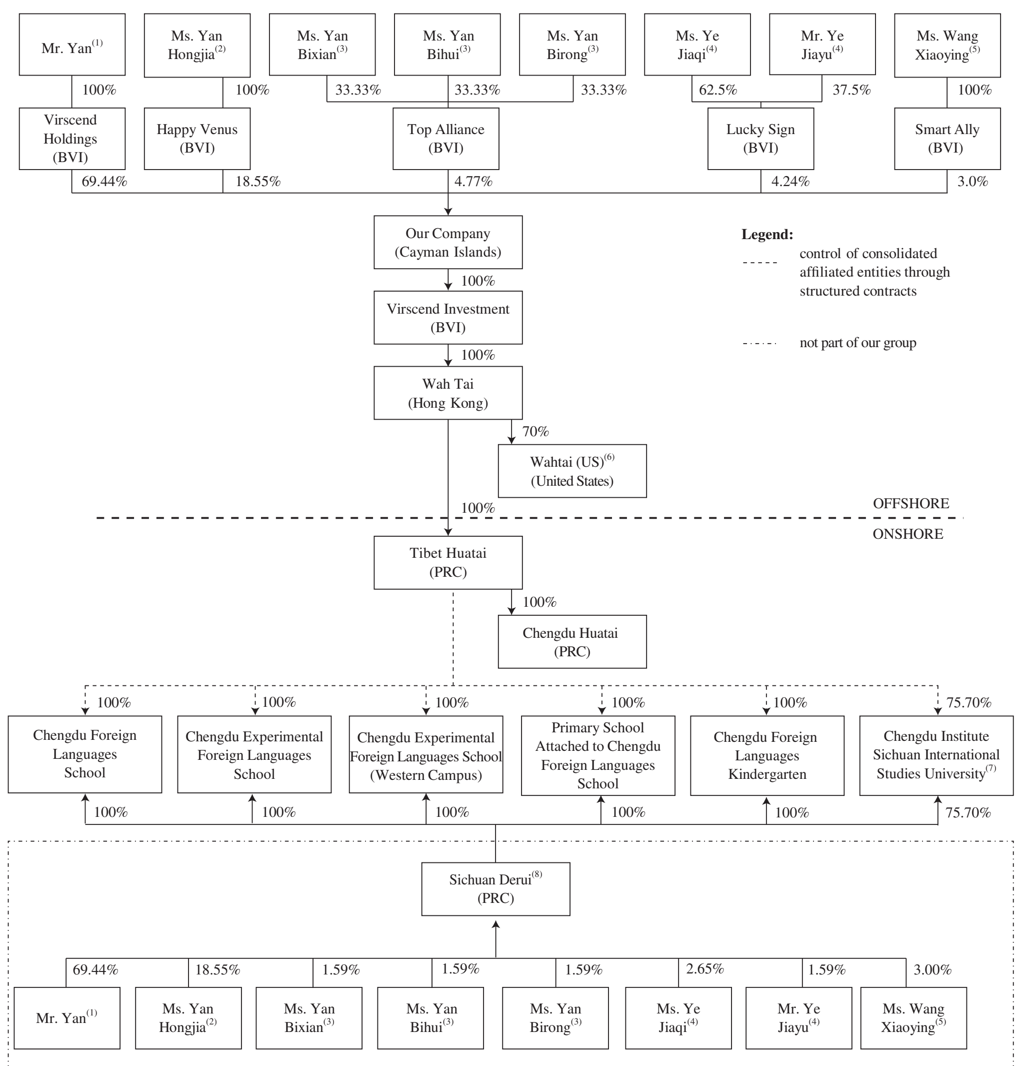
Wahtai (US) was incorporated as a company under the laws of the State of California on November 2, 2015 with 700,000 shares and 300,000 shares allotted and issued to Wah Tai and an independent third party, Dr. Robert T. Chi, respectively.

PRC Legal and Compliance

Our PRC Legal Advisors confirmed that all necessary approvals, permits and licences required under the PRC laws and regulations in connection with the Corporate Reorganization have been obtained, and the Corporate Reorganization has complied with all applicable PRC laws and regulations.

GROUP STRUCTURE IMMEDIATELY AFTER THE CORPORATE REORGANIZATION

The following chart sets forth our corporate structure immediately after the Corporate Reorganization and prior to the Global Offering:



Notes:

(1) Mr. Yan is the spouse of Ms. Wang Xiaoying and the father of Ms. Yan Hongjia, and the brother of Ms. Yan Bixian, Ms. Yan Bihui and Ms. Yan Birong.

(2) Ms. Yan Hongjia is the daughter of Mr. Yan and Ms. Ye Jiaqi, and the step-daughter of Ms. Wang Xiaoying. Ms. Yan Hongjia is also the niece of Ms. Yan Bixian, Ms. Yan Bihui, Ms. Yan Birong and Mr. Ye Jiayu.

(3) Ms. Yan Bixian, Ms. Yan Bihui and Ms. Yan Birong are sisters. They are also sisters of Mr. Yan, sisters-in-law of Ms. Wang Xiaoying and aunts of Ms. Yan Hongjia.

(4) Ms. Ye Jiaqi and Mr. Ye Jiayu are brother and sister. Ms. Ye Jiaqi is the mother of Ms. Yan Hongjia and Mr. Ye Jiayu is the uncle of Ms. Yan Hongjia.

(5) Ms. Wang Xiaoying is the spouse of Mr. Yan, the step-mother of Ms. Yan Hongjia, and the sister-in-law of Ms. Yan Bixian, Ms. Yan Bihui and Ms. Yan Birong.

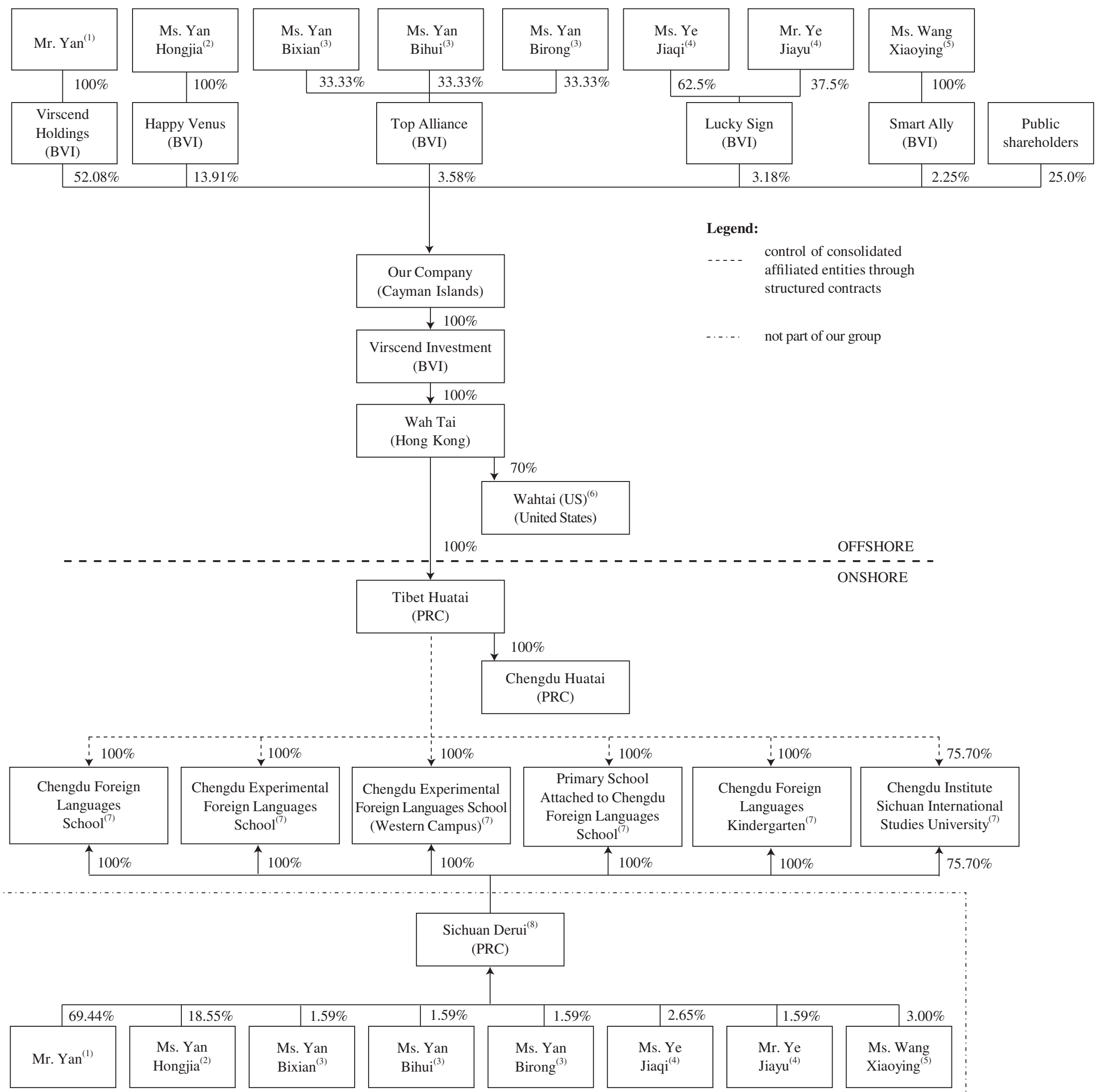
(6) Wahtai (US) is held as to 70% by Wah Tai and 30% by Dr. Robert T. Chi, an independent third party.

(7) The school sponsor's interest in Chengdu Institute Sichuan International Studies University is owned as to 51.87% by Sichuan Derui, 24.3% by Xinhua Winshare and 23.83% by Hongming Property, each as a school sponsor, and Sichuan International Studies University is named as a school sponsor, entitled to the rights stipulated under the articles of the University and the relevant PRC laws, and returns under the 2009 University Agreement. Xinhua Winshare is a company listed on the Main Board of the Stock Exchange (stock code: 0811), and as it has a substantial interest in the University, it is a connected person of our Group. Hongming Property is held as to 60% by Ms. He Ling, daughter of Ms. Yan Bihui, and 40% by Mr. Li Zhigang, son of Ms. Yan Bixian. The 75.70% interest of the University controlled through the Structured Contracts is comprised of 51.87% and 23.83% held by Sichuan Derui and Hongming Property, respectively.

(8) Sichuan Derui is not a consolidated affiliated entity and not part of our Group. Our Directors believe that such a shareholding structure for our PRC Operating Entities will not affect the effectiveness of the Structured Contracts (including in event of claims by our Company against the shareholders of Sichuan Derui). For more information, see "Structured Contracts — Legality of the Structured Contracts — Directors' Views on the Structured Contracts" in this prospectus.

GROUP STRUCTURE UPON LISTING

The following chart sets forth our corporate structure upon Listing (assuming the Over-allotment Option is not exercised):



Notes:

(1) Mr. Yan is the spouse of Ms. Wang Xiaoying and the father of Ms. Yan Hongjia, and the brother of Ms. Yan Bixian, Ms. Yan Bihui and Ms. Yan Birong.

(2) Ms. Yan Hongjia is the daughter of Mr. Yan and Ms. Ye Jiaqi, and the step-daughter of Ms. Wang Xiaoying. Ms. Yan Hongjia is also the niece of Ms. Yan Bixian, Ms. Yan Bihui, Ms. Yan Birong and Mr. Ye Jiayu.

(3) Ms. Yan Bixian, Ms. Yan Bihui and Ms. Yan Birong are sisters. They are also sisters of Mr. Yan, sisters-in-law of Ms. Wang Xiaoying and aunts of Ms. Yan Hongjia.

(4) Ms. Ye Jiaqi and Mr. Ye Jiayu are brother and sister. Ms. Ye Jiaqi is the mother of Ms. Yan Hongjia and Mr. Ye Jiayu is the uncle of Ms. Yan Hongjia.

(5) Ms. Wang Xiaoying is the spouse of Mr. Yan, the step-mother of Ms. Yan Hongjia, and the sister-in-law of Ms. Yan Bixian, Ms. Yan Bihui and Ms. Yan Birong.

(6) Wahtai (US) is held as to 70% by Wah Tai and 30% by Dr. Robert T. Chi, an independent third party.

(7) The school sponsor's interest in Chengdu Institute Sichuan International Studies University is owned as to 51.87% by Sichuan Derui, 24.3% by Xinhua Winshare and 23.83% by Hongming Property, each as a school sponsor, and Sichuan International Studies University is named as a school sponsor, entitled to the rights stipulated under the articles of the University and the relevant PRC laws, and returns under the 2009 University Agreement. Xinhua Winshare is a company listed on the Main Board of the Stock Exchange (stock code: 0811), and as it has a substantial interest in the University, it is a connected person of our Group. Hongming Property is held as to 60% by Ms. He Ling, daughter of Ms. Yan Bihui, and 40% by Mr. Li Zhigang, son of Ms. Yan Bixian. The 75.70% interest of the University controlled through the Structured Contracts comprised of 51.87% and 23.83% held by Sichuan Derui and Hongming Property, respectively.

(8) Sichuan Derui is not a consolidated affiliated entity and not part of our Group. Our Directors believe that such a shareholding structure for our PRC Operating Entities will not affect the effectiveness of the Structured Contracts (including in event of claims by our Company against the shareholders of Sichuan Derui). For more information, see "Structured Contracts — Legality of the Structured Contracts — Directors' Views on the Structured Contracts" in this prospectus.

SAFE REGISTRATION

Pursuant to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (關於境內居民通過特殊目的公司境外融資及返程投資外匯管理有關問題的通知) (the "SAFE Circular No. 37"), promulgated by SAFE and which became effective on July 14, 2014, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the "Overseas SPV") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular No. 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Director Investment (關於進一步簡化和改進直接投資外匯管理政策的通知) (the "SAFE Circular No. 13"), promulgated by SAFE and which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interest in the domestic entity was located.

As advised by our PRC Legal Advisors, each of Mr. Yan, Ms. Wang Xiaoying (王小英), Ms. Yan Hongjia (嚴弘佳), Ms. Yan Bixian (嚴碧先), Ms. Yan Birong (嚴碧蓉), Ms. Yan Bihui (嚴碧輝), Mr. Ye Jiayu (葉家郁) and Ms. Ye Jiaqi (葉家齊) has completed the registration under the SAFE Circular No. 13 and SAFE Circular No. 37 on June 30, 2015.

THE M&A RULES

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

Given that (i) Tibet Huatai was established as a wholly foreign-owned enterprise by means of direct investment rather than by merger or acquisition by our Company under the M&A Rules, and (ii) no Regulated Activities were involved in the Corporate Reorganization under the M&A Rules, as advised by our PRC Legal Advisors, the establishment of Tibet Huatai and the Corporate Reorganization are not subject to the M&A Rules, and the Listing of our Company does not require approvals from CSRC and MOFCOM under the M&A Rules.

BACKGROUND OF THE STRUCTURED CONTRACTS

We currently conduct our private education business through our PRC Operating Entities in the PRC as PRC laws and regulations generally prohibit or restrict foreign ownership in the private education industry in the PRC. PRC laws and regulations currently prohibit foreign ownership of primary and middle schools in the PRC and restrict the operation of preschools, high schools and higher education institutions to Sino-foreign ownership, in addition to imposing qualification requirements on the foreign owners. We do not hold any equity interest in our PRC Operating Entities. The Structured Contracts, through which we obtain control over and derive the economic benefits from our PRC Operating Entities, have been narrowly tailored to achieve our business purpose and minimize the potential conflict with relevant PRC laws and regulations.

Primary School and Middle School Education

Pursuant to the Implementation Opinions on Encouraging and Guiding Private Fund's Entry into the Education Sector and Promoting Healthy Development of Private Education (關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見) promulgated by the MOE on June 18, 2012 (the "Implementation Opinions"), foreign-invested companies that engage in educational activities in the PRC should comply with the Foreign Investment Catalog. Under the Foreign Investment Catalog, the latest amendment to which was promulgated by the NDRC and the MOFCOM in March 2015 and became effective on April 10, 2015, primary schools and middle schools offering compulsory education for students from grade one to nine fall within the "prohibited" category.

As a result of the prohibition on foreign ownership, foreign investors (including individuals, companies, partnerships, educational institution and any other entities) are prohibited from owning primary schools or middle schools in the PRC, whether through direct investments or through wholly-owned subsidiaries in the PRC. Therefore, we do not hold any direct equity interest in any of Chengdu Foreign Languages School, Chengdu Experimental Foreign Languages School, Chengdu Experimental Foreign Languages School (Western Campus) and the Primary School, each of which offers either primary school or middle school education, and control each of them through the Structured Contracts.

Preschool, High School and Higher Education

Pursuant to the Foreign Investment Catalog, the provision of preschool, high school and higher education in the PRC falls within the "restricted" category. In particular, the Foreign Investment Catalog explicitly restricts preschools, high schools and higher education institutions to Sino-foreign cooperation, which means that foreign investors may only operate pre-schools, high schools and higher educational institutions through joint ventures with PRC incorporated entities that are in compliance with the Sino-Foreign Regulation. In addition, the Foreign Investment Catalog also provides that the domestic party shall play a dominant role in the Sino-foreign cooperation, meaning that (a) the principal or other chief executive officer of the schools shall be a PRC national (with which we had fully complied); and (b) the representative of the domestic party shall account for no less than half of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign cooperative educational institution (the "Foreign Control Restriction").

In relation to the interpretation of Sino-foreign cooperation, pursuant to the Sino-Foreign Regulation, if we were to apply for any of our schools to be reorganized as a Sino-foreign joint venture private school for PRC students at a preschool, high school and schools offering higher education (a "Sino-Foreign Joint Venture Private School"), the foreign investor in the Sino-Foreign Joint Venture Private School must be a foreign educational institution with relevant qualification and high quality of education (the "Qualification Requirement"). Furthermore, pursuant to the Implementation Opinions, the foreign portion of the total investment in a Sino-Foreign Joint Venture Private School should be below 50% (the "Foreign Ownership Restriction") and the establishment of these schools is subject to approval of education authorities at the provincial or national level.

Our PRC Legal Advisors have advised that it is currently uncertain as to what specific criteria must be met by a foreign investor (such as length of experience and form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant educational authority that it meets the Qualification Requirement.

On August 13, 2015 and September 30, 2015, with the assistance of our PRC Legal Advisors, we consulted the Education Department of the Sichuan Province, being the competent authority as advised by our PRC Legal Advisors to issue such confirmation in respect of the matters relating to the Sino-Foreign Joint Venture Private Schools relevant to us. We were advised by the deputy director of the department of policies and regulations and comprehensive reforms (政策法規與綜合改革處副處長) at the Education Department of the Sichuan Province that:

(i) the Foreign Ownership Restriction applies to Sino-Foreign Joint Venture Private Schools in their region;

(ii) a foreign investor in a Sino-Foreign Joint Venture Private School should be an educational institution that can award diploma certificates in the country where the foreign investor is located;

(iii) as a matter of policy, no Sino-Foreign Joint Venture Private School has been approved in Sichuan Province after the Sino-Foreign Regulation became effective on September 1, 2003 and no change to such policy could be foreseen in the coming year;

(iv) three Sino-Foreign joint venture public schools in Sichuan Province, which are not separate legal persons, had been approved;

(v) an independent college had previously consulted the Education Department, but had not obtained approval, for the establishment of a Sino-Foreign Joint Venture Private School;

(vi) no implementing measures or specific guidance pursuant to the Sino-Foreign Regulation had been promulgated in Sichuan Province; and

(vii) the execution of the Structured Contracts does not require approval from the education authorities.

Our PRC Legal Advisors are of the view that the aforesaid officer has authority to provide the confirmation on the basis that the deputy director of the department has good and authoritative understanding of the PRC laws and regulations regarding Sino-foreign cooperative education and its actual implementation in Sichuan Province.

As advised by our PRC Legal Advisors, the Sichuan governmental authority has not promulgated any implementing measures or specific guidance pursuant to the Sino-Foreign Regulation as of the Latest Practicable Date. Except for (a) three Sino-Foreign joint venture public schools in Sichuan Province which have been approved, which included (i) an Sino-Foreign cooperative education institution approved in 2000 (i.e. prior to the Sino-Foreign Regulation becoming effective) with the PRC sponsor being a province-run school and (ii) two Sino-Foreign cooperative education institutions directly approved by the Ministry of Education (as the relevant PRC sponsors are state-run universities under its direct jurisdiction); and (b) an independent college which has previously consulted the Education Department, but had not obtained approval, for the establishment of a Sino-Foreign Joint Venture Private School, our Company is not aware of any applications in respect of Sino-Foreign Joint Venture schools, whether private or public, being previously submitted for approval with the authority in Sichuan Province. As advised by our PRC Legal Advisors, private schools established by enterprises, institutions, public organizations, other social organizations and individuals using non-government funds are highly regulated under the Law for Promoting Private Education (中華人民共和國民辦教育促進法) and the Implementation Rules for the Law for Promoting Private Education (中華人民共和國民辦教育促進法實施條例), which are not applicable to public schools. See section headed “Regulatory Overview — Regulations on Private Education in the PRC” in this prospectus for further details.

Given that as of the Latest Practicable Date, as advised by our PRC Legal Advisors, we do not meet the Qualification Requirement as we have no experience in operating a school outside of the PRC, it is therefore not practicable for us to seek to apply to reorganize any of our PRC Operating Entities as a Sino-Foreign Joint Venture Private School or convert any of the Kindergarten or the University into a Sino-Foreign Joint Venture Private School.

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

As a result of the above regulatory restrictions, we do not hold any direct equity interest in, and rather control by way of Structured Contracts, the Kindergarten and the University, which solely operate preschool and higher education, respectively. For our Chengdu Foreign Languages School, Chengdu Experimental Foreign Languages School and Chengdu Experimental Foreign Languages School (Western Campus), which offer high school education in the PRC as well as middle school education, we do not hold any direct equity interest therein given the PRC laws and regulations prohibits foreign ownership. Please refer to the paragraph headed "Primary School and Middle School Education" in this section for details.

As of the date of this prospectus, we have not encountered any interference or encumbrance from any governing bodies in our plan to adopt the Structured Contracts and the combined financial results of our PRC Operating Entities, which engage in education service, are consolidated to those of our Group. Our PRC Legal Advisors have opined that each of our PRC Operating Entities has been legally established and the Structured Contracts in relation to the operation of preschool, primary school, middle school, high school and higher education are valid, legal and binding and do not contravene PRC laws and regulations. According to our PRC Legal Advisors, under PRC laws and regulations, the failure to meet the Qualification Requirement and the adoption of the Structured Contracts to operate our preschools, high schools and higher education do not render our preschool, high schools and higher education business as illegal operations in the PRC. As disclosed above, we have obtained confirmation from the Education Department of Sichuan Province that the Structured Contracts do not require approval from the education authorities. However no positive regulatory assurance has been obtained from relevant PRC regulatory authorities with respect to the use of the Structured Contracts in the education industry, and it is impracticable to obtain such assurance, no relevant PRC regulatory authorities have ever issued any regulations, rules or notices to prohibit the use of Structured Contracts in the education industry.

Circumstances in which We Will Unwind the Structured Contracts

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

In the event that the Qualification Requirement is removed or we are able to meet the Qualification Requirement and there is a change in policy, under which Sino-Foreign Joint Venture Private School had been approved in Sichuan Province, but (a) the Foreign Ownership Restriction and the Foreign Control Restriction remain, (b) the Foreign Ownership Restriction remains and the Foreign Control Restriction is removed, or (c) the Foreign Ownership Restriction is removed and the Foreign Control Restriction remains, or (d) both of the Foreign Ownership Restriction and the Foreign Control Restriction are removed, as permitted by the applicable PRC laws and regulations at the relevant time:

— in circumstance (a), our Company will partially unwind the Structured Contracts and directly hold equity interest of less than 50% in the relevant school (such as 49.99% equity interest) as our Company or any of its subsidiaries, as a foreign investor, can only hold a portion of the total investment in a Sino-Foreign Joint Venture Private School up to no more than 50%. However, our Company will not be able to control such school without the Structured Contracts in place with respect to the domestic interests. Accordingly, if the Foreign Ownership Restriction and the Foreign Control Restriction remain, regardless of whether the

Qualification Requirement is removed or met our Company will still rely on contractual arrangements to establish control over the schools. Our Company will also acquire rights to appoint members to the board of directors who together shall constitute less than 50% of board of directors of the relevant school. We will then control the voting power of the other members to the board of directors appointed by the domestic interest holder(s) by way of Structured Contracts;

— in circumstance (b), we will partially unwind the Structured Contracts and directly hold equity interest of less than 50% in the relevant school (such as 49.99% equity interest) as our Company or any of its subsidiaries, as a foreign investor, can only hold a portion of the total investment in a Sino-Foreign Joint Venture Private School up to no more than 50%. However, our Company will not be able to control such school without the Structured Contracts in place with respect to the domestic interests. Our Company will also acquire rights to appoint all members to the board of directors of the school;

— in circumstance (c), notwithstanding we will be able to hold majority interests in Sino-Foreign Joint Venture Private Schools, the Sino-Foreign Regulation still dictates that there be a domestic interest in the school and we are ineligible to operate by ourselves. Under such circumstances, we will acquire rights to appoint members to the board of directors who together shall constitute less than 50% of board of directors of the relevant school. We will then control the voting power of such members appointed by the domestic interest holder(s) by way of the Structured Contracts. We also plan to hold the maximum percentage of equity interests permissible by the relevant laws and regulations in the relevant schools directly, subject to the approval of relevant government authorities. As for the remaining minority domestic interests which our Company intends to consolidate, we will then control them pursuant to the Structured Contracts; and

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

In addition, Tibet Huatai has also signed a written undertaking that, if the PRC regulatory environment changes and all of the Qualification Requirement, the Foreign Ownership Restriction and the Foreign Control Restriction are removed (and assuming there are no other changes in the relevant PRC laws and regulations), it will exercise the Equity Call Option in full to unwind the contractual arrangements so that we are able to directly operate our schools without using the Structured Contracts. See "Structured Contracts — Termination of the Structured Contracts" in this prospectus for further details.

Plan to Comply with the Qualification Requirement

We have adopted a specific plan and begun to take the following concrete steps which we reasonably believe are meaningful endeavors to demonstrate compliance with the Qualification Requirement. The Education Department of Sichuan Province had confirmed to us that (i) the foreign investor of a Sino-Foreign Joint Venture Private School should be an education institution that can award diploma certificates in the country where the foreign investor is located and there are no specific requirements as to whether the foreign investor must be a private or public education institution, or as to the educational level, financial position, academic discipline and country or area of such investor; and (ii) it is possible that approval may be granted to an investor that is an education institution that legally awards diploma certificates in a foreign country, which is established by cooperation between a PRC entity and a foreign entity and which gradually accumulates education experience and reputation overseas, to qualify for approval as a foreign investor of a Sino-Foreign Joint Venture Private School. Our PRC Legal Advisors also confirmed that they are of the view that the following steps taken by us to demonstrate compliance with the Qualification Requirements are reasonable and appropriate.

As of the Latest Practicable Date, we had taken the following concrete steps to implement our plan. In September, 2015, we entered into a letter of intent with CBA, pursuant to which we intend to establish a new school in the United States with the assistance from CBA. Pursuant to the letter of intent, CBA will provide teaching methodology consulting services and teaching materials and we will provide funding in an amount to be determined at a later date, which may be used to secure classrooms and facilities for the new school. We intend to allocate up to US$2.0 million for the purpose of establishing the new school, which is expected to be funded from our internal resources. On November 2, 2015, we have formed an operating entity in the United States, Wahtai (US), which was owned as to 70.0% by Wah Tai and 30.0% by Dr. Robert T. Chi, Associate Dean of Accreditation at the Department of Information Systems at CBA and an independent third party. Wahtai (US) will be responsible for the daily operation and management of the new school. As of the Latest Practicable Date, we are in the process of designing the educational programs to be offered by the new school. We have submitted a formal application to the BPPE through the non-accredited application process in November 2015. The approval process with the BPPE is expected to complete within approximately 12 months from the date of application and we have engaged counsels in California for advice on matters relating to the approval process. For details of the regulatory environment in California for the operation of a private postsecondary school, please see the section headed "Regulatory Overview — Regulations on Private Postsecondary Education in the State of California" in this prospectus. We have expended approximately US$130,000 in connection with our plan as of the Latest Practicable Date and will continue to negotiate with CBA to enter into a cooperation agreement containing detailed terms of our collaboration, such as our responsibilities in addition to providing funding. This agreement is expected to be entered into after we have obtained the approval to operate the new school from the BPPE. In addition, in preparation of and in connection with our application for approval to operate from the BPPE, on November 2, 2015, Wahtai (US) entered into a commercial lease agreement with USA Tianren Hotel, a connected person, pursuant to which we leased from USA Tianren Hotel certain premises in Fullerton, California, with a gross floor area of 5,000 sq.ft. to be used as classrooms and executive offices of the new school. We will pay a monthly rent of US$6,000 plus any applicable sales and use taxes. The lease has a term of three years and will expire on November 2, 2018. The lease may be renewed by us by giving to USA Tianren Hotel a 60-day prior written notice. Please see the section headed "Connected Transactions — Exempt Continuing Connected Transaction — US School Lease Agreement" in this prospectus.

In the opinion of our PRC Legal Advisors, if both of the Foreign Ownership Restriction and the Foreign Control Restriction are removed but the Qualification Requirement remains and assuming the new school to be operated by Wahtai (US) or another educational institution established by us gains a level of foreign experience sufficient to demonstrate compliance with the Qualification Requirement and obtains the approval of the relevant education authorities for the establishment of a Sino-Foreign Joint Venture Private School in the future, we will be able to operate our schools in the PRC directly through the new school operated by Wahtai (US) or such other educational institution. Further, our PRC Legal Advisors advised that while the Sino-Foreign Regulation provides that the foreign investor in a Sino-Foreign Joint Venture Private School must be a foreign educational institution with relevant qualification and high quality of education, there is no requirement that the qualification must be of the same level as the qualification of the Sino-Foreign Joint Venture Private School. The Educational

Department of Sichuan Province also confirmed to us that the foreign investor of a Sino-Foreign Joint Venture Private School should be an educational institution that can award diploma certificates in the country where the foreign investor is located and there are no specific requirements as to whether the foreign investor must be a private or public educational institution, or as to the educational level, financial position, academic discipline and country or area of such investor. Our PRC Legal Advisors are of the opinion that an educational institution which only offers diploma certificates at the university level in a foreign jurisdiction that acts as the foreign investor for the establishment of a Sino-foreign joint venture private kindergarten and high schools in Sichuan Province is in compliance with the general requirements of the existing PRC laws.

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

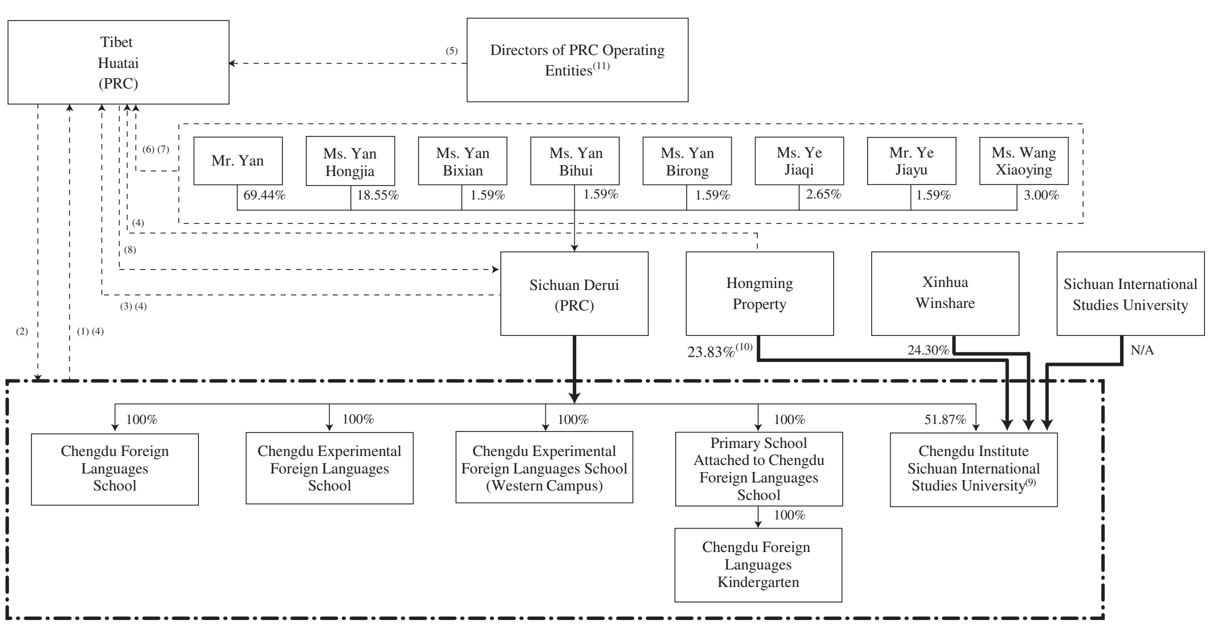
(i) under the guidance of our PRC Legal Advisors, continue to keep ourselves updated with regard to all relevant regulatory developments and guidance relating to the Qualification Requirement; and

(ii) provide periodic updates in our annual and interim reports after Listing to inform our Shareholders of our efforts and actions undertaken with the Qualification Requirement.

OPERATION OF THE STRUCTURED CONTRACTS

In order to comply with the PRC laws and regulations as set out above while availing ourselves of international capital markets and maintaining effective control over all of our operations, on September 7, 2015, our wholly-owned subsidiary, Tibet Huatai entered into various agreements that constitute the Structured Contracts with, among others, our PRC Operating Entities, under which all economic benefits arising from the business of our PRC Operating Entities are transferred to Tibet Huatai to the extent permitted under the PRC laws and regulations by means of services fees payable by our PRC Operating Entities to Tibet Huatai.

The following simplified diagram illustrates the flow of economic benefits from our PRC Operating Entities to our Group stipulated under the Structured Contracts:



Notes:

1. Payment of service fees. See “Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (2) Exclusive Technical Service and Management Consultancy Agreement” of this prospectus for details.

2. Provision of exclusive technical and management consultancy services. See “Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (2) Exclusive Technical Service and Management Consultancy Agreement” of this prospectus for details.

3. Exclusive call option to acquire all or part of the school sponsor’s interest of Sichuan Derui in our PRC Operating Entities. See “Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (3) Exclusive Call Option Agreement” of this prospectus for details.

4. Entrustment of school sponsors’ rights in our PRC Operating Entities by Sichuan Derui, Hongming Property and the Primary School including school sponsors’ powers of attorney. See “Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (4) School Sponsors’ and Directors’ Rights Entrustment Agreement” and “Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (5) School Sponsors’ Powers of Attorney” of this prospectus for details.

5. Entrustment of directors’ rights in our PRC Operating Entities by directors of our PRC Operating Entities appointed by Sichuan Derui, Hongming Property and the Primary School including directors’ powers of attorney. See “Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (4) School Sponsors’ and Directors’ Rights Entrustment Agreement” and “Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (6) Directors’ Powers of Attorney” of this prospectus for details.

6. Spouse undertakings by the respective spouse of the Registered Shareholders, who are shareholders of Sichuan Derui. See “Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (7) Spouse Undertakings”.

7. Pledge of equity interest by the Registered Shareholders of their equity interest in Sichuan Derui. See “Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (8) Equity Pledge Agreement”.

8. Provision of loans by Tibet Huatai to Sichuan Derui which will be directly settled by Tibet Huatai as capital contribution of our PRC Operating Entities on behalf of Sichuan Derui. See “Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (9) Loan Agreement” of this prospectus for further details.

9. The school sponsor’s interest in the University is owned as to 51.87% by Sichuan Derui, 24.3% by Xinhua Winshare and 23.83% by Hongming Property, each as a school sponsor, and Sichuan International Studies University is named as a school sponsor, entitled to the rights stipulated under the articles of the University and the relevant PRC laws, and returns under the 2009 University Agreement. Xinhua Winshare is a company listed on the Main Board of the Stock Exchange (stock code: 0811), and as it has a substantial interest in the University, it is a connected person of our Group. Hongming Property is held as to 60% by Ms. He Ling, daughter of Ms. Yan Bihui, and 40% by Mr. Li Zhigang, son of Ms. Yan Bixian.

10. All of the rights and liabilities attached to 23.83% school sponsor’s interest held by Hongming Property in Chengdu Institute Sichuan International Studies University was assigned to Sichuan Derui pursuant to an agreement dated March 26, 2011. See “History and Corporate Structure — History of our Six Schools — Chengdu Institute Sichuan International Studies University” for further details.

11. Directors of our PRC Operating Entities as appointed by Sichuan Derui, Hongming Property and the Primary School.

12. According to PRC laws and regulations, entities and individuals who establish private schools are commonly referred to as “school sponsors” instead of “owners” or “shareholders.” See “Regulatory Overview” of this prospectus for details.

13. “______” denotes direct legal and beneficial ownership in the equity interest.

14. “▬▬▬” denotes school sponsor’s interest.

15. “--------” denotes Structured Contracts.

16. “▬·▬··” denotes our PRC Operating Entities.

Summary of the Material Terms of the Structured Contracts

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

(1) Business Cooperation Agreement

Pursuant to the Business Cooperation Agreement, Tibet Huatai shall provide technical service, management support and consulting service necessary for the private education business, and in return, our PRC Operating Entities shall make payments pursuant to the Structured Contracts.

To ensure the due performance of the Structured Contracts, each of our PRC Operating Entities agreed to comply, and procure any of its subsidiaries to comply with, and Sichuan Derui and the Registered Shareholders agreed to procure our PRC Operating Entities to comply with the obligations as prescribed under the Business Cooperation Agreement set forth as follows:

(a) to carry out its private education operations in a prudent and efficient manner in accordance with good financial and business standards while maintaining the asset value of our PRC Operating Entities and the quality and standard of private education;

(b) to prepare school development plans and annual working plans in accordance with the instructions of Tibet Huatai;

(c) to carry out its private education activities and other relevant business under the assistance of Tibet Huatai;

(d) to carry out and manage its daily operations and financial management in accordance with the recommendations, advice, principles and other instructions of Tibet Huatai;

(e) to execute and act upon the recommendations of Tibet Huatai in terms of employment and removal of senior management and staff;

(f) to adopt the advice, guidance and plans given by Tibet Huatai in relation to their respective strategic development; and

(g) to carry out its business operations and renew and maintain its respective necessary licenses.

In addition, pursuant to the Business Cooperation Agreement,

(a) the Registered Shareholders undertake to Tibet Huatai that, in the event of death, loss of or restriction on capacity, divorce or other circumstances which may affect the exercise of their equity interest in Sichuan Derui, they shall have made all necessary arrangement and sign all necessary documents such that their respective successor, guardian, spouse, and any other person which may as a result of the above events obtain the equity interest or relevant rights shall not prejudice or hinder the enforcement of the Structured Contracts;

(b) the Registered Shareholders and Sichuan Derui undertake to Tibet Huatai that, in the event of merger and subdivision of Sichuan Derui, presentation by Sichuan Derui or Sichuan Derui being presented any application for winding up, liquidation, winding up restructuring or reconciliation, dissolution and liquidation of Sichuan Derui pursuant to an order, application for involuntary dissolution of Sichuan Derui or other reasons, or other circumstances which may affect Sichuan Derui in exercising its school sponsor's interest in our PRC Operating Entities, they shall have made all necessary arrangement and sign all necessary document such that the successor, administrator, liquidation committee and any other person which may as a result of the above events obtain the school sponsor's interest or relevant rights in our PRC Operating Entities shall not prejudice or hinder the enforcement of the Structured Contracts;

(c) Sichuan Derui and the Registered Shareholders undertake that, in the event of dissolution or liquidation of our PRC Operating Entities, (i) Tibet Huatai shall have the right to exercise all school sponsor's right on behalf of Sichuan Derui; (ii) Sichuan Derui shall transfer all assets received or receivable in its capacity as school sponsor of each of our PRC Operating Entities as a result of the dissolution or liquidation of our PRC Operating Entities to Tibet Huatai or other persons designated by us at nil consideration, and instruct all of our PRC Operating Entities to transfer such assets directly to Tibet Huatai before such dissolution or liquidation; (iii) if consideration is required for such transfer under the then applicable PRC laws, Sichuan Derui shall compensate Tibet Huatai or the person as designated by us the amount and guarantee that Tibet Huatai or other persons as designated by us does not suffer any loss;

(d) Sichuan Derui agreed that, without the prior written consent of Tibet Huatai, Sichuan Derui shall not declare or pay to its shareholders any bonus, dividend or other interest or benefit. In the event that the Registered Shareholders as shareholders of Sichuan Derui receive any bonus, dividend or other interest or benefit, the Registered Shareholders shall unconditionally and without compensation transfer such amount to a specific account designated by Tibet Huatai as security for performance of obligation under the Structured Contracts and repayment of debt; and

(e) the Registered Shareholders and Sichuan Derui undertake that, in the event that Sichuan Derui acquires any further school sponsor's interest in any of our PRC Operating Entities in the future, Sichuan Derui shall, and the Registered Shareholders shall procure Sichuan Derui to, enter into the Structured Contracts in relation to school sponsor's interest so acquired by Sichuan Derui and do all such acts necessary for Tibet Huatai to maintain effective control over our PRC Operating Entities.

In order to prevent the leakage of assets and values of the consolidated affiliated entities, the Registered Shareholders, Sichuan Derui and each of our PRC Operating Entities have undertaken that, without prior written consent of Tibet Huatai or its designated party, Sichuan Derui, he/she/it shall not conduct or cause to conduct any activity or transaction which may have actual impact (i) on the assets, business, staff, obligations, rights or operations of our PRC Operating Entities or (ii) on the ability of Sichuan Derui, the Registered Shareholders and each of our PRC Operating Entities to perform the obligations under the Structured Contracts. Such activities and transactions include, without limitation:

(a) establishment of any subsidiary or entity by our PRC Operating Entities or establishment of any other business or subsidiary by Sichuan Derui;

(b) conduct of any activity by any of our PRC Operating Entities or its subsidiaries which are outside the ordinary course of business or change the mode of operations of our PRC Operating Entities or its subsidiaries;

(c) consolidation, subdivision, change of form of corporate organization, dissolution or liquidation of our PRC Operating Entities or its subsidiaries;

(d) providing any borrowing, loan or guarantee in respect of any debt to, or obtaining any borrowing and loan from, our PRC Operating Entities or its subsidiaries by Sichuan Derui and the Registered Shareholders;

(e) providing any borrowing, loan or guarantee in respect of any debt, or obtaining any borrowing and loan by our PRC Operating Entities or its subsidiaries to any third party, except in the ordinary course of business and provided that the amount of such debt is less than RMB100,000;

(f) change or removal of any director, supervisor or senior management of any of our PRC Operating Entities or its subsidiaries, increase or decrease of their remuneration package, or change of their appointment terms and conditions;

(g) sale, transfer, lending or authorizing the use or disposal of any assets or rights of any of our PRC Operating Entities or its subsidiaries to any third party other than Tibet Huatai or its designated party, or purchase from any third party any assets or rights, except in the ordinary course of business and provided that the transaction amount is less than RMB100,000;

(h) sale of any equity or school sponsor rights in any of Sichuan Derui, our PRC Operating Entities or its subsidiaries to any third party other than Tibet Huatai or its designated party, or increase or reduction of the registered capital or change of the structure of the equity or school sponsor's interest of any of Sichuan Derui, our PRC Operating Entities or its subsidiaries;

(i) providing security over equity interest and/or school sponsor's interest in or assets or rights of, or creating encumbrance over equity and/or school sponsor's interest in or assets of any of our PRC Operating Entities or its subsidiaries to third parties other than to Tibet Huatai or its designated party;

(j) altering, amending or revoking any permits of any of our PRC Operating Entities or its subsidiaries;

(k) amending the articles of association or scope of business of any of our PRC Operating Entities or its subsidiaries;

(l) change of any normal business procedures or amendment of any internal procedures and system of any of our PRC Operating Entities or its subsidiaries;

(m) entering of any business contracts outside the ordinary course of business except pursuant to the plan or suggestion of Tibet Huatai or us;

(n) distribution of dividend, reasonable return or other payments to Sichuan Derui, any of our PRC Operating Entities or the shareholder of school sponsor of any of its subsidiaries;

(o) carrying out any activity which has or may have an adverse effect on the daily operations, business or assets of any of our PRC Operating Entities or its subsidiaries or its ability to make any payment to Tibet Huatai;

(p) entering into any transaction which has or may have an adverse effect on the transactions contemplated under the Structured Contracts; and

(q) transfer of his/her/its rights and obligations under the Structured Contracts to any third party other than Tibet Huatai or its designated party, or establishment and commencement of any cooperation or business relationship similar to that under the Structured Contracts with any third party by Sichuan Derui, the Registered Shareholders, any of our PRC Operating Entities or its subsidiaries.

Furthermore, each of Sichuan Derui and the Registered Shareholders undertakes to Tibet Huatai that, unless with the prior written consent of Tibet Huatai, Sichuan Derui and the Registered Shareholders (severally or jointly) shall not (i) directly or indirectly engage, participate in, conduct, acquire or hold any business or activities which compete or may potentially compete with any of our PRC Operating Entities or its subsidiaries ("Competing Business"), (ii) use information obtained from any of our PRC Operating Entities or its subsidiaries for the Competing Business, and (iii) obtain any benefit from any Competing Business. Each of Sichuan Derui and the Registered Shareholders further consent and agree that, in the event that Sichuan Derui and the Registered Shareholders (severally or jointly) directly or indirectly engage, participate in or conduct any Competing Business, Tibet Huatai and/or other entities as designated by us shall be granted an option to require the entity engaging in the Competing Business to enter into an arrangement similar to that of the Structured Contracts. If Tibet Huatai does not exercise such option, Sichuan Derui and the Registered Shareholders shall cease operation of the Competing Business within a reasonable time.

(2) Exclusive Technical Service and Management Consultancy Agreement

Pursuant to the Exclusive Technical Service and Management Consultancy Agreement, Tibet Huatai agreed to provide exclusive technical services to our PRC Operating Entities, including but not limited to, (a) design, development, update and maintenance of software for computer and mobile devices; (b) design, development, update and maintenance of webpages and websites necessary for the education activities of our PRC Operating Entities; (c) design, development, update and maintenance of management information systems necessary for the education activities of our PRC Operating Entities; (d) provision of other technical support necessary for the education activities of our PRC Operating Entities; (e) provision of technical consulting services; (f) provision of technical training; (g) engaging technical staff to provide on-site technical support; and (h) providing other technical services reasonably requested by our PRC Operating Entities.

Furthermore, Tibet Huatai agreed to provide exclusive management consultancy services to our PRC Operating Entities, including but not limited to, (a) design of curriculum; (b) preparation, selection and/or recommendation of course materials; (c) provision of teacher and staff recruitment and training support and services; (d) provision of student recruitment support and services; (e) provision of public relation services; (f) preparation of long term strategic development plans and annual working plans; (g) development of financial management systems and recommendation and optimization on annual budget; (h) advising on design of internal structures and internal management; (i) provision of management and consultancy training; (j) conduct of market research; (k) preparation of market development plan; (l) building of education management network; and (m) providing other technical services reasonably requested by our PRC Operating Entities.

In consideration of the technical and management consultancy services provided by Tibet Huatai, each of our PRC Operating Entities (except for the University) agreed to pay Tibet Huatai a service fee equal to all of their respective amount of net profit (after deducting all costs, expenses, taxes, losses from the previous year (if required by the law) and the legally compulsory development fund of the respective school (if required by the law)); the University agreed to pay Tibet Huatai a service fee equal to all of its net profit (after deducting all costs, expenses, taxes, losses from the previous year (if required by the law) and the legally compulsory development fund of the school (if required by the law)) minus any reasonable return to be paid to Xinhua Winshare and any management fees to be paid to Sichuan International Studies University. The compulsory development fund is included as statutory surplus reserve at the Group's level and retained at schools' level. Tibet Huatai has the right (but not the obligation) to adjust the amount of such service fee by reference to the actual services provided and the actual business operations and needs of our PRC Operating Entities, provided that any adjusted amount shall not exceed the amount mentioned above. Our PRC Operating Entities do not have any right to make any such adjustment.

Pursuant to the Exclusive Technical Service and Management Consultancy Agreement, unless otherwise prescribed under the PRC laws and regulations, Tibet Huatai shall have exclusive proprietary rights to any technology and intellectual property developed and materials prepared in the course of the provision of research and development, technical support and services by Tibet Huatai to our PRC Operating Entities, and any intellectual property in the products developed, including any other rights derived thereunder, in the course of performance of obligations under the Exclusive Technical Service and Management Consultancy Agreement and/or any other agreements entered into between Tibet Huatai and other parties.

(3) Exclusive Call Option Agreement

Under the Exclusive Call Option Agreement, Sichuan Derui has irrevocably granted Tibet Huatai or its designated purchaser the right to purchase all or part of the school sponsor's interest of Sichuan Derui in our PRC Operating Entities ("Equity Call Option"). The purchase price payable by Tibet Huatai in respect of the transfer of such school sponsor's interest upon exercise of the Equity Call Option shall be the lowest price permitted under the PRC laws and regulations. Tibet Huatai or its designated purchaser shall have the right to purchase such proportion of the school sponsor's interest of our PRC Operating Entities as it decides at any time.

In the event that PRC laws and regulations allow Tibet Huatai or us to directly hold all or part of the equity interest in our PRC Operating Entities and operate private education business in the PRC, Tibet Huatai shall issue the notice of exercise of the Equity Call Option as soon as practicable, and the percentage of equity interest purchased upon exercise of the Equity Call Option shall not be lower than the maximum percentage then allowed to be held by Tibet Huatai or us under PRC laws and regulations.

Sichuan Derui has further undertaken to Tibet Huatai that, it:

(a) shall not sell, assign, transfer or otherwise dispose of or create encumbrance over its school sponsors' interest in any of our PRC Operating Entities without prior written consent of Tibet Huatai;

(b) shall not increase or reduce or agree to the increase or reduction of capital investment as school sponsor of our PRC Operating Entities without prior written consent of Tibet Huatai;

(c) shall not agree to or procure any of our PRC Operating Entities to divide into or merge with other entities without prior written consent of Tibet Huatai;

(d) shall not dispose of or procure the management of our PRC Operating Entities to dispose of any of the assets of our PRC Operating Entities without prior written consent of Tibet Huatai, except in the ordinary course of business and provided that the value of such assets so disposed shall not exceed RMB100,000;

(e) shall not terminate or procure the management of our PRC Operating Entities to terminate any material contract (which includes any agreement under which the amount involved exceeds RMB100,000, the Structured Contracts and any agreement of similar nature or content to the Structured Contracts) or enter into any other contracts which may contradict such material contracts without prior written consent of Tibet Huatai;

(f) shall not procure any of our PRC Operating Entities to enter into any transactions which may have an actual impact on the assets, liabilities, operations, equity structures or other legal rights of our PRC Operating Entities without prior written consent of Tibet Huatai, save for transactions which are in the ordinary course of business of our PRC Operating Entities with the amount involved not more than RMB100,000, or transactions which have been disclosed to Tibet Huatai and approved by Tibet Huatai;

(g) shall not agree to or procure any of our PRC Operating Entities to declare or in substance distribute any distributable reasonable return or agree to such distribution without prior written consent of Tibet Huatai;

(h) shall not agree to or procure any of our PRC Operating Entities to amend its articles of association without prior written consent of Tibet Huatai;

(i) shall ensure that except for the loans and guarantees that existed as of the date of the Structured Contracts (and the renewal thereof shall be subject to the consent of Tibet Huatai) Sichuan Derui and any of our PRC Operating Entities does not provide or obtain loans or provide any guarantees or otherwise undertake any other action to guarantee, or undertake any material obligations (including obligations under which the amount payable by our PRC Operating Entities exceeds RMB100,000, obligations which restrict or hinder the due performance of obligations under the Structured Contracts by our PRC Operating Entities, obligations which restrict or prohibit the financial or business operations of our PRC Operating Entities, or any obligations which may result in change of the structure of the school sponsor's interest of our PRC Operating Entities) outside its ordinary course of business without prior written consent of Tibet Huatai;

(j) shall use its best endeavors to develop the business of any of our PRC Operating Entities and ensure compliance with laws and regulations by our PRC Operating Entities, and shall not take or fail to take any action which may prejudice the assets, goodwill or the effectiveness of operational licenses of our PRC Operating Entities;

(k) shall not establish any other business without prior written consent of Tibet Huatai;

(l) shall, prior to the transfer of its school sponsor's interest to Tibet Huatai or its designated purchaser and without prejudice to the School Sponsors' and Directors' Rights Entrustment Agreement, execute all documents necessary for holding and maintaining the ownership of its school sponsor's interest in our PRC Operating Entities;

(m) shall sign all documents and take all necessary actions to facilitate transfer of its sponsor's interest in our PRC Operating Entities to Tibet Huatai or its designated purchaser;

(n) shall take all such actions to facilitate our PRC Operating Entities in their performance of its obligations under the Exclusive Call Option Agreement if such performance requires any action be taken by Sichuan Derui on its part;

(o) shall, in its capacity as a school sponsor of our PRC Operating Entities and without prejudice to the Structured Contracts, procure directors nominated by it to exercise all rights to enable any of our PRC Operating Entities to perform its rights and obligations under the Exclusive Call Option Agreement, and shall replace any director who fails to do so; and

(p) in the event that the consideration paid by Tibet Huatai or its designated purchaser for the transfer of all or part of the school sponsor's interest in our PRC Operating Entities exceeds RMB0, shall pay such excess amount to Tibet Huatai or its designated entity.

(4) School Sponsors' and Directors' Rights Entrustment Agreement

Pursuant to the School Sponsors' and Directors' Rights Entrustment Agreement, each of Sichuan Derui, Hongming Property and the Primary School (as school sponsor of the Kindergarten) has irrevocably authorized and entrusted Tibet Huatai to exercise all its rights as school sponsor of each of our PRC Operating Entities to the extent permitted by the PRC laws. These rights include, but are not limited to: (a) the right to appoint and/or elect directors or council members of the schools; (b) the right to appoint and/or elect supervisors of the schools; (c) the right to understand the operation and financial situation of the schools; (d) the right to review the resolutions and records of the board of directors and financial statements and reports of the schools; (e) the right to obtain reasonable return as school sponsor of the schools in accordance with the laws; (f) the right to acquire residue assets upon liquidation of the schools in accordance with the laws; (g) the right to transfer school sponsors' interest in accordance with the laws; and (h) other school sponsor's rights pursuant to applicable PRC laws and regulations and the articles of association of our PRC Operating Entities as amended from time to time.

Pursuant to the School Sponsors' and Directors' Rights Entrustment Agreement, each of Yan Yude (嚴玉德), Wang Xiaoying (王小英), Ye Jiayu (葉家郁), Jiang Chenglong (蔣成龍) and Lv Hongying (吕宏英) (the "Appointees") has irrevocably authorized and entrusted Tibet Huatai to exercise all his/her rights as directors of our PRC Operating Entities as appointed by Sichuan Derui, Hongming Property or the Primary School (as applicable) and to the extent permitted by the PRC laws. These rights include, but not limited to: (a) the right to attend meetings of the board of directors as representative of the directors appointed by Sichuan Derui, Hongming Property or the Primary School; (b) the right to exercise voting rights in respect of all matters discussed and resolved at the board meeting of each of our PRC Operating Entities; (c) the right to propose to convene interim board meetings of each of our PRC Operating Entities; (d) the right to sign all board minutes, board resolutions and other legal documents to which the directors appointed by Sichuan Derui, Hongming Property or the Primary School have authority to sign in his/her capacity as directors of our PRC Operating Entities; (e) the right to instruct the legal representative and financial and business responsible persons of our PRC Operating Entities to act in accordance with the instruction of Tibet Huatai; (f) the right to exercise all other rights and voting rights of directors as prescribed under the articles of association of our PRC Operating Entities; (g) the right to handle the legal procedures of registration, approval and licensing of our PRC Operating Entities at the education department, the department of civil affairs or other government regulatory departments; and (h) other directors' rights pursuant to applicable PRC laws and regulations and the articles of association of our PRC Operating Entities as amended from time to time.

In addition, each of Sichuan Derui, Hongming Property, the Primary School and the Appointees have irrevocably agreed that (i) Tibet Huatai may delegate its rights under the School Sponsors' and Directors' Rights Entrustment Agreement to the directors of Tibet Huatai or its designated person, without prior notice to or approval by Sichuan Derui and the Appointees; and (ii) any person as successor of civil rights of Tibet Huatai or liquidator by reason of subdivision, merger, liquidation of Tibet Huatai or other circumstances shall have authority to replace Tibet Huatai to exercise all rights under the School Sponsors' and Directors' Rights Entrustment Agreement.

(5) School Sponsors' Powers of Attorney

Pursuant to the School Sponsors' Powers of Attorney executed by each of Sichuan Derui, Hongming Property and the Primary School in favor of Tibet Huatai, each of Sichuan Derui, Hongming Property and the Primary School (as school sponsor of the Kindergarten) authorized and appointed Tibet Huatai, the sole director of which is Dr. Xu Ming (who is not a director of any of our PRC Operating Entities and does not give rise to any conflicts of interest), as its agent to act on its behalf to exercise or delegate the exercise of all its rights as school sponsor of each of our PRC Operating Entities. For details of the rights granted, see "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (4) School Sponsors' and Directors' Rights Entrustment Agreement" of this prospectus.

Tibet Huatai shall have the right to further delegate the rights so delegated to directors of Tibet Huatai or other designated person. Tibet Huatai confirms that it will not delegate any of these rights to anyone whose interest would potentially conflict with those of our Company. Sichuan Derui irrevocably agreed that the authorization appointment in the School Sponsor's Powers of Attorney shall not be invalid, prejudiced or otherwise adversely affected by reason of Sichuan Derui's subdivision, merger, winding up, consolidation, liquidation or other similar events. The School Sponsor's Power of Attorney shall constitute a part and incorporate terms of the School Sponsors' and Directors' Rights Entrustment Agreement.

(6) Directors' Powers of Attorney

Pursuant to the Directors' Powers of Attorney executed by each of the Appointees in favor of Tibet Huatai, each of the Appointees authorized and appointed Tibet Huatai, the sole director of which is Dr. Xu Ming (who is not a director of any of our PRC Operating Entities and does not give rise to any conflicts of interest), as his/her agent to act on his/her behalf to exercise or delegate the exercise of all his/her rights as directors of our PRC Operating Entities. For details of the rights granted, see "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (4) School Sponsors' and Directors' Rights Entrustment Agreement" of this prospectus.

Tibet Huatai shall have the right to further delegate the rights so delegated to directors of Tibet Huatai or other designated person. Tibet Huatai confirms that it will not delegate any of these rights to anyone whose interest would potentially conflict with those of our Company. Each of the Appointees irrevocably agreed that the authorization appointment in the Directors' Powers of Attorney shall not be invalid, prejudiced or otherwise adversely affected by reason of his/her loss of or restriction on capacity, death or other similar events. The Directors' Power of Attorney shall constitute a part and incorporate terms of the School Sponsors' and Directors' Rights Entrustment Agreement.

(7) Spouse Undertakings

Pursuant to the Spouse Undertakings, the respective spouse of each of the Registered Shareholders (if any) has irrevocably undertaken that:

(a) the spouse has full knowledge of and has consented to the entering into of the Structured Contracts by the relevant Registered Shareholder, and in particular, the arrangement as set out in the Structured Contracts in relation to the restrictions imposed on the equity interest in Sichuan Derui, pledge or transfer the equity interest in Sichuan Derui, or the disposal of the equity interest in Sichuan Derui in any other forms;

(b) the spouse has not, is not and shall not in the future participate in the operation, management, liquidation, dissolution and other matters in relation to Sichuan Derui and our PRC Operating Entities (except for Mr. Yan Yude and Ms. Wang Xiaoying);

(c) the spouse authorizes the respective Registered Shareholder and/or his/her authorized person to execute all necessary documents and perform all necessary procedures from time to time for and on behalf of the spouse in relation to the spouse's equity interest in Sichuan Derui in order to safeguard the interest of Tibet Huatai under the Structured Contracts and give effect to the fundamental purposes thereunder, and confirms and agrees to all such documents and procedures;

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

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

(f) all undertakings, confirmations, consents and authorizations under the Spouse Undertakings shall continue to be valid and binding until otherwise terminated by both Tibet Huatai and the spouse by in writing.

The Spouse Undertakings shall have the same term as and incorporate the terms of the Business Cooperation Agreement.

(8) Equity Pledge Agreement

Pursuant to the Equity Pledge Agreement, each of the Registered Shareholders unconditionally and irrevocably pledged and granted first priority security interests over all of his/her equity interest in Sichuan Derui together with all related rights thereto to Tibet Huatai as security for performance of the Structured Contracts and all direct, indirect, consequential damages and foreseeable loss of interest incurred by Tibet Huatai as a result of the any event of default on the part of the Registered Shareholders, Sichuan Derui or each of our PRC Operating Entities and all expenses incurred by Tibet Huatai as a result of enforcement of the obligations of the Registered Shareholders, Sichuan Derui and/or each of our PRC Operating Entities under the Structured Contracts (the "Secured Indebtedness").

Pursuant to the Equity Pledge Agreement, without the prior written consent of Tibet Huatai, the Registered Shareholders shall not transfer the equity interest or create further pledge or encumbrance over the pledged equity interest. Any unauthorised transfer shall be invalid, and the proceeds of any transfer of the equity interest shall be first used in the payment of the Secured Indebtedness or deposited to such third party as agreed to by Tibet Huatai. The Registered Shareholders also waived any pre-emptive rights upon enforcement and agreed to any transfer of the pledged equity pursuant to the equity pledge agreement.

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

(a) any of the Registered Shareholders, Sichuan Derui or our PRC Operating Entities commits any breach of any obligations under the Structured Contracts;

(b) any representations or warranties or information provided by any of the Registered Shareholders, Sichuan Derui or our PRC Operating Entities under the Structured Contracts is proved incorrect or misleading; or

(c) any provision in the Structured Contracts becomes invalid or incapable of performance due to chance in PRC laws and regulations or promulgation of new laws and regulations in the PRC, and the parties have not agreed on any alternative arrangement.

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

(a) to the extent permitted under PRC laws and regulations, Tibet Huatai may request the Registered Shareholders to transfer all or part of his or her equity interest in Sichuan Derui to any entity or individual designated by Tibet Huatai at the lowest consideration permissible under the PRC laws and regulations;

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

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

The pledge under the Equity Pledge Agreement was registered with the relevant Administration of Industry and Commerce of the PRC on September 18, 2015 and became effective on the same date.

Under the Structured Contracts, there is no equity pledge arrangement between our Company and Sichuan Derui over the school sponsor's interest in our PRC Operating Entities held by Sichuan Derui. As advised by our PRC Legal Advisors, if we were to make an equity pledge arrangement with Sichuan Derui where Sichuan Derui pledges its school sponsor's interest in each of our PRC Operating Entities in favor of us, such arrangement would be unenforceable under PRC laws and regulations given that school sponsor's interests in schools are not pledgeable under PRC laws and any equity pledge arrangements with respect to School Sponsor's interests in schools cannot be registered with the relevant PRC regulatory authorities.

Nevertheless, we have implemented various measures which shall remain in place before the Structured Contracts being unwound, with the aim of further enhancing our control over our PRC Operating Entities, in particular:

(a) as disclosed above, pursuant to the Business Cooperation Agreement, Sichuan Derui, the Registered Shareholders and each of our PRC Operating Entities have undertaken that, without prior written consent of Tibet Huatai or its designated party, he/she/it shall not conduct or cause to conduct any activity or transaction which may have an actual impact (i) on the assets, business, staff, obligations, rights or operations of our PRC Operating Entities or (ii) on the ability of Sichuan Derui, the Registered Shareholders and each of our PRC Operating Entities to perform the obligations under the Structured Contracts. See "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (1) Business Cooperation Agreement" of this prospectus for details.

(b) as disclosed above, pursuant to the Exclusive Call Option Agreement, Sichuan Derui has further undertaken to Tibet Huatai that, among others, it shall not sell, assign, transfer or otherwise dispose of or create any encumbrance over its school sponsors' interest in any of our PRC Operating Entities without prior written consent of Tibet Huatai. See "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (3) Exclusive Call Option Agreement" of this prospectus for details.

(c) our Company has taken measures to ensure that the company seals of our PRC Operating Entities are properly secured, are within the full control of our Company and cannot be used by Sichuan Derui or the Registered Shareholders without its permission. Such measures include arranging for the company seals of our PRC Operating Entities to be kept in the safe custody of the finance department of Tibet Huatai and setting up lines of authority for using the company seals, financial chops and business registration certificates such that the company seals, financial chops and business registration certificates can only be used under direct authorization of our Company or Tibet Huatai.

(9) Loan Agreement

Pursuant to the Loan Agreement, Tibet Huatai agreed to provide interest-free loans to Sichuan Derui in accordance with the PRC laws and regulations and Sichuan Derui agreed to utilize the proceeds of such loans to contribute as capital of our PRC Operating Entities in its capacity as school sponsor of our schools in accordance with our instructions. Both parties agree that all such capital contribution will be directly settled by Tibet Huatai on behalf of Sichuan Derui.

The term of the Loan Agreement shall continue until all school sponsor's interest of our PRC Operating Entities are transferred to Tibet Huatai or its designee and the registration process required thereafter has been completed with the relevant local authorities.

Each loan to be granted under the Loan Agreement will be for an infinite term until termination at the sole discretion of Tibet Huatai. The loan will become due and payable upon Tibet Huatai's demand under any of the following circumstances: (i) the winding-up or liquidation of Sichuan Derui; (ii) Sichuan Derui becoming insolvent or incurring any other significant personal debt which may affect its ability to repay the loan under the Loan Agreement, or (iii) Tibet Huatai exercising in full its option to purchase all school sponsor's interests to the extent permitted by PRC laws and regulations. As advised by our PRC Legal Advisors, interest-free loans granted by Tibet Huatai to Sichuan Derui are not in violation of the applicable PRC laws and regulations.

Confirmation by Holder of Minority School Sponsor's Interest in Our PRC Operating Entities

The school sponsor's interest in all of our PRC Operating Entities is wholly-owned by Sichuan Derui, other than the University. As of the date of this prospectus, the school sponsor's interest in the University is held as to 51.87% by Sichuan Derui, 24.3% by Xinhua Winshare and 23.83% by Hongming Property. As of the Latest Practicable Date, we are in discussion with Xinhua Winshare on the repurchase of its 24.3% school sponsor's interest. Please refer to the section "History and Corporate Structure — History of our Six Schools — Chengdu Institute Sichuan International Studies University" for further details. In any event, we have obtained a written confirmation from Xinhua Winshare, who confirmed that they agreed, among others:

(i) to the execution of the Structured Contracts by the University and the obligations of the University under the Structured Contracts;

(ii) to the waiver of its pre-emptive rights in the event that we exercise the Equity Call Option pursuant to the Structured Contracts and to sign or provide all necessary documents or take all necessary actions to facilitate the transfer of the school sponsor's interest of Sichuan Derui to Tibet Huatai;

(iii) to consent and support any resolutions of the board of directors of the University required by Sichuan Derui and its associates or the University pursuant to the Structured Contracts (to the extent without any prejudice to the legal interest of Xinhua Winshare);

(iv) unless with the prior written consent of Tibet Huatai or its designated persons, not to directly or indirectly conduct or procure to conduct any activity or transaction which (a) may have an actual effect on the assets, business, employees, obligations, rights or business operations of the University or its subsidiaries/entities, or (b) may have a material adverse impact on the ability of the University to fulfill any obligations under the Structured Contracts;

(v) in the event that Xinhua Winshare intends to sell, assign, transfer or in any other way dispose of the school sponsor's interest of the University held by Xinhua Winshare, Xinhua Winshare undertakes the successor of Xinhua Winshare shall at no consideration and in writing, unconditionally and irrevocably consent the rights and obligations under the Structured Contracts prior to such sale, assignment, transfer of disposal; and

(vi) if Xinhua Winshare creates any encumbrances over any of its school sponsor's interest of the University from the date of the confirmation, Xinhua Winshare undertakes that the beneficiary of such encumbrance and other related persons shall at no consideration and in writing, unconditionally and irrevocably consent the rights and obligations under the Structured Contracts prior to the creation of such encumbrances.

DISPUTE RESOLUTION

Each of the Structured Contracts provides that:

(a) any dispute, controversy or claim arising out of or in connection with the performance, interpretation, breach, termination or validity of the Structured Contracts shall be resolved through negotiation after one party delivers to the other parties a written negotiation request setting out the specific statements of the disputes or claims;

(b) if the parties are unable to settle the dispute within 30 days of delivery of such written negotiation request, any party shall have the right to refer the dispute to and have the dispute finally resolved by arbitration administered by the China International Economic and Trade Arbitration Commission in Beijing, the PRC under the prevailing effective arbitration rules thereof. The results of the arbitration shall be final and binding on all relevant parties;

(c) the arbitration commission shall have the right to award remedies over the equity interest and property interest and other assets of Sichuan Derui and each of our PRC Operating Entities, injunctive relief (for the conduct of business or to compel the transfer of assets), or order the winding up of Sichuan Derui or our PRC Operating Entities; and

(d) upon request by any party, the courts of competent jurisdictions shall have the power to grant interim remedies in support of the arbitration pending formation of the arbitral tribunal or in appropriate cases. The courts of PRC, Hong Kong, the Cayman Islands and the place where the principal assets of our Company, Sichuan Derui and our PRC Operating Entities are located shall be considered as having jurisdiction for the above purposes.

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

(a) under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order for the purpose of protecting assets of or equity interest in our PRC Operating Entities or Sichuan Derui in case of disputes. As such, these remedies may not be available to our Group under PRC laws;

(b) further, under the PRC laws, courts or judicial authorities in the PRC generally would not award remedies over the shares and/or assets of Sichuan Derui or our PRC Operating Entities, injunctive relief or winding-up of Sichuan Derui or each of our PRC Operating Entities as interim remedies, before there is any final outcome of arbitration;

(c) however, the PRC laws do not disallow the arbitral body to give award of transfer of assets of or an equity interest in Sichuan Derui and each of our PRC Operating Entities at the request of arbitration applicant. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support such award of the arbitral body when deciding whether to take enforcement measures;

(d) in addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC; therefore, in the event we are unable to enforce the Structured Contracts, we may not be able to exert effective control over Sichuan Derui and each of our PRC Operating Entities, and our ability to conduct our business may be negatively affected; and

(e) even if the abovementioned provisions may not be enforceable under PRC laws, the remaining provisions of the dispute resolution clauses are legal, valid and binding on the parties to the agreement under the Structured Contracts.

As a result of the above, in the event that our PRC Operating Entities, Sichuan Derui, Hongming, Property or the Registered Shareholders breaches any of the Structured Contracts, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our PRC Operating Entities and conduct our business could be materially and adversely affected. Please refer to the section headed “Risk Factors — Risks Relating to our Structured Contracts” of this prospectus for details.

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

As disclosed above, pursuant to the Spouse Undertakings, the respective spouse of each of the Registered Shareholders has irrevocably undertaken that, among others, the spouse authorizes the respective Registered Shareholders and/or his/her authorized person to execute all necessary documents and perform all necessary procedures from time to time for and on behalf of the spouse in relation to the spouse's equity interest in Sichuan Derui in order to safeguard the interest of Tibet Huatai under the Structured Contracts and give effect to the fundamental purposes thereunder, and confirms and agrees to all such documents and procedures and any undertaking, confirmation, consent and authorization under the Spouse Undertakings shall not be revoked, prejudiced, invalidated or otherwise adversely affected by death, loss of or restriction on capacity of the spouse, divorce or other similar events. See "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (7) Spouse Undertakings" of this prospectus for details.

In addition, as disclosed above, pursuant to the Business Cooperation Agreement, the Registered Shareholders undertake to Tibet Huatai that, in the event of death, loss of or restriction on capacity, divorce or other circumstances which may affect the exercise of their equity interest in Sichuan Derui, they shall have made all necessary arrangement and sign all necessary documents such that their respective successor, guardian, spouse, and any other person which may as a result of the above events obtain the equity interest or relevant rights shall not prejudice or hinder the enforcement of the Structured Contracts. See "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (1) Business Cooperation Agreement" of this prospectus for details.

PROTECTION IN THE EVENT OF WINDING UP OR LIQUIDATION OF SICHUAN DERUI

Pursuant to the Business Cooperation Agreement, the Registered Shareholders and Sichuan Derui undertake to Tibet Huatai that, in the event of merger and subdivision of Sichuan Derui, presentation by Sichuan Derui or Sichuan Derui being presented with any application for winding up, liquidation, restructuring or reconciliation, dissolution and liquidation of Sichuan Derui pursuant to an order, application for involuntary dissolution of Sichuan Derui or other reasons, or other circumstances which may affect Sichuan Derui in exercising its school sponsor's interest in our PRC Operating Entities, they shall have made all necessary arrangement and sign all necessary document such that the successor, administrator, liquidation committee and any other person which may as a result of the above events obtain the school sponsor's interest or relevant rights in our PRC Operating Entities shall not prejudice or hinder the enforcement of the Structured Contracts. See "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (1) Business Cooperation Agreement" of this prospectus for details.

PROTECTION IN THE EVENT OF DISSOLUTION OR LIQUIDATION OF OUR PRC OPERATING ENTITIES

Pursuant to the Business Cooperation Agreement, in the event of the dissolution or liquidation of our PRC Operating Entities, Sichuan Derui and the Registered Shareholders undertake that, among others, Tibet Huatai shall have the right to exercise all school sponsor's rights on behalf of Sichuan Derui and Sichuan Derui shall instruct all of our PRC Operating Entities to transfer assets directly to Tibet

Huatai before such dissolution or liquidation. See “Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (1) Business Cooperation Agreement” of this prospectus for details.

Furthermore, Tibet Huatai has been irrevocably authorized and entrusted to exercise the rights of Sichuan Derui, Hongming Property and the Primary School as school sponsors of our PRC Operating Entities and the rights of the Appointees as directors of our PRC Operating Entities. See “Structured Contracts — Operation of the Structured Contracts — Summary of Material Terms of the Structured Contracts — (4) School Sponsors’ and Directors’ Rights Entrustment Agreement” of this prospectus for details.

LOSS SHARING

In the event that our PRC Operating Entities incur any loss or encounters any operational crisis, Tibet Huatai may, but is not obliged to, provide financial support to our PRC Operating Entities.

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

Under PRC laws and regulations, our Company or Tibet Huatai, is not expressly required to share the losses of our PRC Operating Entities or provide financial support to our PRC Operating Entities. Despite the foregoing, given that our PRC Operating Entities’ financial condition and results of operations are consolidated into our Group’s financial condition and results of operations under the applicable accounting principles, our Company’s business, financial condition and results of operations would be adversely affected if our PRC Operating Entities suffer losses. However, due to the restrictive provisions contained in the Structured Contracts as disclosed in the respective sections headed “Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (1) Business Cooperation Agreement” and “Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (3) Exclusive Call Option Agreement” above, the potential adverse effect on Tibet Huatai and our Company in the event of any loss suffered from our PRC Operating Entities can be limited to a certain extent.

TERMINATION OF THE STRUCTURED CONTRACTS

Each of the Structured Contracts provides that: (a) each of the Structured Contracts shall be terminated upon the completion of the purchase of all of the school sponsor’s interest of Sichuan Derui in our PRC Operating Entities by Tibet Huatai or the other party designated by Tibet Huatai pursuant to the terms of the Exclusive Call Option Agreement, save for the Equity Pledge Agreement which shall continue to be in force until all obligations thereunder have been performed or all Secured Indebtedness has been repaid in full; (b) Tibet Huatai shall have the right to terminate the Structured Contracts by serving prior 30-day notice; and (c) each of our PRC Operating Entities, Sichuan Derui and the Registered Shareholders shall not be entitled to unilaterally terminate the Structured Contracts in any situation other than prescribed by the laws.

In the event that PRC laws and regulations allow Tibet Huatai or us to directly hold all or part of the equity interest in our PRC Operating Entities and operate private education business in the PRC, Tibet Huatai shall exercise the Equity Call Option as soon as practicable and Tibet Huatai or its designated party shall purchase such amount of equity interest to the extent permissible under the PRC laws and regulations, and upon exercise in full of the Equity Call Option and the acquisition of all of the school sponsor's interest of Sichuan Derui in our PRC Operating Entities by Tibet Huatai or the other party designated by Tibet Huatai pursuant to the terms of the Exclusive Call Option Agreement, each of the Structured Contracts shall be automatically terminated.

INSURANCE

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

ARRANGEMENT TO ADDRESS POTENTIAL CONFLICT OF INTEREST

We have in place arrangements to address the potential conflicts of interest between Sichuan Derui and the Registered Shareholders on the one hand, and our Company on the other hand. Pursuant to the Business Cooperation Agreement, each of Sichuan Derui and the Registered Shareholders undertakes to Tibet Huatai that, unless with the prior written consent of Tibet Huatai, Sichuan Derui and the Registered Shareholders shall not directly or indirectly engage, participate in, conduct, acquire or hold any Competing Business and Tibet Huatai is granted an option to (i) require the entity engaging in the Competing Business to enter into an arrangement similar to that of the Structured Contracts; or (ii) require the entity engaging in the Competing Business to cease operation. See "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (1) Business Cooperation Agreement" of this prospectus for details. Our Directors are of the view that the measures we have adopted are sufficient to mitigate the risks associated with the potential conflicts of interest between Sichuan Derui and the Registered Shareholders on the one hand, and our Company on the other hand.

LEGALITY OF THE STRUCTURED CONTRACTS

PRC Legal Opinions

Based on the above, our PRC Legal Advisors are of the opinion that the Structured Contracts are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations and that:

(a) each of our PRC Operating Entities was duly incorporated and is validly existing, and their respective establishment is valid, effective and complies with the relevant PRC laws and regulations, each of the Registered Shareholders is a natural person with full civil and legal capacity. Each of our PRC Operating Entities has also obtained all material approvals and finished all registration as required by PRC laws and regulations and has the capacity to carry out business operations in accordance with its licenses and approvals;

(b) the Structured Contracts as a whole and each of the agreements comprising the Structured Contracts are legal, valid and binding on the parties thereto, enforceable under PRC laws and regulations, except that the Structured Contracts provide that the arbitral body may award remedies over the shares and/or assets of our PRC Operating Entities, injunctive relief and/or winding up of our PRC Operating Entities, and that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal, while under PRC laws, an arbitral body has no power to grant injunctive relief and may not directly issue a provisional or final liquidation order for the purpose of protecting the assets of or equity interest in our PRC Operating Entities in case of disputes. In addition, interim remedies or enforcement orders granted by overseas courts such as the courts of Hong Kong and the Cayman Islands may not be recognizable or enforceable in China, and do not, individually or collectively, constitute a breach of any PRC laws and regulations and will not be deemed invalid or ineffective under those laws and regulations; in particular, the Structured Contracts do not violate the provisions of the PRC Contract Law including "concealing illegal intentions with a lawful form," the General Principles of the PRC Civil Law and other applicable PRC laws and regulations.

(c) each of the Structured Contracts is not in violation of provisions of the articles of association of our PRC Operating Entities and Tibet Huatai;

(d) each of the Structured Contracts is enforceable under PRC laws and regulations, entering and the performance of the Structured Contracts to each of the Structured Contracts are not required to obtain any approvals or authorizations from the PRC governmental authorities, except that; (i) the pledge of any increased equity interest in Sichuan Derui by each of the Registered Shareholders for the benefit of Tibet Huatai is subject to registration requirements with relevant Administration of Industry and Commerce; (ii) the transfer of the school sponsor's interests in our PRC Operating Entities contemplated under the Structured Contracts is subject to applicable approval and/or registration requirements under the then applicable PRC laws; (iii) the transfer of equity interest in Sichuan Derui contemplated under the Structured Contracts is subject to applicable approval and/or registration requirements under the then applicable laws and (iv) any arbitral awards or foreign rulings and/or judgments in relation to the performance of the Structured Contracts are subject to applications to competent PRC courts for recognition and enforcement;

(e) neither Tibet Huatai nor our Company is obligated to share the losses of our PRC Operating Entities or provide financial support to our PRC Operating Entities. Each of our PRC Operating Entities is solely liable for its own debts and losses with assets and properties owned by it; and

(f) the consummation of the contemplated listing of our Shares on the Stock Exchange does not violate the M&A Rules.

For details in relation to the risks involved in the Structured Contracts, please see the paragraph headed "Risk Factors — Risks Relating to Our Structured Contracts" of this prospectus.

Directors' Views on the Structured Contracts

We believe that the Structured Contracts are narrowly tailored because the Structured Contracts are only used to enable our Group to consolidate the financial results of our PRC Operating Entities which engage in the operation of kindergarten, primary school, middle schools, high schools and university, where the PRC laws and regulations currently prohibit foreign ownership of primary and middle schools in the PRC and restrict operation of preschools, high schools and higher education institutions to Sino-foreign ownership, in addition to imposing qualification requirements on the foreign owners and withholding government approval in respect of Sino-foreign ownership.

Sichuan Derui, as the holding company of the school sponsor interests of our of PRC Operating Entities, and the Registered Shareholders, as shareholders of Sichuan Derui, are signing parties to certain of the Structured Contracts. More specifically, (i) pursuant to the Exclusive Call Option Agreement, Sichuan Derui has irrevocably granted Tibet Huatai or its designated purchaser the right to purchase all or part of the school sponsor's interest of Sichuan Derui in our PRC Operating Entities; (ii) pursuant to the Equity Pledge Agreement, each of the Registered Shareholders pledged and granted first priority security interests over all of his/her equity interest in Sichuan Derui together with all related rights thereto to Tibet Huatai as collateral security for performance of the Structured Contracts and all such loss and expenses incurred to Tibet Huatai as a result of any events of default on the part of the Registered Shareholders, Sichuan Derui or each of our PRC Operating Entities; (iii) pursuant to the School Sponsors' and Directors' Rights Entrustment Agreement, the School Sponsors' Powers of Attorney and the Directors' Powers of Attorney, Tibet Huatai has been irrevocably authorized and entrusted to exercise all its rights as school sponsor of each of our PRC Operating Entities and as directors of our PRC Operating Entities as appointed by Sichuan Derui (or Hongming Property or the Primary School, as applicable) to the extent permitted by the PRC laws. As a result, the Directors believe that the holding structure of our PRC Operating Entities will not affect the effectiveness of the Structured Contracts.

As disclosed in the section headed "History and Corporate Structure — Chengdu Institute Sichuan International Studies University", the transfer of 23.83% school sponsor's interest by Hongming Property to Sichuan Derui is expected to be completed by end of June 2016 and we are in discussion with Xinhua Winshare on repurchase of 24.3% school sponsor's interest, in the event of such transfer and repurchase, our Directors are of the view that such school sponsor's interest to be acquired by Sichuan Derui is legally obliged to be covered under our Structured Contracts. See "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (1) Business Cooperation Agreement" of this prospectus.

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

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

In 2011 and 2013, Sichuan Derui entered into certain trust arrangements with respect to its school sponsor's interests in Chengdu Foreign Languages School, Chengdu Experimental Foreign Languages School and the University (the "Relevant Schools"), with Industrial and Commercial Bank of China Private Banking Division/Industrial and Commercial Bank of China Sichuan Branch as fiscal agent (collectively, "ICBC"), Industrial and Commercial Bank of China Sichuan Chunxi sub-branch as custodian ("Custodian" or "ICBC Chunxi Sub-branch") and Sichuan Trust Co., Ltd.* (四川信託有限公司) as trustee ("Trustee"), pursuant to which Sichuan Derui obtained a sum of RMB560 million from ICBC ("ICBC Debt") and in return, Sichuan Derui agreed to contribute its school sponsor's rights to return in each of the Relevant Schools into a trust (the "Trust") for the benefit of ICBC and pledge its school sponsor's rights and school sponsor's rights to returns in favor of the Custodian and the Trustee (the "Trust Arrangement").

As advised by our PRC Legal Advisors, (i) the trust agreements entered in relation to the Trust Arrangement are valid under PRC law but incapable of being duly performed under the original terms of the Trust Arrangement; (ii) according to the requirements of PRC law, there must be an identifiable trust property for a trust to be validly constituted and any property forbidden by law or administrative regulations from transfer shall not be a trust property and any property restricted by law or administrative regulations from transfer shall not be a trust property without the approval by competent authorities, and the Trust has never been validly constituted under the PRC laws ("Trust Not Constituted") as the school sponsor's rights to returns cannot be the subject of trust property due to the reason that the school sponsor's rights to returns is only a portion of the school sponsor's rights and cannot be segregated as trust property for transfer to the Trustee; (iii) the pledge of the school sponsor's rights or the school sponsor's rights to returns under the Trust Arrangement has never been validly created ("Pledge Not Created") and duly registered under PRC laws due to the reason there are no laws stipulating that such rights can be pledged as security and such pledge had therefore not been registered with any government authorities, which is generally a prerequisite for the valid creation of the pledge of rights under PRC law. Our PRC Legal Advisors are of the view that the Trust Arrangement does not affect the validity, enforceability and execution of the Structured Contracts based on the following factors:

(a) In Relation to Validity of the Structured Contracts:

According to Article 52 of the Contract Law of the PRC (《中華人民共和國合同法》), a contract shall become invalid under any of the following circumstances: (1) a contract is concluded through the use of fraud or coercion by one party to damage the interests of the State; (2) conduct of malicious collusion to damage the interests of the State, a collective or a third party; (3) an illegitimate purpose is concealed under the guise of legitimate acts; (4) damaging the public interests; and (5) violating the compulsory provisions of laws and administrative regulations.

On the basis of the opinions set out in (ii) and (iii) above, our PRC Legal Advisors are of the opinion that the trust agreements entered in relation to the Trust Arrangement and the related arrangement shall not lawfully limit the source of repayment for the ICBC Debt to the reasonable returns received by Sichuan Derui as school sponsor of our schools and also shall not lawfully apply the school sponsor's rights held by Sichuan Derui as security for such repayment. In other words, the trust agreements and the related arrangement only resulted in an ordinary debt owed by Sichuan Derui to ICBC, but not a trust arrangement in compliance with the requirements under PRC law.

In addition, Sichuan Derui had confirmed to our Company that all payments required to be made to date to the Trustee/Custodian in discharge of the repayment obligations owed to ICBC as the intended beneficiary under the Trust Arrangement had been made and Sichuan Derui intends to assume all such repayment obligations in the future.

In light of the above background, our PRC Legal Advisors are of the opinion that the execution of the Structured Contracts by Sichuan Derui, the Registered Shareholders, each of our PRC Operating Entities and Tibet Huatai, considering whether the subjective intent or the objective fact, did not involve any "*conduct of malicious collusion to damage the interests of the State, a collective or a third party*", or fall within any of the circumstances under which a contract shall become invalid pursuant to Article 52 of the Contract Law of the PRC (《中華人民共和國合同法》).

(b) In Relation to Enforceability and Execution of the Structured Contracts:

Our PRC Legal Advisors advised that both Sichuan Derui and each of our PRC Operating Entities is a separate and independent legal person, meaning that each of them has an independent right to own property and shall be personally liable to the full extent of its property for liabilities incurred by it.

On the basis of the opinions set out in (ii) and (iii) above, our PRC Legal Advisors are of the opinion that the trust agreements entered in relation to the Trust Arrangement and the related arrangement may not lawfully limit the source of repayment for the ICBC Debt to the reasonable returns received by Sichuan Derui as school sponsor of our schools and also may not lawfully apply the school sponsor's rights held by Sichuan Derui as security for such repayment. In other words, the trust agreements and the related arrangement only resulted in an ordinary debt owed by Sichuan Derui to ICBC, but not a trust arrangement in compliance with the requirements under PRC law. As the party responsible for the repayment of the ICBC Debt under the Trust Arrangement, Sichuan Derui (and not our PRC Operating Entities) shall be personally responsible to the full extent of its assets for such liabilities.

In addition, the Structured Contracts are primarily concerned with the provision of exclusive management consultancy services by Tibet Huatai to our PRC Operating Entities, in consideration for each of our PRC Operating Entities agreeing to pay a service fee to Tibet Huatai with reference to their respective amount of net profit. In other words, as a relevant contract party, each of our PRC Operating Entities (and not Sichuan Derui) shall be personally responsible to the full extent of its assets for such liabilities.

Prior to the entering of the Structured Contracts and taking into account the advice of our PRC Legal Advisors, Sichuan Derui had entered into discussions with ICBC, the Custodian and the Trustee in relation to the possibility of restructuring the Trust Arrangement to facilitate the performance of its obligations in September 2015. On September 7, 2015, ICBC Chunxi Sub-branch and the Trustee issued a written reply letter ("Reply Letter") acknowledging the report letter issued by Sichuan Derui to them in relation to the proposed entering into of the Structured Contracts for the purpose of the Listing on a confidential basis ("Report Letter"). The Reply Letter contained a request from ICBC that the shareholders of Sichuan Derui pledge an adequate amount of Shares in favor of ICBC as security within one month from the date of Listing as security for the Trust Arrangement. Sichuan Derui has consented to such request accordingly ("Consent to the Reply

Letter") after communicating with the shareholders of Sichuan Derui. As evidenced by the Report Letter, the Reply Letter and the Consent to the Reply Letter by Sichuan Derui as described above, it was the understanding that formal and written share pledge agreements will eventually be entered into by the relevant shareholders of Sichuan Derui for the pledge of an adequate amount of Shares in favour of ICBC within one month from the date of Listing for the purpose of compliance with applicable laws in Hong Kong and the Listing Rules ("Mutual Understanding").

As advised by our PRC Legal Advisors, on the basis that (i) Sichuan Derui was requested by ICBC to direct all communications to and through ICBC Chunxi Sub-branch; (ii) Sichuan Derui was informed by ICBC Chunxi Sub-branch that ICBC's internal procedures provided that the business initiating branches and business processing branches (i.e including ICBC Chunxi Sub-branch) are authorized to liaise directly with its customers to handle situations relating to any change in the credit position of its customers; and (iii) Sichuan Derui was informed by ICBC Chunxi Sub-branch that ICBC Chunxi Sub-branch had already reported to its upper authority regarding the issue of the Reply Letter in compliance with ICBC's internal procedures, our PRC Legal Advisors are of the opinion that ICBC Chunxi Sub-branch is the competent representative of ICBC. Our PRC Legal Advisors are further of the opinion that the Report Letter, the Reply Letter as well as the Consent to the Reply Letter together evidence the existence of the Mutual Understanding and such Mutual Understanding is legal, valid and binding and ICBC could not validly insist that Sichuan Derui undertakes any other arrangement apart from the Mutual Understanding given that the Mutual Understanding as evidenced by the Report Letter, the Reply Letter as well as the Consent to the Reply Letter are binding on ICBC and could not be revoked unilaterally by ICBC.

Taking account of the fact that the Trust Not Constituted, the Pledge Not Created and the fact that ICBC is merely an ordinary creditor of Sichuan Derui whose interest in Sichuan Derui was a monetary debt instead of an arrangement to replace any such original invalid Trust Not Created and/or Pledge Not Created as security for ICBC's debt under the Trust Arrangement, the share pledge arrangement was therefore in essence an arrangement to offer a legal and enforceable security interest to ICBC by the shareholders of Sichuan Derui. As advised by our PRC Legal Advisors, the share pledge arrangement, which refers to the consent of the shareholders of Sichuan Derui to offer security interest to ICBC, is legal, effective and enforceable as it is the genuine intention of shareholders of Sichuan Derui and was not in violation of the PRC laws. Furthermore, the Controlling Shareholders confirm that they will be able to comply with Rule 10.07 of the Listing Rules as all of the shareholders of Sichuan Derui agreed on November 9, 2015 that (i) all of them, other than Mr. Yan, will pledge an adequate amount of Shares in favour of ICBC, and (ii) they will take all action to complete such share pledges upon the Listing. As of the Latest Practicable Date, no formal or legally-binding agreement has been entered into between the shareholders of Sichuan Derui and ICBC because such share pledge agreements will be entered into within one month after the Listing Date. As advised by our PRC Legal Advisors, (i) the agreement by the shareholders of Sichuan Derui to pledge the Shares reflected their genuine intentions and was not in violation of the PRC laws and thus was legal, effective and enforceable under PRC laws; and (ii) ICBC could not validly insist the shareholders of Sichuan Derui undertake any other new arrangement other than the share pledge arrangement as the ICBC Debt was owed by Sichuan Derui to ICBC and the shareholders of Sichuan Derui are third parties to the ICBC Debt. As of the Latest Practicable Date, the total outstanding principal amount of the ICBC Debt is RMB360 million. As advised by our PRC Legal Advisors, such restructuring of the Trust Arrangement will not affect: (i) the validity and enforceability of the Structured Contracts; (ii) the opinions on the Structured Contracts as set out in the above section headed "Legality of the Structured Contracts — PRC Legal Opinions" of this prospectus; and (iii) the restructuring of the Trust Arrangement will not be regarded as a circumvention of any relevant PRC laws and regulations, given that the proposed arrangements are in compliance with the requirements of the Provisions on the Foreign Exchange Administration of Cross-border Guarantees (《跨境擔保外匯管理規定》) issued by SAFE, which stipulates the conditions that must be fulfilled for a domestic non-financial institution (i.e. Sichuan Derui) which has been granted a loan or credit line by a domestic financial institution (i.e. ICBC) to accept the guarantee provided by an overseas institution or individual (i.e. the holders of the Shares, being Virscend Holdings, Happy Venus, Top Alliance, Lucky Sign and Smart Ally).

In the event that Sichuan Derui fails to discharge its repayment obligation under the Trust Arrangement and on the basis that the Trust Arrangement had been restructured as mentioned above, in the worst case scenario, the relevant creditor may enforce the share pledge under the restructured Trust Arrangement. If insufficient value of Shares were pledged in favor of ICBC, the school sponsor's interests held by Sichuan Derui in each of our PRC Operating Entities may be subject to application by the relevant creditor to the courts for compulsory execution and all proceeds generated by the compulsory execution may be applied for settlement of the outstanding liabilities of Sichuan Derui. Further, since Sichuan Derui and each of our PRC Operating Entities is a separate and independent legal person, our PRC Operating Entities will not be held responsible for the liabilities of Sichuan Derui. In addition, pursuant to a receivable pledge agreement entered into between Tibet Huatai, Sichuan Derui and our PRC Operating Entities dated October 30, 2015, Sichuan Derui unconditionally and irrevocably pledged and granted a first priority security interest in favor of Tibet Huatai over the right to request third parties for payment pursuant to the law and/or contracts upon voluntary or involuntary transfer or disposal of all or part of the school sponsors' interest in our PRC Operating Entities by Sichuan Derui (the "Pledged Receivables") as security for (i) performance of the obligations of Sichuan Derui, the Registered Shareholders, Hongming Property, the shareholders of Hongming Property, and each of our PRC Operating Entities under the Structured Contracts; and (ii) payment of (a) all direct, indirect, consequential damages and foreseeable loss of interest incurred by Tibet Huatai as a result of any event of default on the part of Sichuan Derui, the Registered Shareholders, Hongming Property, the shareholders of Hongming Property or each of our PRC Operating Entities and (b) all expenses incurred by Tibet Huatai as a result of enforcement of the obligations against Sichuan Derui, the Registered Shareholders, Hongming Property, the shareholders of Hongming Property, and/or each of our PRC Operating Entities under the Structured Contracts (the "Guaranteed Debt"). Pursuant to the said receivable pledge agreement, Sichuan Derui shall maintain a designated bank account and any amount in such account cannot be withdrawn, transferred or disposed of unless with the prior written consent of Tibet Huatai. Furthermore, according to the said receivable pledge agreement, upon voluntary or involuntary transfer or disposal of all or part of the school sponsors' interest in our PRC Operating Entities by Sichuan Derui, the proceeds thereof shall be the subject matter of the Pledged Receivables and Sichuan Derui shall serve a notice in a prescribed form to the payor of the Pledged Receivables for payment of the Pledged Receivables into such account. On the occurrence of an event of default as stipulated under the said receivable pledge agreement, Tibet Huatai has the right to directly deduct any amount recovered as Pledged Receivables from such bank account to compensate for its losses as a result of events of default and/or to sell the Pledged Receivables which have not yet been recovered and to be compensated on a first priority basis from the proceeds out of any such sale. The Pledged Receivables shall be settled in the following priority: first, payment of all expenses related to disposal of the Pledged Receivable and exercise of Tibet Huatai's rights (including fees of its counsels and agents); second, payment of any taxes payable from disposal of Pledged Receivables; third, payment of the Guaranteed Debts; and, at last, payment of any residual amount to Sichuan Derui.

In addition, our PRC Legal Advisors are of the view that given: (i) ICBC is merely an ordinary creditor of Sichuan Derui pursuant to the Trust Arrangement; (ii) Tibet Huatai enjoys a higher priority over ICBC to be compensated in respect of the Pledged Receivables as Tibet Huatai is the pledgee in favor of whom the legal and effective receivable pledge was made; (iii) the proceeds, being the subject matter of the Pledged Receivables, should first be paid to Tibet Huatai for the compensation of its losses as a result of events of default and any residual amount thereof should then be applied to settle the debt owed by Sichuan Derui to ordinary creditors of Sichuan Derui, including ICBC, in accordance with PRC Laws; such receivable pledge arrangement is legal and enforceable in accordance with the PRC Laws even in the event that ICBC applies to the court for compulsory execution of the interests held by Sichuan Derui in the schools. The receivable pledge has been duly registered with the Credit Information Center under the People's Bank of China (中國人民銀行徵信中心) on November 3, 2015 and therefore been created under the PRC law from the same day. On the basis of the above, our Directors are therefore of the view that there will be no material adverse impact on our Group's financial and liquidity position in the event that Sichuan Derui fails to discharge its repayment obligation.

COMBINATION OF FINANCIAL RESULTS OF OUR PRC OPERATING ENTITIES

According to IFRS 10 — Consolidated Financial Statements, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Although our Company does not directly or indirectly own our PRC Operating Entities, the Structured Contracts as mentioned above enable our Company to exercise control over our PRC Operating Entities. The basis of combining the results of our PRC Operating Entities is disclosed in note 2.1 of Section II to the Accountants' Report. Our Directors consider that the Company can combine the financial results of our PRC Operating Entities as if they were our Group's subsidiaries.

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

Draft Foreign Investment Law and the Explanatory Notes

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

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

(i) holding directly or indirectly 50% or more of the equity interest, assets, voting rights or similar equity interest of the subject entity;

(ii) holding directly or indirectly less than 50% of the equity interest, assets, voting rights or similar equity interest of the subject entity but (a) having the power to directly or indirectly appoint or otherwise secure at least 50% of the seats on the board or other equivalent decision making bodies, (b) having the power to secure its nominated person to acquire at least 50% of the seats on the board or other equivalent decision making bodies, or (c) having the voting power to exert material influence over decision-making bodies, such as the shareholders' meeting or the board; or

(iii) having the power to exert decisive influence, via contractual or trust arrangements, over the subject entity's operations, financial, staffing and technology matters.

In respect of "actual control", the Draft Foreign Investment Law looks at the identity of the ultimate natural person or enterprise that controls the foreign-invested enterprise. "Actual control" refers to the power or position to control an enterprise through investment arrangements, contractual arrangements or other rights and decision-making arrangements. Articles 19 of the Draft Foreign Investment Law defined "actual controllers" as the natural persons or enterprises that directly or indirectly control foreign investors or foreign-invested enterprises.

If an entity is determined to be an FIE, and its investment amount exceeds certain thresholds or its business operation falls within a "negative list" to be separately issued by the State Council in the future, market entry clearance by the authority in charge of foreign investment would be required.

The "variable interest entity" structure, or VIE structure, has been adopted by many PRC-based companies, and has been adopted by our Company in the form of the Structured Contracts, to establish control of our PRC Operating Entities by Tibet Huatai, through which we operate our education business in PRC. Under the Draft Foreign Investment Law, variable interest entities that are controlled via contractual arrangements would also be deemed as FIEs, if they are ultimately "controlled" by foreign investors. For companies with a VIE structure in an industry category that is in the "restricted category" on the "negative list," it is possible that the existing VIE structure may be deemed legitimate only if the ultimate controlling person(s) is/are of PRC nationality (either PRC state-owned enterprises or agencies, or PRC citizens). Conversely, if the actual controlling person(s) is/are of foreign nationalities, then the variable interest entities will be treated as FIEs and any operation in the industry category on the "negative list" without market entry clearance may be considered as illegal.

Pursuant to the Draft Foreign Investment Law, as far as the new VIE structures are concerned, if a domestic enterprise under the VIE structure is controlled by Chinese nationals, such domestic enterprise may be treated as a Chinese investor and therefore the VIE structures may be regarded as legal. On the contrary, if the domestic enterprise is controlled by foreign investors, such domestic enterprise may be treated as a foreign-investor or foreign-invested enterprise, and therefore the operation of such domestic enterprise through VIE structures may be regarded as illegal if the domestic enterprise operates in a sector which is on the Negative List and the domestic enterprise does not apply for and obtain the necessary permission.

The Draft Foreign Investment Law stipulates restriction of foreign investment in certain industry sectors. The "negative list" set out in the Draft Foreign Investment Law classified the relevant prohibited and restricted industries into the Catalogue of Prohibitions and the Catalogue of Restrictions, respectively.

Foreign investors are not allowed to invest in any sector set out in the Catalogue of Prohibitions. Where any foreign investor directly or indirectly holds shares, equities, properties or other interests or voting rights in any domestic enterprise, such domestic enterprise is not allowed to invest in any sector set out in the Catalogue of Prohibitions, unless otherwise specified by the State Council.

Foreign investors are allowed to invest in sectors set out in the Catalogue of Restrictions, provided that the foreign investors are required to fulfil certain conditions and apply for permission before making such investment.

Notwithstanding that the accompanying explanatory notes to the Draft Foreign Investment Law (the "Explanatory Notes") do not provide a clear direction in dealing with VIE structures existing before the Draft Foreign Investment Law becoming effective, which is still pending for further study as of the Latest Practicable Date, the Explanatory Notes contemplate three possible approaches in dealing with foreign-invested enterprises with existing VIE structures and conducting business in an industry falling in the Negative List:

(a) to make a declaration to the competent authority that the actual control is vested with Chinese investors, then the VIE structures may be retained for its operation;

(b) to apply to the competent authority for certification of its actual control vested with Chinese investors and upon verification by the competent authority, the VIE structures may be retained for its operation;

(c) to apply to the competent authority for permission and the competent authority together with the relevant departments shall make a decision after taking into account the actual control of the foreign-invested enterprise and other factors.

Where foreign investors and foreign-invested enterprises circumvent the provisions of the Draft Foreign Investment Law by entrusted holding, trust, multi-level re-investment, leasing, contracting, financing arrangements, protocol control, overseas transaction or otherwise, make investments in sectors specified in the Catalogue of Prohibitions, or make investments in sectors specified in the Catalogue of Restrictions without permission or violate the information reporting obligations specified therein, the penalty shall be imposed in accordance with Article 144 of (Investments in Sectors Specified in the Catalogue of Prohibitions), Article 145 (Violation of Provisions on Access Permission), Article 147 (Administrative Legal Liability for Violating the Information Reporting Obligation) or Article 148 (Criminal Legal Liability for Violating the Information Reporting Obligation) of the Draft Foreign Investment Law, as the case may be.

Where foreign investors make investments in the sectors specified in the Catalogue of Prohibitions, the competent authorities of foreign investment of the people's governments of provinces, autonomous regions and municipalities directly under the Central Government at the place where the investments are made shall order them to cease the implementation of such investments, dispose of equity or other assets within a prescribed time limit, confiscate illegal gains, if any, and impose a fine of not less than RMB100,000 but not more than RMB1 million or of not more than 10% of illegal investments.

Where foreign investors make investments in the sectors specified in the Catalogue of Restrictions without authorization, the competent authorities of foreign investment of the people's governments of provinces, autonomous regions and municipalities directly under the Central Government at the place where the investments are made shall order them to cease the implementation of such investments, dispose of equity or other assets within a prescribed time limit, confiscate illegal gains, if any, and impose a fine of not less than RMB100,000 but not more than RMB1 million or of not more than 10% of illegal investments.

Where foreign investors or foreign-invested enterprises are in violation of the provisions of the Draft Foreign Investment Law, including failing to perform on schedule, or evading the performance of, the information reporting obligation, or concealing the truth or providing false or misleading information, the competent authorities of foreign investment of the people's governments of provinces, autonomous regions and municipalities directly under the Central Government at the place where the investments are made shall order them to make rectifications within a prescribed time limit; if they fail to make rectifications within the prescribed time limit, or the circumstances are serious, a fine of not less than RMB50,000 but not more than RMB500,000 or of not more than 5% of the investments shall be imposed.

Where foreign investors or foreign-invested enterprises are in violation of the provisions of the Draft Foreign Investment Law, including failing to perform on schedule, or evading the performance of, the information reporting obligation, or concealing the truth or providing false or misleading information, and if the circumstances are extremely serious, a fine shall be imposed on the foreign investors or foreign-invested enterprises and the directly responsible person-in-charge and other persons liable shall be sentenced to fixed-term imprisonment of not more than one year or criminal detention.

If the Draft Foreign Investment Law is promulgated in the current draft form, on the basis that (i) Mr. Yan Yude, who is of Chinese nationality, will indirectly hold 52.08% (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme) of the issued share capital of our Company upon completion of the Capitalization Issue and the Global Offering; (ii) our Company through Tibet Huatai exercises effective control over our PRC Operating Entities pursuant to the Structured Contracts and (iii) Mr. Yan Yude is of Chinese nationality, our PRC Legal Advisors are of the view that we can apply for the recognization of the Structured Contracts as domestic investments and it is likely that the Structured Contracts will be considered as legal.

The Potential Impact to Our Company in the Worst Scenario that the Structured Contracts Are Not Treated as a Domestic Investment

If the operation of preschools, primary schools, middle schools, high schools and higher education institutions is no longer in the negative list and our Group can legally operate the education business under PRC Laws, Tibet Huatai will exercise the Equity Call Option under the Exclusive Call Option Agreement to acquire the school sponsor's interest of our PRC Operating Entities and unwind the Structured Contracts subject to reapproval by the relevant authorities.

If the operation of preschools, primary schools, middle schools, high schools and higher education institutions is in the negative list, the Structured Contracts may be viewed as prohibited foreign investment. If the Draft Foreign Investment Law is refined and deviates from the current draft, depending on the treatment of existing contractual arrangements, the Structured Contracts may be regarded as invalid and illegal. As a result, our Group would not be able to operate our schools through the Structured Contracts and we would lose our rights to receive the economic benefits of our PRC Operating Entities. As a result, the financial results of our PRC Operating Entities would no longer be consolidated into our Group's financial results and we would have to derecognize their assets and liabilities according to the relevant accounting standards. An investment loss would be recognized as a result of such derecognition.

Nevertheless, considering that a number of existing conglomerates are operating under contractual arrangements and some of which have obtained listing status abroad, our Directors are of the view that it is unlikely, if the Draft Foreign Investment Law is promulgated, the relevant authorities will take retrospective effect to require the relevant enterprises to remove the contractual arrangements. In future, the PRC government is likely to take a relatively cautious attitude towards the aspects of supervision as well as the enactment, and make decisions according to different situations in practice.

However, there are uncertainties as to what the definition of control may be under the finally enacted version of the Foreign Investment Law in the future, and the relevant government authorities will have a broad discretion in interpreting the law and may ultimately take a view that is inconsistent with our PRC Legal Advisors' understanding. In any event, our Company will take reasonable steps in good faith to seek to comply with the enacted version of the Foreign Investment Law, if and when it comes into force.

Potential Measures to Maintain Control Over and Receive Economic Benefits from our PRC Operating Entities

As mentioned above, our PRC Legal Advisors are of the view that the Structured Contracts are likely to be deemed as a domestic investment if the Draft Foreign Investment Law were to become effective in its current form and content. To ensure the Structured Contracts remain a domestic investment so that our Group can maintain control over our PRC Operating Entities and receive all economic benefits derived from our PRC Operating Entities, Mr. Yan Yude has given an undertaking to our Company, and our Company has agreed with the Stock Exchange to enforce such undertaking to:

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

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

(c) obtain prior written consent of our Company as to the identity of the transferee(s) before Mr. Yan Yude disposes of or transfers the controlling interest in our Company that he beneficially owns. Prior to any such disposal, transfer or other transactions which may result in Mr. Yan Yude ceasing to have control of our Company for the purposes of the Draft Foreign Investment Law (together with all its subsequent amendments or updates, as promulgated), Mr. Yan Yude shall demonstrate to the satisfaction of our Company and the Stock Exchange that the Structured Contracts will remain a domestic investment for the purpose of the Draft Foreign Investment Law (together with all its subsequent amendments or updates, as promulgated) and related laws applicable to our Group in relation to domestic investment.

Based on the view of our PRC Legal Advisors and the aforesaid undertaking given by Mr. Yan Yude, our Directors and the Sole Sponsor are of the view that (i) the Structured Contracts are likely to be deemed as a domestic investment and to be permitted to continue; and (ii) our Group can maintain control over our PRC Operating Entities and receive all economic benefits derived from our PRC Operating Entities. The aforesaid undertaking will become effective from the date of the listing of our Shares on the Stock Exchange and will remain effective until compliance with the Draft Foreign Investment Law (together with all its subsequent amendments or updates, as promulgated) is not required and the Stock Exchange has consented to such termination.

Notwithstanding the above, there may be uncertainties that the above measures to maintain control over and receive the economic benefits from our PRC Operating Entities alone may not be effective in ensuring compliance with the Draft Foreign Investment Law (if and when it becomes effective). In the event that such measures are not complied with, the Stock Exchange may take enforcement actions against us which may have a material adverse effect on the trading of our Shares. See “Risk Factors — Risks Relating to Our Structured Contracts” in this prospectus for more details.

COMPLIANCE WITH THE STRUCTURED CONTRACTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Structured Contracts and our compliance with the Structured Contracts:

(a) major issues arising from the implementation and compliance with the Structured Contracts or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;

(b) our Board will review the overall performance of and compliance with the Structured Contracts at least once a year;

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

(d) our Company and our Directors undertake to provide periodic updates in our annual and interim reports regarding the qualification requirement and our status of compliance with the Draft Foreign Investment Law and its accompanying explanatory notes as stipulated under the section headed "Structured Contracts — Background of the Structured Contracts" and the latest development of the Draft Foreign Investment Law and its accompanying explanatory notes as disclosed under the section headed "Structured Contracts — Development in the PRC Legislation on Foreign Investment", including the latest relevant regulatory development as well as our plan and progress in acquiring the relevant experience to meet the qualification requirement; and

(e) our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Structured Contracts, review the legal compliance of Tibet Huatai and our PRC Operating Entities to deal with specific issues or matters arising from the Structured Contracts.

In addition, notwithstanding that our executive Directors, Mr. Yan Yude, Ms. Wang Xiaoying and Mr. Ye Jiayu, are also the Registered Shareholders, we believe that our Directors are able to perform their roles in our Group independently and our Group is capable of managing its business independently after the Listing under the following measures:

(a) the decision-making mechanism of the Board as set out in the Articles includes provisions to avoid conflict of interest by providing, amongst other things, that in the event of conflict of interest in such contract or arrangement which is material, a Director shall declare the nature of his or her interest at the earliest meeting of the Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum;

(b) each of our Directors is aware of his fiduciary duties as a Director which requires, amongst other things, that he acts for the benefits and in the best interests of our Group;

(c) we have appointed three independent non-executive Directors, comprising over one-third of our Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of our Company and our Shareholders as a whole; and

(d) we will disclose in our announcements, circulars, annual and interim reports in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by our Board (including independent non-executive Directors) relating to any business or interest of each Director and his associates that competes or may compete with the business of our Group and any other conflicts of interest which any such person has or may have with our Group.

OVERVIEW

We are the largest provider of K-12 private education services in Southwest China in terms of student enrollment as of June 30, 2015, according to the Frost & Sullivan Report. As of the Latest Practicable Date, we had established and were operating five schools for grades K-12, namely, Chengdu Foreign Languages School, Chengdu Experimental Foreign Languages School, Chengdu Experimental Foreign Languages School (Western Campus), the Primary School Attached to Chengdu Foreign Languages School and the Chengdu Foreign Languages Kindergarten. As of June 30, 2015, we had an aggregate of approximately 17,896 K-12 students enrolled at our schools. According to the Frost & Sullivan Report, as measured by student enrollment, we ranked first in the highly fragmented private fundamental education industry in Southwest China with a 0.43% market share. In addition, we operate one university, Chengdu Institute Sichuan International Studies University, which had an enrollment of approximately 13,684 students as of June 30, 2015. As of October 31, 2015, our K-12 student enrollment increased to approximately 18,345 and the University student enrollment increased to approximately 14,237. Through these schools, we are one of the few private education companies in Southwest China that provide high-quality formal educational services to students in every age group from kindergarten to university, according to the Frost & Sullivan Report. Since 2000, when Chengdu Foreign Languages School was first established, we have accumulated significant experience in educating and nurturing students at each grade level. We strive to cultivate well-rounded students who possess global perspective and practical knowledge.

We provide high-quality education to our students. We aspire to provide a pathway to first-tier universities in China and reputable colleges and universities abroad for interested students. For example, for Gaokao administered in 2012, 2013 and 2014, approximately 60.1%, 73.6% and 69.5% of our graduating high school students who participated in such examinations achieved scores that allowed them to apply to and be accepted by first-tier universities in China, including Peking University, Tsinghua University, Fudan University, Zhejiang University and Shanghai Jiaotong University, among others. Moreover, during the Track Record Period, certain of our high school graduating students were accepted by colleges and universities overseas. For example, a total of five graduating students from Chengdu Foreign Languages School were accepted by Harvard University, Columbia University, Cornell University and Northwestern University during the Track Record Period. For students who are interested in attending colleges and universities in the United States or Canada and in preparing for overseas standardized college entrance examinations, such as TOEFL and SAT, we established international programs at Chengdu Foreign Languages School under which dual high school diplomas (PRC diplomas and American or Canadian diplomas) are offered to them through collaboration with third-party educational service providers. Such programs allow students to take either American or Canadian coursework taught by foreign teachers as well as PRC coursework taught by PRC teachers.

We offer a bilingual learning environment for our primary, middle and high school students, substantially all of whom are native Chinese speakers. We emphasize relatively small-class language learning early on to stimulate our students' interest and promote interaction within the classroom setting, which we believe is essential in acquiring the fluency in a foreign language and preparing our students well for our English-intensive programs. In addition to offering mandatory English language courses, we also offer second foreign language classes to our students who express an interest to learn. As of June 30, 2015, we offered a total of up to 14 second foreign language-based classes to our students at our middle and high schools, including German, French and Japanese, among other languages. Besides language courses, we also offer a wide range of elective courses to stimulate our students' learning desire. We believe that our comprehensive curriculums have allowed us to retain talented students within our system as they progress through their academic training. We believe the quality of our academic programs and the success of our students have helped us enhance our reputation and achieve growth in student enrollment during the Track Record Period, and at the same time, increase the tuition fees we charge.

We have experienced steady growth in our revenue, gross profit and student enrollment over the Track Record Period. Our revenue increased from RMB502.1 million for the year ended December 31, 2012 to RMB554.7 million for the year ended December 31, 2013, and further to RMB626.0 million for the year ended December 31, 2014. For the six months ended June 30, 2015, our revenue amounted to RMB364.8 million compared to our revenue of RMB330.5 million for the six months ended June 30, 2014. Our gross profit increased from RMB197.8 million for the year ended December 31, 2012, to RMB207.2 million for the year ended December 31, 2013, and further to RMB254.6 million for the year ended December 31, 2014. For the six months ended June 30, 2015, our gross profit was RMB182.9 million compared to RMB159.8 million for the six months ended June 30, 2014. Our overall student enrollment grew from approximately 29,227 as of June 30, 2012 to approximately 31,580 as of June 30, 2015.

OUR COMPETITIVE STRENGTHS

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

We are a leading provider of K-12 private education services in Southwest China and serve students in every age group from kindergarten to university

According to the Frost & Sullivan Report, we are the largest provider of K-12 private education services in Southwest China in terms of student enrollment as of June 30, 2015. As of the Latest Practicable Date, we had established and were operating five schools for grades K-12, namely, Chengdu Foreign Languages School, Chengdu Experimental Foreign Languages School, Chengdu Experimental Foreign Languages School (Western Campus), the Primary School and the Kindergarten. As of June 30, 2015, we had an aggregate of approximately 17,896 K-12 students enrolled at these schools. In addition, we operate one university, Chengdu Institute Sichuan International Studies University, and as of June 30, 2015, it had an enrollment of approximately 13,684 students. Through these schools, we provide formal education services to students in every age group from kindergarten through university, pursuant to which graduating primary school to high school and university students are entitled to receive applicable PRC diplomas. According to the Frost & Sullivan Report, we are one of the few private education companies in Southwest China that offer complete K-12 and university education. We believe this allows us to attract students at an early age and create a stable student pipeline for our schools at each grade within the K-12 system, and provides us pertinent experience to establish new schools targeting each age group from kindergarten to university.

We have witnessed growth of our schools during the Track Record Period in terms of student enrollment, which increased from approximately 29,227 in aggregate for our six schools as of June 30, 2012 to approximately 31,580 as of June 30, 2015. Historically, our high schools have been successful in sending graduates to first-tier universities in China as well as reputable colleges and universities abroad. For example, for Gaokao administered in 2012, 2013 and 2014, approximately 60.1%, 73.6% and 69.5% of our graduating high school students who participated in such examinations achieved scores that allowed them to apply to and be accepted by first-tier universities in China, including Peking University, Tsinghua University, Fudan University, Zhejiang University and Shanghai Jiaotong University, among others. In comparison, in 2014, approximately 9.8%, 5.5% and 15.5% of the total students in the PRC, Sichuan Province and Chengdu, respectively, who participated in Gaokao achieved scores that allowed them to apply to and be accepted by first-tier universities in China, according to the Frost & Sullivan Report. In particular, for Gaokao administered in 2014, approximately 82.1%, 62.9% and 51.3% of our graduating high school students at Chengdu Foreign Languages School, Chengdu Experimental Foreign Languages School and Chengdu Experimental Foreign Languages School (Western Campus), respectively, who have participated in such examination have achieved scores that allowed them to apply to and be accepted by first-tier universities in China. Moreover, during the Track Record Period, certain of our high school graduating students were accepted by colleges and universities overseas. For example, a total of five graduating students from Chengdu Foreign Languages School were accepted by Harvard University, Columbia University, Cornell University and Northwestern University during the Track Record Period. We believe our successful track record enhances our reputation and allows us to attract more high-quality students, which our Directors consider is essential for the maintenance of our market position and overall competitiveness.

As a pioneer in the private education industry in Sichuan Province, we have accumulated abundant experience in operating private schools, which positions us well to capitalize on the growing opportunities in the PRC private education sector

Our participation in the PRC private education industry dates back to 2000. According to the Frost & Sullivan Report, Sichuan Derui was one of the earliest private school operators in Southwest China and has grown to become the largest operator of K-12 private schools in the region in terms of student enrollment as of June 30, 2015. Our first school, Chengdu Foreign Languages School, was first established in 2000, and Chengdu Experimental Foreign Languages School, Chengdu Experimental Foreign Languages School (Western Campus), the Primary School, the University and the Kindergarten were subsequently established in 2002, 2003, 2003, 2004 and 2007, respectively.

As our school system includes a kindergarten, a primary school, three middle schools, three high schools and a university, we have accumulated significant experience in educating and nurturing students at each level. Our schools aim to cultivate well-rounded students who possess international vision, outlook and practical knowledge. Moreover, through our years of operations, we have accumulated experience in developing and customizing our educational programs to continue to attract and retain high-quality students in Sichuan Province.

We believe that our extensive experience positions us well to capture the growth opportunities in the PRC private education industry. According to the Frost & Sullivan Report, student enrollment in the PRC private fundamental education industry is expected to increase from approximately 35.3 million in 2014 to approximately 50.6 million in 2019, and student enrollment in PRC private higher education is expected to increase from approximately 5.9 million in 2014 to approximately 7.3 million in 2019. Moreover, the penetration rate of private fundamental schools in the PRC is also expected to increase from 17.4% in 2014 to 21.9% in 2019. According to the Frost & Sullivan Report, the demand for private fundamental education in the PRC is mainly driven by (i) the great emphasis on the importance of education by Chinese parents, despite higher costs; (ii) government support for private education, which was evidenced by a series of policies that encourage the development of private educational institutions; (iii) increased private investment in education as a result of the PRC government's emphasis to develop private education and the increasing demand from Chinese parents; and (iv) higher household income and wealth due to the continued growth of the PRC economy and accumulation of disposable household income and wealth for PRC families, which is likely to make private fundamental education more affordable. In addition, the growth in the PRC higher education industry is driven by (i) increased household income and wealth; (ii) increased demand for technical talents due to continued economic growth in the PRC and a lack of skilled and well-trained technical operatives; and (iii) improved education quality involving private universities in China. We believe we are in position to capitalize on the growing opportunities in the PRC private fundamental education and private higher education industries.

We have established a strong reputation for quality education, which helps us attract high-quality students and teachers and pave the way for our success

Through over 15 years of operating private schools in Chengdu, we have established a strong reputation and believe that we have become a well-known private education service provider in Southwest China. Based on the feedback from our existing students and their parents and the percentages of our graduating high school students who participated in Gaokao and achieved scores that allowed them to apply to and be accepted by first-tier universities in China, we believe our schools are highly recognizable in Chengdu and other parts of Sichuan Province and are often viewed by students and their parents as a pathway to first-tier universities in China and reputable colleges and universities abroad. As a result of our reputation, we receive a substantial number of applications to our schools. We have been able to adopt highly selective admissions criteria. We believe that this intense competition for admission to our schools allows us to create a challenging and motivating educational environment to prepare our students for the challenges ahead. We strongly believe our reputation can also be reinforced by (i) the scores achieved by some of our high school students in Gaokao and the employment rates of our university graduates and (ii) the awards and recognitions our schools have received.

In addition, with respect to Chengdu Foreign Languages School, for Gaokao administered in 2012, 2013 and 2014, approximately 75.7%, 88.5% and 82.1% of its graduating students who participated in such examinations achieved scores that allowed them to apply to and be accepted by first-tier universities in China, respectively. For Chengdu Experimental Foreign Languages School, approximately 48.9%, 71.3% and 62.9% of its graduating students who participated in Gaokao achieved scores that allowed them to apply to and be accepted by first-tier universities in China for Gaokao administered in 2012, 2013 and 2014, respectively. Meanwhile, Chengdu Experimental Foreign Languages School (Western Campus) made tremendous improvement on students' academic performance for the past three school years as the ratio of students who participated in Gaokao and achieved scores that allowed them to apply to and be accepted by first-tier universities in China increased from approximately 37.2% for the Gaokao administered in 2012 to approximately 51.3% for Gaokao administered in 2014. With respect to the University students' employment rate, for the 2012/2013, 2013/2014 and 2014/2015 school years, approximately 92.7%, 93.3% and 95.0%, respectively, of our students with a bachelor's degree obtained jobs or pursued graduate degrees upon graduation, whereas approximately 90.2%, 96.0% and 96.3%, respectively, of our students with junior college diplomas have obtained jobs or pursued higher education upon graduation. We believe we achieved our strong reputation based on our ability to maintain and improve on these statistics, which provide our students opportunities for more promising academic learning environment and potential career opportunities.

Since 2000, six and 10 students from Chengdu Foreign Languages School received the top scores in Gaokao in Sichuan Province and Chengdu, respectively. As for Chengdu Experimental Foreign Languages School, since 2002, it produced six and nine students who received the top scores in Gaokao in Sichuan Province and Chengdu, respectively. Please see "— Our Schools" in this prospectus for further details.

Historically, our schools have received numerous awards and recognitions for their excellence in providing quality education. These awards include, among others, (i) the Outstanding School for the Academic Year of 2013-2014 for High School Education (2013-2014 學年度普通高中教育教學工作優秀

學校) for Chengdu Foreign Languages School; (ii) "bases for outstanding students" (優秀生源基地) for all three of our high schools designated by a number of reputable universities in China during the Track Record Period; and (iii) the Top Ten Higher Education School in Western China (中國西部十大高校品牌) for the University in 2008. Please see the section headed "— Awards and Recognitions" in this prospectus for further details on the awards and recognitions received by our schools.

We offer diverse curriculums and foreign exchange programs to our students

We structure our education system to allow our students to systematically acquire knowledge about a broad spectrum of subjects to continuously stimulate their academic curiosity and expand their educational horizons. We have designed our curriculums so that our students can learn various core subjects based on required course materials designated by the PRC educational authorities, and at the same time, explore different topics of learning and interests, academic or otherwise, by taking a variety of elective courses at our schools. For example, our middle schools and high schools offer both mandatory and elective courses, so our students have opportunities to select classes of their choice. As private schools, each of our schools has the requisite qualification to introduce relevant coursework to their students in addition to the required curriculum. We have established teaching and research groups (教研組) and course preparation groups (備課組) comprising our teachers at all of our schools (except for the University and the Kindergarten) to research and develop appropriate course materials and teaching methods. We believe the coursework we provide is beneficial to our students as it stimulates their learning. We introduce English language courses to our students from the Primary School and continue to offer English mandatory courses in our middle schools and high schools. Accordingly, we believe certain of our high school students are able to build a solid language foundation to prepare for overseas college entrance examinations, such as SAT and TOEFL. We emphasize frequent foreign language learning at our schools in order to stimulate our students' interest and promote interaction within the classroom setting, which we believe is essential in acquiring fluency in a foreign language. For example, our middle schools typically offer an average of approximately 14 English periods to their students per week (approximately 40-50 minutes per period and 20-25 minutes for morning period), compared to an average of approximately four to six English periods per week (approximately 40 to 50 minutes per period) in public middle schools in Sichuan. Moreover, the size of our typical English language class at the Primary School is generally not more than 25 students, compared to a size between 40 and 45 students for our other primary school classes. Since some students possess higher English language ability than others, we assess their proficiency level when they enroll at our middle schools and have designed and offer more advanced levels of English classes at such schools specifically for the newly admitted seventh grade students, which allow them to continue to learn English at a faster pace.

We believe that many of our students have the desire to seek higher education overseas. Therefore, we have established international programs at Chengdu Foreign Languages School through collaboration with third-party educational service providers, which provide its high school students the opportunity to obtain foreign high school diplomas in the United States and Canada (in addition to obtaining a PRC high school diploma) and prepare to attend colleges/universities abroad. We and our business partners tailor the relevant coursework in such programs to provide additional training for international college entrance examinations, such as TOEFL, SAT and IELTS. These programs have been set up in association with Shanghai Dipont and Inlet Education with which the school has entered into separate cooperation agreements, and are taught by both PRC teachers (for PRC mandatory courses) and foreign teachers (for courses taught under the American and Canadian programs). With the establishment of the international programs, Chengdu Foreign Languages School presents its high school students a choice of either taking

Gaokao and pursuing higher education in China or preparing for overseas college entrance examinations and attending colleges/universities overseas. We also encourage certain interested high school students at Chengdu Experimental Foreign Languages School and Chengdu Experimental Foreign Languages School (Western Campus) to take international coursework directly from third-party educational service providers. We believe the international programs at Chengdu Foreign Languages School and the international coursework we encourage certain interested high school students at our two other high schools to take directly from third-party educational service providers appeal to our students and their parents who desire the best mix of Chinese and Western educational practices and values, and offer students flexibility with respect to higher education. Additionally, we emphasize practical learning for our students at the University. For example, the University's education method consists primarily of traditional lecture-based teaching and practical learning. For traditional lecture-based teaching, students are required to learn in a class-room setting taught by foreign language instructors. With respect to practical learning, on the other hand, the University has numerous language laboratories to provide students with the opportunity to frequently practice and improve their foreign language skills.

Furthermore, we are focused on helping our students develop a broad world view. We believe students with international exposure become more well-rounded individuals as they embark on their life journey. To achieve this objective, we have established a variety of foreign exchange programs. Our teachers can also take advantage of such programs, which we believe will be beneficial for them to gain exposure to different cultures as well, which will facilitate their teaching. Please see the section headed "— Our Schools" in this prospectus for more information on the types of exchange programs we offer at our schools. As of June 30, 2015, each one of our schools (except the Kindergarten) has established and maintained certain exchange programs with their overseas counterparts, and a number of students and teachers from such schools have participated in these exchange programs.

We employ qualified teachers who are instrumental in providing high-quality education to our students

We are committed to providing high-quality education services to our students at every level from kindergarten through university. We believe the quality of education we provide is closely tied to the quality of our teachers. Accordingly, we have made teacher recruitment and retention one of our top priorities. We have a qualified and committed team of teachers. As of June 30, 2015, we employed an aggregate of approximately 1,978 teachers. Among them, approximately 85.0% have obtained at least a bachelor's degree and approximately 25.7% have obtained a master's degree or above. Our teachers at the Primary School, our middle and high schools and the University have an average of approximately seven years of teaching experience at our schools. As of June 30, 2015, approximately 29.1% of our teachers held Advanced Teaching Qualifications, the highest K-12 teacher qualification available in China, or Associate Professor or above. Moreover, 16 of our teachers were recognized as Exceptional Teachers, a national award given by the MOE to teachers who made a substantial contribution to their schools and profession. To attract the best available teaching candidates, we have implemented rigorous selection procedures under which applicants are required to take written examinations in addition to interviews. At some of our schools, we also require candidates to teach a live class so we can evaluate and assess his or her performance. We offer mandatory and on-the-job training courses for newly hired teachers, as well as continuing training programs for existing teachers so that they can stay abreast of the changes in the profession and master new teaching techniques and skills. As of June 30, 2015, approximately 62.0% of our teachers had been with us for over five years, and approximately 31.3% had been with us for more than ten years. We believe we have experienced a relatively low turnover ratio involving our teachers during the Track Record Period. For the 2012/2013, 2013/2014 and 2014/2015 school years, approximately 8.2%, 6.7% and

5.2% of our teachers have voluntarily resigned from us and sought employment elsewhere. To help our teachers achieve their goals of delivering high-quality education to our students, we incentivize them so that the number of hours each of them devotes to teaching and their teaching quality (which is measured by, among other things, students' test scores and feedback from both students and parents) are recognized by our schools and our senior management when considering his or her total remuneration package.

We have an experienced and proven senior management team

We have an experienced and proven senior management team with extensive knowledge in the PRC private education industry. Our management team consists of our executive directors and senior management, including certain principals of our schools. Our Board is responsible for the overall management and strategic development of our Group. Our Chairwoman of the Board and executive director, Ms. Wang Xiaoying, has more than 15 years of experience in business administration management. Ms. Wang has been a director of certain of our PRC Operating Entities since she joined our Group in October 2002. Ms. Wang has been responsible for the overall business strategy and development and management of our PRC Operating Entities in her capacity serving as the general manager of Sichuan Derui since 2008. Dr. Xu Ming, our Chief Executive Officer and an executive director, has over 20 years of experience in accounting and financial management. Mr. Ye Jiayu, an executive director of our Company, has more than 22 years of experience in business management. Mr. Ye joined our Group as a director of certain of our PRC Operating Entities since February 2002. One of our controlling shareholders and an executive director, Mr. Yan Yude has over 20 years of experience in business management. Mr. Yan has been a director of our PRC Operating Entities since March 2000.

Each of our schools is managed on a day-to-day basis by its principal, who is assisted by several vice principals, each of whom is responsible for one or more specific aspects of a school's operations, such as educational curriculums, student admissions, security and logistics, student affairs and human resources. The principals of our schools are dedicated and experienced educators. For instance, Mr. Wang Jianwei has been the principal of Chengdu Experimental Foreign Languages School since September 2014. Prior to becoming the principal of Chengdu Experimental Foreign Languages School, Mr. Wang was the principal of Chengdu Foreign Languages School. Mr. Wang was accredited as an Outstanding Principal of Sichuan Province (四川省優秀校長) by the Sichuan educational authority in 2005 and 2008. Mr. Wang has over 36 years of experience as a teacher and school administrator. Mr. Gong Zhifa has been a principal of Chengdu Foreign Languages School since September 2015. Prior to that, Mr. Gong has been a vice principal of the school since 2007. He was accredited as an Outstanding Teacher in Sichuan Province (四川省優秀教師) in 1991 and was named an Exceptional Middle School Teacher (中學特級教師) by the People's Government of Sichuan Province in 2000. Mr. Xiao Minghua has been the principal of Chengdu Experimental Foreign Languages School since 2007. From 2001 to 2006, Mr. Xiao was the principal of Chengdu Experimental Foreign Languages School. He has more than 20 years of experience in the education industry and was accredited as a Leading Educator in the Primary and Middle Schools Subjects in Chengdu (成都中小學學科教學帶頭人) by Chengdu Education Committee* and was named an Exceptional Middle School Teacher by the People's Government of Sichuan Province in 2003. Mr. Yin Dajia has been the president of the University since its inception in 2000 and has over 44 years of teaching and administrative experience. Mr. Yin received Teaching Qualification for Higher Education (高等學校教師) in 1996 by the Education Committee of Sichuan Province* (四川省教育委員會). In addition, Ms. Mi Xiaorong has been the principal of the Primary School since 2009. Ms. Mi was named as an Exceptional Teacher by the Education Department of Sichuan Province in 1997. She has over 22 years of experience as an educator. Ms. Wang Xue has been the principal of the Kindergarten since 2009. She was an assistant to the Kindergarten principal from 2008 to 2009.

We also have a seasoned team of high-quality management personnel who have proven themselves capable educators and administrators with an average of approximately 25 years of experience in the PRC education industry, such as education research group members, academic directors and student affairs administrators. We believe our management team's extensive education and management experience has provided us with valuable industry insight and expertise, which enable us to manage our operations efficiently and promote our growth and reputation as a leading private education service provider in Southwest China.

OUR BUSINESS STRATEGIES

We intend to maintain and strengthen our position as the largest provider of K-12 private education services in Southwest China in terms of student enrollment as of June 30, 2015. To achieve this goal, we plan to pursue the following business strategies:

Continue to enhance our reputation as a provider of high-quality education

We plan to continue to provide a high standard of educational services to our students across our entire range of grades and levels, which we believe is a foundation to our future success and growth. One of our educational goals is to continue to focus on quality. We will not be able to compete effectively against reputable public schools and other private schools unless we continue to maintain and improve the quality of education we provide. To achieve this goal, we plan to continue to pay close attention to our students' academic performance. We will also maintain and refine our differentiated English courses taught at our middle and high schools to newly admitted students with varying levels of English language skills. In addition to improving students' academic performance, we will also closely monitor their individual development, which includes offering more elective courses that will increase their curiosity and learning desire in a variety of subjects, and focusing on teaching about virtue, self-motivation and mental development. Through these measures, we aim to nurture well-rounded individuals who not only excel in academics and standardized examinations, but also become constructive members of society. We plan to develop and expand practical training courses for high school and university students so that they can be exposed to various professional subjects in real life. This is in line with the educational philosophies of our schools to promote learning diversity among our students.

We believe we have the potential to further enhance the existing strong reputation of our schools, not only in Sichuan Province and Southwest China, but also in China more generally. While we will continue to leverage word-of-mouth referrals based on the established reputation of our schools as a main source of attracting new students, we plan to increase our sales and marketing efforts to promote our brand name. Specifically, we intend to (i) expand our cooperation with mainstream media to improve our reputation and social influence, (ii) effectively utilize online news outlets and school websites to enhance our marketing efforts, (iii) continue to rely on online social platforms, such as WeChat, to promote our schools and educational programs, while reflecting different characteristics of our schools and their values and strengths, (iv) use promotional materials to highlight the advantages of our schools and to strengthen our brand name, and (v) conduct market research to better understand the needs of students and their parents and appropriately tailor the curriculums and other educational programs we offer to improve our reputation.

Continue to improve the quality of our teachers and staff

The quality of our teachers is also instrumental in maintaining and improving the quality of education we provide. We intend to continue to improve the quality of our teaching staff by continuing to implement rigorous selection procedures when hiring new teachers. We will focus not only on teaching applicants' academic background, but also on their ability to engage students effectively and the ways they can utilize different teaching techniques and methodologies to improve students' learning. In addition, we plan to establish a dedicated teacher and staff training and development center, which is expected to offer mandatory and continuing training courses and seminars to our teachers and other staff. Our teacher training programs to be offered at the center will primarily focus on the teachers' code of morality, subject matter expertise and refined teaching skills and methodologies, which include, among others, (i) mandatory professional teaching technique training courses for newly hired teachers, (ii) continuing training classes for existing teachers on a variety of topics, including subject matter training, (iii) seminars to be given by renowned teaching professionals and education experts in the PRC, and (iv) customized training courses for teachers with different levels of experience. Although we have not identified the exact location or area, we aim to establish a new training center near our schools in Chengdu. Subject to identifying a suitable location and obtain relevant approvals, we anticipate we will initiate construction of the training center during the first half of 2016 and aim to complete construction during the second half of 2017. The training center will be utilized to provide training to all of our teachers and staff. When the selection of a specific site for our new training center is finalized after the Listing, we will publish, on a voluntary basis, any further information in this regard in accordance with the applicable Listing Rules. We estimate the amount of funds to be used for the acquisition of land will be approximately RMB300.0 million and the total capital expenditure associated with the establishment of such training center will be approximately RMB500.0 million, which will primarily be funded by the net proceeds from the Global Offering, cash flow from operations and bank loans. Furthermore, to retain highly qualified teachers, we intend to provide better career advancement opportunities, competitive compensation packages, continuous training programs and foreign school visits and interactions, which we believe will have an impact on improving our teachers' teaching performance.

Expand our school network and increase our market penetration

We intend to expand our school network and increase our market penetration in China's private education sector, and build our profile and recognition overseas through the following strategies:

- *Expand our school network primarily in Chengdu, other cities in Sichuan Province and other provinces in Southwest China:* According to the Frost & Sullivan Report, we were the largest provider of K-12 private education services in Southwest China in terms of student enrollment as of June 30, 2015. We intend to leverage our reputation to expand our school network in Chengdu, other areas in Sichuan Province and elsewhere in Southwest China. In addition, we face intense competition in the PRC private education sector. We had approximately 0.43% of the market share in the highly fragmented the private fundamental education industry in Southwest China, as measured by student enrollment as of December 31, 2014, according to the Frost & Sullivan Report. In order to solidify and strengthen our market-leading position in the region, we plan to establish new schools or acquire existing schools. Specifically, we plan to undertake the following strategies:

- *Expand our existing business by collaborating with third-party business partners:* We generally operate our schools under a traditional business model under which our schools or our school sponsor owned substantially all or a portion of the premises the schools occupy. This traditional business model requires our schools or our school sponsor to obtain the relevant land use rights and expend significant amount of capital outlay in connection with the establishment of the schools. We utilized this business model primarily because we needed to establish and build the reputation of our schools during our initial stage of operation and accumulate relevant private school operating experience. Going forward, in addition to continuing to operate under our existing business model, we intend to enter into cooperative arrangements with business partners who are Independent Third Parties, including local governments, real estate developers and other public and private school operators who share our education philosophies and vision, pursuant to which such business partners contribute or lease to us the relevant land and facilities, as the case may be, while we contribute our brand name and teachers and provide funding for the operation of the school(s). We believe we can substantially lower our capital requirement to expand our operations under this type of business model, which allows us to better utilize our available cash and efficiently allocate our financial resources. As of the Latest Practicable Date, we had undertaken the following steps to expand our business:

    - On September 22, 2015, Chengdu Foreign Languages School entered into a cooperation agreement with the local government of Panzhihua City in Sichuan Province and its related state-owned investment company, pursuant to which the parties agreed to establish a school ("Panzhihua School") with an aggregate expected total student enrollment of approximately 3,000 students. The school is expected to comprise a middle school and a high school. Chengdu Foreign Languages School is expected to be the sponsor of the new school and will own all of the school sponsor's interest in such school. Subject to the approval by and registration with competent authorities, the new middle school is expected to commence operation before September 1, 2017 while the new high school is expected to commence operation before September 1, 2020. The parties identified suitable school premises owned by the local government, which is comprised of two parcels of land with a total gross site area of approximately 54,349.72 sq. m. Under the agreement, the state-owned investment company in Panzhihua City will invest to construct the school facilities on such land (with expected completion of construction before May 2017) and we will lease the premises for the new school under a separate lease agreement, which was entered into concurrently with the cooperation agreement. The lease term for the school premises will be 20 years beginning on September 1, 2017 and Chengdu Foreign Languages School will pay to the state-owned investment company certain rental fees for the school premises beginning in the fourth year of the rental period. No rental fees will be payable by Chengdu Foreign Languages School for the first three years of the rental period; and

    - On December 11, 2015, Chengdu Experimental Foreign Languages School entered into a non-binding cooperation development memorandum with an independent property management company and an independent educational consulting company, pursuant to which the parties contemplated establishing a new campus in Wulongshan, Chengdu, Sichuan Province (the "Wulongshan School") with an aggregate expected student capacity of approximately 6,100 students. The Wulongshan School will comprise a primary school, a middle school and a high school. Subject to the completion of construction of the premises before April, 2017 and the approval by and registration with competent authorities, the school is expected to commence operation in September 2017. Pursuant to the memorandum, the property management company will obtain the suitable school premises with a total gross site area of approximately 94,000 sq. m., for which it agrees to invest up to RMB385.0 million to acquire the land and construct the school facilities (with expected completion of construction before April 1, 2017) and the educational consulting company will be responsible for any construction cost above RMB385.0 million. The educational consulting company will initially set up a wholly-owned subsidiary to purchase, at a discount, the premises from the property management company, which, in return, will be entitled to buy a portion of the equity interest in such subsidiary at agreed price in additional to receiving property sales payment. Chengdu Experimental Foreign Languages School and such subsidiary together will be the school sponsors of the Wulongshan School. After the completion of the construction, Chengdu Experimental Foreign Languages School will be entitled to use the premises rent-free for the operation of the Wulongshan School in general circumstances. We expect that a definitive agreement among the parties will be entered into within six months from the date of the memorandum.

Although we plan to focus more on cooperating with third-party business partners going forward in order to lower our initial capital outlay in connection with the establishment of the schools, we will continue to use the traditional business model if we encounter suitable business opportunities or there are preferential government policies for us to acquire the land and obtain the relevant land use rights for the school premises ourselves.

- *Establish or acquire new schools directly:* Where we can identify appropriate opportunities, we intend expand our school network by purchasing the land use rights and developing new schools, or acquiring established schools from Independent Third Parties. When establishing new schools, we intend to do so through one of our existing schools similar to the arrangement with the proposed establishment of Panzhihua School, whereby our existing school will then own all or part of the school sponsor's interest in the new school. Our PRC Legal Advisors confirmed that such arrangement is in compliance with the relevant PRC legal requirements. We intend to purchase a parcel of land in Wenjiang, Chengdu, Sichuan Province, in connection with the opening of a new campus for Chengdu Experimental Foreign Languages School. We estimate that the capacity of the new campus will be approximately 6,500 students and anticipate that the new campus will be operational in the second half of 2017, subject to relevant government approval. We estimate the total capital expenditure relating to the establishment of the new campus to be approximately RMB550.0 million, a portion of which will be financed by the proceeds of the Global Offering and the remainder by our internal funds. As of the Latest Practicable Date, we had not identified any specific location for such new campus. When selecting an acquisition target, we will consider factors that include, among other things, the general economic and social condition in the local area in which a target school is located, the demand for the education we provide in such area, the level of government support in promoting private education, and the anticipated cost of any acquisition. As of the Latest Practicable Date, we had not identified any specific acquisition targets and therefore, had not yet determined the relevant shareholding structure. We will seek relevant legal advice to ensure that the relevant shareholding structure for any newly acquired schools in the future will comply with the relevant PRC legal requirements; and

- *Establish schools overseas:* To expand our school network abroad and to build our presence overseas, we intend to establish and operate new schools overseas through collaboration with an Independent Third Party. We have entered into a letter of intent with CBA in September, 2015, pursuant to which CBA will provide teaching methodology consulting services and teaching materials and we will provide funding in an amount to be determined at a later date, which may be used to secure classrooms and facilities for the new school. We intend to allocate up to US$2.0 million for the purpose of establishing the new school, which is expected to be funded from our internal resources. On November 2, 2015, we have formed an operating entity in the United States, Wahtai (US), which was owned as to 70.0% by Wah Tai and 30.0% by Dr. Robert T. Chi, Associate Dean of Accreditation at the Department of Information Systems at CBA and an independent third party. Wahtai (US) will be responsible for the daily operation and management of the new school. As of the Latest Practicable Date, we were in the process of designing the educational programs to be offered by the new school. We have submitted a formal application to the BPPE through the non-accredited application process in November 2015. The approval process with the BPPE is expected to complete with approximately 12 months from the date of application and we have engaged counsels in California for advice on matters relating to the approval process. For details of the regulatory environment in California for the operation of a private postsecondary school, please see the section headed "Regulatory Overview — Regulations on Private Postsecondary Education in the State of California" in this prospectus. We had incurred approximately US$130,000 in expenses in connection with our plan as of the Latest Practicable Date and we will continue to negotiate with CBA to enter into a cooperation agreement containing detailed terms of our collaboration, such as our responsibilities in addition to providing funding. This agreement is expected to be executed after we have obtained the approval from the BPPE. In addition, in preparation of and in connection with our application for approval to operate from the BPPE, on November 2, 2015, Wahtai (US) entered into a commercial lease agreement with USA Tianren Hotel, a connected person, pursuant to which we leased from USA Tianren Hotel certain premises in Fullerton, California, with a gross floor area of 5,000 sq. ft. to be used as classrooms and executive offices of the new school. We will pay a monthly rent of US$6,000 plus any applicable sales and use taxes. The lease has a term of three years and will expire on November 2, 2018. The lease may be renewed by us by giving to USA Tianren Hotel a 60-day prior written notice. Please see the section headed "Connected Transactions — Exempt Continuing Connected Transaction — US School Lease Agreement" in this prospectus.

Enhance our profitability by optimizing our pricing at our schools

The tuition fees and boarding fees we charge are a significant factor affecting our profitability. Historically, we have kept our tuition rates at levels we believe are competitive as compared to our competitors in order to attract more students and thereby, increase our student enrollment and market share and enhance our reputation. However, as we believe we have established a strong reputation for providing quality education to our students, we believe we are in a position to optimize our pricing without compromising our reputation and our ability to attract and retain students as compared to our competitors with a view to enhancing our profitability. For the 2015/2016 school year, as permitted by the relevant PRC government authorities, we increased tuition fees in all of our schools (except the University) by up to 20% over the tuition fee levels for the previous school year, which was initially applicable to newly admitted students (i.e., students in the first grade, seventh grade and tenth grade) only, while other students were not affected by the fee increase and would continue to pay tuition fees at pre-existing levels. Furthermore, we typically charge each of our boarding students a boarding fee of RMB1,200 to RMB1,400 per year (with respect to the Kindergarten students, we also charge similar boarding fees for noon-time naps, which are generally included in the tuition fees that we charge). Taking into account the fact that we provide 24-hour hot water and air conditioning or fans to our students, we believe the boarding fees we charge remain relatively low. Accordingly, we intend to also increase the boarding fees within the next three school years for all of our schools, subject to our obtaining approval from the relevant PRC regulatory authorities.

In addition, at certain of our middle and high schools, each English class typically has two classrooms. To increase student capacity at such schools, we plan to optimize the teaching schedule to fully optimize the utilization of the additional classrooms when they are not being used for English classes in order to accommodate the recruitment of commuting students. Furthermore, each of Chengdu Foreign Languages School and Chengdu Experimental Foreign Languages School has entered into a memorandum of understanding with Independent Third Parties in August and September 2015, respectively, pursuant to which Chengdu Foreign Languages School and Chengdu Experimental Foreign Languages School agreed to enter into official lease agreements with the relevant landlords for certain school premises as soon as practicable. The new premises for Chengdu Foreign Languages School and Chengdu Experimental Foreign Languages School are expected to be approximately 4,183.88 sq. m. and 10,775 sq. m., respectively, and we believe such premises will expand the student capacity at such schools.

Expand our service offerings and increase revenue sources

We intend to expand our educational service offerings and increase revenue sources by (i) offering online courses to students, which will be taught online or through a virtual learning environment, (ii) providing after-school tutoring services, and (iii) offering vocational training. We believe Internet-based teaching helps us offer classes to wider groups of students in different geographical areas who are keen to expand their knowledge through online medium for convenience and flexibility. We plan to offer live interactive online courses and courses that allow students to view replays of pre-recorded lectures.

In addition, we plan to offer after school academic tutoring services to our existing students and students from other schools in Chengdu on a variety of subject matters. Under this program, we aim to offer tutoring courses to primary, middle and high school students outside normal school hours (i.e., after school or during the weekends). The number of classes to be set up will depend on, in large part, student demand for such tutoring services and the availability of appropriately qualified teachers.

In order to diversify the educational services we provide, we also intend to offer vocational training to high school graduates who opt not to pursue higher education through attending universities in China. Vocational education prepares students for specific trades, crafts and careers at various levels involving a variety of subject areas and professions, including, among other things, construction, carpentry, culinary science and mechanics. As of the Latest Practicable Date, we were in the process of conducting market research and an internal feasibility study to determine the feasibility of offering of online teaching, tutoring and vocational training services.

Expand our international programs

We established international programs through collaboration with third-party educational service providers at Chengdu Foreign Languages School under which dual high school diplomas (PRC diplomas and American or Canadian diplomas) are offered to students who are interested in attending colleges and universities in the United States or Canada. Such programs offer American or Canadian coursework to interested students, and are taught by both qualified PRC teachers (for PRC mandatory courses) and foreign teachers (for courses taught under the American and Canadian programs). As of June 30, 2015, approximately 300 students were enrolled in the international programs, representing approximately 12.2% of the total number of enrolled high school students at Chengdu Foreign Languages School. For the 2014/2015 school year, approximately 84 graduating high school students at Chengdu Foreign Languages School were accepted by overseas institutions in the United States, Canada, Japan, Australia and Germany. We will expand such international programs at Chengdu Foreign Languages School in compliance with applicable PRC Laws in the event we experience an increased student demand. Subject to obtaining the requisite government approvals, we intend to introduce similar international programs at Chengdu Experimental Foreign Languages School and Chengdu Experimental Foreign Languages School (Western Campus), respectively, in order to diversify our educational programs and offer prospective student more choices in pursuing their academic careers.

OUR EDUCATIONAL PHILOSOPHY

Our fundamental educational philosophy is to respect every student's life, stimulate his or her learning potential and care for his or her lifetime achievement based on our people-oriented educational strategy and efficient school management. We also emphasize the cultivation and promotion of the all-around development of our students so they are well-prepared to face challenges in the future. For each of our students, we focus on developing his or her "knowledge, character, ability and quality" as the foundation of our teaching.

OUR SCHOOLS

We currently operate six schools, namely, Chengdu Foreign Languages School, Chengdu Experimental Foreign Languages School, Chengdu Experimental Foreign Languages School (Western Campus), the Primary School, the Kindergarten and the University, through which we offer formal education with comprehensive educational programs from kindergarten through university. All of our schools are located in Chengdu, Sichuan Province.

Our schools generally have a variety of campus facilities, including, among others, classrooms, multi-media rooms, gymnasiums, outdoor fields and courts (such as basketball, tennis and/or soccer courts), laboratories, libraries, administrative offices, cafeterias and dormitories, as well as staff apartments.

As of June 30, 2015, we had an aggregate of approximately 31,580 students enrolled in our schools, including approximately 13,684 students at the University, and we employed an aggregate of approximately 1,978 teachers. The aggregate number of students enrolled at our schools increased to approximately 32,582 as of October 31, 2015, including approximately 14,237 students at the University. During the course of our operations, we have benefited from the PRC national and local government policies and initiatives that encourage and support the development of private education in China, and as a result, we have experienced significant growth since the establishment of our first school in 2000. The following table sets forth information relating to the student enrollment, capacity and school utilization rate for each of our schools as of the dates indicated:

	Student Enrollment(1)(2)					Student Capacity(3)					School Utilization Rate(4) (%)				
	School Year					School Year					School Year				
School	**2011/2012**	**2012/2013**	**2013/2014**	**2014/2015**	**2015/2016(5)**	**2011/2012**	**2012/2013**	**2013/2014**	**2014/2015**	**2015/2016(5)**	**2011/2012**	**2012/2013**	**2013/2014**	**2014/2015**	**2015/2016(5)**
Chengdu Foreign Languages School															
High school	2,136	2,089	2,268	2,450	2,595	2,074	2,067	2,205	2,113	2,406	103.0	101.1	102.9	115.9	107,9
Middle school	3,643	3,406	3,713	3,776	3,738	3,476	3,311	3,537	3,526	3,567	104.8	102.9	105.0	107.1	104.8
International programs(6)	155	184	237	300	374	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Chengdu Experimental Foreign Languages School															
High school	1,433	1,422	1,397	1,421	1,663	1,500	1,500	1,500	1,500	1,609	95.5	94.8	93.1	94.7	103.4
Middle school	2,718	2,576	2,963	3,123	3,229	2,600	2,600	3,000	3,200	3,230	104.5	99.1	98.8	97.6	100.0
Chengdu Experimental Foreign Languages School (Western Campus)															
High school	784	850	934	1,007	1,055	890	890	1,000	1,050	1,100	88.1	95.5	93.4	95.9	95.9
Middle school	3,161	3,144	3,102	3,111	3,064	3,410	3,410	3,300	3,250	3,200	92.7	92.2	94.0	95.7	95.8
Subtotal (high school)	4,353	4,361	4,599	4,878	5,313	4,464	4,457	4,705	4,663	5,115	97.5	97.8	97.7	104.6	103.9
Subtotal (middle school)	9,522	9,126	9,778	10,010	10,031	9,486	9,321	9,837	9,976	9,997	100.4	97.9	99.4	100.3	100.3
The Primary School Attached to Chengdu Foreign Languages School															
Primary school	2,662	2,664	2,638	2,696	2,674	2,700	2,700	2,700	2,700	2,700	98.6	98.7	97.7	99.9	99.0
Chengdu Foreign Languages Kindergarten															
Kindergarten(7)	N/A	290	305	312	327	290	300	305	312	326	N/A	96.7	100.0	100.0	100.3
Subtotal (K-12)	16,537	16,441	17,320	17,896	18,345	16,940	16,778	17,547	17,651	18,138	97.6	98.0	98.7	101.4	101.1
Chengdu Institute Sichuan International Studies University															
University	12,690	13,206	13,173	13,684	14,237	13,850	13,850	13,850	13,850	14,488	91.6	95.4	95.1	98.8	98.3
Total	29,227	29,647	30,493	31,580	32,582	30,790	30,628	31,397	31,501	32,626	94.9	96.8	97.1	100.3	99.9

Notes:

* The student enrollment information during the Track Record Period was based on the official records of the relevant PRC education authority and the internal records of our schools.

(1) Despite the fact that our financial year ends on December 31, our school year generally ends on June 30 or in early July, for consistency purposes, we use June 30 to present our business operating data in this prospectus.

(2) Includes students whose eligibility to participate in Gaokao belongs to another school. We charge the same tuition fees and boarding fees for such students.

(3) All of our high schools, middle schools, the Primary School and the University are boarding schools. The Kindergarten provides beds for students for their noon-time naps. As such, the capacity for student enrollment at our high schools, middle schools, the Primary School and the University is calculated based on the approximate number of beds available in student dormitories according to the respective schools' internal records and calculations. For the Kindergarten, the capacity for student enrollment is calculated based on the approximate number of beds used for naps in the school, according to our calculations.

(4) The school utilization rates for Chengdu Foreign Languages School exceeded 100% during the Track Record Period primarily due to the fact that some of our students at such school were commuter students who did not live on campus, and therefore, did not occupy any beds in the dormitories.

(5) Student enrollment, student capacity and utilization rate for the 2015/2016 school year were as of October 31, 2015.

(6) The capacity for student enrollment at the high school at Chengdu Foreign Languages School includes the capacity for student enrollment for the international programs. In addition, the number of students enrolled in the high school of Chengdu Foreign Languages School includes the number of students enrolled in the international programs.

(7) The June 30, 2012 student enrollment information for the Kindergarten is not available because the Kindergarten does not keep such detailed student enrollment information for a period longer than three years.

We emphasize the quality of education at all of our schools. Accordingly, we have made teacher recruitment and retention a vital part of our overall corporate strategy. As of June 30, 2013, 2014 and 2015, we had an aggregate of approximately 1,863, 1,946 and 1,978 teachers, respectively. Approximately 85.0% of our teachers have obtained a bachelor's degree or above and approximately 25.7% have obtained a master's degree or above as of June 30, 2015. In addition, as of the same date, approximately 43 of our teachers are foreign nationals. We are committed to training newly joined teachers and our existing teachers through various mandatory and continuing training programs, including courses on teaching techniques.

We offer a bilingual learning environment for our primary, middle and high school students. We emphasize relatively small-class foreign language learning to stimulate our students' interest and promote interaction within the classroom setting, which we believe is essential in acquiring fluency in a foreign language. For example, the size of our typical English language class at the Primary School is not more than 25 students, compared to a size of between 40 and 45 students for our other primary school classes. We tailor our English-language curriculum according to the specific linguistic levels and needs of our students at certain grade levels. For instance, we have designed an advanced level of English course for those newly admitted middle school students who possess more advanced English language skills. As of June 30, 2015, we had an aggregate number of approximately 772 English teachers, representing approximately 39.0% of all of our teachers.

In addition to offering mandatory English language courses, we also offer second foreign language-based classes to our students who express an interest to learn. As of June 30, 2015, we offered a total of up to 14 second foreign language-based classes to our students at our middle and high schools, including German, French and Japanese, among several other languages-based courses. Since our schools are private schools, we have more flexibility to offer a wide variety of courses in order to expand our students' interests. These elective courses include, among others, sports, music, art, classic literature, debate and board games. We also offer students opportunities to attend after-school programs and events that supplement our in-class teaching to foster team-building concepts and enrich their learning experience. For example, we encourage our students to participate in Model United Nations debates and conferences. Furthermore, during the Track Record Period, we also encouraged our students to participate in summer camps and other programs organized by Independent Third Parties during school recess.

We typically charge our students fees comprising tuition fees and boarding fees. Except for the Kindergarten (which only requires students to take noon-time naps), we generally require our students to board at our schools. While we do not encourage students to live at home and commute to our schools, those with special needs are reviewed on a case-by-case basis. For all of our schools (except for the Kindergarten and the University), we only accept non-boarding applications from students that can demonstrate acceptable commuting arrangements that would not hinder their ability to participate in our school programs. For those students that choose to commute themselves, we do not offer any transportation services. We typically charge boarding fees ranging from RMB1,200 to RMB1,400 per student per school year. For the 2015/2016 school year, as permitted by the relevant PRC government authorities, tuition fees in all of our schools (except the University) have increased by up to 20.0% over the tuition fees for the previous school year, which was applicable to newly admitted students (i.e., students in the first, seventh and tenth grades) only, while other existing students in other grades were not affected by the fee increase and would continue to pay tuition fee at pre-existing levels. Our boarding fees remain unchanged for the 2015/2016 school year.

The following table sets forth the tuition information for our schools for the 2012/2013, 2013/2014, 2014/2015 and 2015/2016 school years:

	Tuition[1]			
School	**2012/2013 school year**	**2013/2014 school year**	**2014/2015 school year**	**2015/2016 school year[2]**
Chengdu Foreign Languages School				
High school	RMB21,200-RMB31,200	RMB21,200-RMB31,200	RMB31,200	RMB31,200-RMB37,200
Middle school	RMB21,200-RMB30,200	RMB21,200-RMB30,200	RMB30,200	RMB30,200-RMB36,000
International program (U.S.)	RMB61,200-RMB71,200	RMB71,200	RMB71,200-RMB81,200	RMB81,200-RMB85,200
International program (Canada)	RMB81,200-RMB91,200	RMB81,200-RMB91,200	RMB81,200-RMB91,200	RMB91,200-RMB97,200
Chengdu Experimental Foreign Languages School				
High school	RMB21,200-RMB31,200	RMB21,200-RMB31,200	RMB31,200	RMB31,200-RMB37,200
Middle school	RMB21,200-RMB30,200	RMB21,200-RMB30,200	RMB30,200	RMB30,200-RMB36,000
Chengdu Experimental Foreign Languages School (Western Campus)				
High school	RMB21,400-RMB31,400	RMB21,400- RMB31,400	RMB31,400	RMB31,400-RMB37,400
Middle school	RMB21,400-RMB30,400	RMB21,400- RMB30,400	RMB30,400	RMB30,400-RMB36,200
The Primary School Attached to Chengdu Foreign Languages School				
Primary school	RMB21,200-RMB29,200	RMB21,200-RMB29,200	RMB21,200-RMB29,200	RMB21,200-RMB34,800
Chengdu Foreign Languages Kindergarten				
Kindergarten	RMB20,000-RMB23,200	RMB20,000-RMB23,200	RMB20,000-RMB23,200	RMB21,200-RMB26,200
Chengdu Institute Sichuan International Studies University				
University	RMB11,200-RMB13,200	RMB11,200-RMB13,200	RMB11,200-RMB15,200	RMB11,200-RMB15,200

Note:

(1) Tuition shown above for all of our schools includes a boarding fee, which ranges between RMB1,200 and RMB1,400 for the 2014/2015 per student per school year.

(2) As of the Latest Practicable Date, we charged tuition for the 2015/2016 school year from newly admitted and existing students in our schools. Existing students paid the pre-existing fee rate, while rate increases effective for the 2015/2016 school year were applicable only to newly admitted students in the first grade, seventh grade and tenth grade at the Primary School and our middle schools and high schools, as the case may be.

For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, tuition fees from all of our schools accounted for 93.2%, 93.6%, 94.0% and 94.4% of our total operating revenue, respectively, while the boarding fees accounted for the remainder. We require students and their families to pay tuition (including tuition fees and boarding fees) for the entire school year upfront, and recognize revenue proportionately over the relevant period of the applicable program.

In the event a student leaves his/her school during the school year, we have refund policies in place at our schools, which are set forth below:

- *Chengdu Foreign Languages School and Chengdu Experimental Foreign Languages School (Western Campus):* If a student leaves school before completing the first half of the fall semester, we typically refund 75% of such student's total tuition fees. If he or she leaves school after completing the first half of the fall semester but before the end of such semester, we will refund 50% of such student's total tuition fees. In the event a student leaves school before completing the first half of the spring semester, we will refund 25% of such student's total tuition fees. We will not refund any tuition fees if a student leaves school after completing the first half of the spring semester. In addition, we will refund 50% of a student's total boarding fees only in the event he or she leaves school during the fall semester;

- *Chengdu Experimental Foreign Languages School:* In the event a student enrolls and pays tuition fees but leaves the school before the start of the school year, we will refund the total amount of tuition fees paid (less 20% administrative fees). In the event a student leaves school during the fall semester, we will refund 50% of the total tuition fees and boarding fees. However, if a student leaves at any time during the spring semester, no refund of any kind will be made;

- *The Primary School:* In the event a student leaves school during the fall semester, we will refund 50% of the total tuition fees. However, if a student leaves at any time during the spring semester, no refund of any kind will be made. With respect to boarding fees, we will only refund the amount of boarding fees that reflect the number of days during a particular school year a student is not enrolled at the school;

- *The Kindergarten:* We will refund an amount of tuition fees and boarding fees that reflect the number of months during a particular school year a student is not enrolled at the school; and

- *The University:* In the event a student leaves during the school year, we will refund an amount of tuition fees and boarding fees that reflect the number of months such student is not enrolled during a particular school year.

The following table sets out the number of students who dropped out of each of our schools for the school years indicated:

School	Number of Students Dropped Out				
	School Year				
	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016[1]
Chengdu Foreign Languages School ..	43	30	20	24	4
Chengdu Experimental Foreign Languages School	37	38	32	36	12
Chengdu Experimental Foreign Languages School (Western Campus)	78	62	64	53	11
The Primary School ..	16	15	15	18	6
The Kindergarten	—	6	3	1	—
The University	46	46	40	41	15
Total	220	197	174	173	48

Note:

(1) The number of students who dropped out of our schools for the 2015/2016 school year was as of November 30, 2015.

The table below sets forth the amount of tuition each of our schools refunded to the students for the periods indicated.

School	Tuition Refunded				
	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Chengdu Foreign Languages School ...	(2,799)	(2,066)	(2,051)	(508)	(1,145)
Chengdu Experimental Foreign Languages School	(500)	(464)	(1,033)	(728)	(548)
Chengdu Experimental Foreign Languages School (Western Campus)	(1,395)	(1,493)	(1,406)	(543)	(842)
The Primary School ...	(181)	(244)	(187)	(101)	(83)
The Kindergarten	(155)	(164)	(39)	(33)	(15)
The University	(401)	(393)	(632)	(244)	(147)
Total	(5,431)	(4,824)	(4,988)	(2,157)	(2,780)

Each of our schools is managed on a day-to-day basis by its principal, who is assisted by several vice principals, each of whom is responsible for one or more specific aspects of our schools' operations, such as educational curriculum, student admissions, security and logistics, student affairs and human resources. We believe this management system allows us to maximize the capabilities of our educators and administrative personnel to enhance the quality of education we provide and promote students' well-being.

Chengdu Foreign Languages School

Overview

Chengdu Foreign Languages School's educational philosophy is "a profound Chinese foundation, a panoramic global outlook." The school's educational goal is to cultivate high-quality modern Chinese citizens with vision and national conscience.

As of June 30, 2015, the school had a total of approximately 6,226 students under enrollment (comprising approximately 2,450 high school students and approximately 3,776 middle school students) and employed approximately 443 teachers. Chengdu Foreign Languages School is open to PRC citizens and generally recruits students nationwide. A substantial majority of the high school students came from Chengdu while the remainder came from other parts of Sichuan Province and elsewhere in China.

Curriculum and Diploma

Chengdu Foreign Languages School's core educational curriculum is designed based on the standards set by the PRC national, provincial and local educational authorities. The curriculum is primarily formulated towards Gaokao for high school students and Zhongkao for middle school students. However, at the same time, we encourage our students to develop other academic interests. The curriculum is divided into mandatory courses and elective courses. Mandatory courses include English, Chinese, mathematics, biology, physics, chemistry, geography, politics, history, music, art, psychology, sports and information technology for the middle school, and English, Chinese, mathematics, politics, history, geography, biology, physics, chemistry, information technology, sports, psychology, applied skills, music and art for the high school. Eleventh and twelfth grade students are categorized into liberal arts and science concentrations, and the relevant course work is tailored according to the students' respective concentration. In addition, as eleventh and twelfth grade students focus on preparing for Gaokao, their mandatory courses do not include music, art and information technology. All of our mandatory courses are taught by PRC-certified teachers (except for English classes) using materials stipulated by the PRC education authorities. As a foreign languages school, Chengdu Foreign Languages School also offers French, German and Japanese courses to its students. The relevant course materials for these classes are mainly based on standard foreign language books published by domestic and foreign institutions. In addition, to satisfy our students' need for advanced learning, the school became one of the first 64 reputable high schools across China to offer CAP courses.

With respect to English courses, Chengdu Foreign Languages School assesses the English language proficiency of newly admitted seventh grade students and categorizes them based on their proficiency levels. In order to properly place newly admitted students possessing higher English language skills (primarily students who graduated from the Primary School), it offers advanced level English courses specifically designed for them so they can continue to learn the English language at a faster pace.

To supplement students' primary academic endeavors with other interests, we offer a total of over 115 elective courses at Chengdu Foreign Languages School. For middle school students, elective courses include, among others, the basic second foreign language courses described above, history and historical drama, chemistry and biology laboratories, ceramics, modern dancing and a variety of sports classes. For high school students, elective courses include tennis, yoga, Model United Nations, calculus, bridge, studies on the Dream of the Red Chamber (紅樓夢), as well as mathematics, physics, biology and chemistry competitions, among other subjects. These elective courses are aimed at further stimulating students' learning ability and to prepare them to become more well-rounded individuals.

In addition to the basic educational program in which students obtain PRC middle school and high school diplomas, for those students with the inclination to pursue higher education overseas, Chengdu Foreign Languages School established international programs under which dual high school diplomas are offered to students who are interested in attending colleges and universities in the United States or Canada. The international programs are primarily designed for PRC nationals. The school received the relevant regulatory permit to offer the American and Canadian programs in 2009 and 2011, respectively. Under the American program, in addition to PRC mandatory courses, students are also required to take AP classes and supplementary courses that we believe will help them prepare for the U.S. standardized college entrance examinations (such as the SAT and TOEFL). The PRC mandatory classes are taught by PRC teachers while the AP courses and the SAT/TOEFL preparatory courses are taught by qualified foreign teachers. This program was established through a cooperation agreement entered into between Chengdu Foreign Languages School and Shanghai Dipont on December 18, 2013. Under the agreement, Shanghai Dipont is responsible for, among other things, (i) assisting Chengdu Foreign Languages School to pass the assessment required by and obtain certification from the College Board so that the school can be qualified to become an international AP education and examination center; (ii) introducing educational resources for the AP courses and SAT courses and developing appropriate course and testing materials; and (iii) arranging students at Chengdu Foreign Languages school to take the global AP examinations at the school and the SAT outside the PRC. Pursuant to the agreement, the school receives 35% of the income generated from the program and Shanghai Dipont receives the remainder. However, 35% of the income to be distributed to Shanghai Dipont will initially be withheld by the school to cover the salaries and benefits of the foreign teachers and for student recruitment and other expenses incurred by the school with the balance to be paid to Shanghai Dipont. The agreement has a term of five years, and can be terminated by either party with a 12-month advanced written notice.

The school has also established a Canadian program through a cooperation agreement entered into between Chengdu Foreign Languages School and Inlet Education on March 3, 2011. According to the cooperation agreement, Inlet Education is responsible to obtain the relevant certification for this program from the Nova Scotia Department of Education. Under this program, in addition to mandatory PRC courses, students are also exposed to a variety of courses that are typically offered to students in Canadian high schools, such as mathematics, pre-calculus, history, physics, chemistry, geography and other relevant English classes, all of which are taught by foreign teachers. Pursuant to the cooperation agreement, Inlet Education is entitled to receive 65% of the income generated from the program, and is directly responsible to pay for the salaries and benefits of the foreign teachers and marketing and other expenses related to the program. The agreement has a term of five years.

As of June 30, 2015, a total of approximately 300 students were enrolled in the American and Canadian programs, which were taught by approximately 37 PRC teachers and 18 foreign teachers, who were employed by us.

Grade Assessment and Graduation

Final grades at Chengdu Foreign Languages School generally represent a combination of the grades received by students for written and oral examinations (for Chinese and foreign language courses), as well as marks received for class participation, quizzes, reports and homework. Students also participate in regional and city-wide standard subject class examinations during midterm and final examination periods, the structure, content and grading scales of which are set in accordance with the requirements of Zhongkao and Gaokao, as applicable.

For Gaokao administered in 2012, 2013 and 2014, approximately 75.7%, 88.5% and 82.1%, respectively, of the students at Chengdu Foreign Languages School who participated in such examinations achieved scores that allowed them to apply to and be accepted by first-tier universities in China, including, among others, Peking University, Tsinghua University, Fudan University, Zhejiang University, Renmin University of China, Shanghai Jiaotong University and Beijing International Studies University. In addition, Chengdu Foreign Languages School is one of 16 foreign languages high schools nationwide and the only one in Sichuan Province which is qualified to recommend graduating students to first-tier universities, who are exempt from taking Gaokao. Such recommendation is typically provided only for those students with excellent academic achievements. These 16 foreign languages high schools were designated by the MOE in 2007 and there have been no additional school designations since then and up to the Latest Practicable Date. For the 2012/2013, 2013/2014 and 2014/2015 school years, approximately 122, 121 and 122 students, respectively, were eligible to be recommended by Chengdu Foreign Languages School for admission to certain first-tier universities in China as designated by the MOE, which constituted approximately 29.7%, 64.7% and 67.4%, respectively, of all students who were eligible to be recommended for first-tier university admission in Sichuan Province for the relevant school years, according to Frost & Sullivan, and over 15% of total graduated students at Chengdu Foreign Languages School for each of the relevant school years. Student eligibility for recommendation for admission to certain first-tier universities in China is generally determined by the relevant PRC education authorities, which may consider, from time to time, various factors, including, among other things, academic excellence and performance at provincial or national subject Olympiads (which typically include mathematics, physics, chemistry, biology and informatics). In addition, since 2000, six and 10 students from Chengdu Foreign Languages School received the top scores in Gaokao in Sichuan Province and Chengdu, respectively.

For the 2012/2013, 2013/2014 and 2014/2015 school years, approximately 92, 91 and 84 graduating high school students at Chengdu Foreign Languages School, respectively, were accepted by overseas colleges and universities. The overseas educational institutions they were admitted to attend include, among others, Harvard University, Columbia University, Northwestern University, UCLA, University of California – Berkeley, New York University, McGill University, Brown University and University of Toronto.

Exchange and Other Programs

Chengdu Foreign Languages School has established and maintained cooperative and friendly relationships with several overseas schools, including schools in the United States, Japan and Canada. It has also set up overseas visits by students and faculty to such schools to enhance school-level exchanges. Beginning in 2015/2016 school year, Chengdu Foreign Languages School became a green-channel school for the University of Toronto. Moreover, Chengdu Foreign Languages School is also designated by Waseda University in Japan such that the school's principal may directly recommend its graduating students with academic excellence and Japanese language proficiency to study at Waseda University.

Chengdu Experimental Foreign Languages School

Overview

The educational philosophy of Chengdu Experimental Foreign Languages School is to ensure harmonious development of the school, its students and teachers. It also focuses on nurturing and developing high-quality graduates who not only excel in academics, but also demonstrate excellent foreign language skills, innovative capabilities and a global perspective.

As of June 30, 2015, a total of approximately 4,544 students have enrolled at the school (comprising approximately 1,421 high school students and approximately 3,123 middle school students) and employed approximately 373 teachers. As of June 30, 2015, the school occupied premises with a gross site area of approximately 35,542.69 sq. m. Chengdu Experimental Foreign Languages School is open to PRC citizens and generally recruits students nationwide.

Curriculum and Diploma

Similar to Chengdu Foreign Languages School, Chengdu Experimental Foreign Languages School offers a core educational curriculum that is based primarily on the standards set by the PRC national, provincial and local educational authorities. For the middle school, mandatory courses include Chinese, mathematics, English, physics, chemistry, biology, politics, history, geography, sports, music, art, computer science and psychology. Mandatory courses for the high school are similar to those offered to the middle school except they include an applied skills class. Chengdu Experimental Foreign Languages School has established dedicated English language classes for students starting in the seventh grade until the twelfth grade, which are taught only in English. Chengdu Experimental Foreign Languages School also assesses the English language proficiency of newly admitted seventh grade students and categorizes them based on their proficiency levels. To properly place newly admitted middle school students with higher English language skills (primarily consisting students who graduated from the Primary School), the school also offers advanced level English courses specifically designed for them. In addition, for students in the eighth grade and tenth grade, the school also arranges foreign teachers to teach English language courses to enhance students' language learning experience. Besides English courses, the middle school and high school also offer French or German language classes to our students as a second foreign language. For each grade in our middle and high school, Chengdu Experimental Foreign Languages School has established a specialized double foreign language class (i.e., English/German or English/French) so students in such class can learn two primary foreign languages. As eleventh and twelfth grade students focus more on preparing for Gaokao, the school also tailors the mandatory courses so that the students are not required to take music, art and computer science courses in those years. In addition to the core curriculum, students at Chengdu Experimental Foreign Languages School are required to attend a minimum of three working days of community service during the course of each school year.

In terms of course materials for middle school students, except for the English classes which primarily use the "Look Ahead" series of books, "Good English" (formerly known as "Oxford Reading Tree") and other standard English language teaching materials some of the course materials for the other core classes are based on the Beijing Normal University publications. For high school students, the school continues to use the "Look Ahead" series of books and also uses the "New Standard English" series of books for English teaching, while all other course materials are adapted from materials published by the People's Education Press and other publishers as required by the PRC educational authorities.

The school intends to provide an opportunity for certain high school students who intend to obtain both PRC and certain overseas high school diplomas and attend colleges/universities abroad to take a select number of international courses directly from third-party educational service providers. Such international coursework will also include preparatory classes for various overseas standardized college entrance examinations, such as TOEFL and SAT. The school encourages interested students to contact such parties directly for such services.

Grade Assessment and Graduation

Final grades received by students generally represent a combination of the grades received for written and oral examinations (for foreign language courses), as well as marks received for class participation, quizzes, homework and others. In addition to in-class midterm and final examinations, students are also required to take monthly examinations. For certain midterm and final examinations, students will participate in regional and city-wide standard subject class examinations. The structure, content and grading scales of these examinations are set in accordance with the requirements of Zhongkao and Gaokao, as applicable.

For Gaokao administered in 2012, 2013 and 2014, approximately 48.9%, 71.3% and 62.9%, respectively, of the students at Chengdu Experimental Foreign Languages School who participated in such examinations achieved scores that allowed them to apply to and be accepted by first-tier universities in China, including, among other schools, Peking University, Tsinghua University, Fudan University and Shanghai Jiaotong University. Chengdu Experimental Foreign Languages School was one of the first three schools in Sichuan Province to receive permission from Peking University to allow its principal to directly recommend graduating students with superb academic achievements to attend Peking University. Since 2002, six and nine students graduating from Chengdu Experimental Foreign Languages School had received the top scores in Gaokao in Sichuan Province and Chengdu, respectively. In addition, in the 2012/2013, 2013/2014 and 2014/2015 graduating high school classes, there were approximately 30, 37 and 35 students, respectively, who were accepted by overseas colleges and universities. Such institutions included, among others, University of California – Berkeley, University of British Columbia, University of Toronto, Boston University, Hong Kong University and The Chinese University of Hong Kong.

Exchange Programs

As a foreign languages school, Chengdu Experimental Foreign Languages School emphasizes close and frequent interaction and exchanges with overseas schools to enhance its students' learning experience. It has set up exchange programs with various high schools in the United States, Germany, Switzerland, France and Singapore, among others, pursuant to which students can participate in a variety of programs abroad for a specified period of time. These programs include family homestays, cultural messenger programs and other exchanges with partnership schools. Through these programs, the school aims to further develop students' foreign language skills and expose them to different cultures in order to give students an opportunity to determine whether they would like to attend college or universities overseas.

Chengdu Experimental Foreign Languages School (Western Campus)

Overview

The educational philosophy of Chengdu Experimental Foreign Languages School (Western Campus) is to foster ladies and gentlemen with well-rounded education.

As of June 30, 2015, Chengdu Experimental Foreign Languages School (Western Campus) had an aggregate of approximately 4,118 students (comprising approximately 1,007 high school students and approximately 3,111 middle school students) and employed approximately 370 teachers. Chengdu Experimental Foreign Languages School (Western Campus) is open to PRC citizens.

Curriculum and Diploma

Chengdu Experimental Foreign Languages School (Western Campus) formulates its educational curriculum in accordance with the standards set by the PRC national, provincial and local educational authorities, including course materials. In addition to the mandatory curriculum, Chengdu Experimental Foreign Languages School (Western Campus) also offers a wide variety of elective courses and after-school programs, such as classic literature, music and art appreciation, social studies and geography as well as classes on sports, board games and musical instruments, to satisfy students' individualized development needs.

We offer our students at Chengdu Experimental Foreign Languages School (Western Campus) PRC middle school and high school diplomas. The school encourages interested students to contact certain third-party educational service providers directly to take a select number of international courses taught by foreign teachers engaged by such parties. Such international coursework also includes preparatory classes for various overseas standardized college entrance examinations, such as TOEFL and SAT.

Grade Assessment and Graduation

Final grades usually reflect the grades received by students for written and/or oral examinations (for Chinese and foreign language courses). Students also participate in regional and city-wide standard subject class examinations during midterm and final examination periods. The structure, content and grading scales of these examinations are generally set in accordance with the requirements of Zhongkao and Gaokao, as applicable.

For Gaokao administered in 2012, 2013 and 2014, approximately 37.2%, 45.5% and 51.3% of the students at Chengdu Experimental Foreign Languages School (Western Campus), respectively, who participated in such examination achieved scores that allowed them to apply to and be accepted by first-tier universities in China. In addition, there were two and six graduating high school students in the 2013/2014 and 2014/2015 school years, respectively, who were accepted by overseas colleges and universities, including University of Ottawa and National Institute of Applied Science of Lyon, among other institutions.

Exchange Programs

Chengdu Experimental Foreign Languages School (Western Campus) encourages its students to take advantage of a variety of exchange programs it has set up with schools in the United States, France, Germany, the United Kingdom and Canada. For example, the school is a sister school to Ecole Internationale de New York in New York, New York, United States, and has established exchange programs with South Hills Academy in the United States and London International Academy in Canada.

The Primary School Attached to Chengdu Foreign Languages School

The Primary School's educational philosophy is to impart love, caring and wisdom to lay a foundation for students in their life-long pursuit of health and happiness. As of June 30, 2015, a total of approximately 2,696 students were enrolled at the Primary School, who were taught by approximately 175 teachers. Almost all of our students are PRC citizens.

The Primary School focuses on creating a learning environment that continuously stimulates students' desire to learn and establishes a robust foundation for them to achieve better academic results and thereby, allows them to choose the middle school of their choice. Our primary school program implements a learning model that focuses on the English language and culture as well as fine arts. In addition, the Primary School offered various elective classes to stimulate students' learning and develop their individual strengths, including arts, culture, sports, reading and after-school activities (such as handcraft, communication and games). In terms of the course materials, we typically use the course materials stipulated by the PRC education authorities. For English classes, we have introduced a small-class learning concept where we limit each class to not more than 25 students, compared to between 40 and 45 students for other classes at the Primary School. Whereas typical public primary schools in Sichuan Province are required to have two mandatory English periods per week (of approximately 40 to 45 minutes per period), we offer one period per day. We believe this set-up benefits students when they progress to middle schools, in particular, those at Chengdu Foreign Languages School and Chengdu Experimental Foreign Languages School, where we offer advanced English classes for students possessing higher English language skills. In the 2014/15 school year, approximately one-third of the students attending such advanced English courses at those schools were graduates from the Primary School.

As of June 30, 2015, we employed approximately 33 English teachers, representing approximately 18.9% of the total number of the Primary School teachers.

Since the Primary School is also a boarding school and some of our students are quite young (such as those in grades one through three), we assign child care supervisors (who are members of the student accommodation staff) to assist them in managing their daily life, teach them to gradually take care of themselves and, at the same time, enjoy our school programs and boarding life.

We have established a sister-school relationship with a primary school in Singapore, with which we have promoted student and faculty exchanges over the years. We have also set up friendly partnerships with a primary school in the United Kingdom to provide our students additional opportunities for cross-school exchanges and visits.

Chengdu Foreign Languages Kindergarten

As of June 30, 2015, the Kindergarten had approximately 312 students and employed approximately 28 teachers. We only admit students ages two and above into the Kindergarten. We offer a full-day program at the Kindergarten. Although the Kindergarten is not a boarding school, it provides beds for children to take noon-time naps. The Kindergarten currently divides its students into two main categories: students who are younger than three years old are in nursery and students who are three years of age or older attend K1 through K3 classes based on their respective age.

The Kindergarten's education philosophy is that education is respect and not restriction, guidance rather than command; education is effective interactions between teachers and students. We use an integrated kindergarten program that aims to stimulate our students' interest to explore the world around them, and awaken their inner learning capabilities so that they are well-prepared for the challenging primary school coursework ahead. This program generally comprises a variety of creative games as well as role playing games. The course materials we use combine different aspects of learning to expose our students to various important subjects, including social studies, health, language, science and arts. The Kindergarten program is designed to encourage creative thinking and develop students' analytical abilities and problem-solving skills.

Chengdu Institute Sichuan International Studies University

Overview

As of June 30, 2015, the University occupied premises with a gross site area of approximately 173,029.5 sq. m., which is generally referred to as Phase 1 of the University's campus. The construction of Phase 2 of the University's campus commenced in April 2011, which occupied a parcel of land with a total gross site area of approximately 143,066.4 sq. m. and mainly consisted of classrooms, dormitories, a canteen and a gymnasium, among other facilities. The construction was duly completed in August 2012. The total investment in connection with the construction amounted to approximately RMB1,390.4 million, which was financed primarily from tuition received by the University and short-term and long-term bank loans and other borrowings.

In June 2015, Sichuan Derui and the University entered into an asset transfer agreement, pursuant to which the land, the buildings, the credit, the debt and the labor related to the construction of the Phase 2 of the University's campus were transferred from Sichuan Derui to the University as part of the measures to offset the equivalent amount of outstanding balances of account receivable due from Sichuan Derui to us as of June 30, 2015. In September 2015, the University obtained the land use right certificate and the building ownership certificates in relation to Phase 2 of the University's campus pursuant to the asset transfer arrangement.

As of June 30, 2015, approximately 13,684 students were enrolled at the University and approximately 589 teachers were employed by the University, of which approximately 24 were foreign teachers. Its students came from numerous provinces, autonomous regions and municipalities across China, all of whom were admitted based on their scores in Gaokao and in accordance with the national and local admission standards and procedures. Please refer to the section headed "— Our Students and Student Recruitment — Our Students" in this prospectus for further details.

The University's educational philosophy is to spread advanced cultures of the world, to promote international cooperation, to foster innovative talent and to assist China's social and economic development. It aims to become a reputable internationally-focused private institution of higher education that is dedicated to foreign language teaching. As of the Latest Practicable Date, the University was the only professional foreign languages university in Sichuan Province.

Curriculum and Degrees

The University currently offers bachelor degree diplomas and junior college diplomas, which are recognized by the MOE. However, as of the Latest Practicable Date, it did not offer any graduate study programs. The University also allows certain of its students who obtained junior college diplomas from the school and other higher education institutions in China to take examinations administered by Sichuan Education Examinations Authority* (四川省教育考試院), which are offered three times per year, to obtain bachelor degree diplomas through self-study (自考文憑) issued by the Committee of Sichuan Higher Education Self Study Examinations* (四川省高等教育自學考試委員會). For the 2012/2013, 2013/2014 and 2014/2015 school years, approximately 19, 17 and 30 students with junior college diplomas from the University, respectively, obtained bachelor degree diplomas through this arrangement. The University did not issue such bachelor degree diplomas to students with junior college diplomas from other universities in China during the Track Record Period.

As a university with internationally-focused foreign language and other related subjects, it currently offers 12 foreign language majors and six other majors. Foreign language majors consist of English, German, Spanish, Japanese, French, Korean, Russian, Arabic, Thai, Vietnamese, Italian and Portuguese, and other majors comprise Chinese international education, translation, journalism, hotel management, sports services and management and business english. In addition, it offers over 1,200 public courses, basic courses, professional courses and elective courses. Foreign language majors feature listening, speaking, reading, writing and translating courses. Foreign language concentrations also include economics, finance, trade and Internet commerce and travel. Other majors include basic and specialized professional courses, as well as practical courses. For students with comparatively excellent academic records, in addition to scholarships and grants offered by the MOE, the University also offers scholarships and grants ranging from RMB400 to RMB10,000 per student.

Based on the syllabus designed by the MOE, the University takes into account its teaching goals and the overall quality of the students when designing appropriate course materials. We have established education research groups for all four student classes (i.e., from freshmen to senior) comprising our university teachers to discuss the pros and cons of various course materials for different subject classes. We have also set up a teaching material working committee to consider recommendations from our teachers and their respective departments and to determine the course materials we use. In the meantime, we encourage our University teachers to conduct research on the subject matters they teach and publish research materials after such materials are approved by the University's teaching material working committee. While we emphasize theoretical in-class teaching, we also encourage our students to take practical courses to enrich their learning experience so that they can become useful and capable graduates.

Grade Assessment, Graduation and Employment

Final grades of the University students are based on grades from written examinations, oral examinations and periodic appraisals. Specific grading scales are determined by the education research group for each of the four student classes.

For the 2012/2013, 2013/2014 and 2014/2015 school years, in terms of employment, approximately 92.7%, 93.3% and 95.0%, respectively, of our students with a bachelor's degree obtained jobs or pursued graduate degrees after graduation, whereas approximately 90.2%, 95.6% and 96.3%, respectively, of our students with junior college diplomas have obtained jobs or pursued higher education after graduation. We believe we were able to achieve a high employment rate for the University's graduating students primarily because of the assistance we provide to our students in identifying potential employment opportunities.

Exchange Programs

In order to provide our students necessary exposure to various cultures around the world, we have established academic cooperation with numerous colleges and universities abroad, including Greenwich College, Leipzig University, University of Toronto, Kyoto University and University of Cairo. Our programs include a number of dual-degree, dual-diploma, bachelor degree to master degree and exchange student programs. We encourage our students to take advantage of these programs to fulfill their educational goals.

OUR STUDENTS AND STUDENT RECRUITMENT

Our Students

We have operated our schools since 2000 and we believe the reputation of our schools and the quality of education we provide are key attractions to our prospective students. We target students who are open-minded and enthusiastic, embrace the changing world and possess a willingness to continue to expand their academic horizons.

The University participates in the PRC national and local admission scheme pursuant to which graduating high school students nationwide submit college applications to several universities of their choice based on the scores they achieved in Gaokao. Each province in the PRC sets its own standard levels of Gaokao scores for different academic concentrations, and the universities in each such province evaluate and admit prospective students based on the respective scores and specific aspirations in students' applications, which usually rank universities in several categories with the first choice being the school the student wants to attend the most. For each new school year, the local PRC education bureau will issue its student recruitment plan to the University. The recruitment plan contains the number of students the University are allowed to admit for the upcoming school year.

While we primarily focus on recruiting students in the Chengdu area for our K-12 education services, we also open our schools to those across the nation. We have implemented highly selective admission processes for each of the Primary School, our middle schools and high schools. With respect to admissions to our high schools, we require students to successfully complete middle school programs and obtain sufficiently high scores in our internal examinations or high school entrance examinations or Zhongkao. In addition, we give extra points of consideration to students who received first prizes or above in various official student contests involving scientific innovation, writing and arts, among others.

For our middle schools, we generally admit primary school graduates with excellent academic records. For the 2012/2013, 2013/2014 and 2014/2015 school years, we also required student applicants to take entrance examinations and selectively admitted those students who obtained sufficiently high scores as determined by each of our three middle schools. Historically, our middle schools admit primary school graduates based solely on their entrance examination scores. However, as required by the latest PRC regulations, for the 2015/2016 school year, we were required to conduct interviews for primary school graduates who applied to our middle schools in lieu of entrance examination scores. Similar to our high school admissions, we give extra points of consideration to students' applications if they have attained other extracurricular achievements outside the school.

Admissions to the Primary School require student applicants to go through an interview process so that we are able to selectively admit intelligent and well-rounded students to join our programs.

In general, upon graduating from the Kindergarten, the Primary School or our middle schools, our students may choose to apply for admission to the respective next level within our school system, or they may also choose to apply for admission into other programs, such as public schools and other private schools. For example, for the 2014/2015 school year, almost all of our middle school graduating students participated in our internal direct entrance examination into our high schools. We believe our student retention rate, which represents the percentage of graduating students who progress from one school to the next level within our K-12 system, in part reflects the acceptance and recognition from our students and their parents of the quality of education we provide.

Student Recruitment

To attract more high-quality students to apply for our schools, we utilize a variety of marketing and recruitment methods. Historically, we largely relied on word-of-mouth referrals for student enrollment at our schools. We believe the most effective recruiting tool is the demonstration of the quality of education and strong and diverse academic programs that elevate academic standards and expand the knowledge of our students. Based on the feedback we received from our students' parents, we believe they have been generally satisfied with the education we provide and have helped us attract more students through referrals. Through the years, we have built an extensive student alumni network, which has been a useful platform to promote our brand name.

In addition, during recent years, personal disposable income for urban families has increased and their living standards have improved. According to the Frost & Sullivan Report, recently, more parents in China have expressed interest in sending their children to private schools with relatively higher quality of education and have greater financial capability to do so. We believe our student enrollment has benefited and will continue to benefit from such trend.

We also believe that the continued success of our schools will also depend on the continued promotion of our brand name. Therefore, we have relied on a variety of outlets to market and promote our services (with the exception of the Kindergarten and the Primary School, which did not use any marketing tools during the Track Record Period). For example, we place student recruitment advertisements on television, in newspapers and magazines, as well as on our school website, Weibo, WeChat and other online or mobile platforms. We also attend student recruitment fairs in various parts of Sichuan Province and elsewhere in China. Furthermore, we have established student recruitment offices at certain of our schools through which we arrange for our teachers and admission staff to answer questions from prospective students and their parents. To further attract high-quality students, we offer scholarships to outstanding applicants who demonstrate academic excellence, leadership skills and other qualities. Our scholarships typically range from RMB400 to RMB37,400.

TEACHERS AND TEACHER RECRUITMENT

We believe the quality of education we provide is strongly tied to the quality of our teachers. We consider that teachers who are capable and are dedicated to teaching will be instrumental in shaping the learning habits of our students, which will be crucial to our success and our educational philosophy. We seek to hire teachers who (i) demonstrate outstanding teaching track record, (ii) hold necessary academic credentials (i.e., diplomas), (iii) are passionate about education and improving students' academic performance and overall wellbeing, (iv) demonstrate competence in their subject areas, (v) possess strong communication and interpersonal skills, and (vi) are able to effectively use a variety of teaching tools and methods tailored to their students. As of June 30, 2015, we had approximately 1,978 teachers. Approximately 85.0% of our teachers as of such date have a bachelor's degree or above, and approximately 25.7% have a master's degree or above. Our schools employed approximately 43 foreign teachers as of June 30, 2015. Most of our teachers are full-time teachers. We also value the recognition bestowed upon our teachers who have achieved teaching excellence. As of June 30, 2015, approximately 29.1% of our teachers held the Advanced Teaching Qualification, and approximately 16 of our teachers were recognized as Exceptional Teachers.

The following table sets forth the number of our teachers for all of our schools for the years indicated:

	Number of Teachers[1]		
	As of June 30,		
School	2013	2014	2015
Chengdu Foreign Languages School	393	433	443
Chengdu Experimental Foreign Languages School	342	370	373
Chengdu Experimental Foreign Languages School (Western Campus)	345	356	370
The Primary School	179	174	175
The Kindergarten	33	30	28
The University	571	583	589
Total	1,863	1,946	1,978

Note:

(1) Includes teachers with administrative responsibilities.

We recruit teachers based on the size of our current student enrollment and the number of newly admitted students at the beginning of each school year. Before hiring a teacher, we consider his or her education background. We also administer written examinations along with in-person interviews by the teaching recruitment committees, which typically comprise the principal of the school and other school administrative staff. For certain of our schools, we require teaching applicants to teach a live class as part of his or her application process so we can evaluate his or her performance on a real-time basis. In addition, we also consider other criteria, such as the teaching applicant's prior teaching experience, awards and recognitions. We intend to hire an appropriate number of qualified teachers laterally from other public and private schools in Southwest China and elsewhere in the PRC.

Newly hired teachers undergo mandatory training programs on which we provide covering teaching skills and techniques. We also provide continuing training for our teachers so that they can stay abreast of the changes in student demands, new teaching theories and/or methodologies, changing testing and admission standards and other trends. We intend to establish a dedicated teacher and staff training center, which will provide, among other things, a variety of training courses and programs to our teachers. For newly hired teachers, we will continue to provide them comprehensive training, including, among others, training relating to teaching and research groups and course preparation groups. Please see "— Our Business Strategies — Continue to improve the quality of our teachers and staff" in this prospectus. Teaching and research groups, which typically comprise of more experienced teachers, are formed at the Primary School and our middle schools and high schools to coordinate research efforts and teaching methods for various subjects. On the other hand, course preparation groups, which usually consist of teachers with outstanding teaching performance, are set up under teaching and research groups so that they can better develop teaching materials and schedule arrangements for their classes. Both teaching and research groups and course preparation groups are essential for us to improve the quality of education we provide. We also evaluate the performance of our teachers, based on feedback from students and their parents, as well as the students' test scores. For those teachers that fail to meet our rigorous standards, we generally allow them to teach a different class while we observe their performance. If he or she improves the quality of teaching to our satisfaction, we can recommend such teacher to return to his or her previous post.

As a private educational institution, we believe we offer relatively competitive compensation to our teachers. Compensation typically includes a base salary and a performance bonus, which is generally based on the number of teaching hours of the teachers and the quality of teaching as assessed based on students' test results and other achievements. During the Track Record Period, we did not make adequate contributions to social insurance, housing provident funds and other benefit schemes for certain of our employees (such as logistics staff) and foreign teachers as required by applicable PRC law and regulations. For details of such non-compliance, please refer to the section headed "— Legal Proceedings and Compliance" in this prospectus. In addition, because our schools are boarding schools (except for the Kindergarten, which provides beds for students for noon-time naps), our teaching staff have been provided with free or low-cost living arrangements. For certain teachers who joined our schools in the early years of our operations, as stipulated in their employment contracts, our school sponsor has offered to transfer to those who were employed by us for a certain number of years the relevant building ownership certificates of the apartments they occupied as an added incentive. Moreover, as another major benefit to our teachers, their children could be enrolled at our schools tuition free or with a tuition discount.

COMPETITION

The educational services market in China is rapidly evolving, highly fragmented and competitive. According to the Frost & Sullivan Report, the number of private K-12 schools in China increased steadily, from approximately 101,801 in 2009 to approximately 152,148 in 2014. The proportion of the number of students in private kindergartens, primary schools, middle schools, high schools and universities in 2014 were approximately 52.5%, 7.1%, 11.1%, 9.9% and 23.0% of the total number of students in kindergartens, primary schools, middle schools, high schools and universities in China, respectively. As we operate in Chengdu, Sichuan Province, we face competition primarily from public and private schools in China, in particular from those that operate in the same areas. We believe our principal competitive advantages include:

- the reputation of each of our schools;
- our intensive foreign language programs;
- our extensive operating experience;
- achievements in Gaokao scores that allowed students to apply to and be admitted by first-tier universities in the PRC;
- high employment rate of the graduates of the University;
- the scope and quality of our education programs, services and offerings, including providing educational services to all age groups from kindergarten to university;
- overall student experience;
- students' academic performance;
- our relationships with overseas schools;
- parents' satisfaction; and
- ability to attract and retain qualified teachers.

We expect the competition in the private education market to persist and intensify. We believe we are able to compete effectively due to our strong reputation and established programs. However, some of our existing and potential competitors, especially public schools, have governmental support in the form of government subsidies and other payments or fee reductions. Our competitors may devote greater resources, financial or otherwise, than we can to student recruitment, campus development and brand promotion, and respond more quickly than we can to changes in student demands and market needs. See "Risk Factors — Risks Relating to Our Business and Our Industry — We face intense competition in the PRC education industry, which could lead to adverse pricing pressures, reduced operating margins, loss of market share, departures of qualified employees and increased capital expenditures" for more information.

CUSTOMERS AND SUPPLIERS

Our customers primarily consist of our students and their parents. We did not have any single customer who accounted for more than 5% of our revenue for each of the years ended December 31, 2012, 2013 and 2014 and for the six months ended June 30, 2015.

Our suppliers primarily comprise construction companies, plant/tree nursery and gardening companies, a meal catering company and equipment suppliers. For the years ended December 31, 2012, 2013 and 2014 and for the six months ended June 30, 2015, purchases from our five largest suppliers amounted to RMB356.2 million, RMB112.4 million, RMB76.5 million and RMB11.5 million, respectively. Purchases from one of our five largest suppliers during the Track Record Period, Chengdu Dehong Agriculture Development Co., Ltd., one of our connected persons, which provided one-off plant/tree nursery and gardening services to us during the Track Record Period, amounted to RMB99.9 million, RMB39.5 million, RMB41.0 million and nil, respectively. Most of the purchases from our five largest suppliers were capitalized. Please see the section headed "Financial Information — Related Party Transactions" in this prospectus.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we owned two trademarks in the PRC relating to the Primary School and one trademark application relating to Chengdu Experimental Foreign Languages School. In addition, we have made three trademark applications in Hong Kong. There are four domain names in total for Chengdu Foreign Languages School, Chengdu Experimental Foreign Languages School, Chengdu Experimental Foreign Languages School (Western Campus) and the Primary School. Please see "C. Further Information About Our Business — 2. Intellectual property rights of our Group" in Appendix V to this prospectus for more information.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any intellectual property infringement claims which had any material impact on our Group. See also "Risk Factors — Risks Relating to Our Business and Our Industry — We may face disputes from time to time relating to the intellectual property rights of third parties."

AWARDS AND RECOGNITIONS

We have received certain awards and recognitions since our establishment in recognition of the quality of education we provide and the outstanding achievements of our students. The following table sets forth some of the awards and recognition we have received:

Year	Award / Accreditation	Awarding Organization	Awarded Entity
2015	School with Outstanding Contribution* (突出貢獻學校)	Chengdu Education Bureau	Chengdu Foreign Languages School
2015	School with Outstanding Contribution* (突出貢獻學校)	Chengdu Education Bureau	Chengdu Experimental Foreign Languages School
2015	Outstanding School for the Academic Year of 2014-2015 High School Education* (2014-2015學年度普通高中教育教學工作優秀學校)	Chengdu Education Bureau	Chengdu Experimental Foreign Languages School (Western Campus)
2014	Outstanding School for the Academic Year of 2013-2014 for High School Education* (2013-2014學年度普通高中教育教學工作優秀學校)	Chengdu Education Bureau	Chengdu Foreign Languages School
2014	Base for Outstanding Students* (優秀生源基地)	University of Chinese Academy of Sciences (中國科學院大學)	Chengdu Foreign Languages School

Year	Award / Accreditation	Awarding Organization	Awarded Entity
2014	Base for Outstanding Students for South China University of Technology* (華南理工大學優質生源基地)	South China University of Technology (華南理工大學)	Chengdu Foreign Languages School
2014	Base for Outstanding Students for 2014 Tsinghua University New Century Leader Plan"* (2014年清華大學新百年領軍計劃優質生源基地)	Tsinghua University Admissions Office* (清華大學招生辦公室)	Chengdu Experimental Foreign Languages School
2014	Outstanding School for Academic Year 2013 to 2014* (2013–2014學年優秀學院)	Chengdu Education Bureau	Chengdu Experimental Foreign Languages School (Western Campus)
2013	School Base for Outstanding Students* (優秀生源基地學校)	Southwest Jiaotong University (西南交通大學)	Chengdu Experimental Foreign Languages School
2013	Outstanding School for Academic Year 2012 to 2013* (2012–2013學年優秀學校)	Chengdu Education Bureau	Chengdu Experimental Foreign Languages School
2013	Qinghua Growth Award for High School Graduates* (中學畢業生清華成長獎)	Tsinghua University Admissions Office* (清華大學招生辦公室)	Chengdu Experimental Foreign Languages School
2013	Outstanding School for Academic Year 2012 to 2013* (2012-2013學年優秀學校)	Chengdu Education Bureau	Chengdu Experimental Foreign Languages School (Western Campus)
2013	New High Quality School of Chengdu Compulsory Education* (成都市義務教育階段新優質學校)	Chengdu Education Bureau	The Primary School
2012	Base for Outstanding Students* (優質生源基地)	Communication University of China (中國傳媒大學)	Chengdu Foreign Languages School
2012	Base for Outstanding Students for 2012-2013 "New Century Leader Plan"* ("新百年領軍計劃"優質生源基地 (2012-2013年))	Tsinghua University Admissions Office* (清華大學招生辦)	Chengdu Foreign Languages School
2011	Second Tier Kindergarten in Chengdu* (成都市二級幼兒園)	Jinniu District Education Bureau* (金牛區教育局)	The Kindergarten
2010	National-wide Secondary and Primary School Foreign Languages Teaching and Research Demonstration School* (全國中小學外語教研工作示範學校)	China Education Association Foreign Language Teaching Professional Committee* (中國教育學會外語教學專業委員會)	The Primary School
2008	Top Ten Higher Education School in Western China* (中國西部十大高校品牌)	Among others, Sichuan Education Bureau	The University

We are also members or committee members of certain educational associations. The following table sets forth some of the positions we currently hold:

Seat or Membership	Organization	Entity
Director	China Education Association Junior High Professional Committee Sichuan Branch* (中國教育學會初中專業委員會四川分會)	Chengdu Experimental Foreign Languages School (Western Campus)
Director	PRC Ministry of Education Management Information Center Education Information Technology Council* (中華人民共和國教育部教育管理信息中心教育信息化理事會)	The Primary School
Standing Director ...	Jinniu District Family Education Association* (金牛區家庭教育學會)	The Kindergarten
Member	Sichuan Early Childhood Education Industry Association* (四川省早期教育行業協會)	The Kindergarten
Director	Chengdu Private Education Association Primary and Secondary Education Special Committee* (成都市民辦教育協會中小學專委會)	Chengdu Foreign Languages School
Member	Sichuan Association of Principals* (四川省校長協會)	Chengdu Foreign Languages School

EMPLOYEES

As of June 30, 2013, 2014 and 2015, we had approximately 3,090, 3,230 and 3,253 employees, respectively. The following table sets forth the total number of employees by function as at June 30, 2015:

Function	Number of Employees	% of Total
Teachers[(1)]	1,959	60.2
Student accommodation staff	449	13.8
Logistics personnel[(2)]	285	8.8
Administrative staff	363	11.2
Other staff	197	6.1
Total	3,253	100.0

Notes:

(1) Teachers with administrative responsibilities were categorized into administrative staff instead.

(2) Includes security staff.

As required by the PRC laws and regulations, we participate in various employee social security plans for our employees that are administered by local governments, including housing, pension, medical insurance and unemployment insurance. We believe we maintain a good working relationship with our employees, and we have not experienced any material labor disputes during the Track Record Period. Please see "Risk Factors — Risks Relating to Our Business and Our Industry — Certain of our schools experienced labor disputes in the past, which could harm our reputation" in this prospectus for details of the labor dispute we experienced in 2009.

Furthermore, each of our schools has established a labor union and our employees may join the labor union of their respective school voluntarily. During the Track Record Period, we have not experienced any material labor union disputes.

We believe the quality of our education is strongly tied to the quality of our teachers. We have implemented training and recruitment policies in order to uphold the quality of our teachers. See also "— Teachers and Teacher Recruitment" for details of our training and recruitment policies for our teachers and other educational staff.

PROPERTIES

As of the Latest Practicable Date, we owned 10 parcels of land in the PRC with a total gross site area of approximately 351,638.59 sq. m. and 87 buildings with a total gross floor area of approximately 396,471.02 sq. m. All of the above properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. The total market value of our property interests as of November 30, 2015 was RMB2,400.0 million, according to the property valuation report prepared by DTZ Debenham Tie Leung Limited. As of the Latest Practicable Date, we also leased 46 properties with a total gross floor area of approximately 356,490.68 sq. m.

Owned Properties

Land

As of June 30, 2015, we owned land use rights for one parcel of land for Chengdu Experimental Foreign Languages School with a gross site area of approximately 35,542.69 sq. m. and eight parcels of land for the University with a gross site area of approximately 173,029.5 sq. m. The following table sets forth a summary of the land use rights we owned:

No.	Land Use Right Owner	Description/Location	Gross Site Area (sq. m.)	Existing Use	Expiry Date
1	Chengdu Experimental Foreign Languages School	Located on Yi Huan Road North Section 1 No. 134, Jinniu Area, Chengdu, Sichuan Province	35,542.69	Education	December 30, 2056
2	The University	Located at Da Guan Township, Lijiang Village, Highway S106 East, Du Jiang Yan, Sichuan Province	19,595.3	Commercial	March 21, 2046
3	The University	Located at Da Guan Township, Lijiang Village, Highway S106 East, Du Jiang Yan, Sichuan Province	50,785.6	Commercial	March 21, 2046
4	The University	Located at Da Guan Township, Lijiang Village, Highway S106 East, Du Jiang Yan, Sichuan Province	13,023.0	Commercial	March 21, 2046
5	The University	Located at Da Guan Township, Lijiang Village, Highway S106 East, Du Jiang Yan, Sichuan Province	23,661.2	Commercial	March 21, 2046
6	The University	Located at Da Guan Township, Lijiang Village, Highway S106 East, Du Jiang Yan, Sichuan Province	17,416.4	Commercial	March 21, 2046

No.	Land Use Right Owner	Description/Location	Gross Site Area	Existing Use	Expiry Date
			(sq. m.)		
7	The University	Located at Da Guan Township, Lijiang Village, Highway S106 East, Du Jiang Yan, Sichuan Province	21,541.8	Commercial	March 21, 2046
8	The University	Located at Da Guan Township, Lijiang Village, Highway S106 East, Du Jiang Yan, Sichuan Province	15,684.5	Commercial	March 21, 2046
9	The University	Located at Da Guan Township, Lijiang Village, Highway S106 East, Du Jiang Yan, Sichuan Province	11,321.7	Commercial	March 21, 2046

As of the Latest Practicable Date, the University owned another parcel of land located at Da Guan Township, Lijiang Village and Shuangle Village, Du Jiang Yan, Sichuan Province, the PRC, for a total gross site area of approximately 143,066.4 sq. m., which is generally referred to as Phase 2 of the University's campus and is primarily used for education purposes. The relevant land use right has an expiry date of December 21, 2060. The lawful title of the land was transferred from Sichuan Derui to the University as part of the measures to offset the equivalent amount of outstanding balance of accounts receivable due from Sichuan Derui to us as of June 30, 2015, pursuant to an asset transfer agreement entered into in June 2015 between Sichuan Derui and the University. The transfer was subsequently completed in September 2015.

Buildings

As of June 30, 2015, we had building ownership certificates for 15 buildings located in the PRC with an aggregate gross floor area of approximately 117,584.57 sq. m., of which two buildings with a gross floor area of approximately 16,192.0 sq. m. were owned by Chengdu Experimental Foreign Languages School and 13 buildings and facilities with a gross floor area of approximately 101,392.57 sq. m. were owned by the University. All of these buildings have been designed for education-related usage (including canteen, dormitory, warehouse and recreational usage). We also had four structures or facilities owned by Chengdu Foreign Languages School and two structures or facilities owned by the University.

In August 2015, we obtained building ownership certificates for five buildings owned by Chengdu Experimental Foreign Languages School with a gross floor area of approximately 44,577.77 sq. m.

From August to December 2015, individual owners of 47 residential properties with a gross floor area of approximately 2,909.16 sq. m. entered into agreements with Chengdu Experimental Foreign Languages School to transfer their lawful titles in the underlying properties to the school. As of the Latest Practicable Date, we had completed the transfers of the titles to such properties. In addition, in June 2015, Sichuan Derui and the University entered into an asset transfer agreement, pursuant to which in addition to the transfer of the lawful title in one parcel of land with a total gross site area of approximately 143,006.40 sq. m., Sichuan Derui also transferred the lawful titles in 20 buildings with a gross floor area of approximately 231,399.52 sq. m. to the University to offset the equivalent amount of outstanding balance of accounts receivables due from Sichuan Derui to us as of June 30, 2015. As of the Latest Practicable Date, we completed the transfers of the titles for such parcel of land and buildings.

According to our PRC Legal Advisors, Jingtian & Gongcheng, as a general legal requirement under the applicable PRC laws and regulations, the construction projects built, expanded or rebuilt shall meet the requirements for seismic resistance. All construction projects shall be designed in compliance with the requirements for fortification against earthquakes and in conformity with the standard aseismic design and shall be constructed in accordance with such design. Due to the devastating earthquake on May 12, 2008, the PRC regulations highlighted more concrete requirements for schools to protect students and staff against earthquake disasters, including but not limited to the following measures:

- the construction projects, such as schools and hospitals, shall be designed and constructed in accordance with seismic resistance requirements higher than those applicable to the local buildings and effective measures shall be taken to reinforce the ability of fortification against earthquakes; and

- where completed construction projects, such as schools and hospitals, are without the necessary fortifications against earthquakes, or the fortifications against earthquakes fail to meet the relevant requirements, such completed construction projects shall be appraised for their earthquake-resistance capability in accordance with relevant PRC regulations, and the necessary measures of reinforcement shall be taken.

As of the Latest Practicable Date, except for the leased teachers' dormitory for Chengdu Experimental Foreign Languages School (Western Campus), all the buildings used for our schools' major operations had been granted with building ownership certificates and/or have passed the construction project quality acceptance checks as required by PRC laws and regulations, and these buildings could be categorized into two major types: (i) buildings which have been granted with legal and valid building certificates and/or have passed the construction project quality acceptance checks as required by PRC Laws after the devastating 2008 earthquake, which indicate that such buildings are supposed to satisfy the seismic resistance requirements as required by the latest PRC laws and regulations; and (ii) buildings which have been granted with legal and valid building certificates before the devastating 2008 earthquake. With respect to the buildings referred to in (ii) above, as confirmed by our Group, our schools have not been required to take necessary measures to reinforce or reconstruct such buildings in the school building safety checks conducted by the relevant governmental authorities in the wake of the 2008 earthquake, which indicates that such buildings were supposed to be in compliance with the seismic resistance requirements as required by the latest PRC laws and regulations. In addition, with respect to the leased teachers' dormitory at Chengdu Experimental Foreign Languages School (Western Campus) referred to above which has not passed the construction project quality acceptance checks, we engaged an independent engineering quality inspection company in November 2015 to conduct an appraisal of the building safety and its seismic resistance ability. An independent engineering quality inspection company issued an inspection report on November 6, 2015, which indicated that the dormitory building is currently in a safe situation and could be put into use normally, and that the comprehensive seismic resistance ability of the dormitory building satisfies the requirements set out in the relevant standards on seismic resistance design for the buildings.

Accordingly, as advised by our PRC Legal Advisors, as of the latest Practicable Date, our schools had complied with applicable laws and regulations concerning the safety standards and requirements in all material aspects.

Leased Properties

As of the Latest Practicable Date, we leased 46 properties with a total gross floor area of approximately 356,490.68 sq. m., among which, (i) two properties with a total gross floor area of approximately 110.23 sq. m. were leased to Tibet Huatai by Tibet Zangneng Co., Ltd., an Independent Third Party; (ii) one property was leased to Chengdu Huatai by Tianren Property, a connected person; (iii) 14 properties with a total gross floor area of approximately 100,031.03 sq. m. were leased by Chengdu Foreign Languages School from Sichuan Derui and two properties with a total gross floor area of approximately 11,795.05 sq. m. were leased by the school from Zhonghai Xinhe (Chengdu) Property Development Co., Ltd.* (中海信和(成都)物業發展有限公司) ("Zhonghai Xinhe"), an Independent Third Party; (iv) six properties with a total gross floor area of approximately 94,778.30 sq. m. were leased by Chengdu Experimental Foreign Languages School from Sichuan Derui; (v) eight properties with a total gross floor area of approximately 86,632.14 sq. m. were leased by Chengdu Experimental Foreign Languages School (Western Campus) from Chengdu Wanhua, an Independent Third Party (which does not include the gross floor area of a building area used as teachers' dormitories, for which the construction project quality acceptance checks documents had not been provided to us by Chengdu Wanhua); (vi) nine properties with a total gross floor area of approximately 34,316.12 sq. m. were leased by the Primary School from Sichuan Derui, one property with a gross floor area of approximately 12,637.00 sq. m. was leased from Derui Education Management Co., Ltd.* (德瑞教育管理有限公司) ("Derui Education") and two properties with a total gross floor area of approximately 12,959.15 sq. m. were leased from Zhonghai Xinhe; and (vii) one property with a total gross floor area of approximately 3,231.66 sq. m. were leased by the Kindergarten from Derui Education. Please refer to the section headed "Connected Transactions" for details of our exempt and non-exempt continuing connected transactions. Furthermore, as of the Latest Practicable Date, we leased one additional property with a total gross floor area of approximately 5,000 sq. ft. from USA Tianren Hotel, a connected person. Please see the section headed "Connected Transactions — Exempt Continuing Connected Transaction — US School Lease Agreement" in this prospectus.

With respect to the leases of the premises from Chengdu Wanhua, Chengdu Experimental Foreign Languages School (Western Campus) paid rental fees to Chengdu Wanhua from July 2009 until December 10, 2014, subsequent to which Chengdu Wanhua provided the school a confirmation letter, which allowed it to use such premises rent-free until August 30, 2016. Prior to this date, we intend to begin negotiating with Chengdu Wanhua for a new lease with market rental rates. In the meantime, we plan to look for a suitable location in the event we are not able to enter into a new lease with Chengdu Wanhua. To our best knowledge, it is a common industry practice and commercial arrangement for the PRC property development companies to cooperate with schools by leasing certain premises to the schools free of rent, and in return, the property development companies can promote the residential properties they develop around the school for sale. The proximity of such properties to the location of the schools is attractive to potential purchasers in the PRC who are parents with school-aged children and are more willing to purchase the residential properties in close proximity to good schools. Other than Chengdu Experimental Foreign Languages School (Western Campus), which leased its premises from Chengdu Wanhua rent-free for a certain period of time during the Track Record Period, none of our schools had entered into any lease agreement on a rent-free basis during the Track Record Period. We incurred an aggregate of RMB7.5 million, RMB8.2 million, RMB8.7 million and RMB0.9 million in rental expenses for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively.

For one of the properties Chengdu Experimental Foreign Languages School (Western Campus) leases from Chengdu Wanhua, our landlord has not provided us the construction project quality acceptance checks documents. The building is used as a teachers' dormitory for the school. According to our PRC Legal Advisors, Jingtian & Gongcheng, in the event such landlord does not have valid building ownership certificates or acceptance checks on completion of construction, the relevant lease agreements may be deemed invalid or we may face challenges from property owners or other third parties to the lessor's rights. In the event this occurs, we may be forced to relocate the affected premises and incur additional expenses. Please see "Risk Factors — Risks Relating Our Business and Our Industry — Our legal right to lease certain properties could be challenged by property owners or other third parties" for further details. As of the Latest Practicable Date, we were not aware of any actions, claims or investigations being contemplated by any third party with respect to possible defects in our leased properties.

We have urged Chengdu Wanhua to obtain a valid building ownership certificate for the teachers' dormitory that Chengdu Experimental Foreign Languages School (Western Campus) leases from it and are of the view that the lack of building ownership certificate for such property is not crucial to, and will not have any material adverse impact on, our operations, because the relevant property is only a teachers' dormitory. Our Directors believe that in the event we are required to vacate the relevant premises and relocate the teachers' dormitory, a suitable replacement can be timely identified and we would not incur any significant relocation expenses. Accordingly, our Directors are of the view that our business operations would not be materially and adversely affected by such relocation.

In addition, the relevant lease agreements our schools have entered into with our landlords were not registered with relevant PRC government authorities. Our PRC Legal Advisors, Jingtian & Gongcheng, has advised us that we may be required by the relevant PRC authorities to register the relevant lease agreements within a prescribed time limit. If we fail to do so, we may be subject to fines ranging from RMB1,000 to RMB10,000 for each non-registered lease. However, as of the Latest Practicable Date, we have not been fined by the relevant PRC authorities with respect to these non-registered leases, and our PRC Legal Advisors has advised us that the non-registration of such lease agreements would not affect their validity. For further details on the risks associated with our leased properties, please see the section headed "Risk Factors — Risks Relating to Our Business and Our Industry — We lease several of our school premises and may not be able to control the quality, maintenance and management of these school premises, nor can we ensure we will be able to find suitable premises to replace our existing school premises in the event our landlords refuse to renew the relevant lease agreements upon the expiry of their terms" in this prospectus.

INSURANCE

We maintain various insurance policies, such as school liability insurance to safeguard against risks and unexpected events. We do not maintain business interruption insurance, product liability insurance or key-man life insurance. We consider our insurance coverage to be in line with what we believe to be customary practice in the PRC. Our Directors believe that our insurance coverage is generally consistent with the industry practice and provides adequate protection for our assets and operations. Nevertheless, we may be exposed to other claims or liabilities not covered by our insurance. See "Risk Factors — Risks Relating to Our Business and Our Industry — We maintain limited insurance coverage" for more information.

LICENCES AND PERMITS

Our PRC Legal Advisors, Jingtian & Gongcheng, have advised that during the Track Record Period and up to the Latest Practicable Date, except as disclosed in the non-compliance table below, we had obtained all licenses, permits, approvals and certificates necessary to conduct our operations in all material respects from the relevant government authorities in the PRC, and such licenses, permits, approvals and certificates remained in full effect.

The table below sets forth details of our material licenses and permits:

License/Permit[1]	Holder	Granting authority	Grant date	Expiry date
Private school operating license	Chengdu Foreign Languages School	Chengdu Education Bureau	June 2015	June 2022
Qualification to engage foreign experts	Chengdu Foreign Languages School	Foreign Experts Bureau of Chengdu	December 2014	December 2019
Private school operating license	Chengdu Experimental Foreign Languages School	Chengdu Education Bureau	September 2014	September 2019
Qualification to engage foreign experts..........	Chengdu Experimental Foreign Languages School	Foreign Experts Bureau of Chengdu	December 2014	December 2019
Private school operating license	Chengdu Experimental Foreign Languages School (Western Campus)	Sichuan Chengdu Tianfu New Area Chengdupian District Social Utilities Board Management Committee* (四川省成都天府新區成都片區管理委員會社會事業局)	October 2014	October 2019
Qualification to engage foreign experts..........	Chengdu Experimental Foreign Languages School (Western Campus)	Foreign Experts Bureau of Chengdu	November 2014	November 2019
Private school operating license	The University	Sichuan Education Bureau	September 2015	August 2021

License/Permit[(1)]	Holder	Granting authority	Grant date	Expiry date
Qualification to engage foreign experts	The University	Foreign Experts Bureau of China	November 2014	November 2019
Private school operating license	The Primary School	Chengdu Jinniu District Education Bureau	January 2015	January 2023
Private school operating license	The Kindergarten	Chengdu Jinniu District Education Bureau	January 2015	January 2023

Note:

(1) To maintain each of our private school operating licenses, the respective school is required to pass an annual inspection regardless of whether such license bears an expiry date or not. As of the Latest Practicable Date, each of our schools had passed the latest annual inspection.

HEALTH AND SAFETY MATTERS

We are dedicated to protecting the health and safety of our students. We have on-site medical staff or health care personnel at each of our schools to handle routine medical situations involving our students. In certain serious and emergency medical situations, we promptly send our students to local hospitals for treatment. With respect to school safety, we engaged a qualified property management company to provide property security services at our school premises. During the Track Record Period and up to the Latest Practicable Date, we did not experience any serious accident, medical situation or safety issue involving our students.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we did not commit any material non-compliance of the laws or regulations, and other than those disclosed in this prospectus, we did not experience any systemic non-compliance incidents, which taken as a whole, in the opinion of the Directors, are likely to have a material and adverse effect on our business, financial condition or results of operations. During the same periods, we also did not experience any non-compliance of the laws or regulations, which taken as a whole, in the opinion of the Directors, reflects negatively on the ability or tendency of our Company, the Directors or our senior management, to operate our business in a compliant manner. Our PRC Legal Advisors, Jingtian & Gongcheng, are of the opinion that, other than disclosed in this prospectus, we have complied with all relevant PRC laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

Set forth below is a summary of our systemic non-compliance matters during the Track Record Period and up to the Latest Practicable Date, as well as rectification actions and preventive measures that we have taken in respect of such matters:

	Non-compliance Incident	Reasons for the Non-Compliance	Legal Consequences and Potential Maximum Penalties	Remedies and Rectification Measures Taken to Prevent Future Breach and Ensure On-going Compliance	Potential Impact on Our Operations and Financial Condition
1.	During the Track Record Period and up to the Latest Practicable Date, we breached the relevant requirements for making full contributions to the social insurance plans for some of our employees, including foreign teachers, retired employees who retired before reaching statutory retirement age, and employees whose labor relations remained with other employers but worked for us. During the Track Record Period and up to the Latest Practicable Date, we breached the relevant requirements for making full housing provident fund contributions for some of our employees, including retired employees who retired before reaching statutory retirement age, employees whose labor relations remained with other employers but worked for us and our accommodation staff. In addition, we did not make full contributions to housing provident funds for our logistics staff during the Track Record Period. We estimate that the aggregate amount of social insurance payments and housing provident fund contributions that we did not pay during the three years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015 was approximately RMB0.04 million, RMB0.1 million, RMB0.3 million and RMB0.2 million, respectively.	The foreign teachers, accommodation staff and logistics staff-related non-compliance occurred because for the relevant staff, it has been difficult for the management to make required social insurance and housing provident fund contributions due to their high turnover and the relatively short labor contract term with them. In terms of retired employees who retired before reaching statutory retirement age or employees whose labor relations remained with other employers, the non-compliance occurred mainly due to administrative oversight by the principals of the schools.	Our PRC Legal Advisors, Jingtian & Gongcheng, have advised us that, under the relevant PRC laws and regulations, late fees and fines will be imposed on an employer for not making full social insurance payments for employees in a timely manner. If any competent PRC government authority is of the view that the social insurance payments we made for our employees breached the requirements under the relevant PRC laws and regulations, it can order us to pay the outstanding balance to the relevant PRC local authorities within a prescribed time period and a late fee of 0.05% of the total outstanding balance per day. If we fail to do so within the prescribed period, we may be subject to a fine ranging between one to three times of the total outstanding balance. Our PRC Legal Advisors have also advised us that, if any PRC competent government authority is of the view that the contributions for the housing provident fund does not satisfy the requirements under the relevant PRC laws and regulations, it can order us to pay the outstanding balance to the relevant PRC local authorities within a prescribed period.	As of the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant PRC government authorities with respect to this non-compliance incident, nor has any order been received by our Company to settle the outstanding amount of social insurance payments and housing provident fund contributions. We had reviewed our internal control policy and our Board has designated a vice principal at each of the relevant schools who is in charge of human resources to closely monitor our on-going compliance with social insurance and house provident fund contribution regulations and oversee the implementation of any necessary measures. We intend to make social insurance and housing provident fund contributions in accordance with the applicable laws and regulations going forward. As of the Latest Practicable Date, we had outsourced the logistic operation of our schools to a qualified property management company and accordingly, we were no longer required to fulfill our obligations to make social insurance and housing provident fund contributions for such staff. In addition, since October 2015, we have begun to make social insurance contributions for the foreign teachers employed by Chengdu Foreign Languages School. Our Directors undertake to use their best endeavors to comply with the applicable laws and regulations and believe we will become in full compliance within three months after the Listing.	The maximum amount of outstanding social insurance payments and contributions to housing provident fund is relatively small. In addition, we made provisions for the outstanding balance of relevant social insurance payments and housing provident fund for our foreign teachers during the Track Record Period. Therefore, based on the foregoing, our Directors believe that this non-compliance incident has no material impact on our operations, and does not reflect negatively on the ability of our Group, our Directors or our senior management to operate in a compliant manner.

	Non-compliance Incident	Reasons for the Non-Compliance	Legal Consequences and Potential Maximum Penalties	Remedies and Rectification Measures Taken to Prevent Future Breach and Ensure On-going Compliance	Potential Impact on Our Operations and Financial Condition
2.	During the Track Record Period, all of our schools failed to comply with the relevant requirements to enter into written labor contracts with some of our logistics staff.	The non-compliance occurred mainly because of the high turnover of such logistics staff. The principals of our schools were involved in such non-compliance.	Our PRC Legal Advisors, Jingtian & Gongcheng, have advised us that, under the applicable PRC laws and regulations, employers who engage employees without entering into written labor contracts for more than one month from the date of hiring such employees shall pay twice the monthly salaries to their employees and must enter into written labor contracts with such employees. In the case that employees do not enter into written labor contracts with the employer, the employer shall notify the employee in writing to terminate the labor relations and make financial compensation according to the relevant PRC law and regulations. Financial compensation paid to employees shall be proportional to such employees' service period.	As of the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant PRC government authorities with respect to this non-compliance. We have outsourced the logistic operations at our schools to a qualified property management company in October 2015 and accordingly, we were not required to enter into labor contracts with staff doing logistics work going forward.	Considering the minimal number of logistics staff involved and that we already paid salaries to them, our Directors are of the view that this non-compliance will not have any material impact on our business operations and financial condition. In addition, since we have outsourced the logistic operations to a third party, such non-compliance had ceased as of the Latest Practicable Date.
3.	During the Track Record Period, all of our schools failed to satisfy the relevant requirements for making a filing with the appropriate public security organization when hiring security staff.	The non-compliance occurred mainly due to administrative oversight by the principals of our schools.	Our PRC Legal Advisors, Jingtian & Gongcheng, have advised us that, under the relevant PRC laws and regulations, the public security organization can order us to rectify the non-compliance incident within a prescribed time period with a warning. If the circumstances are severe, we may be subject to a fine ranging between RMB10,000 and RMB50,000. Illegal income related to this incident may be confiscated by the competent PRC authority.	As of the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant PRC government authorities with respect to this non-compliance incident. We have outsourced the security services to a qualified property management company in October 2015 and accordingly, we have no further obligation to make filings with the appropriate public security organization going forward.	Our Directors are of the view that this non-compliance incident has no material impact on our operation and financial position because (i) we did not have income in relation to this incident; (ii) the maximum amount of the fine to which we may be subject to in connection with this non-compliance incident is relatively small and (iii) this non-compliance had been ceased as of the Latest Practicable Date.

	Non-compliance Incident	Reasons for the Non-Compliance	Legal Consequences and Potential Maximum Penalties	Remedies and Rectification Measures Taken to Prevent Future Breach and Ensure On-going Compliance	Potential Impact on Our Operations and Financial Condition
4.	Since August 10, 2014 and up to October 2015, Chengdu Foreign Languages School, Chengdu Experimental Foreign Languages School, Chengdu Experimental Foreign Languages School (Western Campus) and the Primary School have failed to be in full compliance with the relevant regulations requiring schools that provide compulsory education to operate their own canteens independently and may not outsource such service to Jiangwei Restaurant, an Independent Third Party.	The non-compliance occurred mainly due to the fact that the schools had entered into the outsourcing agreements with Jiangwei Restaurant in 2008, which took place prior to the implementation of the relevant regulation on August 10, 2014.	No penalty provision is prescribed in the relevant regulation. Our PRC Legal Advisors are of the view that, given Chengdu Foreign Languages School, Chengdu Experimental Foreign Languages School and Chengdu Experimental Foreign Languages School (Western Campus) entered into the outsourcing agreements with Jiangwei Restaurant prior to the introduction of the relevant regulation, according to non-retroactivity principle, the possibility that these schools will face penalty and/or fine by the relevant food and drug administration departments or education authorities in the PRC is relatively low. However, any competent PRC government authority can order us to rectify within a prescribed period.	As of the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant PRC government authorities with respect to this non-compliance incident, nor has any order been received by our Company to rectify the non-compliance incident. We have terminated the relevant outsourcing agreements with Jiangwei Restaurant in October 2015 and the relevant schools will operate their own canteens independently going forward for students having compulsory education.	Considering that no penalty provision is prescribed in the relevant regulation and our PRC Legal Advisors are of the view that the risk of us being imposed penalty by the relevant PRC regulatory bodies is relatively low, our Directors are of the view that this non-compliance will not have any material impact on our business operation and financial position.
5.	During the Track Record Period, Chengdu Experimental Foreign Languages School and the University had not obtained practice licenses for the on-site medical infirmaries at the schools. All of our schools (except the University and the Kindergarten) have been required but failed to demonstrate proof that they are equipped with sufficient number of health technical personnel.	The non-compliance occurred mainly due to administrative oversight by the principals of such schools.	Our PRC Legal Advisors, Jingtian & Gongcheng, have advised us that, under the applicable PRC laws and regulations, unauthorized practice involving on-site medical infirmaries without practice licenses will be ordered to stop such practice and illegal financial gains, medicine and equipment will be confiscated by the relevant health administrative departments of People's Governments above the county level. We may also be subject to a fine not exceeding RMB10,000. Our PRC Legal Advisors have advised us that, without sufficient number of health technical personnel, the non-compliance will be ordered to be rectified within a prescribed period by the relevant PRC education regulatory bodies.	As of the Latest Practicable Date, Chengdu Experimental Foreign Languages School was in the process of applying for the relevant practice license. As of the Latest Practicable Date, the University had engaged a third-party healthcare center to provide healthcare services on campus and such healthcare center has obtained the relevant practice licenses for on-site infirmaries. In addition, all of our schools (except the University and the Kindergarten) are in the process of hiring a sufficient number of health technical personnel. We have reviewed our internal control policy in this regard, and our Directors have designated the principals of the related schools to be responsible for the health matters and monitoring our compliance with relevant PRC laws and regulations. Our Directors undertake to use their best endeavors to comply with the relevant PRC laws and regulations and believe we will become in full compliance within three months of the Listing.	Our Directors are of the view that this non-compliance incident has no material impact on our operation and financial position because (i) the maximum amount of the fine to which we may be subject for the lack of medical practice licenses is relatively small; (ii) there is no penalty provision for insufficient number of health technical personnel; and (iii) we expect to rectify this non-compliance incident within three months of the Listing.

Considering the nature, scale, reasons and potential impact of the non-compliance incidents disclosed in the section headed "— Legal Proceedings and Compliance" in this prospectus, the executive Directors are of the view that none of the non-compliances is fundamental to the daily operations of our schools.

The Sole Sponsor is of the view that the executive Directors are able to meet the competence requirements under Rules 3.08 and 3.09 of the Listing Rules for the following reasons:

(a) based on the Sole Sponsor's discussions with the executive Directors and our PRC Legal Advisors, as well as the nature, scale, reasons and potential impact of the non-compliances as disclosed in the section headed "— Legal Proceedings and Compliance" in this prospectus, the Sole Sponsor concurs with the executive Directors' view that none of the non-compliance incidents is fundamental to our Group's daily operations;

(b) none of the non-compliances has any material impact on our Company's business operations and financial position;

(c) the executive Directors have procured the relevant schools to adopt measures to rectify these non-compliance incidents, details of which have been disclosed in the section headed "— Legal Proceedings and Compliance" in this prospectus;

(d) all the executive Directors have substantial experience in business management, in particular, Ms. Wang Xiaoying and Mr. Yan have extensive experience in the business management of private schools in Chengdu;

(e) after conducting the relevant litigation searches in both the PRC and Hong Kong on the Directors, as of the Latest Practicable Date, the Sole Sponsor was not aware of any legal proceedings against any of the executive Directors;

(f) the executive Directors have attended the training courses regarding applicable PRC laws and regulations in relation to the private education industry conducted by our PRC Legal Advisors and they have undertaken to the Sole Sponsor that they will continue to attend such training on a regular basis; and

(g) as advised by the executive Directors, none of the non-compliances was committed intentionally or wilfully.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

We have engaged an independent business consulting and internal audit firm (the "Internal Control Consultant") to conduct an evaluation of our internal control system in connection with the Listing. As part of the engagement, we have consulted with our Internal Control Consultant to identify the factors relevant to enhancing our internal control system and the steps to be taken and the Internal Control Consultant made a number of recommendations. The Internal Control Consultant conducted its work in June 2015 and provided a number of findings and recommendations in its report. We have subsequently taken remedial actions in response to such findings and recommendations. The Internal Control Consultant performed follow-up procedures on our Company's system of internal control with regard to those actions taken by our Company and reported further commentary in September 2015. In its follow-up reviews, the Internal Control Consultant noted that we had followed all of its recommendations and accordingly taken corrective actions to address its internal control deficiencies and weaknesses.

We have established an internal control department and each of our schools has designated the relevant personnel who will be responsible for monitoring our on-going compliance with the relevant PRC laws and regulations that govern our business operations and overseeing the implementation of any necessary measures. In addition, we plan to provide our Directors, senior management (including the principals and vice principals of our schools) and employees involved with continuing training programs and/or updates regarding the relevant PRC laws and regulations on a regular basis with a view to proactively identify any concerns and issues relating to potential non-compliance. Our Chief Executive Officer and executive Director, Dr. Xu Ming, is responsible for ensuring our overall on-going compliance.

In addition, we have adopted a set of internal rules and policies governing the conduct of our employees. We have set up a monitoring system to implement anti-bribery and anti-corruption measures so as to ensure that our employees comply with our internal rules and policies as well as the applicable laws and regulations. For example, our management is responsible for conducting a fraud and bribery risk assessment on an annual basis and our Audit Committee reviews and approves our annual risk assessment results and policies. We have also identified certain forbidden conduct in our internal anti-bribery and anti-corruption policies, including, among others, the prohibition to (i) obtain economic and other benefits through gifts and donations, (ii) offer sponsorship or travel arrangements against fair competition, (iii) provide various kinds of membership cards, gift cards and other valuable securities, and (iv) provide and use property and automobiles for personal gain. We offer mandatory training courses to our existing and new employees to enhance their knowledge and awareness of the relevant rules and regulations, as well as their own personal and professional conduct. Moreover, we have instituted remedies and relevant economic and administrative punishment for those employees who are involved in corruption and bribery activities. During the Track Record Period, we were not aware of any corruption involving, or any other material misconduct committed by our employees.

Taking into account the internal control measures implemented by us in connection with the non-compliance incidents disclosed under the section headed "— Legal Proceedings and Compliance" in this prospectus, the on-going monitoring and supervision by our Board and the principals of our schools with the assistance from professional external advisers where required, and the fact that, as confirmed by the Directors, the non-compliance incidents did not involve fraud or dishonesty, our Directors are of the view that our enhanced internal control measures are adequate and effective; the suitability of our Directors is compliant with Listing Rules 3.08 and 3.09; and our Company is suitable for listing under Listing Rule 8.04. Based on its review of the internal control report and other due diligence documents, discussions with our Directors, the Internal Control Consultant and our PRC's Legal Advisors and our Directors' confirmation, the Sole Sponsor concurs with the views of our Directors.

Risk Management

We are exposed to various risks in the operations of our business and we believe that risk management is important to our success. Key operational risks faced by us include, among others, changes in general market conditions and perceptions of private education, changes in the regulatory environment in the PRC education industry, our ability to offer quality education to our students, our ability to increase student enrollment and/or raising tuition rates, our potential expansion into other regions in Southwest China, availability of financing to fund our expansion and business operations and competition from other school operators that offer similar quality of education and have similar scale. Please refer to the section headed "Risk Factors" in this prospectus for disclosures on various risks we face. In addition, we also face numerous market risks, such as interest rate, credit and liquidity risks that arise in the normal course of our business. For a discussion on these market risks, please see the section headed "Financial Information — Quantitative and Qualitative Disclosures about Market Risk" in this prospectus.

To properly manage these risks, we have established the following risk management structures and measures:

- Our Board of Directors is responsible and has the general power to manage the operations of our schools, and is in charge of managing the overall risks of our Group. It is responsible for considering, reviewing and approving any significant business decision involving material risk exposures, such as our decision to expand our school network into new geographic areas, to raise our tuition fees, and to enter into cooperative business relationships with third parties to establish new schools;

- we maintain insurance coverage, which we believe is in line with customary practice in the PRC education industry, including school liability insurance; and

- we have made arrangements with our lenders to ensure that we will be able to obtain credit to support for our business operation and expansion.

CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalization Issue and the Global Offering, our Controlling Shareholders will together control the exercise of voting rights of more than 30% of our Shares eligible to vote in the general meeting of our Company (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon exercise of any options granted under the Share Option Scheme).

Information on Companies and Entities Owned by Sichuan Derui

As of the Latest Practicable Date, Mr. Yan, a Controlling Shareholder, is interested as to 69.44% equity interest in Sichuan Derui, and the remaining 30.56% equity interest is owned as to 18.55% by Ms. Yan Hongjia, 3.00% by Ms. Wang Xiaoying, 2.65% by Ms. Ye Jiaqi, 1.59% Mr. Ye Jiayu, 1.59% by Ms. Yan Bixian, 1.59% by Ms. Yan Birong and 1.59% by Ms. Yan Bihui. Sichuan Derui has the following interests in our schools as school sponsor:

Name of the School	Percentage of School Sponsor's Interest
Chengdu Foreign Languages School	100%
Chengdu Experimental Foreign Languages School	100%
Chengdu Experimental Foreign Languages School (Western Campus)	100%
The Primary School Attached to Chengdu Foreign Languages School	100%
Chengdu Foreign Languages Kindergarten	100%(1)
Chengdu Institute Sichuan International Studies University	51.87%(2)

Notes:

(1) The interest in the Kindergarten is indirectly held through Chengdu Foreign Languages School.

(2) All of the rights and liabilities attached to the 23.83% interest held by Hongming Property in the University was assigned to Sichuan Derui pursuant to an agreement dated March 26, 2011. See " History and Corporate Structure — History of our Six Schools — Chengdu Institute Sichuan International Studies University" in this prospectus for more information.

As of the Latest Practicable Date, Sichuan Derui has completed the disposal of its interest in the following companies outside of our Group:

No.	Company Name	Percentage of equity interest held by Sichuan Derui	Principal business activities
1.	Chengdu Jinniu District Xingtai Small Loans Co., Ltd.* (成都市金牛區興泰小額貸款有限責任公司)(1)	Nil	financing services
2.	Sichuan Wuhou Shushang Small Loans Co., Ltd.* (四川武侯蜀商小額貸款有限公司)(2)	Nil	financing services

Notes:

(1) As of the Latest Practicable Date, the transfer of 50% equity interest by Sichuan Derui has been completed and Sichuan Derui no longer holds any equity interest in Chengdu Jinniu District Xintai Small Loans Co., Ltd. Prior to such transfer, the remaining 50% equity interest was held as to 20% by Chengdu Tianren Hotel Co., Ltd.* (成都天仁大酒店有限公司), 13.33% by Chengdu Dehong Agriculture Development Co., Ltd.* (成都德弘農業發展有限公司) and the remaining 16.67% by two Independent Third Parties namely, Sichuan Xingtai, Constructions Co., Ltd.* (四川興泰建築工程有限公司) and Mr. Li Hujun (李虎軍). Chengdu Tianren Hotel Co., Ltd. was held as to 99.1% by Ms. Xie Suhua, mother of Mr. Yan, and the remaining 0.9% by Ms. Yang Yan, an Independent Third Party. Chengdu Dehong Agriculture Development Co., Ltd., one of our largest suppliers during the Track Record Period, was owned as to 0.4% by an Independent Third Party and 99.6% by Chengdu Dewanxing Enterprise Co., Ltd.* (成都德萬興實業有限公司), which in turn was owned as to 66.66% by Ms. Yan Birong and 33.34% by Yao Jun (姚君), an Independent Third Party.

(2) As of the Latest Practicable Date, the transfer of 25% equity interest by Sichuan Derui has been completed and Sichuan Derui no longer holds any equity interest in Sichuan Wuhou Shushang Small Loans Co., Ltd. Prior to such transfer, the remaining 75% equity interest was held by Independent Third Parties, namely, Gou Yuquan (苟玉全), Sichuan Hongling Enterprise Co., Ltd.* (四川宏淩實業有限公司). Sichuan Hongyi Enterprise Group Co., Ltd.* (四川宏義實業集團有限公司) and Sichuan Qifeng Enterprise Group Co., Ltd.* (四川奇峰實業(集團)有限公司).

Chengdu Jinniu District Xingtai Small Loans Co., Ltd. was established on August 21, 2012, and is primarily engaged in the provision of loans and related consultation services to customers. For the years ended December 31, 2012, 2013 and 2014, and the six months ended June 30, 2015, based on its management accounts, its unaudited revenue amounted to approximately RMB7.0 million, RMB29.0 million, RMB23.3 million and RMB10.7 million, and its unaudited net profit amounted to approximately RMB1.8 million, RMB19.5 million, RMB14.1 million and RMB7.8 million, respectively. Furthermore, prior to the disposal of the 50% equity interest in Chengdu Jinniu District Xingtai Small Loans Co., Ltd., Sichuan Derui was a passive investor in Chengdu Jinniu District Xingtai Small Loans Co., Ltd. and was not involved in the day-to-day management of the company. Mr. Ye Jiayu, one of our executive Directors, has confirmed that he has resigned as a director of Chengdu Jinniu District Xingtai Small Loans Co., Ltd..

Sichuan Wuhou Shushang Small Loans Co., Ltd. was established on November 16, 2011, and is primarily engaged in the provision of loans and related consultation services to customers. For the years ended December 31, 2012, 2013 and 2014, and the six months ended June 30, 2015, based on its management accounts, its unaudited revenue amounted to approximately RMB51.0 million, RMB79.0 million, RMB57.9 million and RMB30.0 million, and its unaudited net profit amounted to approximately RMB21.0 million, RMB41.4 million, RMB11.4 million and RMB9.9 million, respectively. Furthermore, prior to the disposal of the 25% equity interest in Sichuan Wuhou Shushang Small Loans Co., Ltd. Sichuan Derui was a minority and passive investor in Sichuan Wuhou Shushang Small Loans Co., Ltd. and was not involved in the day-to-day management of the company. Mr. Yan, one of our executive Directors, has confirmed that he was previously a director of Sichuan Wuhou Shushang Small Loans Co., Ltd. but had already resigned from such position.

As advised by our PRC Legal Advisors, (i) each of Sichuan Derui, Chengdu Jinniu District Xingtai Small Loans Co., Ltd. and Sichuan Wuhou Shushang Small Loans Co., Ltd. is a separate and independent legal entity; and (ii) the maximum liability of Sichuan Derui in light of its equity interest holding in Chengdu Jinniu District Xingtai Small Loans Co., Ltd. and Sichuan Wuhou Shushang Small Loans Co., Ltd. is the total capital contribution amount that Sichuan Derui agreed to make in these two companies. As of the Latest Practicable Date, Sichuan Derui has fully paid all the capital contribution that it agreed to make in these two companies. Furthermore, under the Exclusive Call Option Agreement, Sichuan Derui has undertaken to Tibet Huatai that it shall ensure that except for the loans and guarantees that existed as of the date of the Structured Contracts (and the renewal thereof shall be subject to the consent of Tibet Huatai), Sichuan Derui and any of our PRC Operating Entities will not provide or obtain loans or provide any guarantees or otherwise undertake any other action to guarantee, or undertake any material obligations outside its ordinary course of business without the prior written consent of Tibet Huatai.

On November 4, 2015, Sichuan Derui entered into two equity transfer agreements for the disposal of its entire equity interests in Chengdu Jinniu District Xingtai Small Loans Co., Ltd. and Sichuan Wuhou Shushang Small Loans Co., Ltd. to entities that are outside of Sichuan Derui and our Group ("Transferees"), one of which being an independent third party and the other of which being a connected person of the Company. Under the terms of the said equity transfer agreements, Sichuan Derui agreed to transfer to the Transferees the entire equity interest it held in Chengdu Jinniu District Xingtai Small Loans Co., Ltd. and Sichuan Wuhou Shushang Small Loans Co., Ltd.. Furthermore, Sichuan Derui, the Transferees and each of Chengdu Jinniu District Xingtai Small Loans Co., Ltd. and Sichuan Wuhou Shushang Small Loans Co., Ltd. agreed that all rights, obligations, risks and benefits related to the equity interests shall be transferred between Sichuan Derui and the respective Transferees from November 2, 2015. In addition, each of the Transferees agreed to indemnify Sichuan Derui against any liabilities arising out of Chengdu Jinniu District Xingtai Small Loans Co., Ltd. and Sichuan Wuhou Shushang Small Loans Co., Ltd. from November 2, 2015. According to the applicable PRC regulations and guiding opinions expressed by relevant regulatory authorities, any change of shareholders of a company engaging in the small loan business in Sichuan Province of the PRC must be approved by the relevant finance authorities. Thus the said transfers were subject to the approval of the Sichuan Provincial People's Government Finance Office (四川省人民政府金融辦公室) and registration with the relevant administration of industry and commerce. Our PRC Legal Advisors advised that such transfer agreements were valid and binding among the parties to the respective equity transfer agreements and there were no legal impediments in completing such transfers. As of the Latest Practicable Date, the transfer of Chengdu Jinnin District Xingtai Small Loans Co., Ltd. and Sichuan Wuhou Shushang Small Loans Co., Ltd. have been completed and Sichuan Derui ceases to hold any interest in companies engaged in the provision of loans and related consultation services. Separately, pursuant to an undertaking executed by Sichuan Derui on October 6, 2015, Sichuan Derui confirmed that it had not invested nor agreed to invest, nor would it invest or agree to invest in these two companies, other than the capital contribution amount that had already been made, and it had not provided, nor would it provide any guarantee for the liabilities or contingent liabilities of these two companies.

NON-COMPETITION UNDERTAKING OF THE CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Yan, our executive Director and a Controlling Shareholder, and Ms. Wang Xiaoying, our executive Director, the chairwoman of our Board, and the wife of Mr. Yan, were interested in 70% and 30% interest of the Primary School, respectively, which has ceased to provide education services and become dormant since 2007 school year. As advised by our PRC Legal Advisors, as the Primary School no longer holds any valid private school operating license or registration certificate, the school is not permitted to operate or provide education services. As such, we believe the Primary School does not directly or indirectly compete with our business.

As of the Latest Practicable Date, our Controlling Shareholders do not have any other interest in any business that may, directly or indirectly, compete with our business.

Under the Structured Contracts, Mr. Yan has provided certain non-competition undertaking in favor of our Company. See "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (1) Business Cooperation Agreement" for details of the non-competition undertaking provided by Mr. Yan under the Structured Contracts.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, we believe that we are capable of carrying on our business independently from our Controlling Shareholders and its/his respective associates after completion of the Global Offering:

Management Independence

Our Board comprises four executive Directors, and three independent non-executive Directors. Mr. Yan, a Controlling Shareholder, is one of our executive Directors.

Save as disclosed above, no other Controlling Shareholder holds any directorship in our Company. Each of our Directors is aware of his fiduciary duties as a director of our Company which requires, among other things, that he 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 an independent senior management team to carry out the business decisions of our Group independently.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders following the completion of the Global Offering.

Operational Independence

We have also established a set of internal control procedures to facilitate the effective operation of our business.

Certain of our PRC Operating Entities as lessees entered into lease agreements with Sichuan Derui as lessor for leases of certain properties used by our PRC Operating Entities. See "Connected Transactions — Continuing Connected Transactions — Non-Exempt Continuing Connected Transactions — Property Lease Agreements" for details.

We are the largest provider of K-12 private education services in Southwest China in terms of student enrollment as of June 30, 2015, according to the Frost & Sullivan Report. We are committed to providing high-quality education services at every level to our students, from kindergarten to university. We believe the quality of education we provide is closely tied to the quality of our teachers. Also, through over 15 years of operating private schools in Chengdu, we have established a strong reputation and believe that we have become a well-known private education service provider in Southwest China. Accordingly, we believe the properties we have leased from Sichuan Derui are not as instrumental to our operations, in particular, for providing quality education to our students.

As part of our business strategies, we intend to enter into cooperative arrangements with independent third parties, including local governments, real estate developers and other public and private school operators who share our education philosophies and vision, pursuant to which our business partner(s) will agree to contribute or lease to us the relevant land and facilities, as the case may be, while we contribute our brand name and teachers. Furthermore, as we plan to continue to provide a high standard of educational services to our students across our entire range of grades and levels, which we plan to continue to focus on quality of our education, we do not plan to make large investments into purchasing landed properties. We therefore believe we can substantially lower our capital requirement to expand our operations and to invest our funds to achieve our growth strategies. See "Business — Our Business Strategies" for more information.

In addition, the Property Lease Agreements were entered into on normal commercial terms after arm's length negotiations, and there are the following additional measures to protect our interest:

- Sichuan Derui does not have any right to terminate any of the lease agreements;
- we may at any time terminate any one of the lease agreements unilaterally;
- we have the right to renew each of the lease agreements on the same terms for another three years at any time under the term of the lease agreement; and
- we have a right of first refusal to purchase the land at fair value under each of the lease agreements in case if Sichuan Derui intends to sell the underlying land use rights.

Lastly, for the year ending December 31, 2015, we expect that the aggregate amounts to be paid to Sichuan Derui under these property leases will amount to approximately 0.52% of our revenue and approximately 0.86% of our total cost of sales for the year ended December 31, 2014.

Hence, based on the above factors, our Directors are of the view that we do not in any way rely on Sichuan Derui for these properties that we lease from Sichuan Derui for our operations.

We believe that we are capable of carrying on our business independently of our Controlling Shareholders and its or his respective associates. Our Directors confirmed that our Group will be able to operate independently from our Controlling Shareholders and their associates upon the Listing.

Financial Independence

Our Group has an independent financial system and makes financial decisions according to our Group's own business needs. During the Track Record Period, Mr. Yan, our Controlling Shareholder, and companies controlled by Mr. Yan, including Sichuan Derui, provided certain guarantees, pledges and mortgages for the loans of our PRC Operating Entities. See note 23 of the "Accountants' Report" in Appendix I to this prospectus for more information. Promptly after the Listing, we plan to use part of the proceeds from the Global Offering of approximately HK$231.1 million to repay our existing short-term bank borrowings provided by Bank of Dalian and China Merchants Bank Chengdu Branch, and we expect the repayment will be made in February 2016. The guarantees and mortgages provided by Mr. Yan, or through entities controlled by Mr. Yan, will be terminated simultaneously after the repayment of such loans. See "Future Plans and Use of Proceeds" of this prospectus for more information. All remaining guarantees, pledges and mortgages provided by Mr. Yan and entities controlled by Mr. Yan will be released upon Listing. Other than the above, our source of funding was independent from our Controlling Shareholders and none of our Controlling Shareholders or their respective associates, financed our operations during the Track Record Period. Our Group's accounting and finance functions are independent of our Controlling Shareholders. Our Directors confirm that our Group does not intend to obtain any further borrowing, guarantees, pledges and mortgages from any of our Controlling Shareholders or entities controlled by our Controlling Shareholders. Therefore, we have no financial dependence on our Controlling Shareholders.

Confirmation Given by Other Directors

Each Director confirms that he or she does not have any competing business with Our Group.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to avoid any conflict of interests arising from competing business and to safeguard the interests of our Shareholders:

(a) our independent non-executive Directors will review, on an annual basis, the compliance with the undertaking given by our Controlling Shareholders under the non-competition undertaking under the Structured Contracts;

(b) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the non-compete undertaking under the Structured Contracts;

(c) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the non-competition undertaking of our Controlling Shareholders under the non-competition undertaking under the Structured Contracts in the annual reports of our Company; and

(d) our Controlling Shareholders will make an annual declaration on compliance with their undertaking under the non-competition undertaking under the Structured Contracts in the annual report of our Company.

CONTINUING CONNECTED TRANSACTIONS

We have entered into a number of continuing agreements and arrangements with our connected persons in our ordinary and usual course of business. Upon the listing of the Shares on the Stock Exchange, the transactions disclosed in this section will constitute continuing connected transactions under the Listing Rules.

	Nature of Transactions	Applicable Listing Rules	Waiver Sought	Proposed annual cap (in USD million) for the year ending December 31,		
				2015	2016	2017
	Exempt continuing connected transaction			(in USD million)	(in USD million)	(in USD million)
1.	US School Lease Agreement	14A.34, 14A.52, 14A.53, 14A.76	N/A	0.08	0.08	0.08
				(in RMB million)	(in RMB million)	(in RMB million)
2.	Chengdu Office Lease	14A.34, 14A.52, 14A.53, 14A.76	N/A	0.01	0.01	0.01
	Non-exempt continuing connected transactions			(in RMB million)	(in RMB million)	(in RMB million)
1.	Property Lease Agreements	14A.34, 14A.35, 14A.49, 14A.52, 14A.53 to 59	Announcements	3.26[(1)]	11.4	14.56
2.	Structured Contracts	14A.34, 14A.35, 14A.36, 14A.49, 14A.52, 14A.53 to 59 and 14A.71	Requirements as to announcement, circular, shareholders approval, annual cap, and terms not more than three years	N/A	N/A	N/A

Note:

(1) Covers the lease payment from the commencement of the leases on September 7, 2015.

EXEMPT CONTINUING CONNECTED TRANSACTION

(1) US School Lease Agreement

In connection with our establishment of the new school in the State of California, Wahtai (US), as the lessor, has entered into a lease agreement with USA Tianren Hotel on November 2, 2015 ("US School Lease Agreement") pursuant to which we leased from USA Tianren Hotel a premises in Fullerton, California, with a gross floor area of 5,000 sq. ft. to be used as classroom and executive office of the new school. The term of the lease shall be three years and may be renewed by us for an additional term upon giving written notice to USA Tianren Hotel no later than 60 days before expiration of the terms. The monthly rent payable shall be US$6,000 (excluding any sales and use taxes which will be incurred by us). The Directors are of the view that the transactions contemplated under the US School Lease Agreement are on normal commercial terms.

Listing Rules implications

USA Tianren Hotel is wholly-owned by Tianren Hotel, which in turn is held as to 99.1% by Ms. Xie Suhua (謝素華), the mother of Mr. Yan. Pursuant to Rule 14A.07(1), Mr. Yan, a Director and Substantial Shareholder, is a connected person of our Company, USA Tianren Hotel is therefore a majority-controlled company (as defined in Rule 14A.12(2)(b)) indirectly held by a family member of connected person as described in Rule 14A.07(1), and hence an associate of Mr. Yan and a connected person of our Company.

Based on the current annual rent payable by us, we expect that each of the applicable percentage ratios (other than profit ratio) for the US School Lease Agreement will be less than 0.1% and thus the connected transaction contemplated under the US School Lease Agreement constitutes a de minimis connected transaction under Rule 14A.76 of the Listing Rules and is exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Annual cap

Historically, we have not incurred any amount relating to such lease. The proposed annual cap for the year ending December 31, 2015, 2016 and 2017 is USD0.08 million, USD0.08 million and USD0.08 million respectively, estimated based on the fixed rent payable by us pursuant to New School Lease Agreement.

(2) Chengdu Office Lease

On November 16, 2015, Chengdu Huatai entered into lease agreements with Tianren Property ("Chengdu Office Lease Agreements"), pursuant to which Chengdu Huatai leased from Tianren Property an office located in Chengdu, Sichuan Province. The term of the lease shall be three years and the monthly rent payable shall be RMB500. The Directors are of the view that the transactions contemplated under the Chengdu Office Lease Agreements are on normal commercial terms.

Listing Rules implication

Tianren Property is held as to 58.20% by Ms. Yan Bihui, the sister of Mr. Yan. Pursuant to Rule 14A.07(1), Mr. Yan, a Director and Substantial Shareholder, is a connected person of our Company, Tianren Property is therefore a majority-controlled company (as defined in Rule 14A.12(2)(b)) indirectly held by a family member of connected person as described in Rule 14A.07(1), and hence an associate of Mr. Yan and a connected person of our Company.

Based on the current annual rent payable by us, we expect that each of the applicable percentage ratios (other than profit ratio) for the Chengdu Office Lease Agreements will be less than 0.1% and thus the connected transaction contemplated under the Chengdu Office Lease Agreements constitutes a de minimis connected transaction under Rule 14A.76 of the Listing Rules and is exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Annual Cap

Historically, we have not incurred any amount relating to such lease. The proposed annual cap for the year ending December 31, 2015, 2016 and 2017 is RMB0.01 million, RMB0.01 million and RMB0.01 million, estimated based on the fixed rent payable by us in connection with the Chengdu Office Lease Agreements.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

(1) Property Lease Agreements

During the Track Record Period, four of our PRC Operating Entities leased certain buildings for use in the operation of their respective schools from Sichuan Derui for nil consideration. Such leases shall continue upon Listing and set out below are the details regarding the four lease agreements ("Property Lease Agreements") entered into between the relevant PRC operating Entity and Sichuan Derui.

Lessee	Lessor	Duration of the Lease	Description and use of the property leased	Rental (per annum)	Historical amounts for the year ended December 31, (in millions of RMB)			Proposed annual cap for the year ending December 31, (in millions of RMB)		
					2012	2013	2014	2015	2016	2017
1. Chengdu Experimental Foreign Languages School	Sichuan Derui	For a period of three years commencing on September 7, 2015, with option to renew for another three years exercisable by Chengdu Experimental Foreign Languages School at any time during the term of the lease by written notice	• Six properties comprising various buildings used as teaching complex dormitory and canteen with total gross floor area of approximately 94,778.30 sq.m.	RMB1.36 million, RMB4.76 million and RMB6.12 million for the years ending December 31, 2015, 2016 and 2017, respectively	nil	nil	nil	1.36(1)	4.76	6.12
2. Chengdu Foreign Languages School	Sichuan Derui	For a period of three years commencing on September 7, 2015, with option to renew for another three years exercisable by Chengdu Foreign Languages School at any time during the term of the lease by written notice	• 14 properties comprising various buildings used primarily as teaching complex and dormitory with total gross floor area of approximately 100,031.00 sq.m.	RMB1.27 million, RMB4.44 million and RMB5.70 million for the years ending December 31, 2015, 2016 and 2017, respectively	nil	nil	nil	1.27(1)	4.44	5.70
3. Primary School Attached to the Chengdu Foreign Languages School	Sichuan Derui and Derui Education Management	For a period of three years commencing on September 7, 2015, with option to renew for another three years exercisable by The Primary School Attached to the Chengdu Foreign Languages School at any time during the term of the lease by written notice	• Ten properties comprising various buildings used as teaching complex with total gross floor area of approximately 46,953.12 sq.m.	RMB0.56 million, RMB1.96 million and RMB2.52 million for the years ending December 31, 2015, 2016 and 2017, respectively	nil	nil	nil	0.56(1)	1.96	2.52

Lessee	Lessor	Duration of the Lease	Description and use of the property leased	Rental (per annum)	Historical amounts for the year ended December 31, (in millions of RMB)			Proposed annual cap for the year ending December 31, (in millions of RMB)		
					2012	2013	2014	2015	2016	2017
4. Chengdu Foreign Languages Kindergarten	Derui Education Management	For a period of three years commencing on September 7, 2015, with option to renew for another three years exercisable by Chengdu Foreign Languages Kindergarten at any time during the term of the lease by written notice	• One property used as campus with total gross floor area of approximately 3,231.66 sq.m.	RMB0.067 million, RMB0.20 million and RMB0.21 million for the year ending December 31, 2015, 2016 and 2017, respectively	nil	nil	nil	0.067(1)	0.20	0.22

Note:

(1) Covers the lease payment from the commencement of the leases on September 7, 2015.

Principal Terms

Each of the Property Lease Agreements has an initial term of three years commencing from September 7, 2015. The rental payable per annum is decided by reference to the market rate as determined by independent accountant and/or valuer pursuant to applicable laws and regulations and the Listing Rules. Each of our relevant PRC Operating Entities may renew the respective Property Leases Agreements at any time during the lease term of the respective Property Lease Agreements for another three years on the same terms as the Property Lease Agreements. Each of our relevant PRC Operating Entities may unilaterally terminate the respective Property Lease Agreements during the lease term. In addition, pursuant to the Property Lease Agreements, Sichuan Derui agreed that Sichuan Derui shall not transfer any of the properties under the Property Lease Agreements unless with the prior written consent of our relevant PRC Operating Entities, provided also that our relevant PRC Operating Entities are satisfied with the performance of Sichuan Derui under the Property Lease Agreements and the new lessor has the ability to satisfy the obligations under the Property Lease Agreements and guarantees that the new lease agreement will be on the same terms and conditions with the Property Lease Agreements. Furthermore, each of our relevant PRC Operating Entities has been granted a right of first refusal to acquire the properties at fair market value if the lessor intends to transfer any property under the Property Lease Agreements.

Listing Rules Implications

Mr. Yan Yude is a Director and a Substantial Shareholder of our Company upon the Listing, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules. Sichuan Derui is owned as to 69.44% by Mr. Yan Yude and hence an associate of Mr. Yan Yude and a connected person of our Company.

Since Derui Education Management is held as to (a) 92.9% by Mr. He Qikang (何其康), the husband of Ms. Yan Bihui and brother-in-law of Mr. Yan and Ms. Wang Xiaoying, and (b) 7.1% by Mr. Li Changjiu (李長久), husband of Ms. Yan Bixian and brother-in-law of Mr. Yan and Ms. Wang Xiaoying. Pursuant to Rule 14A.07(1), Mr. Yan, a Director and Substantial Shareholder of our Company, and Ms. Wang Xiaoying, a Director, are both connected persons of our Company. Derui Education Management is therefore a majority-controlled company (as defined in Rule 14A.06(23)) held together by the relatives of the connected persons as described in Rule 14A.07(1) and the Company considers it appropriate to treat Derui Education Management as a connected person of our Company.

Since the Property Lease Agreements as set out above are to be entered into by our PRC Operating Entities on the one hand, and Sichuan Derui on the other hand, the Property Lease Agreements may be aggregated by the Stock Exchange under Rule 14A.81 of the Listing Rules. Accordingly, we consider it appropriate to aggregate the annual rental under the Property Lease Agreements to calculate the applicable percentage ratios under Chapter 14 of the Listing Rules for the Property Lease Agreements.

Based on the current annual rent payable by us as aggregated, we expect that each of the applicable percentage ratios (other than the profit ratio) for the Property Lease Agreements calculated in accordance with Rule 14A.77 of the Listing Rules will be more than 0.1% but less than 5% and thus the transactions contemplated under the Property Lease Agreements as aggregated constitute continuing connected transactions of our Company which are exempt from the circular (including independent financial advice) and shareholders' approval requirements and are subject to the annual review, reporting and announcement requirements pursuant to Rule 14A.76(2)(a) of the Listing Rules.

Basis of the annual cap

The annual cap is estimated based on the rental payable as determined with reference to (i) the pricing mechanism as described above and the annual caps for the Property Lease Agreements for each of the years ending December 31, 2015, 2016 and 2017 is expected to be RMB3.26 million, RMB11.4 million and RMB14.4 million, respectively; and (ii) as advised by our property valuer, DTZ Debenham Tie Leung Limited, generally, as a market practice for long-term leases of large site, a discounted rental rate is usually offered by the landlord in the first several years and the rentals will gradually increase over the course of the lease term.

DTZ Debenham Tie Leung Limited, an independent property valuer, has confirmed that (i) the terms and conditions of the Property Lease Agreements are normal commercial terms, fair and reasonable and on market rate; and (ii) the total amount payable by our PRC Operating Entities under the Property Lease Agreements is no less favourable than those offered by Independent Third Parties.

Application for waiver

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement under the Listing Rules in respect of the transactions contemplated under the Property Lease Agreements, provided that the total value of transactions under the Property Lease Agreements for each of the three years ending December 31, 2015, 2016 and 2017 will not exceed the relevant proposed annual caps set forth above.

Views of the Sole Sponsor and Directors

The Sole Sponsor and our Directors (including the independent non-executive Directors) consider that (i) the transactions contemplated under the Property Lease Agreements have been and will be entered into in the ordinary and usual course of business, on normal terms or better that are fair and reasonable and in the interest of the Shareholders as a whole; and (ii) the proposed annual caps for the transactions contemplated under the Property Lease Agreements are fair and reasonable and in the interests of the Shareholders as a whole.

(2) Structured Contracts

As disclosed in the paragraph headed "Structured Contracts — Operation of the Structured Contracts — Background of the Structured Contracts" in this prospectus, the PRC laws and regulations currently prohibit foreign ownership of primary and middle school in the PRC and restrict operation of preschool, high school and tertiary education to Sino-foreign ownership, in addition to imposing a qualification requirement on the foreign owners. Further, government approval in respect of Sino-foreign ownership has been withheld. As a result, our Group, through our wholly-owned subsidiary, Tibet Huatai, has entered into the Structured Contracts such that we can conduct our business operations indirectly in the PRC through our PRC Operating Entities while complying with applicable PRC law and regulations. The Structured Contracts are designed to provide our Group with effective control over the financial and operational policies of our PRC Operating Entities and, to the extent permitted by PRC law and regulations, the right to acquire the equity interest in and/or the assets of our PRC Operating Entities after the Listing through Tibet Huatai. As we operate our education business through our PRC Operating Entities, which are controlled by Sichuan Derui and we do not hold any direct equity interest in our PRC Operating Entities, the Structured Contracts were entered into on September 7, 2015 pursuant to which all material business activities of our PRC Operating Entities are instructed and supervised by our Group, through Tibet Huatai, and all economic benefits arising from such business of the our PRC Operating Entities are transferred to our Group.

On September 7, 2015, our wholly-owned subsidiary, Tibet Huatai, entered into a series of agreements including the Business Cooperation Agreement, the Exclusive Technical Service and Management Consultancy Agreement, the Exclusive Call Option Agreement, the Equity Pledge Agreement and the School Sponsors' and Directors' Rights Entrustment Agreement, which form part of the Structured Contracts. Please refer to the section headed "Structured Contracts" in this prospectus for details of these agreements.

Listing Rules Implications

Mr. Yan Yude is a Director and a Substantial Shareholder of our Company upon the Listing, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules.

Sichuan Derui is owned as to 69.44% by Mr. Yan Yude and hence an associate of Mr. Yan Yude.

Considering the above, Sichuan Derui is therefore a connected person of our Company under Rule 14A.12(1)(c) of the Listing Rules. Accordingly, the transactions contemplated under the Structured Contracts constitute continuing connected transactions of our Company under the Listing Rules upon the Listing.

Our Directors (including the independent non-executive Directors) are of the view that the Structured Contracts and the transactions contemplated thereunder are fundamental to our Group's legal structure and business operations, that such transactions have been and shall be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Structured Contracts and any new transactions, contracts and agreements or renewal of existing agreements to be entered into between any of our PRC Operating Entities and any member of our Group technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Structured Contracts, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement and independent shareholders' approval requirements.

Application for Waiver

In view of the Structured Contracts, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement, circular and Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Structured Contracts pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Structured Contracts under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Structured Contracts to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange subject however to the following conditions:

(a) No change without independent non-executive Directors' approval

No change to the Structured Contracts will be made without the approval of the independent non-executive Directors;

(b) No change without independent Shareholders' approval

Save as described in paragraph (d) below, no change to the agreements governing the Structured Contracts will be made without the approval of our Company's independent Shareholders.

Once independent shareholders' approval of any change has been obtained, no further announcement or approval of the independent shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Structured Contracts in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable.

(c) Economic benefits flexibility

The Structured Contracts shall continue to enable our Group to receive the economic benefits derived by our PRC Operating Entities through (i) our Group's option, to the extent permitted under PRC laws and regulations to acquire, all or part of the school sponsors' interest held by Sichuan Derui at the lowest possible amount permissible under the applicable PRC laws and regulations, (ii) the business structure under which the net profit generated by our PRC Operating Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to Tibet Huatai by our PRC Operating Entities under the Exclusive Technical Service and Management Consultancy Agreement, and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of our PRC Operating Entities as appointed by Sichuan Derui in our PRC Operating Entities.

(d) Renewal and reproduction

On the basis that the Structured Contracts provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on one hand, and our PRC Operating Entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Structured Contracts. The directors, chief executive or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and, or reproduction of the Structured Contracts, however be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar Structured Contracts shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

(e) Ongoing reporting and approvals

Our Group will disclose details relating to the Structured Contracts on an ongoing basis as follows:

- The Structured Contracts in place during each financial period will be disclosed in our Company's annual report in accordance with relevant provisions of the Listing Rules.

- Our independent non-executive Directors will review the Structured Contracts annually and confirm in our Company's annual report for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Structured Contracts, have been operated so that the profit generated by our PRC Operating Entities has been substantially retained by our Group, (ii) no dividends or other distributions have been made by our PRC Operating Entities to the holders of its school sponsor's interest which are not otherwise subsequently assigned or transferred to our Group, and (iii) the Structured Contracts and if any, any new contracts entered into, renewed or reproduced between our Group and our PRC Operating Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Shareholders as a whole.

- Our Company's auditors will carry out procedures annually on the transactions carried out pursuant to the Structured Contracts and will provide a letter to our Directors with a copy to the Stock Exchange, confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Structured Contracts and that no dividends or other distributions have been made by our PRC Operating Entities to the holders of its school sponsor's interest which are not otherwise subsequently assigned or transferred to our Group.

- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", each of our PRC Operating Entities will be treated as our Company's wholly-owned subsidiary, but at the same time, the directors, chief executives or substantial shareholders of each of our PRC Operating Entities and their respective associates will be treated as connected persons of our Company, and transactions between these connected persons and our Group, other than those under the Structured Contracts, will be subject to requirements under Chapter 14A of the Listing Rules.

- Each of our PRC Operating Entities will undertake that, for so long as our Shares are listed on the Stock Exchange, each of our PRC Operating Entities will provide our Group's management and our Company's auditors full access to its relevant records for the purpose of our Company's auditors' review of the continuing connected transactions.

New Transactions Amongst Our PRC Operating Entities and Our Company

Given that the financial results of our PRC Operating Entities will be combined into our financial results and the relationship between our PRC Operating Entities and our Company under the Structured Contracts, all agreements other than the Structured Contracts that may be entered into between each of our PRC Operating Entities and our Company in the future will also be exempted from the "continuing connected transactions" provisions of the Listing Rules.

Views of the Sole Sponsor and Directors

The Sole Sponsor has reviewed the relevant documents and information provided by our Group, has participated in the due diligence and discussions with our management and our PRC Legal Advisors and has obtained necessary representations and confirmations from our Company and our Directors. Based on the above, the Sole Sponsor is of the view that the Structured Contracts are fundamental to our Group's legal structure and business operations.

The Sole Sponsor and our Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the Structured Contracts as described above, and for which waivers have been sought, have been entered into in the ordinary and usual course of business of our Group, on normal commercial terms, are fair and reasonable and in the interests of our Company and our Shareholders as a whole. With respect to the term of the relevant agreements underlying the Structured Contracts which is of a duration longer than three years, it is a justifiable and normal business practice to ensure that (i) the financials and operation of our PRC Operating Entities can be effectively controlled by Tibet Huatai, (ii) Tibet Huatai can obtain the economic benefits derived from our PRC Operating Entities, and (iii) any possible leakages of assets and values of our PRC Operating Entities can be prevented, on an uninterrupted basis.

DIRECTORS AND SENIOR MANAGEMENT

Our Board is responsible and has general powers for the management and conduct of our business. Our Board currently consists of seven Directors, including four executive Directors and three independent non-executive Directors. The following table sets forth information regarding members of the Board:

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Roles and Responsibilities	Relationship with other Directors and the senior management
Wang Xiaoying (王小英)	53	Chairwoman of the board and Executive Director	April 2004	August 2015	Overall management and strategic development of our Group	Spouse of Mr. Yan Yude
Xu Ming (徐明)	44	Chief Executive Officer and Executive Director	August 2015	August 2015	Overall operation and management of our Group	None
Ye Jiayu (葉家郁)	56	Executive Director	September 2000	August 2015	Overall management and strategic development of our Group	None
Yan Yude (嚴玉德)	54	Executive Director	September 2000	March 2015	Overall strategic development of our Group	Spouse of Ms. Wang Xiaoying
Sit Chiu Wing (薛超穎)	65	Independent non-executive Director	December 2015	December 2015	Providing independent opinion and judgment to our Board	None
Chan Kim Sun (陳劍燊)	34	Independent non-executive Director	December 2015	December 2015	Providing independent opinion and judgment to our Board	None
Xu Dayi (許大儀)	69	Independent non-executive Director	December 2015	December 2015	Providing independent opinion and judgment to our Board	None

The following table sets forth information regarding senior management of our Company:

Name	Age	Position	Date of joining our Group	Appointment date	Roles and responsibilities	Relationship with other Directors and the senior management
Zhang Juan (張娟)	52	Chief financial officer	September 2000	August 2015	Financial management and overall corporate governance	None
Yin Dajia (尹大家)	69	President of the University	April 2004	April 2004	Overall administration and day-to-day management of the University	None
Gong Zhifa (龔智發)	55	Acting Principal of Chengdu Foreign Languages School	September 2002	September 2015	Overall administration and day-to-day management of Chengdu Foreign Languages School	None
Wang Jianwei (王建偉)	61	Principal of Chengdu Experimental Foreign Languages School	September 2000	August 2014	Overall administration and day-to-day management of Chengdu Experimental Foreign Languages School	None
Xiao Minghua (肖明華)	58	Principal of Chengdu Experimental Foreign Languages School (Western Campus)	September 2007	September 2007	Overall administration and day-to-day management of Chengdu Experimental Foreign Languages School (Western Campus)	None
Mi Xiaorong (彌曉蓉) (alias Mi Xiaorong (彌小蓉))	58	Principal of the Primary School	May 2003	September 2009	Overall administration and day-to-day management of the Primary School	None

BOARD OF DIRECTORS

Executive Directors

Ms. Wang Xiaoying (王小英), aged 53, was appointed as the Chairwoman of the Board and an executive Director of our Company on August 31, 2015. Ms. Wang has more than 15 years of experience in business management and is responsible for the overall management and strategic development of our Group. Ms. Wang has been a director of certain of our PRC Operating Entities since Ms. Wang joined our Group in April 2004. Ms. Wang has been responsible for the overall business strategy and development and management of our PRC Operating Entities in her capacity serving as the general manager of the education sector of Sichuan Derui since January 2008. In August 1999, Ms. Wang joined Sichuan Derui as the vice general manager responsible for general administration. In January 2008, Ms. Wang was then re-designated as the general manager of Sichuan Derui in charge of the education sector and has since been responsible for the overall management and strategic development of our PRC Operating Entities. Ms. Wang graduated from Chengdu City No.32 Middle School* (成都市第三十二中學校) in July 1979. Ms. Wang is the spouse of Mr. Yan, an executive Director and one of our Controlling Shareholders. Ms. Wang did not hold any directorship in any listed companies during the last three years.

Dr. Xu Ming (徐明), aged 44, was appointed as the Chief Executive Officer and an executive Director of our Company on August 31, 2015. Dr. Xu has over 20 years of experience in business management and is responsible for overall operations management of our Group. Dr. Xu is also a director of Tibet Huatai. Prior to joining our Company, from September 1991 to December 2001, Dr. Xu worked at various state-owned enterprises and government departments and obtained experience in finance and accounting and mid-level management for entities engaged in industrial, infrastructure and administrative business affairs. From November 2002 to April 2010, Dr. Xu served as manager of the finance department, chief financial officer and the director of Chuancai Securities Agents Co., Ltd.* (川財證券經紀有限公司), a securities firm providing financial services, and was responsible for operations and financial management of the firm. From 2011 to September 2014, Dr. Xu served as the executive director of Fang Yu Investment Fund* (成都方輿產業投資管理有限公司), and was responsible for operations and strategic development of the company. Dr. Xu concurrently also served as a member of the second session of the financial, accounting committee of the Securities Association of China* (中國證券業協會第二屆財務會計委員會). Dr. Xu graduated from Sichuan University* (四川大學) in the PRC with a doctor degree in economics in June 2009. Dr. Xu has also received the following accreditations and certificates:

Accreditation	Awarding Authority	Date
Certified public accountant	Certified Public Accountant Examination Committee of the Ministry of Finance of the PRC* (中國財政部註冊會計師考試委員會)	August 1997
Certified public valuer	Ministry of Finance of the PRC	June 1998

Accreditation	Awarding Authority	Date
Certified tax adviser	State Administration of Tax of the PRC	February 1999
Senior Accountant	Chengdu City Competency Reform Working Group* (成都市稱職改革工作領導小組)	December 2003

Dr. Xu did not hold any directorship in any listed companies during the last three years.

Mr. Ye Jiayu (葉家郁), aged 56, was appointed as an executive Director of our Company on August 31, 2015. Mr. Ye has more than 22 years of experience in business management and is responsible for the overall strategic development of our Group. Mr. Ye is also a supervisor of Tibet Huatai. Mr. Ye joined our Group as a director of certain of our PRC Operating Entities since September 2000. Since January 1993, Mr. Ye has joined Sichuan Derui and currently serves as an executive director of Sichuan Derui and is responsible for the overall management of Sichuan Derui. Mr. Ye obtained his diploma in mechanics from Sichuan Radio and TV University* (四川廣播電視大學) in the PRC in August 1985. Mr. Ye did not hold any directorship in any listed companies during the last three years.

Mr. Yan Yude (嚴玉德), aged 54, was appointed as a Director of our Company on March 13, 2015 and was designated as an executive Director of our Company on August 31, 2015. Mr. Yan is also one of our Controlling Shareholders and a director of certain of our subsidiaries. Mr. Yan has over 20 years of experience in business management and is responsible for the overall strategic development of our Group. Mr. Yan has been a director of our PRC Operating Entities since September 2000. In January 1993, Mr. Yan made the investment in Sichuan Derui and remained as the controlling shareholder of Sichuan Derui since then. Mr. Yan joined Sichuan Derui in 1993 after he invested into Sichuan Derui and was involved in the overall management and strategic development of Sichuan Derui. Mr. Yan obtained his graduation certificate for postgraduate studies in criminology from the Sichuan University* (四川大學) in the PRC in July 1999. Mr. Yan is the husband of Ms. Wang Xiaoying, an executive director of our Company. Mr. Yan did not hold any directorship in any listed companies during the last three years.

Independent Non-executive Directors

Mr. Sit Chiu Wing (薛超穎), aged 65, was appointed as an independent non-executive Director of our Company on December 28, 2015 and is responsible for providing independent opinion and judgment to our Board. Prior to joining our Group, in December 1981, Mr. Sit joined and worked at the Marketing Department of Shaws Brothers (Hong Kong) Company Limited (邵氏兄弟(香港)有限公司). Mr. Sit has been appointed as the honorary president of Hong Kong Quanzhou Associations Limited since March 2001. Mr. Sit graduated from the Fujian Normal University* (福建師範大學) of the PRC with a bachelor's degree in history in July 1976. Mr. Sit did not hold any directorship in any listed companies during the last three years.

Mr. Chan Kim Sun (陳劍燊), aged 34, was appointed as an independent non-executive Director of our Company on December 28, 2015 and is responsible for providing independent opinion and judgment to our Board. Prior to joining our Group, between October 2004 to March 2010, Mr. Chan joined an established firm of certified public accountants as an accountant before being promoted as Audit Manager in April 2008. From August 2011 to September 2014, Mr. Chan served as finance controller and from September 2012 to September 2014 as company secretary of a company primarily engaged in properties investment, sales of natural gas and investment holding and the shares of which are listed on the Stock Exchange. Mr. Chan is currently a non-practicing member of the Hong Kong Institute of Certified Public Accountants and is a fellow of the Association of Chartered Certified Accountants. Mr. Chan graduated from the Hong Kong University of Science and Technology with a bachelor's degree in business administration majoring in accounting and finance in June 2003. Mr. Chan did not hold any directorship in any listed companies during the last three years.

Ms. Xu Dayi (許大儀), aged 69, was appointed as an independent non-executive Director of our Company on December 28, 2015 and is responsible for providing independent opinion and judgment to our Board. Prior to joining our Group, from January 1978 to August 1988, Ms. Xu served as a teaching fellow in Chinese for primary schools* (小學語文教研員) at the Chengdu City Dongcheng District Education Research Institute (成都市東城區教研室), a research institute primarily engaged in education field. From August 1988 to November 2001, Ms. Xu served as a teaching fellow in Chinese for primary schools* (小學語文教研員) and natural science for primary schools* (小學自然學科教研員) at the Chengdu City Education Scientific Research Institute* (成都市教育科學研究所) (currently known as the Chengdu City Institute of Education Science* (成都市教育科學研究院)), a research institute primarily engaged in education field. Ms. Xu also served as the deputy chairman and secretary-general of the Professional Committee of Chinese Teaching in Primary Schools of Chengdu City* (成都市教育學會小學語文專委會), the secretary-general of the Professional Committee of Natural Science Teaching in Primary Schools of Chengdu City (成都市小學自然專業委員會), the deputy secretary-general (副秘書長) of the Professional Committee of Chinese in Primary School of Sichuan Province* (四川省教育學會小學語文教學專業委員會).

SENIOR MANAGEMENT

Ms. Zhang Juan (張娟), aged 52, was appointed as the chief financial officer of our Company on August 31, 2015. Ms. Zhang is primarily responsible for the financial management and corporate governance of our Group. Ms. Zhang has over 15 years of experience in accounting and financing. Ms. Zhang joined our Group in September 2000 as the manager of the finance department of our PRC Operating Entities. Prior to joining our Group, Ms. Zhang joined the finance department of Sichuan Derui in October 1999 and had been responsible for the finance and accounting of Sichuan Derui. Ms. Zhang has also been the manager of the finance department of the Primary School since May 2003. Ms. Zhang obtained the certificate of higher education for adults in accounting from the Sichuan Administration and Commerce Management Cadre Institute* (四川行政財貿管理幹部學院) in July 1991. Ms. Zhang did not hold any directorship in any listed companies during the last three years.

Mr. Yin Dajia (尹大家), aged 69, has been the president of the University since April 2004 when he joined our Group. Mr. Yin has over 44 years of experience in the education industry and is primarily responsible for the overall administration and day-to-day management of the University. Prior to joining our Group, Mr. Yin had been teaching at middle schools in Sichuan Province from July 1971 to March 1984. From April 1984 to November 1995, Mr. Yin worked at the Neijiang City Education Science Research Institute* (內江市教育科學研究所) as a foreign language researcher and supervisor of the middle school education research division. From November 1995 to July 2000, Mr. Yin served as the supervisor of the recruitment division and the secondary school division of the Sichuan Foreign Institute* (四川外語學院). Mr. Yin was accredited as an Excellent Educator in the Education System in Sichuan Province* (四川省教育系統優秀教育工作者) granted by the Education Department of Sichuan Province* (四川省教育廳) and the Human Resource Department of Sichuan Province* (四川省人事廳)

on September 2007. Mr. Yin was also accredited as the National Excellent Educator of Independent Institute* (全國獨立學院優秀工作者) by the China Independent Institute Association* (中國獨立學院協作會) in July 2010. Mr. Yin graduated from the Sichuan Foreign Language Institute* (四川外語學院) with a bachelor's degree in English in July 1969. Mr. Yin did not hold any directorship in any listed companies during the last three years.

Mr. Gong Zhifa (龔智發), aged 55, was appointed as the acting principal of our Chengdu Foreign Languages School on September 2015. Mr. Gong has over 15 years of experience in the education industry and is primarily responsible for the overall administration and day-to-day management of Chengdu Foreign Languages School. Mr. Gong joined our Group in September 2002 and held various positions in Chengdu Experimental Foreign Languages School, including the supervisor of the office of the academic affairs of Chengdu Experimental Foreign Languages School. Subsequently, from September 2007 to August 2015, Mr. Gong served as the vice-principal of Chengdu Foreign Languages School and was responsible for assisting in the day-to-day management of Chengdu Foreign Languages School. Prior to joining our Group, between 1999 to July 2002, Mr. Gong served as the vice-principal of An Yue Middle School* (安嶽中學). Mr. Gong was accredited as an Outstanding Teacher in Sichuan Province* (四川省優秀教師) by the Education Committee of the Sichuan Province* (四川省教育委員會), the Human Resource Department of Sichuan Province* (四川省人事廳) and Education Guild of Sichuan Province* (四川省教育工會) in September 1991, and as the Middle School Exceptional Teacher* (中學特級教師) by the People's Government of the Sichuan Province* (四川省人民政府) in September 2000. Mr. Gong graduated from the Sichuan Normal College* (四川師範學院) with a bachelor's degree in mathematics teaching by way of correspondence (函授) in June 1994. Mr. Gong did not hold any directorship in any listed companies during the last three years.

Mr. Wang Jianwei (王建偉), aged 61, has been the principal of our Chengdu Experimental Foreign Languages School since August 2014. Mr. Wang has more than 36 years of experience in the education industry and is responsible for the overall administration and management of our Chengdu Experimental Foreign Languages School. Prior to joining our Group, from September 1979 to August 1993, Mr. Wang worked at Chengdu Second Middle School (成都市第二中學) as secretary of human resource and administrative officer. Mr. Wang joined our Group in September 2000 and held various positions at our Group, including the principal of our Chengdu Foreign Languages School, Chengdu Experimental Foreign Languages School and the Primary School. Mr. Wang was accredited as the Outstanding Principal of the Sichuan Province* (四川省優秀校長) and the Excellent Principal in Sichuan Province* (四川省優秀校長) jointly awarded by the Education Department of the Sichuan Province* (四川省教育廳) and the Education Working Committee of the Communist Party of China of Sichuan Province* (中共四川省委教育工作委員會) in September 2005 and September 2008, respectively. Mr. Wang graduated from the Communist Party of China of Sichuan Province Cadre Correspondence College* (中共四川省委黨校函授學校) with a bachelor's degree in administration management in December 1998. Mr. Wang has not been a director of any listed companies for the last three years.

Mr. Xiao Minghua (肖明華), aged 58, has been the principal of our Chengdu Experimental Foreign Languages School (Western Campus) since September 2007. Mr. Xiao has more than 20 years of experience in the education industry and is responsible for the overall administration and day-to-day management of our Chengdu Experimental Foreign Languages School (Western Campus). Prior to joining our Group, from September 1994 to August 2001, Mr. Xiao held various positions of Sichuan Province Chengdu City Shishi Middle School (四川省成都市石室中學), including the vice principal. From September 2001 to August 2006, Mr. Xiao joined our Chengdu Experimental Foreign School as principal and was responsible for the overall administration of our Chengdu Experimental Foreign School. From August 2006 to August 2007, Mr. Xiao served as the deputy director* (副所長) at the Chengdu Education Science Research Institute* (成都市教育科學研究院). Mr. Xiao was accredited as the Leading Educator in the Primary and Middle Schools Subjects in Chengdu City* (成都中小學學科教學帶頭人) by the Chengdu Education Commission* (成都市教育委員會) in September 2000 and the Outstanding Middle School Exceptional Teacher* (中學特級教師) by the People's Government of Sichuan Province* (四川省人民政府) in September 2003. Mr. Xiao graduated from the Sichuan Education College* (四川教育學院) (currently known as the Chengdu Normal University* (成都師範學院)) with a bachelor's degree in mathematics in June 1985. Mr. Xiao did not hold any directorship in any listed companies during the last three years.

Ms. Mi Xiaorong (彌曉蓉) (alias Mi Xiaorong (彌小蓉)), aged 58, has been the principal of the Primary School since September 2009. Ms. Mi has more than 22 years of experience in the education industry and is responsible for the overall administration and management of the Primary School. Prior to joining our Group, from September 1993 to July 1995, Ms. Mi served as the vice principal of the Primary School Attached to the Sichuan Province Jiangyou Normal School* (四川省江油師範學校附小) (currently known as the Sichuan Preschool Educator College* (四川幼兒師範高等專科學校)). From September 1995 to July 2000, Ms. Mi served as the director of teaching affairs of the Jiangyou City Garden Primary School* (江油市花園小學). Ms. Mi joined our Group in May 2003 and held various positions at the Primary School, including the vice-principal. Ms. Mi was accredited as the Exceptional Teacher in Sichuan Province* (四川省特級教師) by the Education Department of the Sichuan Province* (四川省教育廳) in 1997. Ms. Mi was also accredited as the Leading Educator in the Jingniu District for 2014* (2014年感動金牛教育燈塔人物) by the People's Government of the Jingniu District* (金牛區政府) in September 2014. Ms. Mi graduated from the Chuanbei Education College* (川北教育學院) with a diploma in education management in June 1988. Ms. Mi has not been a director of any listed companies during the last three years.

COMPANY SECRETARY

Ms. Ng Sau Mei (伍秀薇), aged 38, was appointed as the secretary of our Company on 4 November 2015. Ms. Ng is a senior manager of the listing services department of KCS Hong Kong Limited, a company engaged in the business of providing corporate services. Ms. Ng has over 14 years of professional experience in the company secretarial field. Ms. Ng holds a Bachelor Degree in Laws from City University of Hong Kong in November 2001, and is an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in United Kingdom since September 2007. Ms. Ng currently serves as the joint company secretary for various companies listed on the Stock Exchange, including BBI Life Sciences Corporation, Beijing Digital Telecom Co., Ltd., China Shipping Container Lines Company Limited, Niraku GC Holdings, Inc., Nirvana Asia Ltd, Ourgame International Holdings Limited and Tian Ge Interactive Holdings Limited, and the company secretary of Xiabuxiabu Catering Management (China) Holdings Co., Ltd. Ms. Ng did not hold any directorship in any listed companies in the last three years.

BOARD COMMITTEES

Audit Committee

We established an audit committee pursuant to a resolution of our Directors passed on December 28, 2015, with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are mainly to make recommendation to our Board on the appointment and removal of external auditor, and to assist our Board in fulfilling its oversight responsibilities in relation to our Group's financial reporting, internal control structure, risk management processes and external audit functions, and corporate governance responsibilities. The audit committee of our Company consists of three members, being Mr. Chan Kim Sun, Mr. Sit Chiu Wing and Ms. Xu Dayi, and Mr. Chan Kim Sun is the chairman of our audit committee.

Remuneration Committee

We established a remuneration committee pursuant to a resolution of our Directors passed on December 28, 2015, with written terms of reference in compliance with paragraph B1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee to evaluate and make recommendation to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group, review performance based remuneration and ensure none of our Directors determine their own remuneration. The remuneration committee consists of three members, being Ms. Wang Xiaoying, Mr. Sit Chiu Wing and Ms. Xu Dayi, and Mr. Sit Chiu Wing is the chairman of our remuneration committee.

Nomination Committee

We established a nomination committee pursuant to a resolution of our Directors passed on December 28, 2015, with written terms of reference in compliance with paragraph A5 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary functions of the nomination committee are to make recommendations to our Board regarding candidates to fill vacancies on the Board. The nomination committee consists of three members, comprising Mr. Sit Chiu Wing, Mr. Yan Yude and Ms. Xu Dayi, and Mr. Sit Chiu Wing is the chairman of our nomination committee.

REMUNERATION POLICY

We value our employees and recognise the importance of a good relationship with our employees. The remuneration to our employees includes salaries and allowances.

After the Listing, our Directors and senior management may also receive options to be granted under the Share Option Scheme. For further details of the Share Option Scheme, please refer to the paragraph headed ''F. Share Option Scheme'' in Appendix V to this prospectus.

Our Group offers competitive remuneration packages to our Directors, the aggregate amounts of emoluments (including fees, salaries and other benefits, performance related bonus and retirement benefit scheme contribution) paid to our Directors for the years ended December 31, 2012, 2013 and 2014, and six months ended June 30, 2015 were RMB1,505,000, RMB1,505,000, RMB1,505,000 and

RMB752,000, respectively. For the years ended December 31, 2012, 2013 and 2014, and six months ended June 30, 2015, the aggregate amounts of emoluments (including fees, salaries and other benefits, performance related bonus and retirement benefit scheme contribution) paid to the five highest paid individuals were RMB2,081,000, RMB2,012,000, RMB2,083,000 and RMB1,195,000, respectively.

We have not paid any remuneration to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office during the Track Record Period. Furthermore, none of our Directors had waived any remuneration during the Track Record Period. The primary goal of the remuneration policy with regard to the remuneration packages of our Directors is to enable us to retain and motivate executive Directors by linking their compensation with performance as measured against corporate objectives achieved. The principal elements of our Group's Directors remuneration packages include basic salaries and discretionary bonuses.

Under the arrangements currently in force, we estimate that the aggregate amounts of emoluments (including salaries and other benefits, performance related bonus, retirement benefit scheme contribution) payable to our Directors for the financial year ending December 31, 2015 will be approximately RMB17.09 million.

We have not experienced any significant problems with our employees or disruption to our operations due to labour disputes, nor have we experienced any difficulties in the recruitment and retention of experienced staff.

COMPLIANCE ADVISER

Our Company has appointed TC Capital Asia Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company on the following matters:

(1) before the publication of any regulatory announcement, circular or financial report;

(2) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share buy-backs;

(3) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and

(4) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

Immediately following completion of the Capitalization Issue and the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme), the following persons will have an interest or short position in Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

		Immediately after the Global Offering and the Capitalization Issue(2)	
Name	**Capacity/Nature of interest**	**Number of Shares**	**Approximate percentage of shareholding in our Company**
Virscend Holdings(3)	Beneficial owner	1,562,467,500	52.08%
Mr. Yan Yude(3)(4)	Interest in a controlled corporation and interest of spouse	1,629,967,500	54.33%
Ms. Wang Xiaoying(5)	Interest of spouse and interest in a controlled corporation	1,629,967,500	54.33%
Happy Venus(7)	Beneficial owner	417,330,000	13.91%
Ms. Yan Hongjia(6)(7)	Interest in a controlled corporation	417,330,000	13.91%

Note:

(1) Sichuan Derui is the school sponsor of our PRC Operating Entities and pursuant to the articles of association of our PRC Operating Entities, Sichuan Derui has the right to nominate directors to each of our PRC Operating Entities.

(2) Assuming the Over-allotment Option is not exercised.

(3) Mr. Yan is the sole shareholder and sole director of Virscend Holdings and he is therefore deemed to be interested in the Shares held by Virscend Holdings.

(4) Mr. Yan Yude is the husband of Ms. Wang Xiaoying and is therefore deemed to be interested in the Shares indirectly held by Ms. Wang Xiaoying through Smart Ally.

(5) Ms. Wang Xiaoying is the sole shareholder and sole director of Smart Ally and she is therefore deemed to be interested in the Shares held by Smart Ally. Ms. Wang Xiaoying is also the spouse of Mr. Yan Yude and is therefore deemed to be interested in the Shares indirectly held by Mr. Yan Yude through Virscend Holdings.

(6) Ms. Yan Hongjia is the daughter of Mr. Yan.

(7) Ms. Yan Hongjia is the sole shareholder and sole director of Happy Venus and is therefore deemed to be interested in the Shares held by Happy Venus.

Except as disclosed above, our Directors are not aware of any person who will, immediately following the Global Offering and Capitalization Issue, have an interest or short position in Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

SHARE CAPITAL

The authorized and issued share capital of our Company is as follows:

Authorized Share Capital:		(HK$)
10,000,000,000	Shares	100,000,000

Assuming the Over-allotment Option is not exercised at all, and without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme, the issued share capital of our Company immediately following the completion of the Capitalization Issue and the Global Offering will be as follows:

Issued Share Capital:		HK$	Approximate percentage of issued share capital (%)
38,000,000	Shares in issue as of the date of this prospectus	380,000	1.27
2,212,000,000	Shares to be issued under the Capitalization Issue	22,120,000	73.73
750,000,000	Shares to be issued under the Global Offering	7,500,000	25.00
3,000,000,000	Shares in total	30,000,000	100

Assuming the Over-allotment Option is exercised in full and without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme, the issued share capital of our Company immediately following the completion of the Capitalization Issue and the Global Offering will be as follows:

Issued Share Capital:		HK$	Approximate percentage of issued share capital (%)
38,000,000	Shares in issue as of the date of this prospectus	380,000	1.22
2,212,000,000	Shares to be issued under the Capitalization Issue	22,120,000	71.07
862,500,000	Shares to be issued under the Global Offering and the Over-allotment Option(2)	8,625,000	27.71
3,112,500,000	Shares in total	31,125,000	100

Notes:

(1) The Shares referred to in the above table have been or will be fully paid or credited as fully paid when issued.

(2) Assuming a total of 112,500,000 Shares will be issued upon exercise of the Over-allotment Option in full.

RANKING

The Offer Shares are ordinary shares in the share capital of our Company and will rank equally in all respects with all Shares in issue or to be issued as set out in the above table, and will qualify and rank equally for all dividends or other distributions declared, made or paid after the date of this prospectus.

ALTERATIONS OF SHARE CAPITAL

Our Company may from time to time by ordinary resolution or special resolution (as the case may be) of shareholders alter the share capital of our Company. For a summary of the provisions in the Article regarding alterations of share capital, please refer to paragraph "2. Articles of Association — (c) Alteration of Capital" in Appendix IV of this prospectus.

THE SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on December 28, 2015. The principal terms of the Share Option Scheme are summarized in the section headed "F. Share Option Scheme" in Appendix V to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

(i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalization Issue and the Global Offering (excluding any Shares which may fall to be issued pursuant to the Over-allotment Option); and

(ii) the aggregate nominal value of share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below.

This mandate will expire at the earliest of:

(i) the conclusion of our Company's next annual general meeting unless renewed by an ordinary resolution of our Shareholders in an general meeting, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which our Company is required by law or the Articles of Association to hold its next annual general meeting; or

(iii) the time when such mandate is varied, revoked or renewed by an ordinary resolution of our Company's Shareholders in a general meeting.

Further details of this general mandate are set out in the paragraph headed "A. Further information about our Company — 4. Written resolutions of our Shareholders passed on December 28, 2015" in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue or to be issued immediately following the completion of the Capitalization Issue and the Global Offering (excluding any Shares which may fall to be issued upon the exercise of the Over-allotment Option).

This mandate only relates to repurchases made on the Stock Exchange, or any other approved stock exchange(s) on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed ''A. Further information about our Company — 5. Repurchase of our Shares'' in Appendix V to this prospectus.

This mandate will expire at the earliest of:

(i) the conclusion of our Company's next annual general meeting unless renewed by an ordinary resolution of our Shareholders in an general meeting, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which our Company is required by law or Articles of Association to hold its next annual general meeting; or

(iii) the time when such mandate is varied, revoked or renewed by an ordinary resolution of our Company's Shareholders in a general meeting.

For further details of this share repurchase mandate, see the paragraph headed "A. Further Information about Our Company — 4. Written resolutions of our Shareholders passed on December 28, 2015" in Appendix V to this prospectus.

You should read the following discussion and analysis with our audited combined financial information, including the notes thereto, included in the Accountants' Report set out in Appendix I to this prospectus. The Accountants' Report has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future development, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in the sections headed "Risk Factors" and "Forward-Looking Statements" in this prospectus.

For the purpose of this section, unless the context otherwise requires, references to 2012, 2013 and 2014 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a combined basis.

OVERVIEW

We are the largest provider of K-12 private education services in Southwest China in terms of student enrollment as of June 30, 2015, according to the Frost & Sullivan Report. As of the Latest Practicable Date, we had established and were operating five schools for grades K-12, namely, Chengdu Foreign Languages School, Chengdu Experimental Foreign Languages School, Chengdu Experimental Foreign Languages School (Western Campus), the Primary School Attached to Chengdu Foreign Languages School and the Chengdu Foreign Languages Kindergarten. As of June 30, 2015, we had an aggregate of approximately 17,896 K-12 students enrolled at our schools. According to the Frost & Sullivan Report, as measured by student enrollment, we ranked first in the highly fragmented private fundamental education industry in Southwest China with a 0.43% market share. In addition, we operate one university, Chengdu Institute Sichuan International Studies University, which had an enrollment of approximately 13,684 students as of June 30, 2015. As of October 31, 2015, our K-12 student enrollment increased to approximately 18,345 and the University student enrollment increased to approximately 14,237. Through these schools, we are one of the few private education companies in Southwest China that provide educational services to students in every age group from kindergarten to university, according to the Frost & Sullivan Report. Since 2000, when Chengdu Foreign Languages School was first established, we have accumulated significant experience in educating and nurturing students at each grade level. We strive to cultivate well-rounded students who possess global perspective and practical knowledge.

We provide high-quality education to our students. We aspire to provide a pathway to first-tier universities in China and reputable colleges and universities abroad for interested students. For example, for Gaokao administered in 2012, 2013 and 2014, approximately 60.1%, 73.6% and 69.5% of our graduating high school students who participated in such examinations have achieved scores that allowed them to apply to and be admitted by first-tier universities in China, including Peking University, Tsinghua University, Fudan University, Zhejiang University and Shanghai Jiaotong University, among others. Moreover, during the Track Record Period, certain of our high school graduating students were accepted by colleges and universities overseas. For example, a total of five graduating students from Chengdu Foreign Languages School were accepted by Harvard University, Columbia University, Cornell University and Northwestern University during the Track Record Period. For students who are interested in attending colleges and universities in the United States or Canada and in preparing for overseas standardized college entrance examinations, such as TOEFL and SAT, we established international programs at Chengdu Foreign Languages School under which dual high school diplomas (PRC diplomas and American or Canadian diplomas) are offered to them through collaboration with third-party educational service providers. Such programs allow students to take either American or Canadian coursework taught by foreign teachers as well as PRC coursework taught by PRC teachers.

We offer a bilingual learning environment for our primary, middle and high school students, substantially all of whom are native Chinese speakers. We emphasize relatively small-class language learning early on to stimulate our students' interest and promote interaction within the classroom setting, which we believe is essential in acquiring the fluency in a foreign language and preparing our students well for our English-intensive programs. In addition to offering mandatory English language courses, we also offer second foreign language classes to our students who express an interest to learn. As of June 30, 2015, we offered a total of up to 14 second foreign language-based classes to our students at our middle and high schools, including German, French and Japanese, among other languages. Besides language courses, we also offer a wide range of elective courses to stimulate our students' learning. We believe that our comprehensive curricumulms have allowed us to retain talented students within our system as they progress through their academic training. We believe the quality of our academic programs and the success of our students have helped us enhance our reputation and achieve growth in student enrollment during the Track Record Period, and at the same time, increase the tuition fees we charge.

We have experienced steady growth in our revenue, gross profit and student enrollment over the Track Record Period. Our revenue increased from RMB502.1 million for the year ended December 31, 2012 to RMB554.7 million for the year ended December 31, 2013, and further to RMB626.0 million for the year ended December 31, 2014. For the six months ended June 30, 2015, our revenue amounted to RMB364.8 million compared to our revenue of RMB330.5 million for the six months ended June 30, 2014. Our gross profit increased from RMB197.8 million for the year ended December 31, 2012, to RMB207.2 million for the year ended December 31, 2013, and further to RMB254.6 million for the year ended December 31, 2014. For the six months ended June 30, 2015, our gross profit was RMB182.9 million compared to RMB159.8 million for the six months ended June 30, 2014. Our overall student enrollment grew from approximately 29,227 as of June 30, 2012 to approximately 31,580 as of June 30, 2015.

BASIS OF PRESENTATION

Pursuant to the Reorganization as more fully explained in the paragraph headed under the section headed "History and Corporate Structure — Corporate Reorganization" in this prospectus, our Company became the holding company of the companies now comprising our Group on September 7, 2015. As the Reorganization only involved inserting new holding companies and has not resulted in any change of economic substance, the financial statements for the Track Record Period has been presented as a continuation of the existing company using the pooling of interests method as if the Reorganization had been completed at the beginning of the Track Record Period.

During the Track Record Period, due to regulatory restrictions on foreign ownership in the schools in the PRC, our business operations were carried out by Chengdu Foreign Languages School, Chengdu

Experimental Foreign Languages School, Chengdu Experimental Foreign Languages School (Western Campus), the Primary School, the Kindergarten and the University. The wholly-owned subsidiary of our Company, Tibet Huatai, has entered into the Structured Contracts with, among others, our PRC Operating Entities and their respective equity holders. The arrangements of the Structured Contracts enable Tibet Huatai to exercise effective control over our PRC Operating Entities and obtain substantially all economic benefits of our PRC Operating Entities. Accordingly, our PRC Operating Entities are combined in the financial statements continuously. Details of the Structured Contracts are disclosed in the section headed "Structured Contracts" in the prospectus.

Our Group does not have any equity interest in our PRC Operating Entities. However, our PRC Operating Entities were ultimately under the control of the Controlling Shareholders, and through the Structured Contracts, both our PRC Operating Entities and the business carried out by them are under the effective control of the Controlling Shareholders. Consequently, our Company regards our PRC Operating Entities as indirect subsidiaries for the purpose of the combined financial statements and related notes. The companies now comprising our Group were under the common control of the Controlling Shareholders before and after the Reorganization. Accordingly, for the purpose of this prospectus, the financial statements have been prepared by applying the principles of merger accounting as if the Reorganization had been completed at the beginning of the Track Record Period.

Despite our Group's net current liabilities of approximately RMB796.1 million as of June 30, 2015, the combined financial statements have been prepared on a going concern basis as it is the Directors' opinion that our Group has sufficient cash flows in the foreseeable future to enable it to continue its operations and meet its liabilities as and when they fall due.

The financial information has been prepared in accordance with IFRS, which comprise all standards and interpretations approved by the International Accounting Standards Board ("IASB"). The IFRS effective for the accounting period commencing from January 1, 2015, together with the relevant transitional provisions, have been early adopted in the preparation of the financial information throughout the Track Record Period.

The financial information has been prepared under a historical cost convention. The financial information is presented in Renminbi, or RMB, which is our Group's functional currency.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, which primarily include the following:

Demand for Private Education in China

Demand for private education in China is a function of a number of factors, including the levels of economic development and changes in demographics. Our business has benefited from the growth of China's economy and the increasing demand for private education in China. According to the Frost & Sullivan Report, as the PRC's economy has continued to grow over the past five years, its per capita GDP has also increased at a fast pace. Per capita GDP in China grew from RMB25,963 in 2009 to RMB46,652 in 2014, representing a CAGR of approximately 12.4%, and is expected to reach RMB66,476 in 2019. The overall economic growth and the increase in per capita GDP in China have increased the level of per capita expenditure on education, culture and recreation activities and services in China, which increased at a CAGR of 10.9% from 2009 to 2014, according to the Frost & Sullivan Report. Furthermore, the growth in urban population in China will likely affect the demand for private education in the country primarily because the “one-child policy” was relaxed in 2013 and subsequently terminated in 2015 by the PRC government. This policy had historically kept the PRC urban population growth low during the past four decades. In 2015, the PRC government adopted the universal “two-child policy”. According to the Frost & Sullivan Report, the relaxation and termination of the “one-child policy” and the adoption of the “two-child policy” are expected to cause the PRC urban population to grow. Therefore, we anticipate the demand for private education in China, including K-12 education, to continue to increase. For instance, according to the Frost & Sullivan Report, students who were enrolled in private K-12 education in China increased from approximately 23.0 million in 2009 to approximately 35.3 million in 2014, representing a CAGR of approximately 8.9%. In addition, total student enrollment in private higher education (such as private institutions of higher education and independent colleges) in China increased from approximately 4.5 million in 2009 to approximately 5.9 million in 2014, representing a CAGR of approximately 5.6%, according to the Frost & Sullivan Report.

According to the Frost & Sullivan Report, Chinese parents have historically placed a high value on their children’s education, and they are willing to incur significant costs so that their children are able to receive high-quality education. In addition, a growing number of Chinese parents intend to allow their children to receive exposure to differentiated and alternative education provided by certain premium private schools. This, together with the increasing PRC urban household income and wealth, has also played a significant role in the increase in the demand for private education in China.

Student Enrollment Levels

Our revenue generally depends on the number of students enrolled at our schools and the level of tuition fees and boarding fees we charge. During the Track Record Period, the total number of students enrolled at our schools offering private K-12 education (excluding students enrolled at the University) increased from approximately 16,537 at the end of the 2011/2012 school year to approximately 17,896 at the end of the 2014/2015 school year. According to the Frost & Sullivan Report, the total number of students enrolled at private K-12 education in China is expected to reach approximately 50.6 million in 2019 compared to approximately 35.3 million in 2014, representing a CAGR of approximately 7.5%. In addition, the number of students enrolled at the University increased from approximately 12,690 at the end of 2011/2012 school year to approximately 13,684 at the end of 2014/2015 school year.

Our student admission largely depends on a number of factors, including, but not limited to, (i) our schools’ reputation, which is mainly driven by the quality of education we provide (primarily reflected in the test results achieved by our students, our educational curriculums and the quality of our teachers), and (ii) our capacity (for the University, the enrollment scheme implemented by the relevant PRC educational authorities). We believe the educational philosophies of our schools and our flexible educational curriculums featuring small-class English teaching help us attract students who seek high-quality private education as a pathway to first-tier universities in China and colleges/universities overseas. Moreover, the quality of our teachers is also a major factor that has played in the past, and will continue to play in the future, an important role in the success of our schools. Accordingly, we enforce stringent teacher selection criteria and maintain rigorous training programs for our newly hired and experienced teachers, as well as regular and on-going teacher evaluation processes to improve their performance.

Tuition Fees and Boarding Fees

Our results of operations are also affected by the level of tuition fees and boarding fees we are able to charge. We usually require students to pay tuition fees and boarding fees prior to the commencement of each new school year. The tuition fees we charge are typically based on the demand for our educational programs, the cost of our operations, the geographic markets where we operate our schools, the tuition fees charged by our competitors, our pricing strategy to gain market share and general economic conditions in China and the areas in which our schools are located. Under the Interim Measures for the Management of the Collection of Private Education Fees promulgated by the PRC government authorities on March 2, 2005, the types and amounts of fees charged by a private school providing educational qualifications must be approved by the relevant governmental pricing authority. In April 2015, the Development and Reform Commission of Chengdu and Chengdu Ministry of Education jointly issued the Notice on the Issues Concerning the Tuition Fees of Private Educational Schools, pursuant to which adjustments to tuition fees of private schools in Chengdu are pre-approved as long as the tuition fees will not increase by more than 20% from the applicable base levels stipulated by the local PRC governmental pricing authority. In addition, according to this notice, new tuition fees will only be applicable to newly admitted students and the tuition levels for the existing students remain unchanged. In relation to the 2015/2016 school year, as permitted by the relevant PRC regulatory authorities, we increased the tuition fees in all of our schools (except the University) by up to 20% over the tuition for the previous school year, which was applicable to newly admitted students (i.e., students in the first, seventh and tenth grades) only, while students in other grades were not affected by such fee increase and would continue to pay the tuition fees at pre-existing levels. While we have successfully increased tuition rates at certain of our schools during the Track Record Period, there is no guarantee we will be able to continue to raise tuition rates in the future. Please see "Risk Factors — Risks Relating to Our Business and Our Industry — Our business and results of operations depend on the level of tuition fees and boarding fees we are able to charge and our ability to maintain and raise tuition and boarding fees" in this prospectus. For those students who did not complete their study with us, we also have refund policies in place. Please refer to the section headed "Business — Our Schools" in this prospectus for further details.

For the 2014/2015 school year, we charged tuition fees ranging between RMB20,000 and RMB91,200 per student per year at our K-12 schools. According to the Frost & Sullivan report, tuition rates at our schools are generally higher than those in the public school system in China. However, we believe our tuition rates are relatively lower or at a similar level compared to some of our competitors in the private fundamental education industry having similar scale and offering quality of education. Historically, we have kept our tuition rates at levels we believe are competitive as compared to our competitors in order to attract more students and thereby, increase our student enrollment and market share.

In the 2012/2013 school year, we increased annual tuition fees at our middle schools from RMB20,000 per student to RMB29,000 per student and at our high schools from RMB20,000 per student to RMB30,000 per student. The number of our incoming middle school students impacted (seventh grade) and high school students (tenth grade) were approximately 3,321 and 1,523, respectively. During the same school year, we also increased annual tuition fees at the Primary School from RMB20,000 per student to RMB28,000 per student. The number of incoming primary school students impacted (first grade) was approximately 427. With respect to the Kindergarten, we increased annual tuition fees in the 2012/2013 school year for nursery students only, from RMB21,000 per student to RMB23,200 per student, and approximately 43 incoming nursery students for that year were impacted by this tuition fee increase. In the same school year, we also increased the annual tuition fee rate for new K1 students effective for the 2013/2014 school year, so that the 43 nursery students who advanced to K1 grade level in the 2013/2014 school year would be required to pay a new tuition fee of RMB21,200 per student, up from a tuition fee of RMB20,000 per K1 student in the 2011/2012 school year. In addition, in the 2014/2015 school year, we increased annual tuition fees for students in the bachelor degree programs at the University from RMB12,000 per student to RMB14,000 per student. For students in the junior college diploma programs, we increased annual tuition fees from RMB10,000 per student to RMB12,000 per student during the same year. The number of incoming students for bachelor's degree programs and junior college diploma programs who were impacted by such tuition fee increase were approximately 2,357 and 1,383, respectively. Even though we have increased our tuition rates on several occasions for certain of our schools during the Track Record Period, we do not believe such increases have adversely impacted our reputation or affected our student enrollment. Accordingly, we believe the historical increases in our tuition rates during the Track Record Period (i.e., we raised tuition for our middle schools, high schools and the Primary School in 2012 and the University in 2014) and increase in tuition rates for the 2015/2016 school year will not have a material adverse effect on our business, results of operations and financial condition. We also charge boarding fees for boarding students. For the 2014/2015 school year, our boarding fees generally ranged between RMB1,200 to RMB1,400 per student per academic year. However, unlike some of our competitors, since we offer 24-hour hot water and air conditioning/fans to our students, we believe there is room to raise our boarding fees in the future.

Ability to Control Operating Costs and Expenses

Our profitability also depends, in part, on our ability to control our operating costs and expenses. For the years ended December 31, 2012, 2013 and 2014 and for the six months ended June 30, 2014 and 2015, our cost of sales represented approximately 60.6%, 62.6%, 59.3%, 51.7% and 49.9% of our total revenue, respectively. Our cost of sales primarily consists of staff costs, depreciation and amortization expenses, utilities, costs of cooperative education and student subsidies. Our staff costs mainly comprise teachers' salaries and benefits and constitute approximately 38.9%, 39.2%, 40.4%, 33.3% and 34.3% of our total revenue for the years ended December 31, 2012, 2013 and 2014 and for the six months ended June 30, 2014 and 2015, respectively. Staff costs increased from RMB202.8 million for the year ended December 31, 2012 to RMB243.7 million for the year ended December 31, 2014, mainly reflecting our continuing efforts to recruit additional qualified teachers and to retain our dedicated teachers by increasing their compensation to improve the quality of education we provide and support the increase in our student enrollment.

Another component of our cost of sales was student subsidies, which impacted our profitability during the Track Record Period. Student subsidies are comprised of, among others, the fees we paid to Jiangwei Restaurant, an Independent Third Party to whom we outsourced student food and meal catering services. Student subsidies increased substantially in 2013 primarily because an earthquake ravaged Ya'an, Sichuan Province, in April 2013, which is less than 200 k.m. from Chengdu, where our operations are based. As a result of the earthquake, there was a shortage of food in the area, which resulted in substantially higher food prices. Accordingly, we made additional payments in the amount of approximately RMB11.0 million to Jiangwei Restaurant during that year. We were generally not able to pass on such increase to our students since we collected meal fees from our students at the beginning of the school year on behalf of the meal catering service provider. Accordingly, our gross profit margin for the year ended December 31, 2013 was approximately 37.4%, which was lower compared to gross profit margins of approximately 39.4% and 40.7% for the years ended December 31, 2012 and 2014, respectively. Please see "Risk Factors — Risks Relating to Our Business and Our Industry — We have maintained outsourcing arrangements for food and meal catering services with an Independent Third Party during the Track Record Period and therefore, we cannot guarantee the quality and price of the food it serves to our students. While we terminated such arrangements with respect to certain schools providing compulsory education in October 2015, subsequent to which such schools have managed their own canteens, we may be exposed to potential liabilities if we cannot maintain food quality standards." While it affected our profitability in 2013, we currently do not expect such material increases in food-related costs in the near future.

Furthermore, our operating expenses include two major components, selling and distribution expenses and administrative expenses. For the years ended December 31, 2012, 2013 and 2014 and for the six months ended June 30, 2014 and 2015, the total amount of selling and distribution expenses and administrative expenses as a percentage of our total revenue was approximately 7.6%, 6.3%, 5.6%, 4.6% and 5.6%, respectively. While our operating expenses have generally remained relatively stable during the Track Record Period, we cannot guarantee they will not increase as we expand our business operations and become a public company.

CRITICAL ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our combined financial statements. We have also made certain accounting judgements and assumptions in the process of applying our accounting policies. When reviewing our combined financial statements, you should consider (i) our selection of critical accounting policies; (ii) the judgment and assumptions affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We have not changed our assumptions during the Track Record Period and have not noticed any material errors regarding our assumptions. We set forth below those accounting policies which we believe are of significant importance to us or involve the most critical accounting judgment and estimates used in the preparation of our financial statements. Our significant accounting policies, judgment and estimates, which are important for an understanding of our financial condition and results of operations, are more detailed set forth in notes 2.4 and 3 of the Accountants' Report in Appendix I to this prospectus.

Significant Accounting Policies

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 returns, discounts and sales related taxes. Service income includes tuition fees and boarding fees from the University, the Primary School and our middle schools and high schools and tuition fees from the Kindergarten.

The tuition fees from our schools is paid in advance at the beginning of each academic year. Revenue is recognized after a service contract is signed, the price is fixed or determinable, and services are provided. Tuition fees and boarding fees received from the University, the Primary School, the Kindergarten and our middle schools and high schools are generally paid in advance prior to the beginning of each academic year, and are initially recorded as deferred revenue. Tuition fees and boarding fees are recognized proportionately over the relevant period of the applicable program. The portion of tuition fees and boarding payments received from students but not earned is recorded as deferred revenue and is reflected as a current liability as such amounts represent revenue that our Group expects to earn within one year. The academic year of our schools is generally from September to June or early July of the following year.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to our Group and the amount of the income can be measured reliably. Interest income 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.

Property, Plant and Equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss and other comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, our Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Property and buildings	1.8% to 2.6%
Leasehold improvements	10%
Motor vehicles	18%
Furniture and fixtures	18%
Computer equipment	18%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the statement of profit or loss and other comprehensive income in the year the asset is derecognized is the difference between the net sale proceeds and the carrying amount of the relevant asset.

Construction in progress mainly represents leasehold improvements under construction and machinery received but not completely installed. It is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Income Tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the relevant period in the Track Record Period, taking into consideration interpretations and practices prevailing in the countries in which our Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, joint ventures and associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. As a result, private schools providing academic qualification education are eligible to enjoy income tax exemption treatment if the school sponsors of such schools do not require reasonable returns. The school sponsors of all of our schools have elected to require reasonable returns. Preferential tax treatment policies applicable to private schools requiring reasonable returns are to be separately formulated by the relevant authorities. To date, however, no separate regulations or policies have been promulgated in this regard. Our PRC Operating Entities have historically enjoyed the corporate income tax exempt treatment since their establishment.

Based on the confirmation from the local tax bureaus and local offices of State Administration of Taxation, respectively, our PRC Operating Entities were exempted from corporate income tax since their establishment. As a result, no income tax expense was recognized for the years ended December 31, 2012, 2013 and 2014 and six months ended June 30, 2015.

Judgements

In the process of applying our Group's accounting policies, management has made the following judgment, apart from those involving estimations, which have the most significant effect on the amounts recognized in the combined financial statements:

Structured Contracts

Our PRC Operating Entities are engaged in the provision of education service, which falls in the scope of either "Catalogue of Restricted Foreign Investment Industries" and foreign investors are prohibited to invest in such business. As disclosed in notes 2.1 to the Accountants' Report in Appendix I to this prospectus, as part of the Reorganization, our Group exercises control over our PRC Operating Entities and enjoys all economic benefits of our PRC Operating Entities through the Structured Contracts.

Our Group considers that it controls our PRC Operating Entities, notwithstanding the fact that it does not hold direct equity interest in our PRC Operating Entities, as it has power over the financial and operating policies of our PRC Operating Entities and receives substantially all of the economic benefits from the business activities of our PRC Operating Entities through the Structured Contracts. Accordingly, our PRC Operating Entities have been accounted for as subsidiaries during the Track Record Period.

Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each period during the Track Record Period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of Non-financial Assets (Other Than Goodwill)

Our Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each period during the Track Record Period. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful Lives and Residual Values of Items of Property, Plant and Equipment

In determining the useful lives and residual values of items of property, plant and equipment, our Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in the production and provision of services, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of our Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of each period during the Track Record Period based on changes in circumstances. Further details of the property, plant and equipment are set out in note 14 to the Accountants' Report in Appendix I attached to this prospectus.

Current and Deferred Tax

Significant judgment is required in interpreting the relevant tax rules and regulation so as to determine whether our Group is subject to corporate income tax. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes our Group to change its judgment regarding the adequacy of the tax liabilities. Such changes to tax liabilities will impact tax expense in the period that such determination is made.

RESULTS OF OPERATIONS

The following table presents our selected combined statements of profit or loss and other comprehensive income for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015:

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (Unaudited)	(RMB'000)
Revenue	502,057	554,719	626,007	330,474	364,822
Cost of sales	(304,305)	(347,480)	(371,384)	(170,712)	(181,968)
Gross profit	197,752	207,239	254,623	159,762	182,854
Other income and gains	5,269	3,083	4,764	2,495	988
Selling and distribution expenses	(2,090)	(3,236)	(2,194)	(1,131)	(1,178)
Administrative expenses	(36,063)	(31,499)	(32,844)	(14,171)	(19,214)
Other expenses	(689)	(296)	(73)	(10)	(269)
Finance costs	(68,782)	(121,487)	(109,848)	(56,686)	(52,755)
Share of profit and loss of an associate	377	(74)	(107)	531	—
Profit before taxation	95,774	53,730	114,321	90,790	110,426
Income tax expense	—	—	—	—	—
Profit for the year/period	95,774	53,730	114,321	90,790	110,426

KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

Revenue, which is also our Group's turnover, represents the value of services rendered, after deducting scholarships and refunds during the reporting period. We derive revenue from tuition fees and boarding fees our schools collect from students. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015, we generated a total revenue of RMB502.1 million, RMB554.7 million, RMB626.0 million, RMB330.5 million and RMB364.8 million, respectively. As advised by our PRC Legal Advisors, we were exempt from PRC business tax during the Track Record Period. To incentivize our students and reward their academic performance, we offer scholarships to those students who excel academically. For the years ended December 31, 2012, 2013, 2014 and the six months ended June 30, 2015, the aggregate amount of scholarships we offered to students was RMB48.7 million, RMB58.2 million, RMB67.0 million and RMB38.7 million, respectively. In the future, we intend to reduce the scholarship offered to middle school students considering that we have established our brand name to attract excellent students and we believe we will be able to source more scholarship externally.

The table below summarizes the amount of revenue generated from tuition fees and boarding fees for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (Unaudited)	(RMB'000)
Tuition fees					
Chengdu Foreign Languages School	110,023	128,466	151,706	79,720	91,627
Chengdu Experimental Foreign Languages School	75,555	89,037	106,374	55,645	62,989
Chengdu Experimental Foreign Languages School (Western Campus)	80,079	92,491	106,102	55,038	61,689
The Primary School	48,979	55,337	61,870	33,190	35,375
The Kindergarten	5,700	5,317	6,221	2,984	3,172
The University	147,441	148,504	156,152	84,267	89,635
Total tuition fees	467,777	519,152	588,425	310,844	344,487
Boarding fees	34,280	35,567	37,582	19,630	20,335
Total	502,057	554,719	626,007	330,474	364,822

Tuition Fees

Tuition fees consist of tuition fees from Chengdu Foreign Languages School, Chengdu Experimental Foreign Languages School, Chengdu Experimental Foreign Languages School (Western Campus), the Primary School, the Kindergarten and the University. We have raised tuition fees during the Track Record Period. For example, we raised tuition fees for our middle schools and high schools, as well as the Primary School in 2012, and the University in 2014. However, our tuition fees increases initially only applied to the newly admitted students to the Primary School (i.e., first grade), the middle schools (i.e., seventh grade), high schools (i.e., tenth grade) and the University (i.e., freshmen), while other students are not affected by the fee increase and would continue to pay the tuition fees at pre-existing levels.

Boarding Fees

Boarding fees consist of boarding fees from Chengdu Foreign Languages School, Chengdu Experimental Foreign Languages School, Chengdu Experimental Foreign Languages School (Western Campus), the Primary School, the Kindergarten and the University. Our high schools, middle schools, the Primary School and the University are all boarding schools, and boarding fees are separately charged at these schools for boarding students. With respect to the Kindergarten, students are required to take day-time naps (as we only offer a full-day program), and the boarding fees are collected accordingly for such service.

We generally require tuition fees and boarding fees for a full school year to be paid to our schools in advance prior to the commencement of each school year, and we usually recognize revenue proportionately each month over the course of a nine-month school year (except for the University, the boarding fees of which are recognized over a 12-month period, and for the Kindergarten, the tuition fees and boarding fees of which are recognized over a 10-month period). In the event a student leaves his/her school during the school year, we have refund policies in place for our schools. Please refer to the section headed "Business — Our Schools" in this prospectus for further details.

Cost of Sales

Our cost of sales consists primarily of staff costs, depreciation and amortization, cost of cooperative education, student subsidies and other costs. The following table sets forth the components of our cost of sales for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (Unaudited)	(RMB'000)
Staff costs	202,754	217,205	243,675	110,159	125,228
Office expenses	7,337	13,595	13,045	5,440	3,882
Utilities	16,288	17,150	18,859	10,242	10,933
Postal fees	821	934	1,120	546	317
Travel and transportation expenses	456	2,999	3,081	818	101
Depreciation and amortization	26,491	37,565	43,475	20,842	22,927
Cost of repairs	12,461	16,169	11,415	4,575	1,890
Rental fees	7,528	8,236	8,695	4,496	943
Cost of cooperative education	15,464	10,966	13,923	7,204	8,433
Student subsidies	9,805	17,881	10,481	4,709	6,284
Other costs	4,900	4,780	3,615	1,681	1,028
Total cost of sales	304,305	347,480	371,384	170,712	181,968

Staff costs consist of salaries and benefits paid to our teachers and other educational staff. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015, staff costs in relation to our teachers and other educational staff were RMB202.8 million, RMB217.2 million, RMB243.7 million, RMB110.2 million and RMB125.2 million, respectively, representing 66.6%, 62.5%, 65.6%, 64.5% and 68.8% of our total cost of sales, respectively. Depreciation and amortization relate to the depreciation and amortization of property, plant and equipment and leasehold land used for providing educational services. Cost of cooperative education mainly consists of the costs we pay to our educational service partners under the relevant cooperation agreements for the international programs at Chengdu Foreign Languages School. Student subsidies primarily comprised of the fees the University paid to Jiangwei Restaurant during the Track Record Period pursuant to the relevant PRC regulations. However, in 2013, student subsidies also included the fees that Chengdu Foreign Languages School, Chengdu Experimental Foreign Languages School and the Primary School paid to Jiangwei Restaurant.

Sensitivity Analysis

The following table sets out a sensitivity analysis of: (i) the effect of the fluctuations of tuition fees during the Track Record Period, and (ii) the effect of the fluctuations of our staff costs during the Track Record Period, assuming no change of depreciation and amortization or any other costs. The sensitivity analysis involving tuition fees and staff costs is hypothetical in nature and we assume that all other variables remain constant. The following sensitivity analysis is for illustrative purposes only, which indicates the potential impact on our profitability during the Track Record Period if the relevant variables increased or decreased to the extent illustrated. To illustrate the potential effect on our financial performance, the sensitivity analysis below shows the potential impact on our profit for the year/period with a 5% and 10% increase or decrease in tuition fees income and staff costs. While none of the hypothetical fluctuation ratios applied in the sensitivity analysis equals the historical fluctuations of the tuition fees and staff costs, we believe that the application of hypothetical fluctuations of 5% and 10% in the tuition fees income and staff costs presents a meaningful analysis of the potential impact of changes in the tuition fees and staff costs on our revenue and profitability.

	For the year ended December 31,			**For the six months ended June 30,**	
	2012	**2013**	**2014**	**2014**	**2015**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**	**(RMB'000)** **(Unaudited)**	**(RMB'000)**
Sensitivity analysis of tuition fees					
Tuition fees income (decrease)/increase	**Impact on our profit for the year/period**				
(10)%	(46,778)	(51,915)	(58,843)	(31,084)	(34,449)
(5)%	(23,389)	(25,958)	(29,241)	(15,542)	(17,224)
5%	23,389	25,958	29,241	15,542	17,224
10%	46,778	51,915	58,843	31,084	34,449
Sensitivity analysis of staff costs					
Staff costs (decrease)/increase	**Impact on our profit for the year/period**				
(10)%	20,275	21,721	24,368	11,016	12,523
(5)%	10,138	10,860	12,184	5,508	6,261
5%	(10,138)	(10,860)	(12,184)	(5,508)	(6,261)
10%	(20,275)	(21,721)	(24,368)	(11,016)	(12,523)

Other Income, Gains and Losses

Other income, gains and losses consist primarily of (i) interest income from bank deposits, (ii) gains recognized upon the service fee sharing arrangements with China Telecom Corporation Limited ("China Telecom"), under which our Group constructed certain campus network infrastructures at the University and therefore, was entitled to receive 70% of the telecommunication service fees earned from the University students by China Telecom, (iii) donations received by Derui Education Fund, which primarily consisted of donations from certain of our related parties and Independent Third Parties, and (iv) government grant, which consists primarily of the discretionary subsidies we received from the relevant PRC government to promote private education, among other objectives, which varied from period to period. The table below summarizes the amount of other income and gains for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (Unaudited)	(RMB'000)
Interest Income	1,099	870	653	137	164
Fee Sharing Income	—	—	2,192	1,682	710
Donation Income	2,400	1,700	196	—	16
Government grants					
– Related to asset	—	—	—	—	79
– Related to income	1,163	366	1,656	667	19
Others	607	147	67	9	—
Total	5,269	3,083	4,764	2,495	988

Selling and Distribution Expenses

Selling and distribution expenses consist primarily of advertising expenses, student admission expenses and business entertainment expenses. Advertising expenses comprise expenses for producing, printing and distributing promotional and advertising materials for the promotion of our schools.

Administrative Expenses

Administrative expenses primarily consist of the salaries and other benefits for general and administrative staff, office-related expenses, depreciation of office buildings and equipment, travel expenses and other expenses. Other expenses mainly relates to financial advisory fees payable to commercial banks in connection with certain financial services they rendered to us.

Other Expenses

Other expenses consist primarily of expenses relating to donation, which represents the donations of teaching equipment made to third-party educational institutions, and disposal of various fixed assets.

Finance Costs

Finance costs consist primarily of the interest expenses for our bank borrowings and borrowings from other financial institutions, as well as our payments to Xinhua Winshare. With respect to our payments to Xinhua Winshare, according to the 2009 University Agreements, Xinhua Winshare is entitled to receive annual payments from the University in the amount equal to 8%, 9% and 10% of Xinhua Winshare's total capital contribution in the University in 2009, 2010 and 2011, respectively, such total capital contribution amounted to RMB260.0 million, which was treated as a loan for accounting purposes. From 2012 and until the termination of the agreement, Xinhua Winshare is entitled to receive 10% of its total capital contribution in the University annually, less any amounts repurchased. Please see "History and Corporate Structure — History of our Six Schools — Chengdu Institute Sichuan International Studies University" for more information.

Share of Profit and Loss of an Associate

Share of profit and loss of an associate primarily consists of the profit or loss from our investment in Chengdu Dexiang Agriculture Development Company* ("Dexiang Agriculture") (成都德祥農業發展有限公司). We subsequently disposed our equity interest in Dexiang Agriculture to an Independent Third Party in November 2014.

Taxation

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

For our operations in the PRC, we are generally subject to the PRC enterprise income tax at a rate of 25% on our taxable income. According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. As a result, private schools providing academic qualification education are eligible to enjoy income tax exemption treatment if the school sponsors of such schools do not require reasonable returns. The school sponsors of all of our schools have elected to require reasonable returns. However, the preferential tax treatment policies applicable to private schools requiring reasonable returns are to be separately formulated by the relevant authorities. To date, however, no separate regulations or policies have been promulgated in this regard. In the opinion of our Board and based on the confirmation letters from the local tax bureaus and the local offices of State Administration of Taxation, respectively, our PRC Operating Entities are exempted from corporate income tax. Please see "Risk Factors — Risks Relating to Doing Business in China — The discontinuation of any preferential tax treatments currently available to us, in particular the tax exempt status of our schools, could materially and adversely affect our results of operations" in this prospectus for further details.

In addition, we are subject to corporate income tax and value-added tax after the Reorganization. After the Reorganization, Tibet Huatai is initially subject to a PRC enterprise income tax rate of 9%, which will be increased to 15% beginning in 2018 when the three-year exemption granted by Tibet local government expires in accordance with the relevant tax regulations, and will also be subject to value-added tax, which was 3% as of the Latest Practicable Date but may be subject to change in the future, according to our PRC Legal Advisors.

Profit for the Year/Period

For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015, our profit for the year/period was RMB95.8 million, RMB53.7 million, RMB114.3 million, RMB90.8 million and 110.4 million, respectively. Our profit for the year/period going forward will be impacted by enterprise income tax and value-added tax that Tibet Huatai is subject to under the applicable PRC tax laws and regulations. For further details, please see "– Key Components of Our Results of Operations – Taxation." In addition, we will pay to our independent and connected landlords rents for the leases of certain school premises, which may increase depending on various factors, including, among others, the market conditions.

Sensitivity Analysis

The following table illustrates the sensitivity of our profit for the year/period during the Track Record Period assuming we incurred tax expenses and rental expenses payable to our landlords:

	2012	2013	2014	For the six months ended June 30, 2015
Profit for the year/period	95,774	53,730	114,321	110,426
Estimated rental expense(1)	(11,360)	(11,360)	(11,778)	(9,264)
Estimated value-added tax	(1,844)	(926)	(2,240)	(2,210)
Unaudited pro-forma adjusted profit before tax	82,570	41,444	100,303	98,952
Estimated income tax	(5,532)	(2,777)	(6,720)	(6,630)
Unaudited pro-forma adjusted profit for the year/period	77,038	38,667	93,583	92,322

Note:

(1) Estimated rental expense includes rental payments to our connected landlords and Chengdu Wanhua.

Assumptions:

1. Assuming that the control structure established under the Structured Contracts was effective as of January 1, 2012.

2. All the profit for the year/period earned by our schools during the Track Record Period after deducting legally compulsory development fund (if applicable, 25% of the profit before tax) had been paid to Tibet Huatai as technical and management consultancy service fee.

3. The corporate income tax of 9% and value-added tax rate of 3% applicable to Tibet Huatai as of Latest Practical Date were also applicable during the Track Record Period. Estimated value-added tax = -3% * profit for the year/period adjusted for estimated rental expense *(1-25%)/(1+3%). Estimated income tax = -9% * profit for the year adjusted for estimated rental expense * (1-25%)/(1+3%).

4. The value-added tax levied on technical and management consultancy service fee paid by our schools to Tibet Huatai are treated as non-deductible expense as our schools are corporate income tax exempted.

5. Four of our PRC Operating Entities, namely, Chengdu Experimental Foreign Languages School, Chengdu Foreign Languages School, the Primary School and the Kindergarten had paid an estimated amount of rent to Sichuan Derui and Derui Education for the buildings leased for their respective schools each year during the Track Record Period. Such estimated amount of rent is calculated based on the Property Lease Agreements signed with connected landlords. Such rent was reviewed by an independent valuer, DTZ Debenham Tie Leung Limited, as a market rate. For the lease details, please refer to "Connected Transactions" in this prospectus. Assuming Chengdu Experiment Foreign Languages School (Western Campus) paid an estimated rental expense of RMB418,000 for 2014 and RMB3,584,000 for the six months ended 2015 to Chengdu Wanhua for the building leased for the period from December 11, 2014 to June 30, 2015 based on the rental expenses paid to Chengdu Wanhua from July 1, 2009 to December 10, 2014. Please refer to the section headed "Business — Properties — Leased Properties" in this prospectus for further information regarding the leases from Chengdu Wanhua.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2015 Compared to Six Months Ended June 30, 2014

Revenue

Our revenue increased by 10.4% from RMB330.5 million for the six months ended June 30, 2014 to RMB364.8 million for the six months ended June 30, 2015. This increase was primarily the result of revenue from tuition fees increasing by 10.8% from RMB310.8 million for the six months ended June 30, 2014 to RMB344.5 million for the six months ended June 30, 2015. The tuition fees we received increased because (i) we raised tuition fees for newly admitted students for the middle schools, the high schools and the Primary School in 2012 and the University in 2014, which initially applied to newly admitted students (i.e., students in the first, seventh and tenth grades and freshmen students at the University) only, while other students were not affected by the fee change and would continue to pay the tuition fee at pre-existing levels. As students advance each year, the aggregate number of students paying higher tuition fees would increase, such that the tuition fee income from our schools would increase correspondingly; and (ii) our student enrollment increased from approximately 30,493 as of June 30, 2014 to approximately 31,580 as of June 30, 2015.

Cost of sales

Cost of sales increased by 6.6% from RMB170.7 million for the six months ended June 30, 2014 to RMB182.0 million for the six months ended June 30, 2015. This increase was primarily the result of an increase in staff costs, depreciation and amortization and student subsidies. Staff costs increased by 13.7% from RMB110.2 million for the six months ended June 30, 2014 to RMB125.2 million for the six months ended June 30, 2015, primarily as a result of increased salaries and benefits payable to our teachers. Depreciation and amortization increased by 10.0% from RMB20.8 million for the six months ended June 30, 2014 to RMB22.9 million for the six months ended June 30, 2015, mainly as a result of an increase in fixed assets as we purchased additional trees and teaching equipment for our schools. Student subsidies increased by 34.0% from RMB4.7 million for the six months ended June 30, 2014 to RMB6.3 million for the six months ended June 30, 2015, mainly due to increased discretionary subsidies the University paid to Jiangwei Restaurant to improve the food quality for the students. These increases were partially offset by decreases in cost of repairs and office expenses for the six months ended June 30, 2015.

Gross Profit

Gross profit increased by 14.5% from RMB159.8 million for the six months ended June 30, 2014 to RMB182.9 million for the six months ended June 30, 2015, which was in line with the growth of our business. Our gross profit margin increased to 50.1% for the six months ended June 30, 2015 from 48.3% for the six months ended June 30, 2014. In general, our gross profit margin for the six months is higher than the profit margin for the entire fiscal year primarily because we recognize more tuition fees during the first half of the year as the tuition fees are typically recognized over a nine-month school year (from September to June), except for the Kindergarten, the tuition fees of which are recognized over a 10-month period (from September to July), five months of which fall under the first half of the year, while staff and other costs are incurred throughout the year.

Other Income and Gains

Other income and gains decreased from RMB2.5 million for the six months ended June 30, 2014 to RMB1.0 million for the six months ended June 30, 2015. The decrease was primarily due to (i) a decrease of RMB1.0 million in fee sharing income from China Telecom because China Telecom had paid two years of services fees in 2014, and such income was recognized on a cash basis; and (ii) a decrease of RMB0.5 million of government grants mainly as a result of less grants we received from the PRC government, which varied from period to period.

Selling and Distribution Expenses

Selling and distribution expenses remained relatively stable at RMB1.2 million for the six months ended June 30, 2015 compared to RMB1.1 million for the six months ended June 30, 2014.

Administrative Expenses

Our administrative expenses increased by 35.2% from RMB14.2 million for the six months ended June 30, 2014 to RMB19.2 million for the six months ended June 30, 2015, primarily due to (i) an increase in staff costs as salaries and benefits for our staff increased in 2015 and (ii) an increase in listing expenses in 2015.

Other Expenses

Other expenses increased from RMB10,000 for the six months ended June 30, 2014 to RMB0.3 million for the six months ended June 30, 2015. The increase was primarily attributable to one-time good-will donations to the families of certain deceased students.

Finance Costs

Finance costs decreased by 6.9% from RMB56.7 million for the six months ended June 30, 2014 to RMB52.8 million for the six months ended June 30, 2015, mainly reflecting lower amount of interest expenses we paid on our bank loans and other borrowings because the amount of new indebtedness we incurred was less than the amount of existing loans we repaid.

Share of Profit and Loss of an Associate

Share of profit and loss of an associate decreased from RMB0.5 million for the six months ended June 30, 2014 to nil for the six months ended June 30, 2015. The decrease was due to the disposal of our equity interest in Dexiang Agriculture to an Independent Third Party in November 2014.

Profit before Tax

As a result of the foregoing, we recognized a profit of RMB110.4 million before income tax for the six months ended June 30, 2015, compared to a profit of RMB90.8 million before income tax for the six months ended June 30, 2014. Our profit before tax as a percentage of revenue was 30.3% for the six months ended June 30, 2015, while our profit before tax as a percentage of revenue was 27.5% for the six months ended June 30, 2014.

Income Tax Expense

The tax expense we incurred for the six months ended June 30, 2014 and 2015, was nil and nil, respectively.

Profit for the Period

As a result of the above factors, we recorded a profit of RMB110.4 million for the six months ended June 30, 2015, as compared to a profit of RMB90.8 million for the six months ended June 30, 2014.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Revenue

Our revenue increased by 12.9% from RMB554.7 million for the year ended December 31, 2013 to RMB626.0 million for the year ended December 31, 2014. This increase was primarily the result of an increase in tuition income of 13.3% from RMB519.2 million for the year ended December 31, 2013 to RMB588.4 million for the year ended December 31, 2014, primarily due to an increase in tuition fees we received because (i) we raised tuition fees for newly admitted students for our middle schools, the high schools and the Primary School in 2012 and the University in 2014 (i.e., students in the first, seventh and tenth grades and university freshmen), which resulted in higher tuition fee income as newly admitted students who were affected by such fee increase in 2012 would subsequently continue to pay higher tuition fee levels as they advanced to the next grade levels at their respective schools; and (ii) our student enrollment increased.

Cost of sales

Cost of sales increased by 6.9% from RMB347.5 million for the year ended December 31, 2013 to RMB371.4 million for the year ended December 31, 2014. This increase was primarily a result of an increase in staff costs, depreciation and amortization and cost of cooperative education. Staff costs increased by 12.2% from RMB217.2 million for the year ended December 31, 2013 to RMB243.7 million for the year ended December 31, 2014, mainly due to an increase in higher staff salaries and benefits due to increased business expense payable to our teachers. Depreciation and amortization increased by 15.7% from RMB37.6 million for the year ended December 31, 2013 to RMB43.5 million for the year ended December 31, 2014 mainly as a result of the investment in leasehold improvement and planting of trees in Phase 2 of University's campus in 2014. In addition, the cost of cooperative education increased from RMB11.0 million for the year ended December 31, 2013 to RMB13.9 million for the year ended December 31, 2014, mainly due to an increase in the amount we paid to Shanghai Dipont and Inlet Education as the student enrollment in the international programs offered by Chengdu Foreign Languages School increased. These increases were partially offset by a decrease in student subsidies, which decreased substantially from RMB17.9 million for the year ended December 31, 2013 to RMB10.5 million for the year ended December 31, 2014, mainly due to the fact that in 2013, we paid approximately RMB11.0 million of additional fees to Jiangwei Restaurant to cover increased expenses on food and meal catering services as a result of a shortage of food supplies caused by the Ya'an earthquake in Sichuan Province in 2013.

Gross Profit

Gross profit increased by 22.9% from RMB207.2 million for the year ended December 31, 2013 to RMB254.6 million for the year ended December 31, 2014, which was in line with the growth of our business. Our gross profit margin increased from 37.4% for the year ended December 31, 2013 to 40.7% for the year ended December 31, 2014. This increase was mainly attributable to a decrease in student subsidies due to a one-time RMB11.0 million of additional fees paid by us in 2013 to Jiangwei Restaurant to whom we outsourced the food and meal catering services at all of our schools during the Track Record Period.

Other Income and Gains

Other income and gains increased from RMB3.1 million for the year ended December 31, 2013 to RMB4.8 million for the year ended December 31, 2014. The increase was primarily due to (i) approximately RMB2.2 million of service fees we received from China Telecom in 2014 through a fee sharing arrangement, and (ii) an increase of RMB1.3 million in government grant we received in 2014 as compared to 2013. Such increases were partially offset by a decrease of approximately RMB1.5 million of donation income as we received less donations from one of our related parties in 2014.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 32.2% from RMB3.2 million for the year ended December 31, 2013 to RMB2.2 million for the year ended December 31, 2014. The decrease was primarily due to a reduction in marketing expenses in 2014 compared to 2013.

Administrative Expenses

Our administrative expenses increased by 4.3% from RMB31.5 million for the year ended December 31, 2013 to RMB32.8 million for the year ended December 31, 2014, which was in line with the growth of our business.

Other Expenses

Other expenses decreased from RMB296,000 for the year ended December 31, 2013 to RMB73,000 for the year ended December 31, 2014, which was primarily reflected in a decrease in other expenses mainly because we did not make any donations in 2014.

Finance Costs

Finance costs decreased by 9.6% from RMB121.5 million in 2013 to RMB109.8 million in 2014, mainly reflecting lower amount of interest expenses we paid on our bank loans and other borrowings because the amount of new indebtedness we incurred was less than the amount of existing loans we repaid.

Share of Profit and Loss of an Associate

Share of loss of an associate increased slightly from a loss of RMB74,000 for the year ended December 31, 2013 to a loss of RMB107,000 for the year ended December 31, 2014. The increase was primarily because we owned approximately 40% of equity interest in Dexiang Agriculture and we incurred a loss by disposing our equity interest Dexiang Agriculture to an Independent Third Party in November 2014.

Profit before Tax

As a result of the foregoing, we recognized a profit of RMB114.3 million before income tax for the year ended December 31, 2014, compared to a profit of RMB53.7 million before income tax for the year ended December 31, 2013. Our profit before income tax as a percentage of revenue was 18.3% for the year ended December 31, 2014 compared to 9.7% for the year ended December 31, 2013.

Income Tax Expense

The tax expense we incurred for the years ended December 31, 2013 and 2014 was nil and nil, respectively.

Profit for the Period

As a result of the above factors, we recorded a profit of RMB114.3 million for the year ended December 31, 2014, as compared to a profit of RMB53.7 million for the year ended December 31, 2013.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Revenue

Our revenue increased by 10.5% from RMB502.1 million for the year ended December 31, 2012 to RMB554.7 million for the year ended December 31, 2013. This increase was primarily the result of an increase in tuition income of 11.0% from RMB467.8 million for the year ended December 31, 2012 to RMB519.2 million for the year ended December 31, 2013, primarily due to an increase in tuition fees we received because (i) we raised tuition fees for newly admitted students for our middle schools, the high schools and the Primary School (i.e. students in the first, seventh and tenth grades) in 2012, resulting in higher tuition fee income as the newly admitted students who were affected by the fee increase in 2012 would continue to pay higher tuition levels as they advanced to the next grade levels at their respective schools; and (ii) our student enrollment increased.

Cost of sales

Cost of sales increased by 14.2% from RMB304.3 million for the year ended December 31, 2012 to RMB347.5 million for the year ended December 31, 2013. This increase was primarily the result of increases in staff costs, office expenses, depreciation and amortization, maintenance expenses and student subsidies. Staff costs increased by 7.1% from RMB202.8 million for the year ended December 31, 2012 to RMB217.2 million for the year ended December 31, 2013, mainly due to an increase in the salaries and benefits paid to our teachers as a result of increased salaries and bonus payments to our teachers. Depreciation and amortization increased by 41.8% from RMB26.5 million for the year ended December 31, 2012 to RMB37.6 million for the year ended December 31, 2013 as a result of the addition of buildings and leasehold improvements in connection with the relocation for the University campus in 2012. Office expenses increased by 85.3% from RMB7.3 million for the year ended December 31, 2012 to RMB13.6 million for the year ended December 31, 2013 due to the relocation of the University campus. In addition, student subsidies increased substantially from RMB9.8 million for the year ended December 31, 2012 to RMB17.9 million for the year ended December 31, 2013 mainly because we paid approximately RMB11.0 million of additional fees to Jiangwei Restaurant to cover increased expenses for food and meal catering services at our schools as a result of a shortage of food supplies in 2013 caused by the Ya'an earthquake in Sichuan Province, which we could not pass on to our students. Maintenance expenses also increased from RMB12.5 million for the year ended December 31, 2012 to RMB16.2 million for the year ended December 31, 2013, which was primarily caused by our undertaking to maintain various classrooms, dormitories, buildings and teaching equipment at our schools in 2013. We undertake such maintenance as needed from time to time. These increases were partially offset by a decrease in the cost of cooperative education, which decreased from RMB15.5 million for the year ended December 31, 2012 to RMB11.0 million for the year ended December 31, 2013, mainly because we ceased making payments to Sichuan International Studies University for the usage of its brand name in 2013 as the relevant agreement expired in July 2012.

Gross Profit

Gross profit increased by 4.8% from RMB197.8 million for the year ended December 31, 2012 to RMB207.2 million for the year ended December 31, 2013 in line with the growth of our business. Our gross profit margin decreased from 39.4% for the year ended December 31, 2012 to 37.4% for the year ended December 31, 2013, mainly due to an increase in our costs of sales resulting from an increase in student subsidies involving a one-time RMB11.0 million of additional fees paid by us in 2013 to Jiangwei Restaurant to whom we outsourced the food and meal catering services at all of our schools during the Track Record Period.

Other Income and Gains

Other income and gains decreased from RMB5.3 million for the year ended December 31, 2012 to RMB3.1 million for the year ended December 31, 2013. The decrease was primarily due to (i) a decrease of RMB0.7 million in donation income because we received less donations from one of our related parties, which varies from year to year, (ii) a decrease of RMB0.8 million in government grants in 2013 as compared to 2012, and (iii) a decrease in interest income from our bank deposits.

Selling and Distribution Expenses

Selling and distribution expenses increased by 54.8% from RMB2.1 million for the year ended December 31, 2012 to RMB3.2 million for the year ended December 31, 2013. The increase was primarily due to an increase in the marketing expenses in 2013 compared to 2012.

Administrative Expenses

Our administrative expenses decreased by 12.7% from RMB36.1 million for the year ended December 31, 2012 to RMB31.5 million for the year ended December 31, 2013, primarily due to the fact that in 2012, we paid a one-time RMB8.0 million financial advisory fee to commercial banks in connection with certain financial advisory services provided by them.

Other Expenses

Other expenses decreased from RMB0.7 million for the year ended December 31, 2012 to RMB0.3 million for the year ended December 31, 2013. The decrease was primarily attributable to (i) a RMB0.3 million decrease in donation expenses in 2013 as we made certain donations of teaching equipment to third-party educational institutions in 2012, and (ii) a decrease in the disposition of fixed assets in 2013 as we disposed certain assets in 2012 for the relocation of the University's campus in the same year.

Finance Costs

Finance costs increased substantially by 76.6% from RMB68.8 million for the year ended December 31, 2012 to RMB121.5 million for year ended December 31, 2013, primarily due to an increase in bank loans and other borrowings, which resulted in an increase in our interest expenses.

Profit before Income Tax

As a result of the foregoing, we recognized a profit of RMB53.7 million before income tax for the year ended December 31, 2013, compared to a profit of RMB95.8 million before income tax for the year ended December 31, 2012. Our profit before income tax as a percentage of revenue was 9.7% for the year ended December 31, 2013 and our profit before income tax as a percentage of revenue was 19.1% for the year ended December 31, 2012.

Income Tax Expense

The tax expense we incurred for the years ended December 31, 2012 and 2013 was nil and nil, respectively.

Profit for the Period

As a result of the above factors, we recorded a profit of RMB53.7 million for year ended December 31, 2013, as compared to a profit of RMB95.8 million for the year ended December 31, 2012.

CURRENT ASSETS AND CURRENT LIABILITIES

The following table sets forth details of our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of June 30,	As of October 31,
	2012	2013	2014	2015	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (Unaudited)
CURRENT ASSETS					
Prepayments, deposits and other receivables	97,219	116,295	136,315	13,945	15,421
Financial asset held for trading	250	250	250	250	—
Amount due from related parties	—	—	—	5,125	8,534
Cash and cash equivalents	153,268	189,453	109,850	233,174	313,854
TOTAL CURRENT ASSETS	250,737	305,998	246,415	252,494	337,809
CURRENT LIABILITIES					
Other payables and accruals	129,561	120,901	78,403	229,832	189,877
Interest-bearing bank and other borrowings	607,000	719,490	626,000	454,000	509,000
Deferred revenue	295,760	338,406	371,371	364,597	585,969
Deferred income - current	—	—	—	190	190
TOTAL CURRENT LIABILITIES	1,032,321	1,178,797	1,075,774	1,048,619	1,285,036
NET CURRENT LIABILITIES	(781,584)	(872,799)	(829,359)	(796,125)	(947,227)

As of December 31, 2012 and 2013 and 2014 and June 30, 2015, we had net current liabilities of RMB781.6 million, RMB872.8 million, RMB829.4 million and RMB796.1 million, respectively. We had net current liabilities as of each of these dates primarily because (i) the large amount of cash was used in investing activities to finance, among others, the construction of Phase 2 of the University's campus; (ii) all of our short-term loans and borrowings were used to finance the aforesaid investment; and (iii) tuition fees and boarding fees from all of our schools were generally paid in advance prior to the beginning of each school year. We record payments of tuition fees and boarding fees initially as a liability under deferred revenue and recognize such amounts received as revenue proportionately over the relevant period of the applicable program. As a school year typically commences in September each year and ends in June the following year, the amounts of deferred revenue as of December 31, 2012, 2013 and 2014 generally represented the amount of tuition fees and boarding fees received from all of our students for the 2012/2013, 2013/2014 and 2014/2015 school years, respectively, but have yet to be recognized as revenue for the remainder of the school year (generally from January to June). However, the amounts of deferred revenue as of June 30, 2015 mainly represented the tuition fees and boarding fees paid in advance by some of our students up to and as of June 30, 2015 for the upcoming 2015/2016 school year (i.e., the relevant tuition fees and boarding fees paid by such students for the entire nine-month school year), as such students chose to pay the relevant tuition fees and boarding fees in advance before June 30, 2015 for that upcoming school year, which normally commences in September. The amounts of deferred revenue as of December 31, 2014 and as of June 30, 2015 were similar primarily because (i) we received a large amount of tuition fees and boarding fees paid in advance by a number of our students for the 2015/2016 school year by June 30, 2015, which will be recognized as revenue ratably over a period of approximately nine months (i.e., from September 2015 to June 2016 and excluding approximately one month of winter holiday); and (ii) the amount of deferred revenue as of December 31, 2014, which represented the amount of tuition fees and boarding fees that we received from all of our students for the 2014/2015 school year, remained to be recognized as revenue ratably over a period of approximately five months (i.e., from January to June 2016 and excluding approximately one month of winter holiday). As advised by our Directors and based on our internal records, our schools typically require students to pay the relevant tuition fees and boarding fees for the upcoming school year before the end of September of each year. However, we allow certain students to pay their tuition fees and boarding fees after September but before the end of December of each year on a limited and case by case basis.

Amounts due from related parties mainly represents the remaining balances from Derui Education Fund, which was disposed to Derui Education Management in September 2015, and from Sichuan Derui. We expect such amounts to be settled before Listing. Other payables and accruals consist primarily of (i) payables for purchase of property, plant and equipment in connection with our expansion and maintenance of our schools, (ii) deposits collected from students for miscellaneous expenses, which are paid out by us to vendors on behalf of the students, (iii) dividend payable to the school sponsor of our schools, and (iv) and interest payable on bank loans and other borrowings. The Directors confirm that we did not have any material defaults in any payables during the Track Record Period. Interest-bearing bank and other borrowings represent primarily short-term loans used in connection with our business expansion involving the construction of Phase 2 of the University's campus. For more information, see the section headed "Risk Factors — Risks Relating to Our Business and Our Industry — We had net current liabilities as of December 31, 2012, 2013 and 2014 and June 30, 2015 and a significant level of indebtedness during the Track Record Period. We may be exposed to liquidation risks, and our business, financial condition and results of operation may be materially and adversely affected as a result" in this prospectus. As of October 31, 2015, our outstanding balances for the short-term bank borrowings (including a portion of the specific long-term borrowings due within one year) were RMB509.0 million. All of the aforesaid outstanding bank borrowing were for the construction of Phase 2 of the University's campus and will be due to be repaid between December 2015 and October 2016, and the specific outstanding long-term bank borrowings of RMB310.0 million (excluding a portion due within one year) for the construction of Phase 2 of the University's campus will be due to be repaid annually in the amount ranging from RMB30.0 million to RMB80.0 million until 2022. Historically, we either used the tuition fees our schools collected to repay the existing bank borrowings or renewed the short-term bank borrowings upon maturity. In the future, we intend to use the proceeds of the Global Offering and tuition fees our schools collect to repay the outstanding bank borrowings.

We expect to improve our net current liabilities position by (i) receiving the net proceeds from the Global Offering; (ii) funds generated from our business operations; (iii) utilizing cooperative arrangements with third parties to expand our business, which requires substantially lower capital investment compared to the traditional business model; and (iv) debt restructuring to reduce the percentage of the short-term loans in our total borrowings.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to fund our working capital requirements, our purchase of property, plant and equipment and to repay loans and related interest expenses. To date, we have funded our operations principally with cash generated from our operations and bank and other borrowings. In the future, we believe that our liquidity requirements will be satisfied with a combination of cash flows generated from our operating activities, bank loans and other borrowings, net proceeds from this Global Offering and other funds raised from the capital markets from time to time. Any significant decrease in the student enrollment, or our tuition fees and boarding fees, or a significant decrease in the availability of bank loans or other financing may adversely impact our liquidity. As of December 31, 2012, 2013 and 2014 and June 30, 2015, we had cash and cash equivalents of RMB153.3 million, RMB189.5 million, RMB109.9 million and RMB233.2 million, respectively.

We combine the results of our PRC Operating Entities and our access to their cash balance or future earnings through our Structured Contracts with them. See the sections headed "History and Corporate Structure" and "Structured Contracts" in this prospectus.

Cash Flow

The following table sets forth a summary of our cash flows for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Net cash from operating activities ..	146,726	219,474	273,865	177,296	312,825
Net cash used in investing activities ..	(605,284)	(180,503)	(343,116)	(42,224)	(187,558)
Net cash from/(used in) financing activities ..	522,345	(2,786)	(10,352)	(63,301)	(1,943)
Increase/(decrease) in cash and cash equivalents	63,787	36,185	(79,603)	71,771	123,324
Cash and cash equivalents at beginning of the year/period	89,481	153,268	189,453	189,453	109,850
Cash and cash equivalents at the end of the year/period ...	153,268	189,453	109,850	261,224	233,174

Cash Flows from Operating Activities

We generate cash from operating activities primarily from tuition fees and boarding fees, all of which are typically paid in advance before the respective services are rendered. Tuition fees and boarding fees are initially recorded under deferred revenue. We recognize such amounts received as revenue proportionately over the relevant period of the applicable program.

Net cash from operating activities amounted to RMB312.8 million for the six months ended June 30, 2015, consisting primarily of RMB186.5 million of cash generated from operations before working capital adjustments and net working capital adjustments of RMB126.2 million. Our net working capital adjustments primarily consisted of a RMB123.7 million decrease in prepayments, deposits and other receivables primarily due to the repayment by an Independent Third Party of an interest-free loan/payment we had previously extended to such party, partially offset by a RMB6.8 million decrease in deferred revenue resulting from the fact that the University collected boarding fees only when its school year commenced in September.

Net cash from operating activities amounted to RMB273.9 million for the year ended December 31, 2014, consisting primarily of RMB266.7 million of cash generated from operations before working capital adjustments and net working capital adjustments of RMB6.5 million. Our net working capital adjustments primarily consisted of a RMB33.0 million increase in deferred revenue that primarily related to increased tuition fees because (i) we raised tuition fees for newly admitted students for our middle schools, the high schools and the Primary School in 2012 and the University in 2014; and (ii) our student enrollment also increased in 2014, partially offset by (i) a RMB21.8 million increase in prepayments, deposits and other receivables as we extended interest-free loans/payment to an Independent Third Party, and (ii) a decrease of RMB6.3 million in other payables and accruals due to payment for the purchase of certain school-related property, plant and equipment.

Net cash from operating activities amounted to RMB219.5 million for the year ended December 31, 2013, consisting of RMB212.8 million of cash generated from operations before working capital adjustments and net working capital adjustments of RMB5.8 million. Our net working capital adjustments primarily consisted of a RMB42.6 million increase in deferred revenue because (i) we raised tuition fees for newly admitted students for our middle schools, high school and the Primary School in 2012; and (ii) our student enrollment increased in 2013, offset partially by (i) a RMB16.1 million increase in prepayments, deposits and other receivables primarily because we extended interest-free loans/payment to an Independent Third Party, and (ii) a RMB21.2 million decrease in other payables and accruals resulting from the payments made to Jiangwei Restaurant.

Net cash from operating activities amounted to RMB146.7 million for the year ended December 31, 2012, consisting of RMB189.4 million of cash generated from operations before working capital adjustments and negative net working capital adjustments of RMB43.8 million. Our negative net working capital adjustments primarily consisted of a RMB60.7 million increase in prepayments, deposits and other receivables primarily because we extended interest-free loans/payment to an Independent Third Party, partially offset by a RMB22.2 million increase in deferred revenue that primarily related to the increased tuition fees because we raised tuition fees for newly admitted students for the middle schools, the high schools and the Primary School in 2012.

Cash Flows from Investing Activities

Our expenditures for investing activities were primarily for the purchase of property, plant and equipment and prepaid land lease payments.

Net cash used in investing activities amounted to RMB187.6 million for the six months ended June 30, 2015, which was primarily attributable to RMB185.6 million increase in amounts due from related parties as we advanced excess cash to certain of our related parties to finance the construction of Phase 2 of the University's campus.

Net cash used in investing activities amounted to RMB343.1 million for the year ended December 31, 2014, primarily attributable to (i) RMB212.6 million increase in amounts due from related parties as we advanced excess cash to certain of our related parties to finance the construction of Phase 2 of the University's campus; and (ii) RMB87.2 million used to purchase property, plant and equipment in connection with in the renovation student dormitories, teaching facilities and teacher apartments for our schools, as well as in the purchase of trees for Phase 2 of the University's campus.

Net cash used in investing activities amounted to RMB180.5 million for the year ended December 31, 2013, primarily attributable to (i) RMB156.0 million increase in amounts due from related parties as we advanced excess cash to certain of our related parties to finance the construction of Phase 2 of the University's campus; and (ii) RMB56.5 million used in the renovation of student dormitories, teaching facilities and teacher apartments for our schools.

Net cash used in investing activities amounted to RMB605.3 million for the year ended December 31, 2012, primarily attributable to (i) RMB416.5 million increase in amounts due from related parties as we advanced excess cash to certain of our related parties to finance the construction of Phase 2 of the University's campus; (ii) RMB125.5 million increase in long-term receivable as we extended loans to an construction company that was an Independent Third Party, whom Sichuan Derui contracted in connection with the construction of Phase 2 of the University's campus; and (iii) RMB45.5 million used in the renovation of student dormitories, teaching facilities and teacher apartments for our schools.

Cash Flows from Financing Activities

Our expenditures for financing activities were primarily for the prepayments of borrowings and payment of interest expense.

Net cash used in financing activities amounted to RMB1.9 million for the six months ended June 30, 2015, which was primarily attributable to (i) RMB105.0 million in repayments of bank borrowings, and (ii) RMB64.9 million in payment of interest expense, offset in part by RMB168.0 million in proceeds raised from new bank and other borrowings.

Net cash used in financing activities amounted to RMB10.4 million for the year ended December 31, 2014, primarily attributable to (i) RMB659.0 million in repayments of borrowings, (ii) RMB107.0 million in payment of interest expense, and (iii) RMB40.0 million dividends paid to the school sponsors of our schools, offset in part by RMB558.8 million in proceeds raised from new bank and other borrowings and RMB251.0 million in repayment of amount due from related parties.

Net cash used in financing activities amounted to RMB2.8 million for the year ended December 31, 2013, primarily attributable to (i) RMB862.0 million in repayments of bank borrowings, (ii) RMB114.0 million in payment of interest expense, and (iii) RMB55.0 million dividends paid to the school sponsors of our schools, offset in part by RMB1,067.0 million in proceeds raised from new bank borrowings.

Net cash from financing activities amounted to RMB522.3 million for the year ended December 31, 2012, primarily attributable to RMB960.3 million in proceeds raised from new bank and other borrowings, offset partially by (i) RMB330.0 million in repayments of bank borrowings, and (ii) RMB68.0 million dividends paid to the school sponsors of our schools.

Working Capital

We intend to continue to finance our working capital with cash generated from our operations and by the net proceeds from the Global Offering. We will closely monitor the level of our working capital, particularly in view of our strategy to continue expanding our school network, establishing a dedicated teacher and staff training center and repaying outstanding short-term loans.

Our future working capital requirements will depend on a number of factors, including, but not limited to, our operating income, the size of our school network, the cost of constructing new school premises, maintaining and upgrading existing school premises, purchasing additional educational facilities and equipment for our schools and hiring additional teachers and other educational staff. Our Directors are of the view that our available cash balance, the anticipated cash flow from operations, bank loans and other borrowings and the net proceeds from the Global Offering will be sufficient to meet our present and anticipated cash requirements for the next 12 months from the date of this prospectus. Based on the review of financial documents and other due diligence documents, discussion with the Directors and the Directors' confirmation, the Sole Sponsor concurs with the Directors' view.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period primarily related to constructing Phase 2 of the University's campus, maintaining and upgrading the existing school premises and purchasing additional educational facilities and equipment for our schools. Our capital expenditures consisted of the additions of property, plant and equipment and prepaid land lease payments, and for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015 were RMB342.5 million, RMB107.8 million, RMB72.4 million and RMB1,395.2 million, respectively. The following table sets forth our additions of property, plant and equipment and leasehold levels, respectively, for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (Unaudited)	(RMB'000)
Property, plant and equipment	336,443	107,798	72,407	16,659	1,278,064
Prepaid land lease payments	6,063	—	—	—	117,097
Total	342,506	107,798	72,407	16,659	1,395,161

Historically, we have generally operated our schools under a traditional business model under which our Schools or our school sponsor owned substantially all or a portion of the premises the schools occupy primarily because we needed to establish and build the reputation of our schools during the initial stage of operation. However, going forward, we intend to enter into cooperative arrangements with business partners who are Independent Third Parties, including local governments, real estate developers and other public and/or private school operators, pursuant to which our business partners will contribute or lease to us the relevant land and facilities, as the case may be, while we contribute our brand name and teachers and provide funding for the operation of the school(s). We believe this transformation in our business model will likely result in less capital expenditure required for the acquisition of land and buildings beyond 2015.

CONTRACTUAL COMMITMENTS

Capital Commitments

Our capital commitments primarily relate to the acquisition of plant and equipment. The following table sets forth a summary of our capital commitments as of the dates indicated:

	As of December 31,			As of June 30, 2015	As of October 31, 2015
	2012	2013	2014		
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (Unaudited)
Contracted but not provided for:					
buildings	—	—	—	22,000[(1)]	—
lease-hold improvement	7,459	—	—	—	—
electronic devices	—	—	—	—	—
Total	7,459	—	—	22,000	—

Note:

(1) The capital commitment of RMB22.0 million applies to the renovation and reconstruction of the campus at Chengdu Experimental Foreign Languages School.

Operating Lease Commitments

During the Track Record Period, we leased a number of buildings under operating leases. Leases for buildings were negotiated for a term of three to 20 years. The table below sets forth our future minimum lease payments payable under non-cancellable operating leases as of the dates indicated:

	As of December 31,			As of June 30, 2015	As of October 31, 2015
	2012	2013	2014		
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (Unaudited)
Within one year	7,267	8,631	1,820	1,820	12,377
Within two to five years	6,869	7,710	8,179	8,530	35,441
Over five years	—	25,488	23,199	21,987	21,166
Total	14,136	41,829	33,198	32,337	68,984

INDEBTEDNESS

Bank Loans and Other Borrowings

Our bank loans and other borrowings primarily consisted of short-term working capital loans and long-term project loans for the construction of the school premises. Our bank loans and other borrowings as of December 31, 2012, 2013 and 2014, June 30, 2015 and October 31, 2015, being the latest practicable date for the purpose of indebtedness statement, were as follows:

	As of December 31,			As of June 30,	As of October 31,
	2012	2013	2014	2015	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (Unaudited)
Bank loans and other borrowings					
Current					
Bank loans – secured	507,000	491,000	626,000	454,000	509,000
Other borrowings – secured	100,000	228,490	—	—	—
Non-current					
Bank loans – secured	368,999	468,295	384,648	620,423[(1)]	488,160[(1)]
Other borrowings – unsecured	260,000	260,000	260,000	260,000	260,000
– secured	—	—	80,000	80,000	80,000
Total indebtedness	1,235,999	1,447,785	1,350,648	1,414,423	1,337,160
Carrying amount repayable:					
Bank loans					
Within one year or on demand	507,000	491,000	626,000	454,000	509,000
More than one year, but not exceeding two years	—	80,000	80,000	160,000	105,000
Within three to five years	—	200,000	180,000	255,000	255,000
Over five years	—	188,295	124,648	205,423	128,160
	507,000	959,295	1,010,648	1,074,423	997,160
Other borrowings[(2)]					
Within one year or on demand	100,000	228,490	—	—	—
In the second year	313,470	—	80,000	80,000	80,000
In the third to fifth years, inclusive	55,529	—	—	—	—
Beyond five years	260,000	260,000	260,000	260,000	260,000
	728,999	488,490	340,000	340,000	340,000
Total indebtedness	1,235,999	1,447,785	1,350,648	1,414,423	1,337,160

Notes:

(1) During the Track Record Period, in addition to short-term bank loans, we also utilized the non-current bank loans to finance the construction of Phase 2 of the University's campus. As of June 30, 2015 and October 31, 2015, the amount of non-current bank loans was larger than current bank loans primarily because the term of a RMB235.0 million bank loan was extended to beyond one year, and as a result, the loan, which was previously classified as current liability, has been reclassified as non-current bank loan.

(2) Other borrowings are primarily comprised of certain entrusted loans and Xinhua Winshare's total capital contribution in the University, which is accounted for in its entirety as other borrowing. See "History and Corporate Structure — History of our Six Schools — Chengdu Institute Sichuan International Studies University" for details of the 2009 University Ageements.

We primarily borrow loans from banks and trust companies to supplement our working capital and finance our expenditure. The bank loans and other borrowings as of December 31, 2012, 2013 and 2014 and June 30, 2015 were all denominated in Renminbi. As of December 31, 2012, our bank loans bore effective interest rates ranging from 6.10% to 9.00% per annum, and our borrowings in the form of entrusted loans and the distributable returns paid to Xinhua Winshare under the 2009 University Agreements bore effective interest rates ranging from 7.28% to 10.00% per annum. As of December 31, 2013, our bank loans bore effective interest rates ranging from 6.30% to 7.21% per annum, and our borrowings in the form of entrusted loans and the distributable returns paid to Xinhua Winshare under the 2009 University Agreements bore effective interest rates ranging from 9.00% to 10.00% per annum. As of December 31, 2014, our bank loans bore effective interest rates ranging from 5.88% to 7.57% per annum, and our borrowings in the form of entrusted loans and the distributable return paid to Xinhua Winshare under the 2009 University Agreements bore effective interest rates ranging from 7.55% to 10.0% per annum. Moreover, as of June 30, 2015, our bank loans bore effective interest rates ranging from 5.88% to 7.57% per annum, while our borrowings in the form of entrusted loans and the distributable returns paid to Xinhua Winshare under the 2009 University Agreements bore effective interest rates ranging from 7.55% to 10.0% per annum. As of October 31, 2015, we had unutilized banking facilities of approximately RMB287.0 million.

During the Track Record Period, Sichuan Derui and certain of our Group's related parties provided certain guarantees, pledges and mortgages for the loans we borrowed. Except for certain bank loans that we intend to repay with proceeds from the Global Offering, all remaining guarantees, pledges and mortgages provided by our Group's related parties will be released upon listing. For details of the loans to be repaid by the net proceeds from the Global Offering, please refer to "Future Plans and Use of Proceeds — Use of Proceeds." We do not think it is necessary to release the guarantees provided by our Group's related parties for these loans before Listing because (i) we believe we generally have sufficient cash and cash equivalents on hand to repay such loans, (ii) such loans shall be repaid shortly after the completion of Listing with a portion of the proceeds raised from this offering and (iii) our financial independence and ability to raise funds for further development would not be adversely affected by the continuance of the guarantees provided by our Group's related parties.

Our Directors confirm that as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that our Group did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Disclaimer

Except as disclosed above, as of June 30, 2015, being the Latest Practicable Date for determining our indebtedness, we did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

Our Directors confirm that there has not been any material change in our indebtedness and contingent liabilities since June 30, 2015.

CONTINGENT LIABILITIES

As of June 30, 2015, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group. The Directors have confirmed that there has not been any material change in the contingent liabilities of our Group since June 30, 2015.

LISTING EXPENSES

We expect to incur a total of RMB65.1 million of listing expenses (assuming an Offer Price of HK$2.55, being the mid-point of the indicative Offer Price range between HK$2.18 and HK$2.92, and assuming that the Over-allotment Option is not exercised) until the completion of the Global Offering, of which RMB33.2 million is expected to be charged to our combined statements of profit or loss and other comprehensive income for the year ending December 31, 2015 and RMB31.9 million is directly attributable to the issue of the Shares to the public and to be capitalized. Listing expenses represent professional fees and other fees incurred in connection with the Listing, including underwriting commissions but excluding discretionary bonus. The listing expenses above are the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate. We do not expect these listing expenses to have a material impact on our results of operations for the year ending December 31, 2015.

FINANCIAL RATIOS

	As of/for the year ended December 31,			As of/for the six months ended June 30,
	2012	2013	2014	2015
Net profit margin(1)	19.1%	9.7%	18.3%	30.3%
Return on assets(2)	4.9%	2.2%	4.4%	4.3%
Return on equity(3)	16.1%	8.8%	17.7%	17.6%
Current ratio(4)	0.24	0.26	0.23	0.24
Debt to equity ratios(5)	177.7%	207.0%	181.9%	206.3%
Gearing ratio(6)	202.9%	238.2%	198.0%	247.0%
Interest coverage ratio(7)	2.4	1.4	2.0	3.1

Notes:

(1) Net profit margin equals our net profit after tax divided by revenue for the year/period.

(2) Return on assets equals net profit for the year/period divided by average total assets as of the end of the year/period.

(3) Return on equity equals net profit for the year/period divided by average total equity amounts as of the end of the year/period.

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

(5) Debt to equity ratio equals total interest-bearing bank loans and other borrowings net of cash and cash equivalents at the end of the year/period divided by total equity at the end of the year/period.

(6) Gearing ratio equals total debt divided by total equity as of the end of the year/period. Total debt includes all interest-bearing bank loans and other borrowings.

(7) Interest coverage ratio equals profit before interest and tax of one year/period divided by finance cost of the same year/period.

Analysis of Key Financial Ratios

Net Profit Margin

Our net profit margin decreased from 19.1% for the year ended December 31, 2012 to 9.7% for the year ended December 31, 2013 and increased to 18.3% for the year ended December 31, 2014, primarily due to (i) an increase in student subsidies in 2013, when we made additional payments to Jiangwei Restaurant as a result of the Ya'an earthquake in 2013 which caused a food shortage in the area we operated and increased food prices, and (ii) an increase in finance costs as we borrowed additional loans. Net profit margin increased from 27.5% for the six months ended June 30, 2014 to 30.3% for the six months ended June 30, 2015, mainly because (i) higher gross profit margin due to higher revenue and better cost control, and (ii) we reduced the finance costs for the first six months of 2015 compared to the first six months of 2014.

Return on Assets and Return on Equity

Our return on assets ratio decreased from 4.9% as of December 31, 2012 to 2.2% as of December 31, 2013, and our return on equity ratio decreased from 16.1% as of December 31, 2012 to 8.8% as of December 31, 2013, mainly due to a decrease in net profit in 2013 resulting from additional payments to Jiangwei Restaurant and increased finance costs as we incurred additional debt to finance our business expansion and operations. Return on assets ratio and return on equity ratio increased to 4.4% and 17.7% as of December 31, 2014, respectively, primarily due to increased net profit in 2014 as a result of increased revenue and lower finance cost as we repaid more existing indebtedness than the new loans we incurred during the year.

In addition, return on assets ratio was 4.3% as of June 30, 2015, and on an annualized basis, was 8.6%, and return on equity ratio was 17.6% as of June 30, 2015, and on an annualized basis, was 35.5%, both of which were significantly higher than the return on assets ratio and return on equity ratio as of December 31, 2014, primarily due to (i) higher net profit because we generally recognize more tuition fee income during the first half of the year, (ii) an increase in our revenue due to increased tuition income we received during the period, and a decrease in its total equity due to dividends of RMB220.0 million declared for the six months ended June 30, 2015.

Current Ratio and Quick Ratio

Our current ratio remained relatively stable during the Track Record Period. Since we are a provider of educational services, we did not have any inventory. As a result, our quick ratio is the same as our current ratio.

Debt to Equity Ratio and Gearing Ratio

Our debt to equity ratio increased from 177.7% as of December 31, 2012 to 207.0% as of December 31, 2013, and our gearing ratio increased from 202.9% as of December 31, 2012 to 238.2% for the year ended December 31, 2013, mainly because our Group borrowed additional loans in 2013 to finance the construction of Phase 2 of the University's campus. Our debt to equity ratio and gearing ratio decreased to 181.9% and 198.0% as of December 31, 2014, respectively, mainly because we made repayments of the existing indebtedness and the amount of new loans we borrowed was less than the amount of our repayment during the year.

Our debt to equity ratio and gearing ratio increased to 206.3% and 247.0% as of June 30, 2015, primarily due to the decrease in our Group's total equity, which was due to the fact that dividends of RMB220.0 million has been declared for the six months ended June 30, 2015.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. During the Track Record Period, we have entered into a number of related party transactions pursuant to which we advanced excess cash from our schools to Sichuan Derui and other related parties. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, the balance of these related party transactions amounted to RMB745.8 million, RMB901.8 million, RMB863.4 million and RMB5.1 million, respectively. These balances were unsecured, interest-free and had no fixed term of repayment. According to our PRC Legal Advisors, Jingtian & Gongcheng, because these advances were interest-free, they were not in contravention of the relevant lending provisions under the applicable PRC laws and regulations. Please refer to note 29 to the Accountants' Report in Appendix I to this prospectus for details of these and other related party transactions. As of June 30, 2015, our Group, our certain related parties which have outstanding balance with our Group and Sichuan Derui entered into certain agreements, pursuant to which Sichuan Derui agreed to transfer to our Group its property, plant and equipment and certain land use rights for the premises in Phase 2 of the University's campus (the "Target Assets") for a total consideration of approximately RMB1,390.4 million, with approximately RMB1,273.3 million and RMB117.1 million for the property, plant and equipment and land use rights, respectively. The consideration was settled by offsetting the net balance of the amounts due from and to Sichuan Derui and certain of our related parties which had outstanding balances with our Group as of June 30, 2015.

Our Directors believe that each of the related party transactions set out in note 29 to the Accountants' Report in Appendix I to this prospectus was conducted in the ordinary course of business on an arm's length basis. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands and has not carried out any business since the date of its incorporation. Accordingly, our Company has no reserve available for distribution to the Shareholders as of June 30, 2015.

DIVIDEND POLICY

As we are a holding company, our ability to declare and pay dividends will depend on receipt of sufficient funds from our subsidiaries and, particularly, our PRC Operating Entities, which are primarily incorporated in the PRC. Our PRC Operating Entities must comply with their respective constitutional documents and the laws and regulations of the PRC in declaring and paying dividends to us. Pursuant to the laws applicable to the PRC's Foreign Investment Enterprises, our Company's subsidiaries and our PRC Operating Entities must make appropriations from after-tax profit to non-distributable reserve funds as determined by the board of directors of each relevant entity prior to payment of dividends. These reserves include a general reserve and a development fund. Subject to certain cumulative limits, the general reserve requires annual appropriations of 10% of after-tax profits as determined under PRC laws and regulations at each year-end until the balance reaches 50% of the relevant PRC entity's registered capital. PRC laws and regulations require private schools where the school sponsors require reasonable returns to make annual appropriations of 25% of after-tax income to its development fund prior to payments of dividend. Such appropriations are required to be used for the construction or maintenance of the school or for the procurement or upgrading of educational equipment. In the case of a private school where the school sponsors do not require reasonable returns, the school is required to make annual appropriations equivalent to no less than 25% of the annual increase of net assets of the school as determined in accordance with generally accepted accounting principles in the PRC. Each of our schools requires reasonable returns.

Any amount of dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Law. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board.

In 2012, 2013 and 2014, our PRC Operating Entities declared or paid dividends of RMB68.0 million, RMB55.0 million and RMB40.0 million in the aggregate, respectively, to their respective school sponsors. Our PRC Operating Entities declared dividends of RMB220.0 million in the aggregate for the six months ended June 30, 2015. As of June 30, 2015, dividends of approximately RMB66.4 million has been settled as amounts due from Sichuan Derui and the remaining balance is expected to be paid to their respective school sponsors using our internal funds before the Listing. Following the Listing, the Board intends to recommend at the relevant Shareholders meeting an annual dividend of no less than 25% of our profit for the year available for distribution to the Shareholders, after taking into consideration the factors described above in the foreseeable future.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since June 30, 2015 since June 30, 2015 (being the date on which the latest audited combined financial information of our Group was prepared) and there is no event since June 30, 2015 which would materially affect the information shown in our combined financial statements included in the Accountants' Report in Appendix I to this prospectus.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following our unaudited pro forma adjusted combined net tangible assets has been prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA for illustration purpose only, and is set out below to illustrate the effect of the Global Offering on our combined net tangible assets as of June 30, 2015 as if it had taken place on that date.

Our unaudited pro forma adjusted combined net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as of June 30, 2015 or any future date. It is prepared based on our combined net tangible assets as of June 30, 2015 as set out in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below:

	Combined net tangible assets attributable to owners of our Company as of June 30, 2015(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted combined net tangible assets	Unaudited pro forma adjusted combined net tangible assets per Share(3)	
	RMB'000	RMB'000	RMB'000	RMB	HK$(4)
Based on the Offer Price of HK$2.18 per Share	513,701	1,226,371	1,740,072	0.5800	0.7355
Based on the Offer Price of HK$2.92 per Share	513,701	1,664,050	2,177,751	0.7259	0.9205

Notes:

(1) The combined net tangible assets attributable to owners of our Company as of June 30, 2015 is extracted from the Accountants' Report, which is based on the audited combined equity attributable to owners of our Company as of June 30, 2015 of approximately RMB514 million.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$2.18 per Share and HK$2.92 per Share, after deduction of the underwriting fees and other related expenses payable by our Company and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK$1.0 to RMB0.78861 prevailing on June 30, 2015.

(3) The unaudited pro forma adjusted combined net tangible assets per Share is calculated based on 3,000,000,000 Shares in issue immediately following the completion of the Global Offering and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(4) The unaudited pro forma adjusted combined net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$1.0 to RMB0.78861 prevailing on June 30, 2015.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our Group's principal financial instruments comprise bank loans and cash and cash equivalents. Our Group has various other financial assets and liabilities such as amounts due from related parties, other receivables, amounts due to related parties and other payables and accruals, which arise directly from its operations. The main risks arising from our Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarized below.

Interest Rate Risk

Our Group's fair value interest rate risk relates primarily to its fixed-rate bank and other borrowings. Our Group is also exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly bank balances and bank and other borrowings which carried interest at prevailing market interest rates. It is our Group's policy to keep certain borrowings at floating rates of interest so as to minimize the fair value interest rate risk. Our Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the Directors will consider hedging significant interest rate risk should the need arise.

Sensitivity Analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate bank borrowings at the end of each reporting period and assumed that the amount of liabilities outstanding at the end of each reporting period was outstanding for the whole year/period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, our Group's post-tax profit for the years ended December 31, 2012, 2013 and 2014 and for the six months ended June 30, 2015 would decrease/increase by RMB0.2 million, RMB2.0 million, RMB2.2 million and RMB1.6 million, respectively. This is mainly attributable to our Group's exposure to interest rates on its bank borrowings.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year/period end exposure at the end of each year/period in the Track Record Period does not reflect the exposure during the respective years/periods.

Credit Risk

The credit risk of our Group's other financial assets, which comprise cash and cash equivalents, deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since our Group trades only with recognized and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by product type. There are no significant concentrations of credit risk within our Group.

Liquidity risk

Our Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. Our Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of our Group's financial liabilities as at the end of each of period in the Track Record Period, based on the contractual undiscounted payments, was as follows:

	As of December 31, 2012					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings						
fixed rate	45,000	63,620	280,283	513,409	260,000	1,162,312
variable rate	25,000	34,939	82,281	—	—	142,220
Amounts due to related parties	—	—	—	100,331	—	100,331
Financial liabilities included in other payables and accruals	114,637	—	—	—	—	114,637
	184,637	98,559	362,564	613,740	260,000	1,519,500

	As of December 31, 2013					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings						
fixed rate	45,000	53,814	247,221	104,000	260,000	710,035
variable rate	25,000	44,401	181,366	376,869	215,672	843,308
Amounts due to related parties	—	—	—	101,045	—	101,045
Financial liabilities included in other payables and accruals	104,732	—	—	—	—	104,732
	174,732	98,215	428,587	581,914	475,672	1,758,847

	As of December 31, 2014					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings						
fixed rate	45,000	11,436	254,060	189,822	260,000	760,318
variable rate	25,000	10,415	209,750	340,472	145,187	730,824
Amounts due to related parties	—	—	—	108,035	—	108,035
Financial liabilities included in other payables and accruals	57,896	—	—	—	—	57,896
	127,896	21,851	463,810	638,329	405,187	1,657,073

	As of June 30, 2015					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings						
fixed rate	—	116,858	139,777	259,822	260,000	776,457
variable rate	—	32,642	218,113	468,961	205,011	924,727
Financial liabilities included in other payables and accruals	208,209	—	—	—	—	208,209
	208,209	149,500	357,890	728,783	465,011	1,909,393

FUTURE PLANS

Please refer to the section headed "Business — Our Business Strategies" in this prospectus for a detailed discussion of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$1,834.5 million from the Global Offering, assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming the initial Offer Price of HK$2.55 per Share, being the mid-point of the indicative Offer Price range set forth on the cover page of this prospectus. We intend to use the proceeds from the Global Offering for the purposes and in the amounts set out below:

- approximately 48.3%, or HK$885.7 million (equivalent to approximately RMB739.5 million), is expected to be used to (i) enter into cooperative arrangements with Independent Third Parties to jointly establish new schools in China and overseas, and (ii) purchase the relevant land use rights to develop new schools, or acquire existing schools from Independent Third Parties. When selecting acquisition targets, we will consider factors that include, among other things, the general economic and social condition in the local area in which a target school is located, the demand for the education we provide in such area, the level of government support in promoting private education, and the anticipated cost of an acquisition. We expect to consolidate the new schools and established schools, as applicable, into our Group using the same Structured Contracts. As of the Latest Practicable Date, we had not identified any specific acquisition target or the timeline for incurring acquisition expenditure;

- approximately 22.7%, or HK$416.8 million (equivalent to approximately RMB348.0 million), is expected to be used for repayment of existing short-term bank borrowings, the details of which are set forth below:

Lender	Amount (RMB)	Interest Rate	Maturity Date	Expected Repayment Date	Loan Purpose
Bank of Dalian	63.0 million	5.58%	June 23, 2016	February 2016	Purchase of teaching equipment
Bank of Dalian	50.0 million	5.58%	June 23, 2016	February 2016	Purchase of teaching equipment
China Merchants Bank.........	50.0 million	5.66%	December 22, 2016	February 2016	Working capital
China Merchants Bank	30.0 million	5.66%	December 22, 2016	February 2016	Working capital

Lender	Amount (RMB)	Interest Rate	Maturity Date	Expected Repayment Date	Loan Purpose
Industrial and Commercial Bank of China	42.0 million	4.57%	November 30, 2016	February 2016	Repair and maintenance of school premises and purchase of goods
Industrial and Commercial Bank of China	23.0 million	5.88%	January 15, 2016	February 2016	Purchase of agricultural by products
Industrial and Commercial Bank of China	10.0 million	4.85%	August 17, 2016	February 2016	Repair and maintenance of school premises and purchase of goods
Guangdong Financial Trust Company ...	80.0 million	7.55%	December 12, 2016	February 2016	Working capital

- approximately 20.0%, or HK$366.9 million (equivalent to approximately RMB306.3 million), is expected to be used primarily for establishing a teacher and staff training and development center; and

- approximately 9.0%, or HK$165.1 million (equivalent to approximately RMB137.9 million), is expected to be used to fund our working capital and general corporate purposes.

If the Offer Price is set at the high-end or low-end of the proposed offer price range, the net proceeds of the Global Offering (assuming that the Over-allotment Option is not exercised) will increase or decrease by approximately HK$277.5 million, respectively. In such event, we will increase or decrease the allocation of the net proceeds to the above purposes (except for the repayment of existing short-term bank borrowings) on a pro-rata basis.

If the Over-allotment Option is exercised in full, the net proceeds from the Global Offering will increase to approximately HK$2,121.4 million, assuming an Offer Price of HK$2.55 per Offer Share, being the mid-point of the proposed Offer Price range. If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the net proceeds from the Global Offering (including the proceeds from the exercise of the Over-allotment Option) will increase or decrease by approximately HK$319.1 million, respectively. We intend to apply the additional net proceeds to the above uses (except for the repayment of existing short-term bank borrowings) in the proportions stated above.

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes, it is our present intention that such net proceeds will be deposited into interest-bearing bank accounts with licensed banks and/or financial institutions in Hong Kong.

The Cornerstone Placing

We and the Joint Global Coordinators have entered into corporate placing agreements with the following investors (the "**Cornerstone Investors**", each a "**Cornerstone Investor**"), pursuant to which the Cornerstone Investors have agreed to subscribe for the Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) that may be purchased for an aggregate amount of approximately US$20 million (the "**Cornerstone Placing**") at the Offer Price.

Assuming an Offer Price of HK$2.18 (being the low-end of the Offer Price range set out in this prospectus), the total number of Shares to be subscribed for by the Cornerstone Investors would be 71,122,000, representing approximately 9.48% of the Offer Shares and 2.37% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is not exercised and approximately 8.25% of the Offer Shares and 2.29% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is fully exercised. Assuming an Offer Price of HK$2.55 (being the mid-point of the Offer Price range set out in this prospectus), the total number of Shares to be subscribed for by the Cornerstone Investors would be 60,802,000, representing approximately 8.11% of the Offer Shares and 2.03% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is not exercised and approximately 7.05% of the Offer Shares and 1.95% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is fully exercised. Assuming an Offer Price of HK$2.92 (being the high-end of the Offer Price range set out in this prospectus), the total number of Shares to be subscribed for by the Cornerstone Investors would be 53,098,000, representing approximately 7.08% of the Offer Shares and 1.77% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is not exercised and approximately 6.16% of the Offer Shares and 1.71% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is fully exercised.

The Cornerstone Placing will form a part of the International Placing. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Shares in issue upon completion of the Global Offering. Immediately following completion of the Global Offering, the Cornerstone Investors will not have any representation on the Board, nor will the Cornerstone Investors become a substantial shareholder of our Company (as defined under the Listing Rules). The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Placing and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "Structure of the Global Offering — Pricing and Allocation".

To the best knowledge of our Company, each of the Cornerstone Investors is an Independent Third Party and is independent from each other. Each of the Cornerstone Investors is independent from our Company, the connected persons of the Company and their associates. The Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering other than pursuant to the relevant corporate placing agreements disclosed in this section. Immediately following the completion of the Global Offering, the Cornerstone Investors will not have any board representation in our Company, nor will any of the Cornerstone Investors become a substantial shareholder of our Company. The Offer Shares to be subscribed for by the Cornerstone Investors will rank pari passu with the fully paid Shares then in issue and to be listed on the Stock Exchange and will be counted towards the public float of our Shares. No special rights have been granted to the Cornerstone Investors as part of the Cornerstone Placing.

Our Cornerstone Investors

A brief description of the Cornerstone Investors is set out below:

China Orient Multi-Strategy Master Fund ("China Orient Fund")

Pursuant to the cornerstone investment agreement entered into between our Company, the Joint Global Coordinators and China Orient Fund dated December 18, 2015, China Orient Fund has agreed to subscribe for such number of our Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares), which may be purchased for an aggregate amount of approximately US$10 million (approximately HK$77.5 million) at the Offer Price.

Assuming an Offer Price of HK$2.55 (being the mid-point of the Offer Price range set out in this prospectus), the total number of Shares to be subscribed for by China Orient Fund would be 30,401,000, representing approximately 4.05% of the Offer Shares and 1.01% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is not exercised and approximately 3.52% of the Offer Shares and 0.98% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is fully exercised.

China Orient Fund is a company incorporated in the Cayman Islands and is managed by China Orient International Asset Management Limited ("**China Orient**"). China Orient was incorporated in Hong Kong and is a wholly-owned subsidiary of China Orient Asset Management Corporation* (中國東方資產管理公司) ("**COAMC**"). Approved by the State Council and the People's Bank of China, and registered with the State Administration for Industry and Commerce as a wholly state-owned financial institution, COAMC was founded on October 27, 1999. COAMC's business includes a variety of financial services, such as insurance, securities, trust, leases, credit rating and assets management, enabling it to provide various financial services to its customers.

CRRC (HONG KONG) CO. LIMITED ("CRRC HK")

Pursuant to the cornerstone investment agreement entered into between our Company, the Joint Global Coordinators and CRRC HK dated December 23, 2015, CRRC HK has agreed to subscribe for such number of our Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares), which may be purchased for an aggregate amount of approximately US$10 million (approximately HK$77.5 million) at the Offer Price.

Assuming an Offer Price of HK$2.55 (being the mid-point of the Offer Price range set out in this prospectus), the total number of Shares to be subscribed for by CRRC HK would be 30,401,000, representing approximately 4.05% of the Offer Shares and 1.01% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is not exercised and approximately 3.52% of the Offer Shares and 0.98% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is fully exercised.

CRRC HK is a company incorporated in Hong Kong, which is wholly-owned and controlled by CRRC Corporation Limited, a joint stock limited company incorporated in the PRC whose shares are listed on the Shanghai Stock Exchange (stock code: 601766) and the Stock Exchange (stock code: 1766). CRRC HK's principal activities include trading, investment, funding, consulting and leasing. CRRC

Corporation Limited is a rolling stock supplier and it supplies rolling stock products in series including high speed multiple units, high-powered electric locomotives, transit vehicles, heavy haul freight trains and high-end passenger carriages, and is also engaged in systematic and comprehensive research, development, manufacturing and other extended businesses.

Conditions Precedent

The subscription by the Cornerstone Investors is subject to, among other things, the satisfaction of the following conditions precedent:

a) the Hong Kong Underwriting Agreement and the International Purchase Agreement having been entered into and become effective and unconditional (in accordance with their respective original terms or as subsequently varied by agreement of the relevant parties) by no later than the respective times and dates specified therein;

b) the Offer Price having been agreed upon between us and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters and the International Purchasers);

c) neither of the Hong Kong Underwriting Agreement and the International Purchase Agreement having been terminated; and

d) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering.

Restriction on Disposal by the Cornerstone Investors

Each of the Cornerstone Investors has agreed and has undertaken to our Company and the Joint Global Coordinators that unless it has obtained the prior written consent of each of our Company and the Joint Global Coordinators to do otherwise, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date (the "**Lock-up Period**"), dispose of any of the Shares subscribed for by it under the relevant cornerstone investment agreements (the "**Relevant Shares**") or any interest in any company or entity holding (directly or indirectly) any of the Relevant Shares.

After expiration of the Lock-up Period, each of the Cornerstone Investors may dispose of the Shares so subscribed for in certain limited circumstances as set out in the relevant cornerstone investment agreements, such as notifying in writing our Company and the Joint Global Coordinators prior to any disposal and using all reasonable endeavors to ensure that any such disposal is strictly in accordance with all applicable laws and regulations including the Listing Rules and the SFO and does not create a disorderly or false market in the Shares and the Cornerstone Investor shall not knowingly dispose of any Shares to another person who engages directly or indirectly in a business which competes or likely to compete with the business of our Company, or to another entity which is a holding company, fellow subsidiary of such holding company or subsidiary of such person, without the prior written consent of our Company and the Joint Global Coordinators.

Joint Global Coordinators

Macquarie Capital Securities Limited
Haitong International Securities Company Limited

Joint Bookrunners and Joint Lead Managers

Macquarie Capital Securities Limited
Haitong International Securities Company Limited
Guotai Junan Securities (Hong Kong) Limited
China Industrial Securities International Capital Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on December 30, 2015. Pursuant to the Hong Kong Underwriting Agreement, we are offering the Public Offer Shares for subscription by the public in Hong Kong at the Offer Price on the terms and subject to the conditions of this prospectus and the Application Forms.

Subject to the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein (including any additional Shares which may be made available pursuant to the exercise of the Over-allotment Option), and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly or jointly and severally to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Purchase Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled by notice to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect if at any time prior to 8:00 a.m. on the Listing Date:

(1) there has come to the notice of the Joint Global Coordinators or any of the Hong Kong Underwriters after the date of the Hong Kong Underwriting Agreement:

(i) any breach of, or any matter or event rendering untrue, incorrect, inaccurate or misleading in any respect, any of the warranties under the Hong Kong Underwriting Agreement or the International Purchase Agreement; or

(ii) any material breach of any of the obligations or undertakings imposed upon any party to the Hong Kong Underwriting Agreement or the International Purchase Agreement (other than upon any of the Hong Kong Underwriters or the International Purchasers); or

(iii) that any statement contained in any of this prospectus, the Application Forms and/or in any notices, announcements, post hearing information pack, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering or the Global Offering (including any supplement or amendment thereto) was, when it was issued, or has or may become, untrue, incorrect, inaccurate or misleading in any respect, or that any estimate/forecast, expression of opinion, intention or expectation contained in any of this prospectus, the Application Forms and/or any notices, announcements, post hearing information pack, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering or the Global Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions with reference to the facts and circumstances then subsisting; or

(iv) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus, constitute a misstatement or omission from any of this prospectus, the Application Forms, post hearing information pack and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering or the Global Offering (including any supplement or amendment thereto); or

(v) any matter, event, act or omission which gives or is likely to give rise to any liability of our Company or the Controlling Shareholders or the executive Directors or Sichuan Derui out of or in connection with any breach, inaccuracy and/or incorrectness of the warranties under the Hong Kong Underwriting Agreement or the International Purchase Agreement and/or pursuant to the indemnities given by any of the indemnifying parties pursuant to the Hong Kong Underwriting Agreement or the International Purchase Agreement; or

(vi) any material adverse change or development involving a prospective material adverse change in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole, whether or not arising in the ordinary course of business, as determined by the Joint Global Coordinators in their absolute discretion; or

(vii) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(viii) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(ix) Ernst & Young as the reporting accountant, Jingtian & Gongcheng as the legal advisors to our Company on PRC law, Conyers Dill & Pearman as the legal advisors to our Company on Cayman Islands law in relation to the Global Offering, DTZ Debenham Tei Leung Limited as the independent property valuer or Frost & Sullivan as the independent industry consultant, has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

(x) a material portion of the orders in the bookbuilding process or the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled, and the Joint Global Coordinators, in their absolute discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering; or

(2) there shall have developed, occurred, happened or come into effect:

(i) any change or development involving a prospective change in, or any event or series of events resulting or likely to result in any change or development involving a prospective change or development, in local, national, regional or international financial, economic, political, military, industrial, fiscal, legal, regulatory, currency, credit or market conditions or exchange control or any monetary or trading settlement system (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets or a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or the Renminbi is linked to any foreign currency or currencies), in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof), Japan, the Cayman Islands or the British Virgin Islands, or any other jurisdiction relevant to any member of our Group (each a "Relevant Jurisdiction"); or

(ii) any new law or regulation or any change, development or announcement or publication involving a prospective change in existing law or regulations, or such new law or regulation resulting or likely to result in the Structured Contracts being rendered invalid or unenforceable or otherwise affecting the consolidating into the Group of the financial results of relevant entities under the Structured Contracts or any change, development or announcement or publication involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions; or

(iii) the imposition or declaration of:

(a) any moratorium, suspension, restriction or limitation (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

(b) any general moratorium on commercial banking activities or foreign exchange trading or securities settlement or clearance services in Hong Kong, New York, London, the PRC, the European Union (or any member thereof), Japan, the Cayman Islands, the British Virgin Islands or any other Relevant Jurisdiction, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in those places or jurisdictions; or

(iv) a change or development involving a prospective change in taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any Relevant Jurisdiction; or

(v) any litigation, or claim, or investigation or actions being announced, threatened or instigated against any Group company or the Controlling Shareholders or the executive Directors or Sichuan Derui; or

(vi) a demand by any tax authority for payment for any tax liability for any member of our Group; or

(vii) any adverse change or development involving a prospective adverse change (whether permanent or not) in the assets, liabilities, conditions, business affairs, prospects (financial or otherwise), earnings, profits, losses or financial or trading position of or our Group taken as a whole, or

(viii) the imposition of economic sanctions or withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction; or

(ix) an executive Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(x) the chairman, chief executive officer or chief financial officer of our Company vacating his or her office; or

(xi) the commencement by any administrative, governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organization or other non-governmental regulatory authority, or any court, tribunal or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign or supranational ("Authority") of any investigation, claim, proceedings or other action, or announcing an intention to investigate or take such action, against any executive Director; or

(xii) a contravention by any Group company of the Listing Rules or applicable laws, rules or regulations; or

(xiii) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including the Over-allotment Option Shares) pursuant to the terms of the Global Offering; or

(xiv) non-compliance of this prospectus (or any other documents used in connection with the contemplated offering, allotment, issue, subscription or sale of any of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law or regulation; or

(xv) other than with the approval of the Joint Global Coordinators, the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offering, allotment, issue, subscription or sale of any of the Shares) pursuant to the Companies (WUMP) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xvi) any event or series of events in the nature of force majeure, including, without limitation, acts of government, declaration of a national or international emergency, calamity, crisis, labour disputes, strikes, lock-outs, riots, public disorder, fire, explosion, flooding, earthquake, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), outbreak of diseases or epidemics or pandemics including, but not limited to, Severe Acute Respiratory Syndromes (SARS), H1N1 and H5N1 and such related/mutated forms or accident or interruption or delay in transportation, economic sanction and any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis; or

(xvii) any change or prospective change in, or a materialisation of, any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(xviii) order or petition for the winding up or liquidation of any Group company or any composition, compromise or arrangement made by any Group company with its creditors or a scheme of arrangement entered into by any Group company or any resolution for the winding up or liquidation of any Group company is passed or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or

(xix) a demand by any creditor for repayment or payment of any member of our Group's indebtednesses prior to its stated maturity;

which, individually or in the aggregate, in the absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters)

(i) has or will or may have or is likely to have a material adverse effect, whether directly or indirectly, on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole; or

(ii) has or will or may have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing or dealings in the Offer Shares in the secondary market; or

(iii) makes or will or may make or is likely to make it inadvisable or inexpedient or impracticable for any material part of Hong Kong Underwriting Agreement, or for any part of the Hong Kong Public Offering or the Global Offering to be performed or implemented or proceed as envisaged or to market the Global Offering or to deliver the Offer Shares on the terms and in the manner contemplated by this prospectus; or

(iv) has or will or may have the effect of making any part of Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

Undertakings to the Stock Exchange pursuant to the Listing Rules

By Our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (the "First Six-Month Period") (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealing), except pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option), any exercise of the options which may be granted under the Share Option Scheme or any of the circumstances prescribed by Rule 10.08 of the Listing Rules.

By Our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange that, except pursuant to any transfer of Shares pursuant to the Stock Borrowing Agreement, he/it shall not and shall procure that the relevant registered holder(s) of the Shares will not:

(a) in the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the expiration date of the First Six-Month Period, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares or securities of our Company in respect of which he/it is shown by this prospectus to be the beneficial owner; and

(b) in the period of six months commencing on the date on which the First Six-Month Period expires (the "Second Six-Month Period"), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be our controlling shareholder (as defined in the Listing Rules).

Each of our Controlling Shareholders has also undertaken to the Stock Exchange and us that, within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/it will:

(a) when he/it pledges or charges any Shares or other securities of our Company beneficially owned by him/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and

(b) when he/it receives any indications, either verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such Shares or securities will be disposed of, immediately inform us in writing of any such indications.

We will inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of the Controlling Shareholders and disclose such matters by way of an announcement published in accordance with Rule 2.07C of the Listing Rules as soon as possible after being so informed by any of the Controlling Shareholders.

Undertakings to the Hong Kong Underwriters

Pursuant to the Hong Kong Underwriting Agreement, our Company, our Controlling Shareholders have undertaken as follows.

Undertakings by Our Company

Except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option) and the issue of Shares pursuant to the Capitalization Issue and the Share Option Scheme, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date of the expiry of the First Six-Month Period, we have undertaken to each of the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters not to, and to procure each Group company not to, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create any mortgage, charge, pledge, lien, or other security interest or any option, restriction, right of first refusal, right of pre-emption, defect, or other third party claim, right, interest or preference or any other encumbrance of any kind ("Encumbrance") over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any shares or other securities of such other Group company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other Group company, as applicable), or deposit any Shares or other securities of our Company or any shares or other securities of such other Group company, as applicable, with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any shares or other securities of such other Group company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such Group company, as applicable); or

(c) enter into any transaction with the same economic effect as any transaction specified in paragraphs (a) or (b) above.

(d) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (a) or (b) or (c) above,

in each case, whether any of the transactions specified in paragraphs (a) or (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such Group company, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the First Six-Month Period). In the event that, at any time during the Second Six-Month Period, our Company enters into any of the transactions specified in paragraphs (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company. Each of the Controlling Shareholders has undertaken to each of the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters to procure our Company to comply with the undertakings in this paragraph.

Undertakings by the Controlling Shareholders

Each of the Controlling Shareholders has undertaken to our Company, each of the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, none of the Controlling Shareholders will:

(a) at any time during the First Six-Month Period,

i. sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or deposit any Shares or other securities of our Company with a depositary in connection with the issue of depositary receipts, or

ii. (in case of Mr. Yan) transfer, issue, allot or create any Encumbrances over, or otherwise dispose of its direct or indirect interests in Virscend Holdings, or

iii. enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or other securities of our Company or any interest therein in (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or

iv. enter into any transaction with the same economic effect as any transaction specified in paragraph (a)(i), (ii) or (iii) above, or

v. offer to or agree to or announce any intention to effect any transaction specified in paragraph (a)(i), (ii) or (iii) above, in each case, whether any of the transactions specified in paragraph (a)(i), (ii), (iii) or (iv) above is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the First Six-Month Period);

(b) he/it will not, at any time during the Second Six-Month Period, enter into any of the transactions specified in paragraph (a)(i), (ii), (iii) or (iv) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, he/she/it will cease to be a "controlling shareholder" (as the term is defined in the Listing Rules) of our Company; and

(c) until the expiry of the Second Six-Month period, in the event that he/it enters into any of the transactions specified in paragraph (a)(i), (ii), (iii) or (iv) above or offers to or agrees to or announce any intention to effect any such transaction, he/she/it will take all reasonable steps to ensure that he/it will not create a disorderly or false market in the securities of our Company.

Indemnity

We have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

The International Placing

In connection with the International Placing, it is expected that we will enter into the International Purchase Agreement with the International Purchasers. Under the International Purchase Agreement, subject to the conditions set forth therein, the International Purchasers would severally but not jointly or jointly and severally agree to procure purchasers for or failing which to purchase, the International Placing Shares. It is expected that the International Purchase Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Purchase Agreement is not entered into, the Global Offering will not proceed.

Over-allotment Option

Under the International Purchase Agreement, our Company is expected to grant to the International Purchasers, exercisable by the Joint Global Coordinators on behalf of the International Purchasers, the Over-allotment Option, exercisable within 30 days from the last day for lodging applications under the

Hong Kong Public Offering (the last day for exercise of the Over-allotment Option being Saturday, February 6, 2016) to require us to allot and issue up to 112,500,000 additional Shares, representing approximately 15% of the initial Offer Shares, at the same price per Offer Share under the International Placing, to, among other things, cover over-allocations in the International Placing, if any.

Stabilisation and over-allotment option

In connection with the Global Offering, the Stabilising Manager, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate Shares or 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. Please refer to the section headed "Structure of the Global Offering — Stabilisation" in this prospectus for details regarding stabilisation, "Structure of the Global Offering — Over-allotment Option" for over-allocation and "Structure of the Global Offering — The International Placing — Stock Borrowing Agreement" for stock borrowing arrangements in connection with the Global Offering.

Underwriting Commission and Expenses

The Hong Kong Underwriters will receive an underwriting commission of 2.0% on the Offer Price of the Public Offer Shares initially offered under the Hong Kong Public Offering out of which they will pay any sub-underwriting commission. The International Purchasers are expected to receive an underwriting commission of 2.0% on the Offer Price of the International Placing Shares offered under the International Placing. In addition, we may pay to the Joint Global Coordinators (for their account only) a discretionary incentive fee of up to 0.5% of the Offer Price multiplied by the total number of Offer Shares (subject to the Over-allotment Option).

The aggregate commissions and fees, together with listing fees, SFC transaction levy and Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Global Offering are estimated to amount to approximately RMB65.1 million (assuming an Offer Price of HK$2.55, being the mid-point of the indicative offer price range and assuming that the Over-allotment Option is not exercised) in total and are payable by us.

Hong Kong Underwriters' Interests in Our Company

Save for its obligations under the Hong Kong Underwriting Agreement and as disclosed in this prospectus, none of the Hong Kong Underwriters has any shareholding interests in our Company or any other member of our Group or the right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company or any other member of our Group.

Following completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

Buyers of Offer Shares sold by the Underwriters may be required to pay stamp taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the Offer Price.

The Sole Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(i) the Hong Kong Public Offering of 75,000,000 Public Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described below in the paragraph headed "— The Hong Kong Public Offering" below; and

(ii) the International Placing of an aggregate of 675,000,000 International Placing Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong), in offshore transactions in reliance on Regulation S and in the United States to QIBs in reliance on Rule 144A or another exemption from the registration requirements under the U.S. Securities Act.

Investors may apply for Public Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest, if qualified to do so, for Offer Shares under the International Placing, but may not do both.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

We are initially offering 75,000,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering, the Public Offer Shares will represent approximately 2.5% 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 forth in the paragraph headed "— Conditions of the Hong Kong Public Offering" below.

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 Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

The total number of Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided equally into two pools for allocation purposes: pool A and pool B. The Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable) or less. The Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable) up to the total value of pool B. Investors should be aware that the allocation ratios for applications in pool A and applications in pool B may be different. If the Public Offer Shares in one (but not both) of the pools are under-subscribed, the unsubscribed Public 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 Public Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Public 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 37,500,000 Public Offer Shares, being the number of Public Offer Shares initially available under each pool, are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Placing is subject to adjustment under the Listing Rules. 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, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 225,000,000, 300,000,000 and 375,000,000 Offer Shares, respectively, representing approximately 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option). In such cases, the number of Offer Shares allocated to the International Placing will be correspondingly reduced, in such manner as the Joint Global Coordinators deem appropriate, and such additional Offer Shares will be allocated to pool A and pool B.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, and such applicant’s application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Placing.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$2.92 per Offer Share in addition to the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing and Allocation" below, is less than the maximum price of HK$2.92 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Please refer to the section headed "How to Apply for Public Offer Shares" in this prospectus for further details.

THE INTERNATIONAL PLACING

Number of Offer Shares initially offered

We are initially offering 675,000,000 Offer Shares under the International Placing, representing 90% of the total number of Offer Shares initially available under the Global Offering. The International Placing is subject to the Hong Kong Public Offering becoming unconditional. Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering, the International Placing Shares will represent approximately 22.5% of our Company's enlarged issued share capital immediately after completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Allocation

The International Placing will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the "book-building" process described in the paragraph headed "Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the Listing. 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 our Shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Placing and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators 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.

Stock Borrowing Agreement

For the purpose of covering any over-allocations, the Stabilising Manager may borrow from Virscend Holdings up to 112,500,000 Shares, equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option, under the Stock Borrowing Agreement expected to be entered into between the Stabilising Manager and Virscend Holdings on or about the Price Determination Date.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, we intend to grant the Over-allotment Option to the International Purchasers, exercisable by the Joint Global Coordinators on behalf of the International Purchasers.

Pursuant to the Over-allotment Option, the International Purchasers have the right, exercisable by the Joint Global Coordinators (on behalf of the International Purchasers) within 30 days from the last day for lodging of applications under the Hong Kong Public Offering (the last day for the exercise of the Over-allotment Option being Saturday, February 6, 2016), to require us to allot and issue up to 112,500,000 additional Offer Shares representing approximately 15% of the initial Offer Shares, at the same price per Offer Share under the International Placing, to, among other things, cover over-allocations in the International Placing, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.61% of our enlarged issued share capital immediately following completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

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 retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements including those of Hong Kong. In Hong Kong, the stabilisation price will not exceed the initial public offer price.

In connection with the Global Offering, the Stabilizing Manager (or its affiliates or any person acting for it) as stabilising manager, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate Shares or 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 Stabilising Manager, its affiliates or any persons acting for it, 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 Stabilising Manager, its affiliates or any person acting for it. The number of Shares over-allocated will not be greater than the maximum number of Shares which may be issued upon exercise of the Over-allotment Option, being 112,500,000 Shares, which is approximately 15% of the Offer Shares initially available under the Global Offering.

Stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules, as amended, includes (i) over-allocating for the purpose of preventing or minimising any reduction in the market price of the Shares, (ii) 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, (iii) 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 (i) or (ii) above, (iv) 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, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilising Manager, its affiliates or any person acting for it, 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 Stabilising Manager, its affiliates or any person acting for it, will maintain such a long position;
- liquidation of any such long position by the Stabilising Manager, its affiliates or any person acting for it, may have a material and 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, February 6, 2016, being the 30th day after the last date for lodging applications 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 the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and
- stabilising bids may be made or transactions may be effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions may be effected at a price below the price paid by applicants for, or investors in, the Shares.

PRICING AND ALLOCATION

The International Purchasers will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Placing. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Friday, January 8, 2016, and in any event on or before Wednesday, January 13, 2016, by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and our Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$2.92 per Offer Share and is expected to be not less than HK$2.18 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.**

The Joint Global Coordinators, 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 offered in the Global Offering and/or the indicative offer price range 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 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 on the websites of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our Company at **www.virscendeducation.com** notices of the reduction. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised offer price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters) and our Company, will be fixed within such revised offer price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range 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 forth in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon with our Company and the Joint Global Coordinators (on behalf of the Underwriters), will under no circumstances be set outside the offer price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Joint Global Coordinators may at their discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Placing, 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 International Placing and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators.

The final Offer Price, the indications of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares available under the Hong Kong Public Offering are expected to be announced on Thursday, January 14, 2016 in the manner set forth in the section headed "How to Apply for Public Offer Shares — Publication of Results" in this prospectus.

The net proceeds from the Global Offering accruing to us (after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering, assuming that the Over-allotment Option is not exercised), are estimated to be approximately HK$1,834.5 million, assuming an Offer Price of HK$2.55 per Offer Share, being the mid-point of the indicative offer price range (or if the Over-allotment Option is exercised in full, approximately HK$2,121.4 million, assuming an Offer Price of HK$2.55 per Offer Share, being the mid-point of the indicative offer price range.)

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:

(i) the Listing Committee granting listing of, and permission to deal in, the Shares in issue, and the Offer Shares being offered pursuant to the Global Offering (including the additional Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option) (subject only to allotment) and any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme;

(ii) the Offer Price having been duly agreed between us and the Joint Global Coordinators (on behalf of the Underwriters) and the execution and delivery of the price determination agreement on or around the Price Determination Date;

(iii) the execution and delivery of the International Purchasers Agreement on or around the Price Determination Date; and

(iv) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Purchasers under the International Purchasers Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Purchase 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 Saturday, January 30, 2016, being the 30th day after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (on behalf of the Underwriters) on or before Wednesday, January 13, 2016, the Global Offering will not proceed.

The consummation of each of the Hong Kong Public Offering and the International Placing 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 Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the website of the Stock Exchange at **www.hkex.com.hk** and our website at **www.virscendeducation.com** on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set forth in the section headed "How to Apply for Public Offer Shares — Despatch/Collection of Share Certificates and Refund Monies" in this prospectus. 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 licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares will only become valid at 8:00 a.m. on the Listing Date provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for termination" in this prospectus has not been exercised.

Application for Listing on the Hong Kong Stock Exchange

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued under the exercise of the Over-allotment Option) and any Shares which may be issued under the Share Option Scheme on the Main Board of the Hong Kong Stock Exchange.

Shares will be eligible for CCASS

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

Dealing

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, January 15, 2016, it is expected that dealings in the Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Friday, January 15, 2016.

The Shares will be traded in board lots of 1,000 Shares each and the stock code of the Shares will be 1565.

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Public Offer Shares, you may:

- use a WHITE or YELLOW Application Form;
- apply online via the White Form eIPO Service at www.eipo.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the White Form eIPO Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a WHITE or YELLOW Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the White Form eIPO Service Provider, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of White Form eIPO service for the Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a WHITE Application Form or apply online through www.eipo.com.hk.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a YELLOW Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a WHITE Application Form and a copy of this prospectus during normal business hours between 9:00 a.m. on Thursday, December 31, 2015 until 12:00 noon on Thursday, January 7, 2016 from:

(i) any of the following offices of the Joint Bookrunners:

Macquarie Capital Securities Limited	Level 18 One International Finance Centre 1 Harbour View Street Central Hong Kong

Haitong International Securities Company Limited	22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Guotai Junan Securities (Hong Kong) Limited	27/F., Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
China Industrial Securities International Capital Limited	30/F, AIA Central 1 Connaught Road Central Hong Kong

(ii) any of the branches of the following receiving bank:

Industrial and Commercial Bank of China (Asia) Limited

District	Branch Name	Address
Hong Kong	Central Branch	1/F, 9 Queen's Road Central
	Sheung Wan Branch	Shop F, G/F, Kai Tak Commercial Building, 317-319 Des Voeux Road Central, Sheung Wan
	Causeway Bay Branch	Shop A on G/F, 1/F, Hennessy Apartments, 488 & 490 Hennessy Road
	North Point Branch	G/F, 436-438 King's Road, North Point
Kowloon...........	Tsimshatsui East Branch	Shop B, G/F, Railway Plaza, 39 Chatham Road South, Tsimshatsui, Kowloon
	Yaumatei Branch	542 Nathan Road, Yaumatei
	Mei Foo Branch	Shop N95A, 1/F, Mount Sterling Mall, Mei Foo Sun Chuen
New Territories	Tsuen Wan Castle Peak Road Branch	G/F, 423-427 Castle Peak Road Tsuen Wan
	Tai Po Branch	Shop F, G/F, Mee Fat Building, No 34-38 Tai Wing Lane, Tai Po
	Tseung Kwan O Branch	Shop Nos. 2011-2012, Level 2, Metro City, Plaza II, 8 Yan King Road, Tseung Kwan O

You can collect a YELLOW Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Thursday, December 31, 2015 until 12:00 noon on Thursday, January 7, 2016 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed WHITE or YELLOW Application Form, together with a cheque or a banker's cashier order attached and marked payable to "ICBC (Asia) Nominee Limited — Virscend Education Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Thursday, December 31, 2015	**—**	**9:00 a.m. to 5:00 p.m.**
Monday, January 4, 2016	**—**	**9:00 a.m. to 5:00 p.m.**
Tuesday, January 5, 2016	**—**	**9:00 a.m. to 5:00 p.m.**
Wednesday, January 6, 2016	**—**	**9:00 a.m. to 5:00 p.m.**
Thursday, January 7, 2016	**—**	**9:00 a.m. to 12:00 noon**

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, January 7, 2016, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the White Form eIPO Service Provider, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies (WUMP) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of the Company, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;

(viii) agree to disclose to the Company, our Hong Kong Share Registrar, receiving bank, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in "Personal Collection" section in the Prospectus to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a WHITE or YELLOW Application Form or by giving electronic application instructions to HKSCC or to the White Form eIPO Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a WHITE or YELLOW Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the Yellow Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO

General

Individuals who meet the criteria in "Who can apply" section, may apply through the White Form eIPO Service Provider for the Public Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the White Form eIPO Service Provider are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the White Form eIPO Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the White Form eIPO Service Provider.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the White Form eIPO Service Provider at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, December 31, 2015 until 11:30 a.m. on Thursday, January 7, 2016 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, January 7, 2016 or such later time under the "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of White Form eIPO, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the White Form eIPO Service Provider to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under White Form eIPO more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the White Form eIPO Service Provider or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

Environmental Protection

The obvious advantage of White Form eIPO is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK$2 for each "Virscend Education Company Limited" White Form eIPO application submitted via the website www.eipo.com.hk to support the funding of "Source of Dong Jiang Hong Kong Forest" project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 2979-7888 or through the CCASS Internet System https://ip.ccass.com (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a copy of this prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Public Offer Shares and a WHITE Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the WHITE Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Public Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any International Placing Shares;

- declare that only one set of electronic application instructions has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;

- confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of the Company, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving bank, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving electronic application instructions to apply for Public Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (WUMP) Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the WHITE Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 1,000 Public Offer Shares. Instructions for more than 1,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Thursday, December 31, 2015	**—**	**9:00 a.m. to 8:30 p.m.**[(1)]
Saturday, January 2, 2016	**—**	**8:00 a.m. to 1:00 p.m.**[(1)]
Monday, January 4, 2016	**—**	**8:00 a.m. to 8:30 p.m.**[(1)]
Tuesday, January 5, 2016	**—**	**8:00 a.m. to 8:30 p.m.**[(1)]
Wednesday, January 6, 2016	**—**	**8:00 a.m. to 8:30 p.m.**[(1)]
Thursday, January 7, 2016	**—**	**8:00 a.m.**[(1)] **to 12:00 noon**

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/ Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Thursday, December 31, 2015 until 12:00 noon on Thursday, January 7, 2016 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Thursday, January 7, 2016, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bankers, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the White Form eIPO is also only a facility provided by the White Form eIPO Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Bookrunners, the Sole Sponsor, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the White Form eIPO Service Provider will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet

System for submission of electronic application instructions, they should either (i) submit a WHITE or YELLOW Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Thursday, January 7, 2016.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a WHITE or YELLOW Application Form or by giving electronic application instructions to HKSCC or through the White Form eIPO Service Provider, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange. "Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The WHITE and YELLOW Application Forms have tables showing the exact amount payable for the Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a WHITE or YELLOW Application Form or through the White Form eIPO Service Provider in respect of a minimum of 1,000 Public Offer Shares. Each application or electronic application instruction in respect of more than 1,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Stock Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please see the section headed "Structure of the Global Offering — Pricing and Allocation" in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, January 7, 2016. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, January 7, 2016 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Public Offer Shares on or before Thursday, January 14, 2016 at the Company's website at **www.virscendeducation.com** and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.virscendeducation.com** and the Stock Exchange's website at www.hkexnews.hk by no later than 9:00 a.m. on Thursday, January 14, 2016;
- from the designated results of allocations website at www.iporesults.com.hk with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, January 14, 2016 to 12:00 midnight on Wednesday, January 20, 2016;

- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Thursday, January 14, 2016 to Sunday, January 17, 2016;

- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, January 14, 2016 to Saturday, January 16, 2016 at all the receiving bank branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to the White Form eIPO Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the White Form eIPO Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the White Form eIPO Service Provider are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Public Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$2.92 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker 's cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, January 14, 2016.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on YELLOW Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by WHITE or YELLOW Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for YELLOW Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/ passport number, provided by you or the first- named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Thursday, January 14, 2016. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, January 15, 2016 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, January 14, 2016 or such other date as notified by us on the websites of the Company and the Stock Exchange.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Thursday, January 14, 2016, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Thursday, January 14, 2016, by ordinary post and at your own risk.

If you apply by using a YELLOW Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, January 14, 2016, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS Investor Participant)**

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS Investor Participant**

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, January 14, 2016 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO Service Provider

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, January 14, 2016, or such other date as notified by the Company in the announcement published by the Company as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, January 14, 2016 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via electronic application instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, January 14, 2016, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Thursday, January 14, 2016. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, January 14, 2016, or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, January 14, 2016. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly or partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, January 14, 2016.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

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

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

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong. As described in Appendix VI headed "Documents Delivered to the Registrar of Companies and Available for Inspection" to this prospectus, a copy of the accountants' report is available for inspection.

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

31 December 2015

The Directors
Virscend Education Company Limited
Macquarie Capital Securities Limited

Dear Sirs,

We set out below our report on the financial information of Virscend Education Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity, and the combined statements of cash flows of the Group for each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 (the "Relevant Periods"), and the combined statements of financial position of the Group as at 31 December 2012, 2013 and 2014 and 30 June 2015 and the statement of financial position of the Company as at 30 June 2015, together with the notes thereto (the "Financial Information"), and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity, and the combined statements of cash flows of the Group for the six months ended 30 June 2014 (the "Interim Comparative Information"), prepared on the basis of presentation set out in note 2.1 of Section II below, for inclusion in this prospectus of the Company dated 31 December 2015 (the "Prospectus") in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 13 March 2015. Pursuant to the group reorganisation as set out in the paragraph headed "History and Corporate Structure — Corporate Reorganisation" in the Prospectus (the "Reorganisation"), the Company became the holding company of the subsidiaries now comprising the Group. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, no statutory financial statements have been prepared for the Company as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies now comprising the Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising the Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Company (the "Directors") have prepared the combined financial statements of the Group (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). The Underlying Financial Statements for each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Group as at 31 December 2012, 2013 and 2014 and 30 June 2015 and of the Company as at 30 June 2015 and of the combined results and cash flows of the Group for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended 30 June	
	Notes	2012	2013	2014	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
REVENUE	5	502,057	554,719	626,007	330,474	364,822
Cost of sales		(304,305)	(347,480)	(371,384)	(170,712)	(181,968)
Gross profit		197,752	207,239	254,623	159,762	182,854
Other income and gains	5	5,269	3,083	4,764	2,495	988
Selling and distribution expenses		(2,090)	(3,236)	(2,194)	(1,131)	(1,178)
Administrative expenses		(36,063)	(31,499)	(32,844)	(14,171)	(19,214)
Other expenses		(689)	(296)	(73)	(10)	(269)
Finance costs	7	(68,782)	(121,487)	(109,848)	(56,686)	(52,755)
Share of profit and loss of an associate		377	(74)	(107)	531	—
PROFIT BEFORE TAX	6	95,774	53,730	114,321	90,790	110,426
Income tax expense	10	—	—	—	—	—
PROFIT FOR THE YEAR/PERIOD		95,774	53,730	114,321	90,790	110,426
Attributable to:						
Owners of the parent	11	66,482	37,302	79,120	62,582	75,443
Non-controlling interests		29,292	16,428	35,201	28,208	34,983
		95,774	53,730	114,321	90,790	110,426
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		95,774	53,730	114,321	90,790	110,426
Attributable to:						
Owners of the parent		66,482	37,302	79,120	62,582	75,443
Non-controlling interests		29,292	16,428	35,201	28,208	34,983
		95,774	53,730	114,321	90,790	110,426

COMBINED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2012	As at 31 December 2013	As at 31 December 2014	As at 30 June 2015
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	706,871	780,493	812,794	2,069,804
Prepaid land lease payments	15	160,830	156,218	151,606	263,604
Investment in an associate	16	1,502	1,428	—	—
Other non-current assets		366	369	369	371
Long-term receivable	17	505,369	470,858	520,947	—
Amounts due from related parties	29(b)	745,785	901,786	863,419	—
Total non-current assets		2,120,723	2,311,152	2,349,135	2,333,779
CURRENT ASSETS					
Prepayments, deposits and other receivables	19	97,219	116,295	136,315	13,945
Financial asset held for trading	18	250	250	250	250
Amount due from related parties	29(b)	—	—	—	5,125
Cash and cash equivalents	20	153,268	189,453	109,850	233,174
Total current assets		250,737	305,998	246,415	252,494
CURRENT LIABILITIES					
Other payables and accruals	22	129,561	120,901	78,403	229,832
Interest-bearing bank and other borrowings	23	607,000	719,490	626,000	454,000
Deferred revenue	21	295,760	338,406	371,371	364,597
Deferred income – current	24	—	—	—	190
Total current liabilities		1,032,321	1,178,797	1,075,774	1,048,619
NET CURRENT LIABILITIES		(781,584)	(872,799)	(829,359)	(796,125)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,339,139	1,438,353	1,519,776	1,537,654
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	23	628,999	728,295	724,648	960,423
Deferred income – non-current	24	642	1,116	4,810	4,522
Amounts due to related parties	29(b)	100,331	101,045	108,035	—
Total non-current liabilities		729,972	830,456	837,493	964,945
Net assets		609,167	607,897	682,283	572,709
EQUITY					
Equity attributable to owners of the parent					
Share capital	25	—	—	—	—
Reserves	26	539,121	538,473	590,058	513,701
Non-controlling interests		70,046	69,424	92,225	59,008
Total equity		609,167	607,897	682,283	572,709

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent						
	Share capital	Capital reserve	Statutory surplus reserve	Retained profits	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 25	Note 26(b)	Note 26(c)				
At 1 January 2012	—	374,540	36,255	108,764	519,559	61,834	581,393
Profit for the year	—	—	—	66,482	66,482	29,292	95,774
Total comprehensive income for the year	—	—	—	66,482	66,482	29,292	95,774
Transfer from retained profits	—	—	23,634	(23,634)	—	—	—
Final dividend declared	—	—	—	(46,920)	(46,920)	(21,080)	(68,000)
At 31 December 2012 and 1 January 2013	—	374,540*	59,889*	104,692*	539,121	70,046	609,167
Profit for the year	—	—	—	37,302	37,302	16,428	53,730
Total comprehensive income for the year	—	—	—	37,302	37,302	16,428	53,730
Transfer from retained profits	—	—	16,483	(16,483)	—	—	—
Final dividend declared	—	—	—	(37,950)	(37,950)	(17,050)	(55,000)
At 31 December 2013 and 1 January 2014	—	374,540*	76,372*	87,561*	538,473	69,424	607,897
Profit for the year	—	—	—	79,120	79,120	35,201	114,321
Total comprehensive income for the year	—	—	—	79,120	79,120	35,201	114,321
Capital contribution	—	65	—	—	65	—	65
Transfer from retained profits	—	—	31,275	(31,275)	—	—	—
Final dividend declared	—	—	—	(27,600)	(27,600)	(12,400)	(40,000)
At 31 December 2014 and 1 January 2015	—	374,605*	107,647*	107,806*	590,058	92,225	682,283
Profit for the period	—	—	—	75,443	75,443	34,983	110,426
Total comprehensive income for the period	—	—	—	75,443	75,443	34,983	110,426
Transfer from retained profits	—	—	28,707	(28,707)	—	—	—
Interim dividend declared	—	—	—	(151,800)	(151,800)	(68,200)	(220,000)
At 30 June 2015	—	374,605*	136,354*	2,742*	513,701	59,008	572,709
(Unaudited)							
At 31 December 2013 and 1 January 2014	—	374,540*	76,372*	87,561*	538,473	69,424	607,897
Profit for the period	—	—	—	62,582	62,582	28,208	90,790
Total comprehensive income for the period	—	—	—	62,582	62,582	28,208	90,790
Transfer from retained profits	—	—	22,773	(22,773)	—	—	—
At 30 June 2014	—	374,540*	99,145*	127,370*	601,055	97,632	698,687

* Included in reserves in the combined statements of financial position.

COMBINED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014	Six months ended 30 June 2014	Six months ended 30 June 2015
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax	6	95,774	53,730	114,321	90,790	110,426
Adjustments for:						
Finance costs	7	68,782	121,487	109,848	56,686	52,755
Share of profit and loss of an associate		(377)	74	107	(531)	—
Interest income	5	(1,099)	(870)	(653)	(137)	(164)
Loss on disposal of items of property, plant and equipment	6	159	—	9	—	3
Government grants released		(1,163)	(366)	(1,656)	(667)	(98)
Depreciation	6, 14	22,759	34,164	40,101	19,155	21,049
Recognition of prepaid land lease payments	6, 15	4,566	4,612	4,612	2,306	2,521
		189,401	212,831	266,689	167,602	186,492
Decrease/(increase) in prepayments, deposits and other receivables		(60,708)	(16,073)	(21,820)	(2,737)	123,748
Increase/(decrease) in other payables and accruals		(6,416)	(21,166)	(6,278)	29,011	9,195
Increase/(decrease) in deferred revenue		22,187	42,646	32,965	(17,384)	(6,774)
Increase in deferred income		1,163	366	1,656	667	—
Cash generated from operations		145,627	218,604	273,212	177,159	312,661
Interest received	5	1,099	870	653	137	164
Income tax paid	10	—	—	—	—	—
Net cash flows from operating activities		146,726	219,474	273,865	177,296	312,825
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of items of property, plant and equipment		(45,484)	(56,486)	(87,209)	(24,518)	(3,122)
Increase in prepaid land lease payment		(19,973)	—	—	—	—
Receipt of government grants		642	474	3,694	208	—
Payment for purchase of investments		—	(3,000)	—	—	—
Receipt of disposal of investments		1,575	—	3,121	—	1,200
(Increase) in amounts due from related parties		(416,544)	(156,002)	(212,633)	(11,305)	(185,636)
Decrease/(increase) in long-term receivable		(125,500)	34,511	(50,089)	(6,609)	—
Net cash used in investing activities		(605,284)	(180,503)	(343,116)	(42,224)	(187,558)

	Notes	Year ended 31 December			Six months ended 30 June	
		2012	2013	2014	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES						
New bank and other borrowings		960,320	1,067,000	558,800	97,800	168,000
Repayments of bank borrowings		(330,000)	(862,000)	(659,000)	(281,000)	(105,000)
Dividends paid to sponsors		(68,000)	(55,000)	(40,000)	—	—
Repayment of related parties loans		—	(38,774)	(14,115)	(38,244)	—
Decrease in amounts due from related parties		—	—	251,000	226,000	—
Interest paid		(39,975)	(114,012)	(107,037)	(67,857)	(64,943)
Net cash flows from (used in) financing activities		522,345	(2,786)	(10,352)	(63,301)	(1,943)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		63,787	36,185	(79,603)	71,771	123,324
Cash and cash equivalents at beginning of year/period		89,481	153,268	189,453	189,453	109,850
Effect of foreign exchange rate changes, net		—	—	—	—	—
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		153,268	189,453	109,850	261,224	233,174
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	20	153,268	189,453	109,850	261,224	233,174

STATEMENTS OF FINANCIAL POSITION

	As at 30 June 2015
	RMB'000
CURRENT ASSETS	
Cash and cash equivalents	310
Total current assets	310
Total current liabilities	—
Total assets less current liabilities	310
Net assets	310
EQUITY	
Equity attributable to owners of the parent	
Issued capital	310
Total equity	310

II. NOTES TO THE FINANCIAL INFORMATION

1 CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 13 March 2015 as an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands. The address of the registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in providing private education services (collectively the "Listing Business") in the People's Republic of China (the "PRC").

Prior to the incorporation of the Company and the completion of the Reorganisation, the main operating activities of the Listing Business were carried out by Tibet Huatai Education Management Consulting Co., Ltd. (the "WFOE") and its subsidiaries, which were established in the PRC. The Company and its subsidiaries comprising the Group are under the control of Mr. Yan Yude(Mr. Yan, the "Controlling Shareholder").

In preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing"), the Group underwent the Reorganisation to transfer the Listing Business to the Company. Upon completion of the Reorganisation, the Company became the ultimate holding company of the Group.

As of the date of this report, the Company has direct and indirect interests in the following entities:

Company name	Date and place of incorporated/established and place of business	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
Virscend Investment Holding Company Limited (Note (a))	20 March 2015, BVI	USD50,000	100.00%	—	Investment holding
Wah Tai (HK) Investment Limited (Note (a))	8 September 2014, Hong Kong	HKD10,000	—	100.00%	Investment holding
Tibet Huatai Education Management Consulting Co., Ltd 西藏華泰教育管理有限公司* ("Tibet Huatai") (Note (a))	22 August 2015, the PRC	USD500,000	—	100.00%	Provision of education service

Company name	Date and place of incorporated/established and place of business	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
Chengdu Institute Sichuan International Studies University 四川外國語大學成都學院* ("University") (Note (b))	10 January 2001, the PRC	RMB98,408,800	—	(Note (d))	Provision of university education service
Chengdu Foreign Languages School 成都外國語學校* ("Chengdu Foreign Languages School") (Note (e))	14 January 2000, the PRC	RMB52,000,000	—	100.00%	Provision of high and middle school education service
Chengdu Experimental Foreign Languages School 成都市實驗外國語學校* ("Chengdu Experimental Foreign Languages School") (Note (b))	12 October 2001, the PRC	RMB132,100,000	—	100.00%	Provision of high and middle school education service
Chengdu Experimental Foreign Languages School (Western Campus) 成都市實驗外國語學校(西區)* ("Chengdu Experimental Foreign Languages School (Western Campus)") (Note (c))	4 June 2003, the PRC	RMB1,000,000	—	100.00%	Provision of high and middle school education service
The Primary School Attached to Chengdu Foreign Languages School 成都外國語學校附屬小學* ("Primary School") (Note (c))	23 May 2003, the PRC	RMB1,000,000	—	100.00%	Provision of primary school education service
Kindergarten of the Primary School attached to Chengdu Jinniu District Foreign Languages School 成都市金牛區成外附小幼稚園* ("Kindergarten") (Note (c))	2 July 2007, the PRC	RMB1,000,000	—	100.00%	Provision of kindergarten education service

(a) No audited financial statements have been prepared as these companies are either newly incorporated in 2015 or they are incorporated in jurisdictions which do not have any statutory audit requirements.

(b) The statutory financial statements for the years ended 31 December 2012 prepared in accordance with PRC Generally Accepted Accounting Principles (the "PRC GAAP") were audited by Sichuan Zhongheng Anxin Certified Public Accountants ("四川中衡安信會計師事務所"), certified public accountants registered in the PRC. The statutory financial statements for the years ended 31 December 2013 and 2014 prepared in accordance with PRC GAAP were audited by Sichuan Mingdao Certified Public Accountants ("四川明道會計師事務所"), certified public accountants registered in the PRC.

(c) The statutory financial statements for the Relevant Periods prepared in accordance with PRC GAAP were audited by Sichuan Zhongheng Anxin Certified Public Accountants ("四川中衡安信會計師事務所"), certified public accountants registered in the PRC.

(d) In March 2011, Sichuan Hongming Property Co., Ltd. ("Hongming Property") and Sichuan Derui entered into an equity transfer agreement, pursuant to which Hongming Property transferred its sponsor's interest of 23.83% in the University to Sichuan Derui for a total consideration of RMB255,000,000, which was determined with reference to the contribution made by Hongming Property to the registered capital of the University. On the same day, Hongming Property and Sichuan Derui entered into an agreement whereby the rights and liabilities attached to the 23.83% interest in the University was assigned to Sichuan Derui. Since then Sichuan Derui was deemed to be the beneficial owner of 75.7% sponsor interest in the University. The consideration was fully paid on 8 August 2012 and the transfer of sponsor interest is expected to be completed within October 2015. The 24.3% sponsor interest held by Xinhua Winshare entitles it to receive annual fixed dividend equaling to 8%, 9% and 10% of its total investment amounting to RMB260 million in the University in 2009, 2010 and 2011 and onwards. Accordingly the sponsor interest held by Xinhua Winshare was accounted for in its entirety as financial liability on the combined statements of financial position sheet even if that is non-redeemable because the net present value of the right to receive the fixed dividend is greater than the issue proceeds.

(e) The statutory financial statements for the years ended 31 December 2012 and 2014 prepared in accordance with PRC GAAP were audited by Sichuan Zhongheng Anxin Certified Public Accountants ("四川中衡安信會計師事務所"), certified public accountants registered in the PRC. The statutory financial statements for the years ended 31 December 2013 prepared in accordance with PRC GAAP were audited by Sichuan Zhongheng Mingdao Certified Public Accountants ("四川明道會計師事務所"), certified public accountants registered in the PRC.

* The English names of these companies represent the best effort made by management of the Company to directly translate the Chinese names as they do not register any official English names.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in the paragraph headed under the section headed "History and Corporate Structure — Corporate Reorganization" in the Prospectus, the Company became the holding company of the companies now comprising the Group on 7 September 2015. As the Reorganisation only involved inserting new holding companies and has not resulted in any change of economic substance, the Financial Information for the Relevant Periods has been presented as a continuation of the exiting company using the pooling of interests method as if the Reorganisation had been completed at the beginning of the Relevant Periods.

Due to regulatory restrictions on foreign ownership in the schools in the PRC, the Listing Business were carried out by University, Chengdu Foreign Languages School, Chengdu Experimental Foreign Languages School, Chengdu Experimental Foreign Languages School (Western Campus), Primary School and Kindergarten (collectively the "PRC Operating Entities") during the Relevant Periods. The wholly-owned subsidiary of the Company, Tibet Huatai, has entered into the structured contracts with, among others, the PRC Operating Entities and their respective equity holders ("Structured Contracts"). The arrangements of the Structured Contracts enable Tibet Huatai to exercise effective control over the PRC Operating Entities and obtain substantially all economic benefits of the PRC Operating Entities. Accordingly, the PRC Operating Entities are combined in the Financial Information continuously. Details of the Structured Contracts are disclosed in the section headed "Structured Contracts" in the Prospectus.

The Group does not have any equity interest in the PRC Operating Entities. However the PRC Operating Entities were ultimately under the control of the Controlling Shareholder, and through the Structured Contracts as detailed in note "2.4 — Subsidiaries arising from the Reorganisation" below, both the PRC Operating Entities and the business carried out by them are under the effective control of the Controlling Shareholder. Consequently, the Company regards the PRC Operating Entities as indirect subsidiaries for the purpose of the Financial Information. The companies now comprising the Group were under the common control of the Controlling Shareholder before and after the Reorganisation. Accordingly, for the purpose of this report, the Financial Information has been prepared by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

2.2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("IASB"). All IFRSs effective for the accounting period commencing from 1 January 2015, together with the relevant transitional provisions, have been early adopted in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost convention, except for certain financial asset held for trading, which has been measured at fair value. The Financial Information is presented in Renminbi ("RMB"), and all values are rounded to the nearest thousand except otherwise indicated.

Basis of combination

As aforementioned, the Group's Reorganisation is accounted for as business combination under common control using the merger accounting method.

The merger accounting method involves incorporating the financial statement items of the combining entities or businesses which underwent the Reorganization under common control as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or businesses are combined using the existing book values. No amount is recognised in respect of goodwill or excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost of investment at the time of common control combination, to the extent of the continuation of the controlling party's interest. The combined statements of comprehensive income included the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the Reorganisation under common control.

Equity interests in subsidiaries held by parties other than the controlling shareholders, and changes therein, prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting method. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

The Group had net current liabilities of approximately RMB796,125,000 as at 30 June 2015. Taking into account the financial resource of the Group, including the anticipated operation cash flow and Group's unutilized banking facilities of which the binding agreements have been signed with banks to renew or refinance the banking facility upon maturity, the Directors of the Company are of the opinion that the Group has sufficient cash flows in the foreseeable future to enable it to continue its operations and meet its liabilities as and when they fall due. Therefore, the Financial Information has been prepared on a going concern basis.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, in the Financial Information.

IFRS 9	*Financial Instruments*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
IFRS 14	*Regulatory Deferral Accounts*[3]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IAS 1	*Disclosure Initiative*[1]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[1]
Amendments to IAS 27	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

The Group is in the process of making an assessment of the impact of these new and revised IFRSs on the Group's results of operations and financial position upon initial application. The Group is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss and other comprehensive income to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 Non-current Asset Held For Sale and Discontinued Operations are stated at cost less any impairment losses.

Subsidiaries arising from the Reorganisation

The PRC Operating Entities have entered into Structured Contracts with, among others, Tibet Huatai, the Controlling Shareholder and Sichuan Derui who are the legal sponsors of the PRC Operating Entities. The Structured Contracts became effective on 7 September 2015. In particular, Tibet Huatai undertakes to provide the PRC Operating Entities with certain technical services as required to support their operations. In return, Tibet Huatai is entitled to substantially all of the operating profits and residual benefits generated by the PRC Operating Entities through intercompany charges levied on these services rendered. The legal sponsors of the PRC Operating Entities are also required to transfer their interests in the PRC Operating Entities to Tibet Huatai or the designee appointed by Tibet Huatai upon a request made by Tibet Huatai when permitted by the PRC laws for a consideration, as permitted under the PRC laws. The ownership interests in Sichuan Derui, which is the sponsor of the PRC Operating Entities, have also been pledged by the Registered Shareholders to Tibet Huatai in respect of the continuing obligations of the PRC Operating Entities. Tibet Huatai has not provided any financial support that it was not previously contractually required to do so to the PRC Operating Entities during the Relevant Periods. Tibet Huatai intends continuously to provide to or assist the PRC Operating Entities in obtaining financial support when deemed necessary. Accordingly, the Group has rights to variable returns from its involvement with the PRC Operating Entities and has the ability to affect those returns through its power, and thus control over the PRC Operating Entities.

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in an associate is stated in the combined statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of an associate is included in the combined statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the combined statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the

Group's investment in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associate is included as part of the Group's investment in an associate.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The results of associates are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

Business combination and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its financial asset held for trading at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss and other comprehensive income in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss and other comprehensive income in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group; or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss and other comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Property and buildings	1.8% to 2.6%
Leasehold improvements	10%
Motor vehicles	18%
Furniture and fixtures	18%
Electronic devices	18%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss and other comprehensive income in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

Construction in progress mainly represents leasehold improvements under construction and machinery received but not completely installed. It is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss and other comprehensive income on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss and other comprehensive income. The loss arising from impairment is recognised in the statement of profit or loss and other comprehensive income in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's combined statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at the end of each of the Relevant Periods whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of profit or loss and other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include other payables, and accruals, amounts due to related parties, and interest-bearing bank and other borrowings.

Subsequent measurement

Loans and borrowings

After initial recognition, interest-bearing bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss and other comprehensive income.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the combined statements of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, joint ventures and associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to an other payables and accruals account and is released to the statement of profit or loss and other comprehensive income over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss and other comprehensive income by way of a reduced depreciation charge.

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 returns, discounts, and sales related tax.

Service income includes tuition fees and boarding fees from college, primary schools, middle schools and high schools of the Group and tuition fees from preschool services.

The tuition fees from the schools of the Group is paid in advance at the beginning of each academic year. Revenue is recognised after a service contract is signed, the price is fixed or determinable, and services are provided.

Tuition and boarding fees received from college, primary schools, middle schools and high schools are generally paid in advance prior to the beginning of each academic year, and are initially recorded as deferred revenue. Tuition and boarding fees are recognised proportionately over the relevant period of the applicable program. The portion of tuition and boarding payments received from students but not earned is recorded as deferred revenue and is reflected as a current liability as such amounts represent revenue that the Group expects to earn within one year. The academic year of the Group's school is generally from September to June of the following year.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of the income can be measured reliably. Interest income 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.

Employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the central pension scheme.

Foreign currencies

These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss and other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgment, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Financial Information:

Contractual arrangements

The PRC Operating Entities are engaged in the provision of education service, which falls in the scope of "Catalogue of Restricted Foreign Investment Industries" and foreign investors are prohibited to invest in such business.

As disclosed in note 2.1 to the Financial Information, as part of the Reorganisation, the Group exercises control over the PRC Operating Entities and enjoys all economic benefits of the PRC Operating Entities through the Structured Contracts.

The Group considers that it controls the PRC Operating Entities, notwithstanding the fact that it does not hold direct equity interest in the PRC Operating Entities, as it has power over the financial and operating policies of the PRC Operating Entities and receives substantially all of the economic benefits from the business activities of the PRC Operating Entities through the Structured Contracts. Accordingly, the PRC Operating Entities have been accounted for subsidiaries during the Relevant Periods.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each of the Relevant Periods. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in the production and provision of services, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of each of the Relevant Periods based on changes in circumstances. Further details of the property, plant and equipment are set out in note 14.

Current and deferred tax

Significant judgment is required in interpreting the relevant tax rules and regulation so as to determine whether the Group is subject to corporate income tax. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of the tax liabilities. Such changes to tax liabilities will impact tax expense in the period that such determination is made.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of education service in the PRC.

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

During the Relevant Periods, the Group operated within one geographical segment because all of its revenue was generated in the PRC and all of its long-term assets/capital expenditure were located/incurred in the PRC. Accordingly, no geographical segment information is presented.

Information about major customers

No sale to a single customer contributes 10% or more of total revenue of the Group during the Relevant Periods.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the value of services rendered, after deducting scholarships and refunds during the Relevant Periods.

An analysis of revenue, other income and gains is as follows:

		Year ended 31 December			Six months ended 30 June	
	Note	2012	2013	2014	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue						
Tuition fees		467,777	519,152	588,425	310,844	344,487
Boarding fees		34,280	35,567	37,582	19,630	20,335
		502,057	554,719	626,007	330,474	364,822
Other income and gains						
Interest income	6	1,099	870	653	137	164
Fee sharing income (Note (i))		—	—	2,192	1,682	710
Donation income		2,400	1,700	196	—	16
Government grants						
– Related to assets		—	—	—	—	79
– Related to income		1,163	366	1,656	667	19
Others		607	147	67	9	—
		5,269	3,083	4,764	2,495	988

Note (i): The amount represents the service fee sharing arrangements with China Telecom Corporation Limited ("China Telecom") under which the Group constructed certain campus network infrastructure and therefore was entitled to receive a certain percentage of telecommunication service fee earned from its students by China Telecom.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		Year ended 31 December			Six months ended 30 June	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Employee benefit expense (excluding directors' and chief executive's remuneration (Note 8)):						
Wages and salaries		123,795	132,572	142,548	71,565	82,871
Pension scheme contributions (defined contribution scheme)		21,079	26,858	25,990	13,171	14,181
Depreciation of property, plant and equipment	14	22,759	34,164	40,101	19,155	21,049
Amortisation of land lease payments	15	4,566	4,612	4,612	2,306	2,521
Advertisement cost		2,090	3,236	2,194	1,131	1,178
Minimum lease payments under operating leases:						
– Property		7,538	8,246	8,705	4,496	943
Auditors' remuneration		96	131	78	78	256
Listing expense		—	—	—	—	2,134
Bank interest income	5	(1,099)	(870)	(653)	(137)	(164)
Loss on disposal of items of property, plant and equipment		159	—	9	—	3
Donation expense		500	171	—	—	259

7. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest on bank and other borrowings					
Wholly repayable within five years	42,782	84,206	44,787	33,176	31,028
Repayable beyond five years	26,000	37,281	65,061	23,510	21,727
	68,782	121,487	109,848	56,686	52,755

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The Company did not have any chief executive, executive directors, non-executive directors and independent non-executive directors at any time during the Track Record Period.

Subsequent to the end of the Relevant Periods, Mr. Yan, Ms. Wang Xiaoying, Mr. Ye Jiayu and Dr. Xu Ming were appointed as executive directors of the Company in August 2015. Mr. Sit Chiu Wing, Mr. Chan Kim Sun and Ms. Xu Dayi were appointed as independent non-executive directors of the Company in August 2015, and Dr. Xu Ming was appointed as the chief executive of the Company in August 2015.

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of each of these directors as recorded in the financial statements of the subsidiaries is set out below:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries, allowances and benefits in kind	1,505	1,505	1,505	752	752
Pension scheme contributions	—	—	—	—	—
	1,505	1,505	1,505	752	752

Executive directors

2012	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000
Executive directors:			
Mr. Yan	720	—	720
Ms. Wang Xiaoying	785	—	785
Mr. Ye Jiayu	—	—	—
	1,505	—	1,505

2013	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000
Executive directors:			
Mr. Yan	720	—	720
Ms. Wang Xiaoying	785	—	785
Mr. Ye Jiayu	—	—	—
	1,505	—	1,505

2014	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000
Executive directors:			
Mr. Yan	720	—	720
Ms. Wang Xiaoying	785	—	785
Mr. Ye Jiayu	—	—	—
	1,505	—	1,505

Six months ended 30 June 2014 (Unaudited)	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000
Executive directors:			
Mr. Yan	360	—	360
Ms. Wang Xiaoying	392	—	392
Mr. Ye Jiayu	—	—	—
	752	—	752

Six months ended 30 June 2015	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000
Executive directors:			
Mr. Yan	360	—	360
Ms. Wang Xiaoying	392	—	392
Mr. Ye Jiayu	—	—	—
	752	—	752

Though the above directors were appointed after 30 June 2015, the above remuneration information of each of these directors was recorded in the financial statements of the subsidiaries.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the Relevant Periods include 2, 2, 2 and 2 directors, respectively, details of whose remuneration are set out in Note 8 above. Details of the remuneration of the remaining 3, 3, 3 and 3 highest paid employees who are neither a director nor chief executive of the Group, during the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries, allowances and benefits in kind	539	507	578	260	426
Pension scheme contributions	37	—	—	—	17
	576	507	578	260	443

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014 (Unaudited)	2015
Nil to RMB1,000,000	3	3	3	3	3

During the Relevant Periods, no highest paid employees waived or agreed to waive any remuneration and no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

10. INCOME TAX

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

According to the Implementation Rules for the Law for Promoting Private Education (the "Implementation Rules"), private schools, whether requiring reasonable returns or not, may enjoy preferential tax treatment. Each of our schools requires reasonable returns. The Implementing Rules provide that the relevant authorities under the State Council may introduce preferential tax treatments and related policies applicable to private schools requiring reasonable returns. During the Relevant Periods and up to the date of this report, no separate policies, regulations or rules have been introduced by the authorities in this regard. In accordance with the historical tax returns filed to the relevant tax authorities and the confirmation obtained therefrom, the PRC Operating Entities have enjoyed the preferential corporate income tax exempt treatment since their establishment.

Based on the confirmations from the local tax bureaus and local offices of State Administration of Taxation, the PRC Operating Entities were exempted from corporate income tax since their establishment. As a result, no income tax expense was recognized for the years ended 31 December 2012, 2013 and 2014 and six months ended 30 June 2015.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2012, 2013 and 2014 and 30 June 2015, the Group had no unused tax loss available for offsetting against future profits.

At 30 June 2015, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, the Group's fund will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

No combined profit attributable to owners of the parent for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 has been included in the financial statements of the Company.

12. DIVIDENDS

Dividends of RMB68,000,000, RMB55,000,000 and RMB40,000,000 have been declared and paid by certain PRC Operating Entities for the years ended 31 December 2012, 2013 and 2014. Dividends of RMB220,000,000 has been declared by certain PRC Operating Entities for the six months ended 30 June 2015. As at 30 June 2015, dividends of RMB66,442,000 has been settled by offsetting the balance of amounts due from Sichuan Derui and the remaining balance is anticipated to be repaid before listing.

13. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results of the Group for the Relevant Periods.

14. PROPERTY, PLANT AND EQUIPMENT

	Property and buildings	Leasehold improvements	Motor vehicles	Furniture and fixtures	Electronic devices	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2012							
At 1 January 2012:							
Cost	239,578	22,430	7,365	35,130	166,485	126,612	597,600
Accumulated depreciation	(20,130)	(367)	(4,860)	(24,019)	(129,643)	—	(179,019)
Net carrying amount	219,448	22,063	2,505	11,111	36,842	126,612	418,581
At 1 January 2012, net of accumulated depreciation	219,448	22,063	2,505	11,111	36,842	126,612	418,581
Additions	293,001	22,983	926	2,775	16,758	—	336,443
Disposals	(24,908)	—	—	—	(486)	—	(25,394)
Depreciation provided during the year (note 6)	(9,060)	(2,928)	(715)	(2,513)	(7,543)	—	(22,759)
Transfers	126,612	—	—	—	—	(126,612)	—
At 31 December 2012, net of accumulated depreciation	605,093	42,118	2,716	11,373	45,571	—	706,871
At 31 December 2012:							
Cost	628,715	45,413	8,291	37,905	178,384	—	898,708
Accumulated depreciation	(23,622)	(3,295)	(5,575)	(26,532)	(132,813)	—	(191,837)
Net carrying amount	605,903	42,118	2,716	11,373	45,571	—	706,871

	Property and buildings	Leasehold improvements	Motor vehicles	Furniture and fixtures	Electronic devices	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2013						
At 1 January 2013:						
Cost	628,715	45,413	8,291	37,905	178,384	898,708
Accumulated depreciation	(23,622)	(3,295)	(5,575)	(26,532)	(132,813)	(191,837)
Net carrying amount	605,093	42,118	2,716	11,373	45,571	706,871
At 1 January 2013, net of accumulated depreciation	605,093	42,118	2,716	11,373	45,571	706,871
Additions	49,640	44,714	1,267	1,249	10,928	107,798
Disposals	—	—	(12)	—	—	(12)
Depreciation provided during the year (note 6)	(15,256)	(6,354)	(804)	(2,667)	(9,083)	(34,164)
At 31 December 2013, net of accumulated depreciation	639,477	80,478	3,167	9,955	47,416	780,493
At 31 December 2013:						
Cost	678,355	90,127	9,444	39,154	189,312	1,006,392
Accumulated depreciation	(38,878)	(9,649)	(6,277)	(29,199)	(141,896)	(225,899)
Net carrying amount	639,477	80,478	3,167	9,955	47,416	780,493
31 December 2014						
At 1 January 2014:						
Cost	678,355	90,127	9,444	39,154	189,312	1,006,392
Accumulated depreciation	(38,878)	(9,649)	(6,277)	(29,199)	(141,896)	(225,899)
Net carrying amount	639,477	80,478	3,167	9,955	47,416	780,493
At 1 January 2014, net of accumulated depreciation	639,477	80,478	3,167	9,955	47,416	780,493
Additions	40,989	24,041	517	789	6,071	72,407
Disposals	—	—	—	—	(5)	(5)
Depreciation provided during the year (note 6)	(17,538)	(9,597)	(831)	(2,658)	(9,477)	(40,101)
At 31 December 2014, net of accumulated depreciation	662,928	94,922	2,853	8,086	44,005	812,794
At 31 December 2014:						
Cost	719,344	114,168	9,961	39,943	195,285	1,078,701
Accumulated depreciation	(56,416)	(19,246)	(7,108)	(31,857)	(151,280)	(265,907)
Net carrying amount	662,928	94,922	2,853	8,086	44,005	812,794

	Property and buildings	Leasehold improvements	Motor vehicles	Furniture and fixtures	Electronic devices	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
30 June 2015						
At 1 January 2015:						
Cost	719,344	114,168	9,961	39,943	195,285	1,078,701
Accumulated depreciation	(56,416)	(19,246)	(7,108)	(31,857)	(151,280)	(265,907)
Net carrying amount	662,928	94,922	2,853	8,086	44,005	812,794
At 1 January 2015, net of accumulated depreciation	662,928	94,922	2,853	8,086	44,005	812,794
Additions (Note(i))	1,273,304	—	631	1,351	2,778	1,278,064
Disposals	—	—	—	—	(5)	(5)
Depreciation provided during the period (note 6)	(8,822)	(6,157)	(363)	(1,153)	(4,554)	(21,049)
At 30 June 2015, net of accumulated depreciation	1,927,410	88,765	3,121	8,284	42,224	2,069,804
At 30 June 2015:						
Cost	1,992,648	114,168	10,592	41,294	198,049	2,356,751
Accumulated depreciation	(65,238)	(25,403)	(7,471)	(33,010)	(155,825)	(286,947)
Net carrying amount	1,927,410	88,765	3,121	8,284	42,224	2,069,804

Note(i): On 30 June 2015, the Group, the related parties which have outstanding balance with the Group as specified in note 29(b), and Sichuan Derui entered into certain agreements, pursuant to which Sichuan Derui agreed to transfer to the Group its property, plant and equipment and leasehold lands (the "Target Assets") in Phase 2 of the University for a total consideration of RMB1,390,401,000, with RMB1,273,304,000 and RMB117,097,000 for the property, plant and equipment and leasehold lands, respectively. The consideration was settled by offsetting the net balance of amounts due from and to Sichuan Derui and the related parties which had outstanding balance with the Group on 30 June 2015 (notes 15, 17 and 29(b)).

15. PREPAID LAND LEASE PAYMENTS

	Note	As at 31 December			As at 30 June
		2012	2013	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at beginning of year/period		163,945	165,442	160,830	156,218
Addition (Note (i))		6,063	—	—	117,097
Recognised during the year/period		(4,566)	(4,612)	(4,612)	(2,521)
Carrying amount at end of year/period		165,442	160,830	156,218	270,794
Current portion included in prepayments, deposits and other receivables	19	4,612	4,612	4,612	7,190
Non-current portion		160,830	156,218	151,606	263,604

These pieces of leasehold lands are located in Mainland China and are held under long term leases.

Note (i): On 30 June 2015, the Group, the related parties which have outstanding balance with the Group as specified in note 29(b), and Sichuan Derui entered into certain agreements, pursuant to which Sichuan Derui agreed to transfer to the Group the Target Assets in Phase 2 of the University for a total consideration of RMB1,390,401,000, with RMB1,273,304,000 and RMB117,097,000 for the property, plant and equipment and leasehold lands, respectively. The consideration was settled by offsetting the net balance of amounts due from and to Sichuan Derui and the related parties which had outstanding balance with the Group on 30 June 2015 (notes 14, 17 and 29(b)).

16. INVESTMENT IN AN ASSOCIATE

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Share of net assets				
Chengdu Dexiang Agriculture Development Company ("Dexiang Agriculture") 成都德祥農業發展有限公司	1,502	1,428	—	—

Particulars of the principal associate are as follows:

Name	Particulars of equity held	Place of incorporated/ established and business	Percentage of ownership interest attributable to the Group	Principal activities
Dexiang Agriculture (*) ...	Registered/paid in capital	the PRC	40%	Agriculture related business

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

The Group's shareholdings in the associate are held through the PRC Operating Entities.

17. LONG-TERM RECEIVABLE

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Sichuan Xingtai Engineering Co, Ltd. ("Xingtai Engineering") 四川興泰建築工程有限公司	505,369	470,858	520,947	—
	505,369	470,858	520,947	—

The long-term receivable was advanced to Xingtai Engineering for the construction of properties of Phase 2 of the University, and was interest-free. Xingtai Engineering was engaged by Sichuan Derui to provide infrastructure construction service to Phase 2 of the University. The Group has offered lending to Xingtai Engineering to support the infrastructure construction of University during the Relevant Periods. On 30 June 2015, the Group, Xingtai Engineering and Sichuan Derui entered into certain agreements, pursuant to which Sichuan Derui agreed to transfer to the Group the Target Assets in Phase 2 of the University for a total consideration of RMB1,390,401,000 and the Group has transferred its creditor of Xingtai Engineering to Sichuan Derui in order to offset the consideration paid to Sichuan Derui (notes 14, 15 and 29(b)).

18. FINANCIAL ASSET HELD FOR TRADING

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Listed				
In Mainland China				
– Investment in a fund issued by a commercial bank	250	250	250	250

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	As at 31 December			As at 30 June
		2012	2013	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000
Prepaid expenses		1,210	2,101	719	536
Receivable from disposal of an interest in an associate		—	—	1,200	—
Prepaid lease payments (current portion)	15	4,612	4,612	4,612	7,190
Advance to staff		297	355	275	255
Advance to third parties (Note (i))		87,848	101,940	123,600	—
Deferred cost – current		2,122	3,278	3,608	—
Other receivables		1,130	4,009	2,301	5,253
Listing expense		—	—	—	711
		97,219	116,295	136,315	13,945

Note (i): As at 31 December 2012, 2013 and 2014, the amounts mainly represent the advances to Chengdu Jinxin Commercial & Trading Co., Ltd. ("Jinxin C&T") (成都勁新商貿有限公司) of RMB85,900,000, RMB67,600,000 and RMB123,600,000, and advances to Shengyuan Industry Co., Ltd. ("Shengyuan Industry") (盛源實業有限公司) of Nil, RMB30,000,000 and Nil for working capital purpose, respectively. As at 30 June 2015, no advances were made to these parties. Jinxin C&T and Shengyuan Industry are owned by independent third parties.

The amounts are interest-free and are not secured with collateral.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

20. CASH AND CASH EQUIVALENTS

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	153,268	189,453	109,850	233,174
Denominated in:				
— RMB	153,268	189,453	109,850	233,174

At the end of each of the Relevant Periods, all the cash and bank balances of the Group were denominated in RMB. The RMB is not freely convertible into other currencies, however, under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates.

21. DEFERRED REVENUE

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Tuition fees	274,858	316,547	348,157	350,977
Boarding fees	20,902	21,859	23,214	13,620
	295,760	338,406	371,371	364,597

The customers are entitled to refund of the payment in relation to the proportionate service not yet provided.

22. OTHER PAYABLES AND ACCRUALS

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Social insurance payable	1,909	1,646	1,869	1,940
Payables to contracting canteen (Note (i))	17,724	—	—	—
Payables for purchase of property, plant and equipment	31,226	43,038	7,134	8,770
Miscellaneous expenses received from students (Note (ii))	18,334	22,222	18,578	23,290
Accrued bonuses and other employee benefits	9,180	11,509	14,800	16,205
Other tax payable	2,060	1,929	3,498	3,478
Dividend payable (note 12)	—	—	—	153,548
Interest payable	27,760	28,454	28,202	15,242
Other payables	21,368	12,103	4,322	7,359
	129,561	120,901	78,403	229,832

Other payables are non-interest-bearing and have an average term of six months.

Note (i): A third-party canteen was contracted by the Group to provide catering service to schools. The students and teachers paid a catering fee to the canteen directly.

Note (ii): The amount represents the miscellaneous expenses received from students which will be paid out on behalf of students.

23. INTEREST-BEARING BANK AND OTHER BORROWINGS

31 December 2012

	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loans — secured	6.10-9.00	2013	507,000
Other borrowings — secured	7.28-9.00	2013	100,000
			607,000
Non-current			
Other borrowings — secured	7.28-8.50	2014	368,999
Other borrowings — unsecured	10.00	*	260,000
			628,999
			1,235,999

31 December 2013

	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loans — secured	6.30-7.21	2014	491,000
Other borrowings — secured	9.00	2014	228,490
			719,490
Non-current			
Bank loans — secured	6.77-7.21	2015-2022	468,295
Other borrowings — unsecured	10.00	*	260,000
			728,295
			1,447,785

31 December 2014

	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loans — secured	5.88-7.57	2015	626,000
Non-current			
Bank loans — secured	7.21	2016-2022	384,648
Other borrowings — secured	7.55	2016	80,000
Other borrowings — unsecured	10.00	*	260,000
			724,648
			1,350,648

30 June 2015

	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loans — secured	5.88-7.57	2015	454,000
Non-current			
Bank loans — secured	7.21	2016-2022	620,423
Other borrowings — secured	7.55	2016	80,000
Other borrowings — unsecured	10.00	*	260,000
			960,423
			1,414,423

* Other borrowings — unsecured represents the 24.3% sponsor interest held by Xinhua Winshare entitling it to receive annual fixed dividend equaling to 8%, 9% and 10% of its total investment amounting to RMB260 million in the University in 2009, 2010 and 2011 and onwards. Accordingly the sponsor interest held by Xinhua Winshare was accounted for in its entirety as financial liability even if that is non-redeemable because the net present value of the right to receive the fixed dividend is greater than the issue proceeds.

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Analysed into:				
Bank loans repayable:				
Within one year or on demand	507,000	491,000	626,000	454,000
In the second year	—	80,000	80,000	160,000
In the third to fifth years, inclusive	—	200,000	180,000	255,000
Beyond five years	—	188,295	124,648	205,423
	507,000	959,295	1,010,648	1,074,423
Other borrowings repayable:				
Within one year or on demand	100,000	228,490	—	—
In the second year	313,470	—	80,000	80,000
In the third to fifth years, inclusive	55,529	—	—	—
Beyond five years	260,000	260,000	260,000	260,000
	728,999	488,490	340,000	340,000
	1,235,999	1,447,785	1,350,648	1,414,423

The other borrowings of the PRC Operating Entities are from trust fund companies or independent third-party companies.

Certain of the PRC Operating Entities' bank and other borrowings amounting to RMB975,999,000 at 31 December 2012 are secured or guaranteed by Sichuan Derui, Chengdu Tianren Property Development Co., Ltd. ("Tianren Property") 成都天仁房地產開發有限公司, Sichuan Hongming Property Co., Ltd. ("Hongming Property") 四川弘明置業有限公司, Sichuan Xinyuan Estates Investment Co., Ltd. ("Xinyuan Estates") 四川馨源置業投資有限公司, Chengdu Tianchen Construction Real Estate Co., Ltd. ("Tianchen Estate") 成都天晨房地產開發有限公司, Chengdu Liheng Investment Co., Ltd. ("Liheng Investment") 成都利恒投資有限公司, Xingtai Engineering and Mr. Yan.

Certain of the PRC Operating Entities' bank and other borrowings amounting to RMB1,187,785,000 at 31 December 2013 are secured or guaranteed by Sichuan Derui, Tianren Property, Hongming Property, Xinyuan Estates, Tianchen Estate, Liheng Investment, Derui Hui Gou Transportation ("Hui Gou") 德瑞灰狗運業(集團)有限公司, Chengdu Kanglisi Engineering Development ("Kanglisi Engineering") 成都康利斯機電開發有限公司, Sichuan Hongyi Industries Group Co, Ltd. ("Hongyi Industires") 四川宏義實業集團有限公司 and Mr. Yan.

Certain of the PRC Operating Entities' bank and other borrowings amounting to RMB1,090,648,000 at 31 December 2014 are secured or guaranteed by Sichuan Derui, Tianren Property, Hongming Property, Xinyuan Estates, Tianchen Estate, Liheng Investment, Hui Gou, Kanglisi Engineering, Hongyi Industires and Mr. Yan.

Certain of the PRC Operating Entities' bank and other borrowings amounting to RMB1,154,423,000 at 30 June 2015 are secured or guaranteed by Sichuan Derui, Tianren Property, Hongming Property, Xinyuan Estates, Tianchen Estate, Liheng Investment, Hui Gou, Kanglisi Engineering, Hongyi Industires and Mr.Yan.

24. DEFERRED INCOME

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	—	642	1,116	4,810
Received amounts	1,805	840	5,350	—
Charged to profit or loss	(1,163)	(366)	(1,656)	(98)
At end of year/period	642	1,116	4,810	4,712
Current	—	—	—	190
Non-current	642	1,116	4,810	4,522
	642	1,116	4,810	4,712

The grants are related to the subsidies received from the government for the purpose of compensation for expenses arising from operating expenses and improvement of teaching facilities on certain special projects. Upon completion of the operating activities and the related projects, the grants related to the expense items would be recognised as other income directly in the statement of profit or loss and the grants related to an asset would be released to the statement of profit or loss and other comprehensive income over the expected useful life of the relevant asset.

25. SHARE CAPITAL

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 13 March 2015 with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each, of which 26,388,340 shares were issued and allotted and fully paid to Virscend Holdings Company Limited ("Virscend Holdings", a company owned by Mr. Yan), 7,048,240 shares to Happy Venus Limited, 1,140,000 shares to Smart Ally International Limited, 1,812,220 shares to Top Alliance Global Limited, and 1,611,200 shares to Lucky Sign Global Limited.

Save for the aforesaid and the Reorganisation, the Company has not conducted any business since the date of its incorporation. As Tibet Huatai entered into certain Structured Contracts with the PRC Operating Entities on 7 September 2015 and the Group obtained control over the PRC Operating Entities thereafter, the Company's share capital was not reflected in the combined statements of financial position as at 30 June 2015.

26. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for each of the Relevant Periods are presented in the combined statements of changes in equity on page 8 of this report.

(b) Capital reserve

The capital reserve of the Group represents the capital contribution from its then sponsors of the PRC Operating Entities.

(c) Statutory surplus reserve

Pursuant to the relevant laws in the PRC, the Company's subsidiaries in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the boards of directors of the relevant PRC subsidiaries. These reserves include (i) general reserve of the limited liability companies and (ii) the development fund of schools.

1) In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

2) According to the relevant PRC laws and regulations, for private schools that requires for reasonable returns, it is required to appropriate to the development fund not less than 25% of the net income of the relevant schools as determined in accordance with generally accepted accounting principles in the PRC. The development fund is for the construction or maintenance of the schools or procurement or upgrade of educational equipment.

(d) Non-controlling interests

No subsidiaries have material non-controlling interests during the Relevant Periods. The equity interests in the Company held by persons other than the Controlling Shareholder were deemed to be non-controlling interests until completion of the Reorganization when the equity interest held by persons other than the Controlling Shareholder was deemed to be acquired by the Company with nil consideration and the entire balance of non-controlling interests have been transferred to capital reserve.

27. COMMITMENTS

Capital commitments

The Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:				
buildings	—	—	—	22,000
lease-hold improvement	7,459	—	—	—
	7,459	—	—	22,000

As at 31 December 2012, 2013 and 2014 and 30 June 2015, the Group had no significant authorised but not contracted capital commitment.

Operating lease commitments

As lessee

The Group leases certain of its buildings under operating lease arrangements. Leases for buildings were negotiated for terms of 5 to 20 years. As at the end of each of the Relevant Periods, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	7,267	8,631	1,820	1,820
In the second to fifth years, inclusive	6,869	7,710	8,179	8,530
Beyond five years	—	25,488	23,199	21,987
	14,136	41,829	33,198	32,337

28. CONTINGENT LIABILITIES

As at 31 December 2012, 2013, 2014 and 30 June 2015, neither the Group nor the Company had any significant contingent liabilities.

29. RELATED PARTY TRANSACTIONS

(a) Name and relationship of related parties

Name	Relationship
Mr. Yan	Executive director of the board
Sichuan Derui	Sole sponsor of Chengdu Foreign Languages School, Chengdu Experimental Foreign Languages School, Chengdu Experimental Foreign Languages School (Western Campus), Primary School and Kindergarten, and joint sponsor of University
Chengdu Dewanxing Industry Co., Ltd. ("Dewanxing") 成都德萬興實業有限公司	A company controlled by Mr. Yan's relatives
Chengdu Renjiu Commercial & Trading Co., Ltd. ("Renjiu C&T") 成都仁久商貿有限公司	A company controlled by a director of the Company

Name	Relationship
Sichuan Derui Education Management Co., Ltd. ("Derui Education") 四川德瑞教育管理有限公司	A company controlled by Mr. Yan's relatives
Tianren Property	A company controlled by Mr. Yan's relatives
Chengdu Tianren Hotel Co., Ltd. ("Tianren Hotel") 成都天仁大酒店有限公司	A company controlled by Mr. Yan's relatives
Dexiang Agriculture	An associate of the Group in 2012 and 2013
Chengdu Lianghe Cultivation & Breeding Co., Ltd. ("Lianghe C&B") 成都良禾種養殖有限責任公司	A company controlled by Sichuan Derui
Chengdu Jinhui Packing Products Co., Ltd. ("Jinhui Packing") 成都金輝包裝製品有限公司	A company controlled by Tianren Property
Chengdu Experimental Foreign Languages Primary School ("Chengdu Experimental Foreign Languages Primary School") 成都市實驗外國語學校附屬小學	A company controlled by Mr. Yan and Ms. Wang Xiaoying
Sichuan Deruiwanhua Education Management Co., Ltd. ("Wanhua Education") 四川德瑞萬華教育管理公司	A company controlled by Derui Education
Chengdu Dehong Agriculture Development Co., Ltd. ("Dehong Agriculture") 成都德弘農業發展有限公司	A company controlled by Dewanxing
Chengdu Xinji Concrete Co., Ltd. ("Xinji Concrete ") 成都鑫基混凝土有限公司	A company controlled by Mr. Yan's relatives
Chengdu Angiocardiopathy Hospital ("Chengdu Angiocardiopathy Hospital") 成都心血管病醫院	A company controlled by Sichuan Derui
Tianchen Estate	A company controlled by Mr. Yan and Ms. Wang Xiaoying
Hui Gou	A company controlled by Mr. Yan's relatives
Hongming Property	A company controlled by Mr. Yan's relatives
Liheng Investment	A company controlled by Renjiu C&T

(b) Outstanding balances with related parties

As disclosed in the combined statements of financial position, the Group had outstanding balances due from and to related parties at 31 December 2012, 2013, 2014 and 30 June 2015.

Amounts due from related parties

		As at 31 December			As at 30 June
		2012	2013	2014	2015
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Sichuan Derui	(i)/29(c)-3	211,987	450,991	349,044	5,125
Dewanxing	29(c)-3	47,540	109,540	248,660	—
Renjiu C&T	29(c)-3	145,600	115,600	115,600	—
Derui Education	29(c)-3	248,640	105,323	60,738	—
Tianren Property	29(c)-3	77,903	106,217	75,262	—
Lianghe C&B	29(c)-3	9,035	9,035	9,035	—
Jinhui Packing	29(c)-3	3,540	3,540	3,540	—
Chengdu Experimental Foreign Languages Primary School	29(c)-3	1,279	1,279	1,279	—
Wanhua Education	29(c)-3	261	261	261	—
		745,785	901,786	863,419	5,125

These balances are unsecured, interest-free and not expected to be repaid within one year.

(i) Subsequent to the Relevant Periods, Sichuan Derui has settled the payment of RMB5,125,000 to the Group.

Amounts due to related parties

		As at 31 December			As at 30 June
		2012	2013	2014	2015
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Dehong Agriculture	29(c)-3	99,924	99,938	106,928	—
Chengdu Angiocardiopathy Hospital	29(c)-3	407	407	407	—
Xinji Concrete	29(c)-3	—	700	700	—
		100,331	101,045	108,035	—

The amounts due to related parties are unsecured, interest-free and not expected to pay within one year.

(c) Other related party transactions

1) In 2013, Sichuan Derui entered into certain trust agreements with a trust fund company in the PRC, pursuant to which a loan amounting to RMB540,000,000 was granted by this trust fund company with a five-year term at an effective interest rate of 8.28% to 9.22% per annum. This trust loan was secured by the income right of Sichuan Derui to Chengdu Foreign Languages School, Chengdu Experimental Foreign Languages School and University pursuant to the agreements.

2) During the Relevant Periods, Sichuan Derui and Derui Education provided the PRC Operating Entities with land and items of property, plant and equipment to use free of charge.

3) On 30 June 2015, the Group, the related parties which have outstanding balance with the Group as specified in note 29(b), and Sichuan Derui entered into certain agreements, pursuant to which Sichuan Derui agreed to transfer to the Group the Target Assets in Phase 2 of the University for a total consideration of RMB1,390,401,000, with RMB1,273,304,000 and RMB117,097,000 for the property, plant and equipment and leasehold lands, respectively. The consideration was settled by offsetting the net balance of amounts due from and to Sichuan Derui and the related parties which had outstanding balance with the Group on 30 June 2015 (notes 14 and 15).

4) During the Relevant Periods, the Group entered into the following transactions with its related parties:

			Year ended 31 December			Six months ended 30 June	
	Note	Nature of transaction	2012	2013	2014	2014	2015
			RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Dehong Agriculture.	(i)	Procurement of plant	99,925	39,488	40,990	—	—
Sichuan Derui	(ii)	Procurement of property, plant and equipment and leasehold lands	—	—	—	—	1,390,401
Tianren Hotel		Donation	2,400	300	—	—	—

(i) The purchases of plant from Dehong Agriculture were made at the prices mutually agreed between the Group and Dehong Agriculture.

(ii) The purchase of property, plant and equipment and leasehold lands from Sichuan Derui were made at the prices mutually agreed between the Group and Sichuan Derui (note29(c)-3).

5) During the Relevant Periods, certain of the PRC Operating Entities' bank and other borrowings amounting to RMB860,999,000 at 31 December 2012 are secured or guaranteed by Sichuan Derui, Tianren Property, Hongming Property, Tianchen Estate, Liheng Investment,and Mr. Yan.

Certain of the PRC Operating Entities' bank and other borrowings amounting to RMB1,117,785,000 at 31 December 2013 are secured or guaranteed by Sichuan Derui, Tianren Property, Hongming Property, Tianchen Estate, Liheng Investment, Hui Gou, and Mr. Yan.

Certain of the PRC Operating Entities' bank and other borrowings amounting to RMB1,020,648,000 at 31 December 2014 are secured or guaranteed by Sichuan Derui, Tianren Property, Hongming Property, Tianchen Estate, Liheng Investment, Hui Gou, and Mr. Yan.

Certain of the PRC Operating Entities' bank and other borrowings amounting to RMB1,084,423,000 at 30 June 2015 are secured or guaranteed by Sichuan Derui, Tianren Property, Hongming Property, Tianchen Estate, Liheng Investment, Hui Gou, and Mr. Yan.

(d) Compensation of key management personnel of the Group:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	2,034	2,090	2,181	1,049	1,169
Pension scheme contributions .	—	—	—	—	—
	2,034	2,090	2,181	1,049	1,169

Further details of directors' and the chief executive's emoluments are included in note 8 to the Financial Information.

30. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments of the Group as at the end of each of the Relevant Periods are as follows:

	As at 31 December			As at 30 June
Financial assets — held for trading	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Financial asset held for trading	250	250	250	250
	250	250	250	250

Financial assets — loans and receivables	As at 31 December 2012	2013	2014	As at 30 June 2015
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from related parties	—	—	—	5,125
Financial assets included in prepayments, deposits and other receivables	89,275	106,304	127,376	5,508
Cash and cash equivalents	153,268	189,453	109,850	233,174
Financial assets included in other non-current assets	366	369	369	371
	242,909	296,126	237,595	244,178

Financial liabilities at amortised cost	As at 31 December 2012	2013	2014	As at 30 June 2015
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due to related parties	100,331	101,045	108,035	—
Financial liabilities included in other payables and accruals	114,637	104,732	57,896	208,209
Interest-bearing bank and other borrowings	1,235,999	1,447,785	1,350,648	1,414,423
	1,450,967	1,653,562	1,516,579	1,622,632

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

During the Relevant Periods, the carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	As at 31 December	
	2012	2012
	Carrying amounts	Fair values
	RMB'000	RMB'000
Financial asset held for trading	250	250
Financial assets included in other non-current assets	366	283
Interest-bearing bank and other borrowings – non-current	628,999	628,999
	629,615	629,532

	As at 31 December	
	2013	2013
	Carrying amounts	Fair values
	RMB'000	RMB'000
Financial asset held for trading	250	250
Financial assets included in other non-current assets	369	286
Interest-bearing bank and other borrowings – non-current	728,295	728,295
	728,914	728,831

	As at 31 December	
	2014	2014
	Carrying amounts	Fair values
	RMB'000	RMB'000
Financial asset held for trading	250	250
Financial assets included in other non-current assets	369	286
Interest-bearing bank and other borrowings – non-current	724,648	724,648
	725,267	725,184

	As at 30 June	
	2015	2015
	Carrying amounts	Fair value
	RMB'000	RMB'000
Financial asset held for trading	250	250
Financial assets included in other non-current assets	371	287
Interest-bearing bank and other borrowings – non-current	960,423	960,423
	961,044	960,960

Management has assessed that the fair values of cash and cash equivalents, amounts due from related parties, financial assets included in prepayments, deposits and other receivables, amounts due to related parties and short-term interest-bearing loans and borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair values of the long-term interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2012, 2013 and 2014 and 30 June 2015 was assessed to be insignificant.

The fair values of the financial assets included in non-current assets have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2012

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial asset held for trading ..	250	—	—	250
	250	—	—	250

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial asset held for trading...	250	—	—	250
	250	—	—	250

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial asset held for trading ..	250	—	—	250
	250	—	—	250

As at 30 June 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial asset held for trading...	250	—	—	250
	250	—	—	250

Assets for which fair value are disclosed:

As at 31 December 2012

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets included in other non-current assets	—	—	283	283
	—	—	283	283

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets included in other non-current assets	—	—	286	286
	—	—	286	286

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets included in other non-current assets	—	—	286	286
	—	—	286	286

As at 30 June 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets included in other non-current assets	—	—	287	287
	—	—	287	287

Liabilities for which fair value are disclosed:

As at 31 December 2012

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Interest-bearing bank and other borrowings	—	—	628,999	628,999
	—	—	628,999	628,999

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Interest-bearing bank and other borrowings	—	468,295	260,000	728,295
	—	468,295	260,000	728,295

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Interest-bearing bank and other borrowings	—	384,648	340,000	724,648
	—	384,648	340,000	724,648

As at 30 June 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings................	—	620,423	340,000	960,423
	—	620,423	340,000	960,423

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and cash and cash equivalents. The Group has various other financial assets and liabilities such as amounts due from related parties, other receivables, amounts due to related parties and other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's fair value interest rate risk relates primarily to its fixed-rate bank and other borrowings. The Group is also exposed to cash flow interest rate risk through the impact of rate changes on interest- bearing financial assets and liabilities, mainly bank balances and bank and other borrowings (note 23) which carried interest at prevailing market interest rates. It is the Group's policy to keep certain borrowings at floating rates of interest so as to minimise the fair value interest rate risk. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the directors of the Company will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate bank borrowings at the end of each reporting period and assumed that the amount of liabilities outstanding at the end of each reporting period was outstanding for the whole year/period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the years ended December 31, 2012, 2013 and 2014 and for the six months ended 30 June 2015 would decrease/increase by RMB241,000, RMB1,969,000, RMB2,239,000 and RMB1,626,000, respectively. This is mainly attributable to the Group's exposure to interest rates on its bank borrowings and other borrowings.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year/period end exposure at the end of each of the Relevant Periods does not reflect the exposure during the respective years/periods.

Credit risk

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by product type. There are no significant concentrations of credit risk within the Group.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, was as follows:

	As at 31 December 2012					
	On demand	**Less than 3 months**	**3 to less than 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Interest-bearing bank and other borrowings.......................						
fixed rate	45,000	63,620	280,283	513,409	260,000(*)	1,162,312
variable rate	25,000	34,939	82,281	—	—	142,220
Amounts due to related parties ...	—	—	—	100,331	—	100,331
Financial liabilities included in other payables and accruals	114,637	—	—	—		114,637
	184,637	98,559	362,564	613,740	260,000	1,519,500

	As at 31 December 2013					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings						
fixed rate	45,000	53,814	247,221	104,000	260,000(*)	710,035
variable rate	25,000	44,401	181,366	376,869	215,672	843,308
Amounts due to related parties	—	—	—	101,045	—	101,045
Financial liabilities included in other payables and accruals	104,732	—	—	—	—	104,732
	174,732	98,215	428,587	581,914	475,672	1,758,847

	As at 31 December 2014					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings						
fixed rate	45,000	11,436	254,060	189,822	260,000(*)	760,318
variable rate	25,000	10,415	209,750	340,472	145,187	730,824
Amounts due to related parties	—	—	—	108,035	—	108,035
Financial liabilities included in other payables and accruals	57,896	—	—	—	—	57,896
	127,896	21,851	463,810	638,329	405,187	1,657,073

	As at 30 June 2015					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings						
fixed rate	—	116,858	139,777	259,822	260,000(*)	776,457
variable rate	—	32,642	218,113	468,961	205,011	924,727
Financial liabilities included in other payables and accruals	208,209	—	—	—	—	208,209
	208,209	149,500	357,890	728,783	465,011	1,909,393

* The other borrowings-fixed rate of RMB260,000,000 bears fixed annual dividend rate of 10% without maturity date.

Capital management

The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of business. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debt, which includes borrowings disclosed in note 23, cash and cash equivalents, and equity attributable to owners of the parent, comprising capital, reserves and retained profits.

The directors of the Company review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the raising of new debts as well as the redemption of the existing debt.

33. EVENTS AFTER THE REPORTING PERIOD

Disposal of a subsidiary

On 5 September 2015, the Group disposed its entire equity interest in Derui Education Fund to Derui Education, a related party of the Group. The consideration was fully paid on 18 September 2015 and the transfer was completed on 30 September 2015.

34. SUBSEQUENT FINANCIAL INFORMATION

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to 30 June 2015.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included for information purposes only. The pro forma financial information should be read in conjunction with the "Financial Information" section in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted combined net tangible assets has been prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the HKICPA for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on our combined net tangible assets as of 30 June 2015 as if it had taken place on 30 June 2015.

The unaudited pro forma adjusted combined net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as of 30 June 2015 or any future date. It is prepared based on our combined net tangible assets as of 30 June 2015 as set out in the Accountants' Report as set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma adjusted combined net tangible assets does not form part of the Accountants' Report as set out in Appendix I to this prospectus.

	Combined net tangible assets attributable to owners of the Company as of 30 June 2015	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted combined net tangible assets	Unaudited pro forma adjusted combined net tangible assets per Share	
	RMB'000	RMB'000	RMB'000	RMB	(HK$ equivalent)
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on an Offer Price of HK$2.18 per Share . . .	513,701	1,226,371	1,740,072	0.5800	0.7355
Based on an Offer Price of HK$2.92 per Share . . .	513,701	1,664,050	2,177,751	0.7259	0.9205

Notes:

(1) The combined net tangible assets attributable to owners of the Company as of 30 June 2015 is extracted from the Accountants' Report, which is based on the audited combined equity attributable to owners of the Company as of 30 June 2015 of approximately RMB514 million.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$2.18 per Share or HK$2.92 per Share, after deduction of the underwriting fees and other related expenses payable by the Company and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK$1.0 to RMB0.78861 prevailing on 30 June 2015.

(3) The unaudited pro forma adjusted combined net tangible assets per Share is calculated based on 3,000,000,000 Shares in issue immediately following the completion of the Global Offering and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(4) The unaudited pro forma adjusted combined net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$1.0 to RMB0.78861 prevailing on 30 June 2015.

B. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose for inclusion in this prospectus.

EY 安永

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

31 December 2015

To the Directors of Virscend Education Company Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Virscend Education Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma combined net tangible assets as of 30 June 2015 and related notes as set out on pages II-1 and II-2 of the Prospectus issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix II to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Global Offering of shares of the Company on the Group's financial position as of 30 June 2015 as if the transaction had taken place at 30 June 2015. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the period ended 30 June 2015, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting Accountant's responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the 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 Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the

Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the Global Offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this prospectus received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of values of the properties of the Group in the PRC as at 30 November 2015.

DTZ CUSHMAN & WAKEFIELD 戴德梁行

16th Floor
Jardine House
Central
Hong Kong

31 December 2015

The Directors
Virscend Education Company Limited
No. 23 He Xin Lu
Pi County
Chengdu
The PRC

Dear Sirs,

Instructions, Purpose and Date of Valuation

In accordance with your instructions for us to value the properties situated in the People's Republic of China (the "PRC") in which Virscend Education Company Limited (the "Company") and its subsidiaries (hereinafter referred to as the "Group") have interests, 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 the Group with our opinion of the market value of the properties as at 30 November 2015 (the "date of valuation").

Definition of Market Value

Our valuation of each property represents its market value which in accordance with The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Valuation Basis and Assumption

Our valuation of each property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoing of an onerous nature which could affect their values.

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards 2012 Edition published by The Hong Kong Institute of Surveyors.

In the course of our valuation of the properties, we have assumed that transferable land use rights in respect of the properties for a specific term at nominal annual land use fees have been granted and that any premium has already been fully settled. We have relied on the advice given by the Group and the Group's legal adviser, Jingtian & Gongcheng regarding the title to the properties. For the purpose of our valuation, we have assumed that the grantee has an enforceable title to the properties.

In valuing the properties, we have assumed that the grantees or the users of the properties have free and uninterrupted rights to use or to assign the properties for the whole of the unexpired term as granted.

Method of Valuation

In valuing property nos. 1 and 2, we have adopted the Depreciated Replacement Cost ("DRC") Approach. DRC Approach is based on an estimate of the market value of the land in its existing use, plus the current cost of replacement of the improvements, less allowance for physical deterioration and all relevant forms of obsolescence and optimization. This figure includes fees and finance charges payable during the construction periods and other associated expenses directly related to the construction of the buildings. The DRC Approach generally furnishes a reliable indication of value for properties with specific nature and design of buildings, in the absence of identifiable market sales comparables. The DRC Approach is subject to service potential of the entity from the use of assets as a whole paying due regard to the total assets employed.

We have assigned no commercial value to property nos. 3 to 5 as the land use rights of the properties are not vested in the Group.

Entirety Interest

Unless otherwise stated, our valuations are our opinion of the market values of the entirety interests of each of the properties as at the date of valuation. Where the Group does not own 100 per cent interest of any of the properties, appropriate adjustments have to be made to our valuations to arrive at the values attributable to the Group.

Source of Information

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, construction costs, completion dates, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation certificates are based on the information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised that no material facts have been omitted from the information supplied.

Title Investigation

We have been provided with copies of documents in relation to the title to the properties. However, we have not been able to conduct searches to verify the ownership of the properties or to ascertain any amendment which may not appear on the copies handed to us.

In the course of our valuation, we have relied to a considerable extent on the information given by the Group and its legal adviser, Jingtian & Gongcheng, in respect of the title to the properties in the PRC.

Site Inspection

We have inspected the exterior and, where possible, the interior of the properties. The site inspections were carried out in between July 2015 and December 2015 by our Mr. Eddy Liu of DTZ Chengdu office who is Registered China Real Estate Appraiser. No structural survey has been made, but in the course of our inspections, we did not note any serious defects. We are, however, not able to report that the properties are free of rot, infestation and any other structural defects, nor were any test carried out to any of the services. Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the copies of the documents handed to us are correct.

Currency

Unless otherwise stated, all monetary amounts stated in this valuation report are in Renminbi ("RMB"), the official currency of the PRC.

We enclose herewith a summary of valuations and our valuation certificates.

Yours faithfully,
For and on behalf of
DTZ Debenham Tie Leung Limited

Andrew K.F. Chan
Registered Professional Surveyor (General Practice)
Registered China Real Estate Appraiser
MSc, M.H.K.I.S.
Senior Director

Note:

Mr. Andrew K.F. Chan is a Registered Professional Surveyor (General Practice) who has over 28 years' experience in the valuation of properties in the PRC.

SUMMARY OF VALUATIONS

Properties held by the Group for owner occupation in the PRC

	Property	Market value in existing state as at 30 November 2015
1.	Chengdu Experimental Foreign Languages School, Yi Huan Road North Section 1 No. 134, Jinniu Area, Chengdu, Sichuan Province, the PRC (成都市實驗外國語學校)	RMB292,000,000
2.	Chengdu Institute Sichuan International Studies University, Gao Er Fu Boulevard No. 367-1, Da Guan Township, Du Jiang Yan, Chengdu, Sichuan Province, the PRC (四川外國語大學成都學院)	RMB2,108,000,000
3.	Car parking spaces of Chengdu Institute Sichuan International Studies University, Chen Feng Road, Xi Pu Township, Chengdu, Sichuan Province, the PRC (四川外國語大學成都學院車庫)	No commercial value
4.	Various ancillary facilities of Chengdu Institute Sichuan International Studies University, Communities 5, 6 and 8, Liang He Village, Xi Pu Township, Chengdu, Sichuan Province, the PRC (四川外國語大學成都學院配套設施)	No commercial value
5.	Various ancillary facilities of Chengdu Foreign Languages School, Communities 6, 7 and 8, Liang He Village, Xi Pu Township, Pi County, Chengdu, Sichuan Province, the PRC (成都外國語學校配套設施)	No commercial value
	Total:	**RMB2,400,000,000**

Properties held by the Group for owner occupation in the PRC

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2015
1.	Chengdu Experimental Foreign Languages School, Yi Huan Road North Section 1 No. 134, Jinniu Area, Chengdu, Sichuan Province, the PRC (成都市實驗外國語學校)	The property comprises various buildings and ancillary facilities for educational use and is erected on a parcel of land with a total site area of 35,542.69 sq m. The property has a total gross floor area of 63,678.93 sq m. The property was completed in between 1988 and 2002. The property is located at the urban area of Chengdu. Developments nearby are mainly residential in nature. According to the information provided by the Group, the property is for educational use. The land use rights of the property have been granted for a term due to expire on 30 December 2056 for educational use.	At the date of valuation, the property was under renovation and planned to be occupied by the Group as educational use.	RMB292,000,000

Notes:

(1) According to State-owned Land Use Rights Certificate No. (2012)432 issued by People's Government of Chengdu, the land use rights of the property with a total site area of 35,542.69 sq m have been vested in Chengdu Experimental Foreign Languages School (成都市實驗外國語學校) for a term due to expire on 30 December 2056 for educational use.

(2) According to Building Ownership Certificates Nos. 3618403, 3618408, 4531672, 4531679, 4531689, 4531690, 4531692, 4582784 to 4582793, 4582840 to 4582843, 4582845, 4582846, 4582929, 4582930, 4582932, 4582933, 4582936 to 4582943, 4584864, 4584866, 4584869, 4599946 to 4599948, 4599951, 4599952, 4599954, 4599955, 4601132, 4601134, 4601137, 4604165, 4604169, 4622409, 4622412, 4622415 and 4622419, the building ownership of the property with a total gross floor area of 63,678.93 sq m has been vested in Chengdu Experimental Foreign Languages School.

(3) We have been provided with a legal opinion on the title, which contains, inter-alia, the following information:

(i) Chengdu Experimental Foreign Languages School is the sole legal land user of the property; and

(ii) There are no laws, regulations, contracts or commitments restricting Chengdu Experimental Foreign Languages School from assigning, mortgaging or leasing the property to any third party.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2015
2.	Chengdu Institute Sichuan International Studies University, Da Guan Township, Gao Er Fu Boulevard No. 367-1, Du Jiang Yan, Chengdu, Sichuan Province, the PRC (四川外國語大學成都學院)	The property comprises various buildings and ancillary facilities for educational use and is erected on 9 parcels of land with a total site area of 316,095.9 sq m. The property has a total gross floor area of 328,898.18 sq m. The property was completed in between 2008 and 2013. The property is located at the suburban area of Dujiangyan of Chengdu. Developments nearby are mainly residential in nature. According to the information provided by the Group, the property is for educational use. The land use rights of the property have been granted for terms due to expire on 21 March 2046 for commercial use and 21 December 2060 for educational use.	At the date of valuation, the property was occupied by the Group as educational use.	RMB2,108,000,000

Notes:

(1) According to State-owned Land Use Rights Certificates Nos. (2009)6438 to (2009)6445 issued by the People's Government of Du Jiang Yan, the land use rights of the property with a total site area of 173,029.5 sq m have been vested in 四川外語學院成都學院 (currently known as Chengdu Institute Sichuan International Studies University (四川外國語大學成都學院)) for terms due to expire on 21 March 2046 for commercial use.

According to State-owned Land Use Rights Certificate No. (2015)10013 issued by the People's Government of Du Jiang Yan, the land use rights of the property with a total site area of 143,066.4 sq m have been vested in Chengdu Institute Sichuan International Studies University (四川外國語大學成都學院) for a term due to expire on 21 December 2060 for educational use.

(2) According to Building Ownership Certificates Nos. 0424431 to 0424441, the building ownership of portions of the property with a total gross floor area of 97,498.66 sq m has been vested in 四川外語學院成都學院 (currently known as Chengdu Institute Sichuan International Studies University (四川外國語大學成都學院)).

According to Building Ownership Certificates Nos. 0496547 to 0496566, the building ownership of portions of the property with a total gross floor area of 231,399.52 sq m has been vested in Chengdu Institute Sichuan International Studies University (四川外國語大學成都學院).

(3) According to the official reply issued by Sichuan Provincial Civil Affairs Department (四川省民政廳), the name of 四川外語學院成都學院 is permitted to change to Chengdu Institute Sichuan International Studies University (四川外國語大學成都學院).

(4) We have been provided with a legal opinion on the title, which contains, inter-alia, the following information:

(i) Chengdu Institute Sichuan International Studies University (四川外國語大學成都學院) is the sole legal land user of the property; and

(ii) There are no laws, regulations, contracts or commitments restricting Chengdu Institute Sichuan International Studies University (四川外國語大學成都學院) from assigning, mortgaging or leasing the property to any third party.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2015
3.	Car parking spaces of Chengdu Institute Sichuan International Studies University, Chen Feng Road, Xi Pu Township, Chengdu, Sichuan Province, the PRC (四川外國語大學成都學院車庫)	The property comprises the car parking spaces with a total gross floor area of 3,893.91 sq m. The property was completed in 2003. The property is located at the suburban area of Chengdu. Developments nearby are mainly residential in nature. According to the information provided by the Group, the property is for parking use. The land use rights of the property have been granted for a term due to expire on 9 September 2074 for residential use.	At the date of valuation, the property was occupied by the Group for parking use.	No commercial value (See Note 1)

Notes:

(1) According to the information provided by the Group, the property is erected on a parcel of land with the land use rights owned by Sichuan Derui Enterprise Development Co., Ltd. (四川德瑞企業發展有限公司), school sponsor of Chengdu Foreign Languages School, Chengdu Experimental Foreign Languages School, Chengdu Experimental Foreign Languages School (Western Campus), The Primary School Attached to Chengdu Foreign Languages School and Chengdu Institute Sichuan International Studies University. In the course of valuation, we have assigned no commercial value to the property as the land use rights of the property are not vested in the Group.

(2) According to State-owned Land Use Rights Certificate No. (2012)2443 issued by the People's Government of Pi County, the land use rights of the property with a total site area of 8,622 sq m have been vested in Sichuan Derui Enterprise Development Co., Ltd. (四川德瑞企業發展有限公司) for a term due to expire on 9 September 2074 for residential use.

(3) According to Building Ownership Certificates Nos. 0049801 and 0049802, the building ownership of the property with a total gross floor area of 3,893.91 sq m has been vested in 四川外語學院成都學院 (currently known as Chengdu Institute Sichuan International Studies University (四川外國語大學成都學院)).

(4) According to the official reply issued by Sichuan Provincial Civil Affairs Department (四川省民政廳), the name of 四川外語學院成都學院 is permitted to change to Chengdu Institute Sichuan International Studies University (四川外國語大學成都學院).

(5) We have been provided with a legal opinion on the title, which contains, inter-alia, the following information:

(i) Chengdu Institute Sichuan International Studies University (四川外國語大學成都學院) is the sole legal owner of the car parking spaces; and

(ii) In case that Chengdu Institute Sichuan International Studies University (四川外國語大學成都學院) cannot use and/or dispose of the car parking spaces without disturbance due to the use and/or disposal of land by Sichuan Derui Enterprise Development Co., Ltd. or government-ordered rectification, Sichuan Derui Enterprise Development Co., Ltd. (四川德瑞企業發展有限公司) shall compensate for the loss to Chengdu Institute Sichuan International Studies University (四川外國語大學成都學院).

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2015
4.	Various ancillary facilities of Institute Sichuan International Studies University, Communities 5, 6 and 8, Liang He Village, Xi Pu Township, Chengdu, Sichuan Province, the PRC (四川外國語大學成都學院配套設施)	The property comprises various ancillary facilities including a running track and stand. The property was completed in 2001. The property is located at the suburban area of Chengdu. Developments nearby are mainly residential in nature. According to the information provided by the Group, the property is for recreational use. The land use rights of the property have been granted for terms due to expire on 23 December 2054 for educational and medical uses respectively.	At the date of valuation, the property was occupied by the Group for recreational use.	No commercial value (See Note 1)

Notes:

(1) According to the information provided by the Group, the property is erected on two parcels of land with the land use rights owned by Sichuan Derui Enterprise Development Co., Ltd. (四川德瑞企業發展有限公司), school sponsor of Chengdu Foreign Languages School, Chengdu Experimental Foreign Languages School, Chengdu Experimental Foreign Languages School (Western Campus), The Primary School Attached to Chengdu Foreign Languages School and Chengdu Institute Sichuan International Studies University. In the course of valuation, we have assigned no commercial value to the property as the land use rights of the property are not vested in the Group.

(2) According to State-owned Land Use Rights Certificates Nos. (2012)2440 and (2012)2441 issued by the People's Government of Pi County, the land use rights of the property have been vested in Sichuan Derui Enterprise Development Co., Ltd. (四川德瑞企業發展有限公司) with details as follows:

Certificate No.	Site Area (sq m)	Use	Expiry Date
(2012)2440	51,609.77	Educational	23 December 2054
(2012)2441	19,311.33	Medical	23 December 2054

(3) We have been provided with a legal opinion on the title, which contains, inter-alia, the following information:

(i) Chengdu Institute Sichuan International Studies University (四川外國語大學成都學院) is the sole legal owner of the property;

(ii) The lack of Building Ownership Certificates of the property is not in violation of the laws in the PRC, nor does it affect the legal ownership of the property; and

(iii) In case that Chengdu Institute Sichuan International Studies University (四川外國語大學成都學院) cannot use and/or dispose of the structures without disturbance due to the use and/or disposal of land by Sichuan Derui Enterprise Development Co., Ltd. or government-ordered rectification, Sichuan Derui Enterprise Development Co., Ltd. (四川德瑞企業發展有限公司) shall compensate for the loss to Chengdu Institute Sichuan International Studies University (四川外國語大學成都學院).

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2015
5.	Various ancillary facilities of Chengdu Foreign Languages School, Communities 6, 7 and 8, Liang He Village, Xi Pu Township, Pi County, Chengdu, Sichuan Province, the PRC (成都外國語學校部分配套設施)	The property comprises various ancillary facilities including swimming pool, a running track, basketball field and tennis court. The property was completed in 2000. The property is located at the suburban area of Chengdu. Developments nearby are mainly residential in nature. According to the information provided by the Group, the property is for educational use. According to the information provided by the Group, the land use rights of the property have been granted for terms due to expire on 11 April 2051 and 6 September 2051 for composite use.	At the date of valuation, the property was occupied by the Group for recreational use.	No commercial value (See Note 1)

Notes:

(1) According to the information provided by the Group, the property is erected on two parcels of land with the land use rights owned by Sichuan Derui Enterprise Development Co., Ltd. (四川德瑞企業發展有限公司), school sponsor of Chengdu Foreign Languages School, Chengdu Experimental Foreign Languages School, Chengdu Experimental Foreign Languages School (Western Campus), The Primary School Attached to Chengdu Foreign Languages School and Chengdu Institute Sichuan International Studies University. In the course of valuation, we have assigned no commercial value to the property as the land use rights of the property are not vested in the Group.

(2) According to State-owned Land Use Rights Certificates Nos. (2005)1933 and (2005)4854 issued by the People's Government of Pi County, the land use rights of the property have been vested in Sichuan Derui Enterprise Development Co., Ltd. (四川德瑞企業發展有限公司) with details as follows:

Certificate No.	Site Area (sq m)	Use	Expiry Date
(2005)1933	82,466.8	Composite	11 April 2051
(2005)4854	80,081.5	Composite	6 September 2051

(3) We have been provided with a legal opinion on the title, which contains, inter-alia, the following information:

(i) Chengdu Foreign Languages School is the sole legal owner of the property;

(ii) The lack of Building Ownership Certificates of the structures is not in violation of the laws in the PRC, nor does it affect the legal ownership of the property; and

(iii) In case that Chengdu Foreign Languages School cannot use and/or dispose of the structures without disturbance due to the use and/or disposal of land by Sichuan Derui Enterprise Development Co., Ltd. or government-ordered rectification, Sichuan Derui Enterprise Development Co., Ltd. (四川德瑞企業發展有限公司) shall compensate for the loss to Chengdu Foreign Languages School.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on March 13, 2015 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Memorandum of Association (the "Memorandum") and the Articles of Association (the "Articles") comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on December 28, 2015. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Financial assistance to purchase shares of the Company or its subsidiaries

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company. There is no provision in the Articles that prohibits the Company from giving financial assistance for the purchase shares of its subsidiaries.

(vi) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Articles) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vii) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(viii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the members may by ordinary resolution appoint another in his place at the meeting at which such Director is removed. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;

(bb) if he becomes of unsound mind or dies;

(cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) if he is prohibited from being a director by law; or

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ix) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note:

These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(x) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(xi) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, 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; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles (see paragraph 2(i) below for further details).

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings (including an extraordinary general meeting) must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company. Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together representing not less than ninety-five per cent (95%) of the total voting rights at the meeting of all the members.

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:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) 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 twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so 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 in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may 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, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles 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 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.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) 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 of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any 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).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the 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 and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. 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 paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from July 28, 2015.

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 a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the 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.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI to this 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 is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on March 13, 2015. Our Company has been registered as a non-Hong Kong company under Part XVI of the Cap. 622 Companies Ordinance on September 23, 2015 and our Company's principal place of business in Hong Kong is at 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. Ms. Ng Sau Mei of 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong, a Hong Kong resident, has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, we operate subject to the relevant law of the Cayman Islands and its constitution which comprises a memorandum of association and the articles of association. A summary of the relevant aspects of the Companies Law and certain provisions of Articles of Association is set out in Appendix IV of this prospectus.

2. Changes in share capital of our Company

As at the date of the incorporation of our Company, the authorized share capital of our Company was HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. At the time of incorporation, the issued share capital of our Company was US$50,000.00 divided into 50,000 Shares of US$1.00 each and one Share of US$1.00 par value was held by Offshore Incorporations (Cayman) Limited. On the same date, the said one Share was transferred to Mr. Yan Yude for a consideration at par value.

On the same date, our Company issued and allotted 49,999 Shares of US$1.00 each to Mr. Yan Yude.

On June 19, 2015, the authorized share capital of our Company were redenominated from US$ to HK$ such that the authorized share capital of our Company is HK$380,000 divided into 380,000 Shares of HK$1.00 each. On the same date, the authorized share capital was further sub-divided into 38,000,000 Shares of HK$0.01 each. Following the redenomination and the subdivision, Mr. Yan Yude held 38,000,000 Shares of HK$0.01 each.

On June 20, 2015, Virscend Holdings, Happy Venus, Top Alliance, Lucky Sign and Smart Ally acquired 26,388,340 shares, 7,048,240 shares, 1,812,220 shares, 1,611,200 shares and 1,140,000 shares, of our Company, respectively, from Mr. Yan, each at a nominal consideration of HK$1.00. The transfers were completed on the same day and the ultimate individual shareholders and the proportion of shareholdings of our Company became identical to that of Sichuan Derui. Our Company is then held as to approximately 69.44% by Virscend Holdings, 18.55% by Happy Venus, 4.77% by Top Alliance, 4.24% by Lucky Sign and 3.00% by Smart Ally.

Pursuant to the written resolutions of all Shareholders on December 28, 2015, the authorized share capital of our Company was increased from HK$380,000 divided into 38,000,000 Shares of HK$0.01 each to HK$100,000,000 divided into 10,000,000,000 Shares of HK$0.01 each by the creation of 9,962,000,000 Shares of HK$0.01 each, which shall rank pari passu in all respects with the Shares in issue as at the date of the resolution.

Immediately following completion of the Global Offering and the Capitalization Issue and assuming that the Over-allotment Option is not exercised, the authorized share capital of our Company will be HK$100,000,000 divided into 10,000,000,000 Shares, of which 3,000,000,000 Shares will be issued fully paid or credited as fully paid, and 7,000,000,000 Shares will remain unissued. Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "Written resolutions of our Shareholders passed on December 28, 2015" in this Appendix, the Directors do not have any present intention to issue any of the authorized but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this prospectus, there has been no alteration in the share capital of our Company since its incorporation.

3. Changes in share capital of our subsidiaries and consolidated affiliated entities

There has been no alteration in the share capital or registered capital of our subsidiaries and consolidated affiliated entities within the two years preceding the date of this prospectus.

4. Written resolutions of our Shareholders passed on December 28, 2015

Pursuant to the written resolutions of all Shareholders entitled to vote at general meetings of our Company, which were passed on December 28, 2015:

(a) our Company approved and adopted the Memorandum of Association with immediate effect;

(b) the authorized share capital of our Company was increased from HK$380,000 divided into 38,000,000 Shares of HK$0.01 each to HK$100,000,000 divided into 10,000,000,000 Shares of HK$0.01 each by the creation of 9,962,000,000 Shares of HK$0.01 each, which shall rank *pari passu* in all respects with the Shares in issue as at the date of the resolution;

(c) conditional upon (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, on the Main Board, our Shares in issue and to be issued (pursuant to the Capitalization Issue, the Global Offering, the Over-allotment Option and the Share Option Scheme) as mentioned in this prospectus; and (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s)) by the Joint Global Coordinators (on behalf of the Underwriters) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise:

  (i) our Company approved and adopted the Articles of Association;

  (ii) conditional on the share premium account of our Company being credited as a result of the Global Offering, the sum of HK$22,120,000 be capitalized and be applied in paying up in full at par 2,212,000,000 Shares for allotment and issue to our Shareholders whose names were on the register of members of our Company immediately prior to the Global Offering and the Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respect with the existing issued Shares;

(iii) the Global Offering and the Over-allotment Option were approved and our Directors were authorized to allot and issue the Offer Shares and the Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option on and subject to the terms and conditions stated in this prospectus and in the relevant application forms;

(iv) the rules of the Share Option Scheme were approved and adopted, and our Directors or any committee thereof established by the Board were authorized, at their sole discretion, to: (i) administer the Share Option Scheme; (ii) modify/amend the Share Option Scheme from time to time as requested by the Stock Exchange; (iii) grant options to subscribe for Shares under the Share Option Scheme up to the limits referred to in the Share Option Scheme; (iv) allot, issue and deal with Shares pursuant to the exercise of any option which may be granted under the Share Option Scheme; (v) make application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of the options granted under the Share Option Scheme; and (vi) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Share Option Scheme;

(v) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than by way of Rights Issue, or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of options granted under the Share Option Scheme or any other option scheme(s) or similar arrangement for the time being adopted for the grant or issue to directors and/or officers and/or employees of our Group or rights to acquire Shares or pursuant to a specific authority granted by our Shareholders in general meeting, the Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Global Offering but before any exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, until the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions or the expiration of the period within the next annual general meeting of our Company is required by the Articles of Association or any applicable law of the Cayman Islands to be held or the passing of an ordinary resolution by our Shareholders in general meetings of our Company varying or revoking the authority given to the Directors, whichever occurs first;

For the purpose of this paragraph, “Rights Issue” means an offer of shares in our Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by our Directors to holders of shares in our Company on the register on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as our Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to our Company, or any recognized regulatory body or any stock exchange applicable to our Company);

(vi) a general unconditional mandate be and is hereby given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Global Offering but before the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, until the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions or the expiration of the period within which the next annual general meeting of our Company is required by the Article of Association of our Company or any applicable law of the Cayman Islands to be held or the passing of an ordinary resolution by our Shareholders in general meeting of our Company varying or revoking the authority given to the Directors, whichever occurs first;

(vii) the extension of the general mandate to allot, issue and deal with Shares as mentioned in paragraph (c)(iv) above by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to paragraph (c)(vi) above, provided that such extended amount shall not exceed 10% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Global Offering but before the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme be and is approved; and

Each of the general mandates referred to in paragraphs (c)(v), (c)(vi) and (c)(vii) above will remain in effect until whichever is the earliest of:

(1) the conclusion of our next annual general meeting, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

(2) the expiration of the period within which our Company is required by any applicable law or the Articles of Association to hold our next annual general meeting; or

(3) the time when such mandate is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

5. Repurchase of our Shares

This section includes information relating to the repurchases of securities, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important restrictions are summarized below:

(i) Shareholders' approval

All proposed repurchases of Shares must be approved in advance by an ordinary resolution of our Shareholders in a general meeting, either by way of general mandate or by specific approval in relation to a particular transaction.

Pursuant to the written resolutions passed on December 28, 2015 by all our Shareholders, a general unconditional mandate (the "Repurchase Mandate") was given to our Directors to exercise all powers of our Company to repurchase Shares (Shares which may be listed on the Stock Exchange) with a total nominal value of not more than 10% of the aggregate nominal value of our share capital in issue or 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 and any options which may be granted under the Share Option Scheme), further details of which have been described above in the paragraph headed "A. Further information about our Company — 4. Written resolutions of our Shareholders passed on December 28, 2015" in this Appendix.

(ii) Source of funds

Any repurchases of Shares by us must be paid out of funds legally available for the purpose in accordance with our Articles of Association, the Listing Rules and the Companies Law. We are not permitted to repurchase our Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) Shares to be repurchased

The Listing Rules provide that the Shares which are proposed to be repurchased by us must be fully-paid up.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from our Shareholders to enable them to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchases

In repurchasing Shares, we may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of our Company's current financial position as disclosed in this prospectus and taking into account its current working capital position, our Directors consider that, if the Repurchase Mandate is exercised in full, it might have a material adverse effect on our working capital and/or gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as it would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

(d) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules) currently intends to sell any Shares to us.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands.

If, as a result of any repurchase of Shares, a shareholder's proportionate interest in the voting rights is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

We have not made any repurchases of our own securities in the past six months.

No core connected person (as defined in the Listing Rules) has notified us that he/she has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. CORPORATE REORGANISATION

In order to streamline the corporate structure and rationalize our corporate structure for the Listing, our Group underwent the Corporate Reorganization. Please see the sub-section headed "History and Corporate Structure — Corporate Reorganization" in this prospectus for details.

C. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of the material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Group within the two years preceding the date of this prospectus and are or may be material:

(a) a business cooperation agreement dated September 7, 2015 and entered into by and among Tibet Huatai, our PRC Operating Entities, Sichuan Derui and the Registered Shareholders, pursuant to which Tibet Huatai agreed to provide technical service, management support service and consultancy service necessary for conducting private education activities to our PRC Operating Entities pursuant to the Structured Contracts in return for each of our PRC Operating Entities to pay to Tibet Huatai fees pursuant to the Structured Contracts;

(b) an exclusive technical service and management consultancy agreement dated September 7, 2015 and entered into by and among Tibet Huatai and our PRC Operating Entities, pursuant to which (i) our PRC Operating Entities agreed to engage Tibet Huatai as the exclusive service provider to provide technical support and related technical service; and (ii) Tibet Huatai has the right to provide to our PRC Operating Entities exclusive management and consultancy service, and as the consideration for the exclusive technical service and exclusive management and consultancy service provided by Tibet Huatai, (i) each of our PRC Operating Entities (except for Chengdu Institute Sichuan International Studies University) agreed to pay Tibet Huatai on an annual basis a service fee equal to all net profit (after deducting all necessary costs and expenses, taxes, losses from the previous year (if required by the law) and the legally-compulsory development fund of the school (if required by law)); and (ii) Chengdu Institute Sichuan International Studies University agreed to pay Tibet Huatai on an annual basis a service fee equal to the net profit (after deducting all necessary costs and expenses, taxes, losses from the previous year (if required by the law) and the legally-compulsory development fund of the school (if required by law)) minus any management fees to be paid to Sichuan International Studies University* (四川外國語大學) (if any) and any reasonable return to be paid to Xinhua Winshare;

(c) an exclusive call option agreement dated September 7, 2015 and entered into by and among Sichuan Derui, our PRC Operating Entities and Tibet Huatai, pursuant to which Sichuan Derui irrevocably granted Tibet Huatai or its designated purchaser an exclusive option to purchase all or part of the school sponsor's interest of Sichuan Derui in our PRC Operating Entities at the lowest price permitted under the PRC laws and regulations;

(d) an equity pledge agreement dated September 7, 2015 and entered into by and among the Registered Shareholders, Sichuan Derui and Tibet Huatai, pursuant to which the Registered Shareholders unconditionally and irrevocably agreed to pledge and grant first priority security interests over all of his/her equity interest in Sichuan Derui together with all related rights thereto to Tibet Huatai as security for performance of the Structured Contracts and all direct, indirect, consequential damages and foreseeable loss of interest incurred by Tibet Huatai as a result of any event of default on the part of the Registered Shareholders, Sichuan Derui or each of our PRC Operating Entities and all expenses incurred by Tibet Huatai as a result of enforcement of the obligations of the Registered Shareholders, Sichuan Derui and/or each of our PRC Operating Entities under the Structured Contracts;

(e) a school sponsors' and directors' rights entrustment agreement dated September 7, 2015 and entered into by and among Sichuan Derui, Hongming Property, Primary School Attached to Chengdu Foreign Languages School, and Yan Yude (嚴玉德) (a school director appointed by Sichuan Derui and Primary School Attached to Chengdu Foreign Languages School, respectively), Wang Xiaoying (王小英) (a school director appointed by Sichuan Derui and Primary School Attached to Chengdu Foreign Languages School, respectively), Ye Jiayu (葉家郁) (a school director appointed by Sichuan Derui), Jiang Chenglong (蔣成龍) (a school director appointed by Hongming Property), Lv Hongying (呂宏英) (a school director appointed by Sichuan Derui), (together the "School Directors") and Tibet Huatai, pursuant to which (i) each of Sichuan Derui, Hongming Property and Primary School Attached to Chengdu Foreign Languages School irrevocably authorized and entrusted Tibet Huatai to exercise all its rights as the school sponsor of each of our PRC Operating Entities (as applicable) to the extent permitted by the PRC laws; and (ii) each of the School Directors irrevocably authorized and entrusted Tibet Huatai to exercise all his/her rights as the school director of each of our PRC Operating Entities as appointed by Sichuan Derui, Hongming Property and Primary School Attached to Chengdu Foreign Languages School (as applicable) to the extent permitted by the PRC laws;

(f) a school sponsor's power of attorney executed by Sichuan Derui dated September 7, 2015 appointing Tibet Huatai as its appointee to exercise all its school sponsor's rights in our PRC Operating Entities (except for Chengdu Foreign Languages Kindergarten);

(g) a school sponsor's power of attorney executed by Primary School Attached to Chengdu Foreign Languages School dated September 7, 2015 appointing Tibet Huatai as its appointee to exercise all its school sponsor's rights in Chengdu Foreign Languages Kindergarten;

(h) a school sponsor's power of attorney executed by Hongming Property dated September 7, 2015 appointing Tibet Huatai as its appointee to exercise all its school sponsor's rights in Chengdu Institute Sichuan International Studies University;

(i) a school director's power of attorney executed by Yan Yude (嚴玉德) dated September 7, 2015 appointing Tibet Huatai as his appointee to exercise all his director's rights in our PRC Operating Entities;

(j) a school director's power of attorney executed by Ye Jiayu (葉家郁) dated September 7, 2015 appointing Tibet Huatai as his appointee to exercise all his director's rights in our PRC Operating Entities (except for Chengdu Foreign Languages Kindergarten);

(k) a school director's power of attorney executed by Jiang Chenglong (蔣成龍) dated September 7, 2015 appointing Tibet Huatai as his appointee to exercise all his director's rights in Chengdu Institute Sichuan International Studies University;

(l) a school director's power of attorney executed by Wang Xiaoying (王小英) dated September 7, 2015 appointing Tibet Huatai as her appointee to exercise all her director's rights in our PRC Operating Entities (except for Chengdu Institute Sichuan International Studies University);

(m) a school director's power of attorney executed by Lv Hongying (呂宏英) dated September 7, 2015 appointing Tibet Huatai as her appointee to exercise all her director's rights in our PRC Operating Entities (except for Chengdu Institute Sichuan International Studies University and Chengdu Foreign Languages Kindergarten);

(n) a spouse undertaking dated September 7, 2015 executed by Yan Yude (嚴玉德), the spouse of Wang Xiaoying (王小英), in favor of Tibet Huatai, acknowledging and consenting the signing of the Structured Contracts by Wang Xiaoying (王小英);

(o) a spouse undertaking dated September 7, 2015 executed by Wang Xiaoying (王小英), the spouse of Yan Yude (嚴玉德), in favor of Tibet Huatai, acknowledging and consenting the signing of the Structured Contracts by Yan Yude (嚴玉德);

(p) a spouse undertaking dated September 7, 2015 executed by Li Changjiu (李長久), the spouse of Yan Bixian (嚴碧先), in favor of Tibet Huatai, acknowledging and consenting the signing of the Structured Contracts by Yan Bixian (嚴碧先);

(q) a spouse undertaking dated September 7, 2015 executed by He Qikang (何其康), the spouse of Yan Bihui (嚴碧輝), in favor of Tibet Huatai, acknowledging and consenting the signing of the Structured Contracts by Yan Bihui (嚴碧輝);

(r) a spouse undertaking dated September 7, 2015 executed by Zhu Yihong (朱一紅), the spouse of Ye Jiayu (葉家郁), in favor of Tibet Huatai, acknowledging and consenting the signing of the Structured Contracts by Ye Jiayu (葉家郁);

(s) a loan agreement entered into by and among Tibet Huatai, Sichuan Derui and our PRC Operating Entities dated September 7, 2015, pursuant to which Tibet Huatai agreed to extend interest-free loans to Sichuan Derui from time to time for the purpose of capital contribution to our PRC Operating Entities;

(t) an undertaking executed by Yan Yude (嚴玉德) in favor of our Company dated December 20, 2015, pursuant to which Yan Yude (嚴玉德) undertook to: (a) continue to maintain his Chinese nationality and citizenship for as long as he remains as a controlling shareholder of our Company; (b) maintain control of our Company for the purpose of the Draft Foreign Investment Law (together with all its subsequent amendments or updates, as promulgated) and related laws applicable to our Group in relation to domestic investment when they become effective, or otherwise procure the transferee(s) who will become the new PRC controlling shareholder(s) of our Company to provide an undertaking in the same terms and conditions as the one offered by him in favour of our Company; and (c) obtain prior written consent of our Company as to the identity of the transferee(s) before Yan Yude (嚴玉德) disposes of or transfers the controlling interest in our Company that he beneficially owns. Prior to any such disposal, transfer or other transactions which may result in Yan Yude (嚴玉德) ceasing to have control of our Company for the purpose of the Draft Foreign Investment Law (together with all its subsequent amendments or updates, as promulgated), Yan Yude (嚴玉德) shall demonstrate to the satisfaction of our Company and the Stock Exchange that the Structured Contracts will remain as a domestic investment for the purpose of the Draft Foreign Investment Law (together with all its subsequent amendments or updates, as promulgated) and related laws applicable to our Group in relation to domestic investment;

(u) an equity transfer agreement dated September 5, 2015, entered into by and among Chengdu Foreign Languages School, Chengdu Experimental Foreign Languages School, Chengdu Experimental Foreign Languages School (Western Campus), the Primary School, Chengdu Experimental Foreign Languages Primary School, the University, Derui Education Management and Derui Education Fund, pursuant to which Chengdu Foreign Languages School, Chengdu Experimental Foreign Languages School, Chengdu Experimental Foreign Languages School (Western Campus), the Primary School, Chengdu Experimental Foreign Languages Primary School and the University agreed to transfer their respective 30.95%, 26.19%, 14.29%, 4.76%, 4.76% and 9.52% equity interest in Derui Education Fund to Derui Education Management at a consideration of RMB649,950, RMB549,990, RMB300,090, RMB99,960, RMB99,960 and RMB199,920, respectively, according to their respective equity interest proportion in Derui Education Fund based on the net assets value of Derui Education Fund as of June 30, 2015;

(v) a receivable pledge agreement dated October 30, 2015, entered into by and among Tibet Huatai, Sichuan Derui and our PRC Operating Entities, pursuant to which Sichuan Derui unconditionally and irrevocably agreed to pledge and grant first priority pledge, in favour of Tibet Huatai, over the receivables, being the right to request third party payment pursuant to the law and/or contracts upon voluntary or involuntary transfer or disposal of all or part of the school sponsor's interest in our PRC Operating Entities by Sichuan Derui as security for (i) performance of the obligations under the Structured Contracts and (ii) payment of secured indebtedness, being all direct, indirect, consequential damages and foreseeable loss of interest incurred by Tibet Huatai as a result of any event of default on the part of Sichuan Derui, the Registered Shareholders, Hongming Property, individual shareholders of Hongming Property or each of our PRC Operating Entities and all expenses incurred by Tibet Huatai as a result of enforcement of the obligations against Sichuan Derui, the Registered Shareholders, Hongming Property, the individual shareholders of Hongming Property, and/or each of our PRC Operating Entities under the Structured Contracts;

(w) the Deed of Indemnity;

(x) a sale and purchase agreement dated June 18, 2015 entered into between Yan Yude (嚴玉德) and Virscend Investment, pursuant to which Virscend Investment agreed to acquire 10,000 shares, being the entire issued share capital of Wah Tai from Yan Yude (嚴玉德) at a nominal consideration of HK$1.00;

(y) a sale and purchase agreement dated June 19, 2015 entered into between Yan Yude (嚴玉德) and our Company, pursuant to which our Company agreed to acquire 50,000 shares, being the entire issued share capital of Virscend Investment from Yan Yude (嚴玉德) at a nominal consideration of US$1.00;

(z) a corporate placing agreement relating to our Company dated December 18, 2015 entered into by and among our Company, China Orient Multi-Strategy Master Fund and the Joint Global Coordinators, pursuant to which China Orient Multi-Strategy Master Fund agreed to subscribe for such maximum number of Shares as may be purchased with US$10 million at the Offer Price;

(aa) a corporate placing agreement relating to our Company dated December 23, 2015 entered into by and among our Company, CRRC (Hong Kong) Co. Limited and the Joint Global

Coordinators, pursuant to which CRRC (Hong Kong) Co. Limited agreed to subscribe for such maximum number of Shares as may be purchased with US$10 million at the Offer Price; and

(bb) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of our Group

Trademarks

As at the Latest Practicable Date, we have registered two trademarks in the PRC which, in the opinion of our Directors, are material to our business:

No.	Trademark	Registered Owner	Place of registration	Class	Registration number	Expiry date
1		Primary School	PRC	41	1735813	March 20, 2022
2		Primary School	PRC	41	1727788	March 6, 2022

As at the date of this prospectus, four applications have been made for the registration of trademarks which, in the opinion of our Directors are material to our business:

No.	Trademark	Applicant	Place of application	Class	Application Number	Application Date
1		Our Company	Hong Kong	41	303598778	November 16, 2015
2	成實外教育	Our Company	Hong Kong	41	303598769	November 16, 2015
3	VIRSCEND EDUCATION	Our Company	Hong Kong	41	303598750	November 16, 2015
4		Chengdu Experimental Foreign Languages School	PRC	41	17601918	August 5, 2015

Note: International classification of goods and services

Class 41: Teaching; education; education academy services; education assessment services; distance learning education services; school services; language schools; sporting and cultural activities; private tuition; tuition; provision of training; training of teachers; teaching and training services; organisation of teaching activities; rental of teaching apparatus; publishing services; publishing by electronic means; publication of printed matters, texts other than publicity texts, books, magazines, periodicals, newspapers, newsletters, journals, brochures, booklets; leaflets, pamphlets, prospectuses, catalogues, guidebooks, handbooks, dictionaries, reports, reference books, instructional manuals, paper articles and printed images; publication of music; publication of electronic books and journals online; providing on-line electronic publication not downloadable; translation services; planning, arranging, conducting and organising of competitions, conferences, demonstrations, displays, examinations, exhibitions, fairs, festivals, forums, games, lectures, meetings, presentations, shows, seminars and visits for cultural and educational purposes; audio recording services for cultural and educational events; audio visual display presentation services for cultural and educational purposes; club services for cultural and education purposes; computer-assisted training and education; design of educational courses, training courses, examinations and qualifications; dissemination of training and educational materials; lending libraries; production of video tape films; videotaping; research and professional consultancy relating to culture and education; provision of information, consultancy and advisory services for all the aforesaid services.

Domain Names

As at the Latest Practicable Date, we have registered the following domain names:

Registrant	Domain name	Date of registration	Expiration date
HK Huatai	www.virscendeducation.com	September 2, 2015	September 2, 2018
Chengdu Foreign Languages School	www.cfls.net.cn	April 5, 2002	April 5, 2023
Chengdu Experimental Foreign Languages School	www.cefls.cn	December 20, 2011	December 20, 2016
The Primary School attached to Chengdu Foreign Languages School	www.cwfx.com	November 13, 2002	November 13, 2016
Chengdu Experimental Foreign Languages School (Western Campus)	www.cdswxq.com	April 20, 2004	April 20, 2016

3. Further information about our PRC establishments

Tibet Huatai

(i)	nature of the company:	limited liability company (wholly foreign owned enterprise)
(ii)	incorporation date:	August 22, 2015
(iii)	term of business operation:	From August 22, 2015 to August 21, 2035
(iv)	total amount of investment:	US$700,000
(v)	registered capital:	US$500,000
(vi)	attributable interest of the company:	100%

(vii)	scope of business:	management and maintenance of education industry system applications, information technology and business procedure outsourcing service by undertaking outsourced service; intellectual properties service; vocation training outside mandatory education system; internet information service; corporate management consultancy, corporate affairs consultancy, business information consultancy, education consultancy, education management, education industry investment; education industry market information consultancy, marketing sales planning, branding sales planning, corporate image design and planning, public relations planning, accounting service, exhibition service; sales of education materials, books, computer software, commodities, and office supplies

Chengdu Huatai

(i)	nature of the company:	limited liability company
(ii)	incorporation date:	October 29, 2015
(iii)	term of business operation:	From October 29, 2015 to October 28, 2035
(iv)	registered capital:	RMB100,000[Note]
(v)	attributable interest of the Company:	100%
(vi)	scope of business:	wholesale and retail of books, computer software and hardware, commodities and office supplies

Note:

As at the Latest Practicable Date, we have not paid any amount the registered capital of Chengdu Huatai and we are required to fully pay up the registered capital of Chengdu Huatai on or before October 28, 2017.

Chengdu Experimental Foreign Languages School

(i)	nature of the entity:	private non-enterprise unit
(ii)	establishment date:	September 2012
(iii)	term of business operation:	From September 2014 to September 2019
(iv)	total amount of capital investment:	RMB132.1 million
(v)	attributable interest of the company:	100%
(vi)	scope of business:	education for academic qualification (secondary school, high school)

Chengdu Experimental Foreign Languages School (Western Campus)

(i)	nature of the entity:	private non-enterprise unit
(ii)	establishment date:	June 11, 2003
(iii)	term of business operation:	From October 2014 to October 2019
(iv)	total amount of capital investment:	RMB1 million
(v)	attributable interest of the company:	100%
(vi)	scope of business:	education for academic qualification (secondary school, high school)

Chengdu Foreign Languages School

(i)	nature of the entity:	private non-enterprise unit
(ii)	establishment date:	September 2000
(iii)	term of business operation:	From June 2015 to June 2022
(iv)	total amount of capital investment:	RMB52 million
(v)	attributable interest of the company:	100%
(vi)	scope of business:	education for academic qualification (secondary school, high school)

Chengdu Foreign Languages Kindergarten

(i)	nature of the entity:	private non-enterprise unit
(ii)	establishment date:	July 12, 2007
(iii)	term of business operation:	From January 2015 to January 2023
(iv)	total amount of capital investment:	RMB1 million
(v)	attributable interest of the company:	100%
(vi)	scope of business:	preschool education

Primary School Attached to Chengdu Foreign Languages School

(i)	nature of the entity:	private non-enterprise unit
(ii)	establishment date:	May 29, 2003
(iii)	term of business operation:	From January 2015 to January 2023
(iv)	total amount of capital investment:	RMB1 million
(v)	attributable interest of the company:	100%
(vi)	scope of business:	education for academic qualification (primary school)

Chengdu Institute Sichuan International Studies University

(i)	nature of the entity:	private non-enterprise unit
(ii)	establishment date:	April 28, 2004
(iii)	term of business operation:	From August 2013 to July 2018
(iv)	total amount of capital investment:	RMB98.4088 million
(v)	attributable interest of the company:	51.87%
(vi)	scope of business:	tertiary education for academic qualification (undergraduate)

D. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Directors' service contracts and letters of appointment

Each of our executive Directors has entered into a service contract with us for an initial fixed term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

Each of our independent non-executive Directors has entered into a service contract with us for an initial fixed term of one year commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing by served by either party on the other, which notice shall not expire until after the fixed term.

The current basic annual salaries of our Directors are as follows:

Ms. Wang Xiaoying	HK$1,000,000
Dr. Xu Ming	HK$1,000,000
Mr. Ye Jiayu	HK$1,000,000
Mr. Yan Yude	HK$1,000,000
Mr. Sit Chiu Wing	HK$120,000
Mr. Chan Kim Sun	HK$120,000
Ms. Xu Dayi	HK$96,000

Save as aforesaid, none of our Directors has or is proposed to have a service contract with us or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

2. Directors' remuneration during the Track Record Period

For the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, the aggregate of the remuneration paid and benefits in kind granted to our Directors by us and our subsidiaries was RMB1,505,000, RMB1,505,000, RMB1,505,000 and RMB752,000, respectively.

Save as disclosed in this prospectus, no other emoluments have been paid or are payable, in respect of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 by us to our Directors.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for the year ended 31 December 2015 will be approximately RMB17.09 million.

E. DISCLOSURE OF INTERESTS

1. Disclosure of interests

(a) Interests and short positions of our Directors in our share capital and our associated corporations following the Capitalization Issue and the Global Offering

Immediately following completion of the Capitalization Issue and the Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the Share Option Scheme or the exercise of the Over-allotment Option, the interests or short positions of our Directors and the chief executive of our Company in our Shares, underlying Shares and debentures of our associated corporations, within the meaning of Part XV of the SFO which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

Interests and short positions in the shares, underlying shares and debentures and associated corporations:

Long positions in our Company

	Immediately after the Global Offering and the Capitalization Issue(1)	
Name of Director	**Number of Shares**	**Approximate percentage of shareholding in our Company**
Mr. Yan Yude(2)	1,629,967,500	54.33%
Ms. Wang Xiaoying(3)	1,629,967,500	54.33%
Mr. Ye Jiayu(4)	95,400,000	3.18%

Note:

(1) Assuming the Over-allotment Option is not exercised.

(2) Mr. Yan is the sole shareholder and sole director of Virscend Holdings and he is therefore deemed to be interested in the Shares held by Virscend Holdings. Mr. Yan is also the husband of Ms. Wang Xiaoying and is therefore deemed to be interested in the Shares held by Ms. Wang Xiaoying through Smart Ally.

(3) Ms. Wang Xiaoying is the sole shareholder and director of Smart Ally and she is therefore deemd to be interested in the Shares held by Smart Ally. Ms. Wang Xiaoying is also the wife of Mr. Yan Yude and is therefore deemed to be interested in the Shares indirectly held by Mr. Yan Yude through Virscend Holdings.

(4) Mr. Ye Jiayu is interested in 37.5% equity interest of Lucky Sign and is therefore deemed to be interested in the Shares held by Lucky Sign.

(b) Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO

Immediately following completion of the Capitalization Issue and the Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the Share Option Scheme or the exercise of the Over-allotment Option, so far as our Directors are aware, the following persons (not being a Director or chief executive of our Company) are expected to have interests or short positions in our Shares or underlying Shares which are required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group:

Interests and short positions in our Shares and underlying Shares of our Company:

Long position in our Shares

		Immediately after the Global Offering and the Capitalization Issue[(1)]	
Name	**Capacity/Nature of interest[(1)]**	**Number of Shares**	**Approximate percentage of shareholding in our Company**
Virscend Holdings[(2)]	Beneficial owner	1,562,467,500	52.08%
Mr. Yan Yude[(2)(3)]	Interest in a controlled corporation and interest of spouse	1,629,967,500	54.33%
Ms. Wang Xiaoying[(4)] ...	Interest of spouse and interest in a controlled corporation	1,629,967,500	54.33%
Happy Venus[(5)]	Beneficial owner	417,330,000	13.91%
Ms. Yan Hongjia[(5)]	Interest in a controlled corporation	417,330,000	13.91%

Note:

(1) Assuming the Over-allotment Option is not exercised.

(2) Mr. Yan is the sole shareholder and sole director of Virscend Holdings and he is therefore deemed to be interested in the Shares held by Virscend Holdings.

(3) Mr. Yan Yude is the husband of Ms. Wang Xiaoying and is therefore deemed to be interested in the Shares indirectly held by Ms. Wang Xiaoying through Smart Ally.

(4) Ms. Wang Xiaoying is the sole shareholder and sole director of Smart Ally and she is therefore deemed to be interested in the Shares held by Smart Ally. Ms. Wang Xiaoying is also the wife of Mr. Yan Yude and is therefore deemed to be interested in the Shares indirectly held by Mr. Yan Yude through Virscend Holdings.

(5) Ms. Yan Hongjia is the sole shareholder and sole director of Happy Venus and she is therefore deemed to be interested in the Shares held by Happy Venus.

2. Disclaimers

Save as disclosed in this prospectus:

(a) our Directors are not aware of any person (not being our Director or chief executive) who will, immediately after completion of the Capitalization Issue and the Global Offering (without taking into account Shares which may be issued upon the exercise of the Over-allotment Option or the Shares which may be issued upon the exercise of options granted under the Share Option Scheme and the Capitalization Issue), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group;

(b) none of our Directors has any interest or short position in any of our Shares, underlying Shares or debentures or any shares, underlying shares or debentures of any associated corporation within the meaning of Part XV of the SFO, which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, in each case once our Shares are listed;

(c) none of our Directors nor any of the parties listed in the section headed "G. Other Information — 10. Consents of experts" in this Appendix is interested in the promotion of our Company, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries;

(d) none of our Directors nor any of the parties listed in the section headed "G. Other Information — 10. Consents of experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;

(e) save in connection with the Underwriting Agreements, none of the parties listed in the section headed "G. Other Information — 10. Consents of experts" in this Appendix:

   (i) is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or

   (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries;

(f) none of our Directors or their close associates (as defined in the Listing Rules) or the existing Shareholders (who, to the knowledge of our Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest customers or the five largest suppliers of our Group.

F. SHARE OPTION SCHEME

The following is a summary of principal terms of the Share Option Scheme conditionally approved by a resolution of our Shareholders passed on December 28, 2015 and adopted by a resolution of the Board on December 28, 2015 (the "Adoption Date"). The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

1. Purpose

The purpose of the Share Option Scheme is to give the Eligible Persons (as defined in the following paragraph) an opportunity to have a personal stake in our Company and help motivate them to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of Executives (as defined below), to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

2. Who may join

The Board may, at its absolute discretion, offer options ("Options") to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme to:

(a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group ("Executive"), any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group ("Employee");

(b) a director or proposed director (including an independent non-executive director) of any member of our Group;

(c) a direct or indirect shareholder of any member of our Group;

(d) a supplier of goods or services to any member of our Group;

(e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group;

(f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group; and

(g) an associate of any of the persons referred to in paragraphs (a) to (f) above (the person referred above are the "Eligible Persons").

3. Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of our Group shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date (such 10% limit representing 300,000,000 Shares excluding Shares which may fall to be issued upon the exercise of the Over-allotment Option granted by our Company) (the "Scheme Mandate Limit") provided that:

(a) our Company may at any time as our Board may think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Company shall not exceed 10% of our Shares in issue as at the date of approval by our Shareholders in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the Share Option Scheme and any other schemes of our Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of our Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. Our Company shall send to our Shareholders a circular containing the details and information required under the Listing Rules;

(b) our Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Person specified by our Company before such approval is obtained. Our Company should issue a circular to our Shareholders containing the details and information required under the Listing Rules; and

(c) the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Group shall not exceed 30% of our Company's issued share capital from time to time. No Options may be granted under the Share Option Scheme and any other share option scheme of our Company if this will result in such limit being exceeded.

4. Maximum entitlement of each participant

No Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12-month period exceeds 1% of our Company's issued share capital from time to time. Where any further grant of Options to such an Eligible Person would result in our Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of our Shares in issue, such further grant shall be separately approved by our Shareholders in general meeting with such Eligible Person and his close associates (or his associates if such Eligible Person is a connected person) abstaining from voting. Our Company shall send a circular to our Shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted) to such Eligible Person, and containing the details and information required under the Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Eligible Person must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such grant shall be taken as the offer date for the purpose of calculating the subscription price of those Options.

5. Offer and grant of Options

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof).

6. Granting Options to connected persons

Subject to the terms in the Share Option Scheme, only insofar as and for so long as the Listing Rules require, where any offer of an Option is proposed to be made to a director, chief executive or a substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates, such offer must first be approved by the independent non-executive Directors of our Company (excluding the independent non-executive Director who or whose associates is the grantee of an Option).

Where any grant of Options to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director of our Company, or any of their respective associates, would result in the securities issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the relevant class of securities in issue; and

(b) (where the securities are listed on the Stock Exchange), having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK$5.0 million,

such further grant of Options must be approved by our Shareholders (voting by way of a poll). Our Company shall send a circular to our Shareholders containing the information required under the Listing Rules. The grantee, his associates and all core connected persons (as defined in the Listing Rules) of our Company must abstain from voting in favor at such general meeting.

Approval from our Shareholders is required for any change in the terms of Options granted to a participant who is a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates. The grantee, his associates and all core connected persons (as defined in the Listing Rules) of our Company must abstain from voting in favour at such general meeting.

7. Restriction on the time of grant of Options

The Board shall not grant any Option under the Share Option Scheme after inside information has come to its knowledge until such inside information has been announced pursuant to the requirements of the Listing Rules. In particular, no Option shall be granted during the period commencing one month immediately preceding the earlier of the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and the deadline for our Company to publish an announcement of its results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements.

8. Minimum holding period, vesting and performance target

Subject to the provisions of the Listing Rules, the Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the Option in respect of any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an Option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the Option can be exercised.

9. Amount payable for Options and offer period

An offer of the grant of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the offer date provided that no such grant of an Option may be accepted after the expiry of the effective period of the Share Option Scheme. An Option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Option duly signed by the grantee together with a remittance in favor of our Company of HK$1.00 by way of consideration for the grant thereof is received by our Company on or before the date upon which an offer of an Option must be accepted by the relevant Eligible Person, being a date no later than 28 days after the offer date (the "Acceptance Date"). Such remittance shall in no circumstances be refundable.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of board lots for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer letter comprising acceptance of the offer of the Option. To the extent that the offer of the grant of an Option is not accepted by the Acceptance Date, it will be deemed to have been irrevocably declined.

10. Subscription price

The subscription price in respect of any particular Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

(a) the nominal value of a Share;

(b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and

(c) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the 5 Business Days (as defined in the Listing Rules) immediately preceding the offer date.

11. Exercise of Option

(a) An Option shall be exercised in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) within the Option period in the manner as set out in this Share Option Scheme by the grantee (or his or her legal personal representative(s)) by giving notice in writing to our Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given. Within 28 days after receipt of the notice and, where appropriate, receipt of a certificate from our auditors pursuant to the Share Option Scheme, our Company shall accordingly allot and issue the relevant number of Shares to the grantee (or his or her legal personal representative(s)) credited as fully paid with effect from (but excluding) the relevant exercise date and issue to the grantee (or his or her legal personal representative(s)) share certificate(s) in respect of the Shares so allotted.

(b) The exercise of any Option may be subject to a vesting schedule to be determined by the Board in its absolute discretion, which shall be specified in the offer letter.

(c) The exercise of any Option shall be subject to the members of our Company in general meeting approving any necessary increase in the authorized share capital of our Company.

(d) Subject as hereinafter provided and subject to the terms and conditions upon which the Option was granted, an Option may be exercised by the Grantee at any time during the Option Period, provided that:

(i) in the event that the grantee dies or becomes permanently disabled before exercising an Option (or exercising it in full) and none of the events for termination of employment or engagement pursuant to the terms of the Share Option Scheme exists with respect to such grantee, he or she (or his or her legal representative(s)) may exercise the Option up to the grantee's entitlement immediately prior to the death or permanently disability (to the extent not already exercised) within a period of 12 months following his or her death or permanent disability or such longer period as the Board may determine;

(ii) in the event that the grantee ceases to be an Executive for any reason (including his or her employing company ceasing to be a member of our Group) other than his or her death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time or the transfer of his or her employment to an affiliate company or the termination of his or her employment with the relevant member of our Group by resignation or culpable termination, the Option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;

(iii) if a general offer is made to all holders of Shares and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of our Shareholders (in the case of a scheme of arrangement), the grantee shall be entitled to exercise the Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company;

(iv) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the grantees who have Options unexercised at the same time as it dispatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his or her legal representatives or receiver) may until the expiry of the earlier of:

(1) the Option period;

(2) the period of two months from the date of such notice; or

(3) the date on which such compromise or arrangement is sanctioned by the court, exercise in whole or in part his or her Option.

(v) in the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or his or her legal personal representative(s)) shall be entitled to exercise all or any of his or her options at any time not later than two Business Days (as defined in the Listing Rules) prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day (as defined in the Listing Rules) immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

12. Life of Share Option Scheme

Subject to the terms of this Share Option Scheme, the Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

13. Lapse of Share Option Scheme

An Option shall lapse automatically and not be exercisable, to the extent not already exercised, on the earliest of:

(a) the expiry of the Option period;

(b) the expiry of any of the period referred to paragraphs related to exercise of the Option;

(c) subject to the terms of the period mentioned in the paragraph headed "F. Share Option Scheme — 11. Exercise of Option" in this section, the date of the commencement of the winding-up of our Company;

(d) there is an unsatisfied judgment, order or award outstanding against the grantee or the Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/her/its debts;

(e) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in this Share Option Scheme with respect to the exercise of the Option;

(f) a bankruptcy order has been made against any director or shareholder of the grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any Option, provided that the Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

14. Adjustment

In the event of any alteration to the capital structure of our Company while any Option remains exercisable, whether by way of capitalisation of profits or reserves, right issue, consolidations, reclassification, reconstruction, sub-division or reduction of the share capital of our Company, the Board may, if it considers the same to be appropriate, direct that adjustments be made to:

(a) the maximum number of Shares subject to the Share Option Scheme; and/or

(b) the aggregate number of Shares subject to the Option so far as unexercised; and/or

(c) the subscription price of each outstanding Option.

Where the Board determines that such adjustments are appropriate (other than an adjustment arising from a capitalization issue), the auditors appointed by our Company shall certify in writing to the Board that any such adjustments are in their opinion fair and reasonable, provided that:

(a) any such adjustments shall give the Eligible Persons the same proportion of equity capital as they were previously entitled to. In respect of any such adjustments, other than any made on a capitalization issue, the auditors shall confirm to the Board in writing that the adjustments satisfy this requirement;

(b) any such adjustments shall be made on the basis that the aggregate subscription price payable by the grantee on the full exercise of any Option shall remain as nearly as practicable same as (but shall not be greater than) it was before such event;

(c) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;

(d) any such adjustments shall be made to in accordance with the provisions as stipulated under Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time; and

(e) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.

15. Cancellation of Options not exercised

The Board shall be entitled for the following causes to cancel any Option in whole or in part by giving notice in writing to the grantee stating that such Option is thereby cancelled with effect from the date specified in such notice (the "Cancellation Date"):

(a) the grantee commits or permits or attempts to commit or permit a breach of restriction on transferability of Option or any terms or conditions attached to the grant of the Option;

(b) the grantee makes a written request to the Board for the Option to be cancelled; or

(c) if the grantee has, in the opinion of the Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or its subsidiary.

The Option shall be deemed to have been cancelled with effect from the Cancellation Date in respect of any part of the Option which has not been exercised as at the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that the Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

16. Ranking of Shares

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles of Association and the laws of the Cayman Islands from time to time and shall rank pari passu in all respects with the then existing fully paid Shares in issue commencing from (i) the allotment date or, (ii) if that date falls on a day when the register of members of our Company is closed, the first date of the re-opening of the register of members. Accordingly, it will entitle the holders to participate in all dividends or other distributions paid or made on or after (i) the allotment date or, (ii) if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the allotment date.

Share issued upon the exercise of an Option shall not carry rights until the registration of the grantee (or any other person) as the holder thereof.

17. Termination

Our Company may by resolution in general meeting at any time terminate the operation of the Share Option Scheme. Upon termination of the Share Option Scheme as aforesaid, no further Options shall be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

18. Transferability

The Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any Option or attempt to do so (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding Option or part thereof granted to such grantee.

19. Alteration of Share Option Scheme

The Share Option Scheme may be altered in any respect by a resolution of the Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of the our Shareholders in general meeting:

(a) any material alteration to its terms and conditions or any change to the terms of Options granted (except where the alterations take effect under the existing terms of the Share Option Scheme);

(b) any alteration to the provisions of the Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of grantee;

(c) any change to the authority of the Board or any person or committee delegated by the Board pursuant to the Share Option Scheme to administer the day-to-day running of the Scheme; and

(d) any alteration to the aforesaid alternation provisions.

provided always that the amended terms of the Share Option Scheme shall comply with the applicable requirements of the Listing Rules.

20. Conditions of the Share Option Scheme

The Share Option Scheme shall come into effect on the date on which the following conditions are fulfilled:

(a) the approval of our Shareholders for the adoption of the Share Option Scheme;

(b) the approval of the Stock Exchange for the listing of and permission to deal in, a maximum of 300,000,000 Shares to be allotted and issued pursuant to the exercise of the Share Option Scheme in accordance with the terms and conditions of the Share Option Scheme;

(c) the commencement of dealing in our Shares on the Stock Exchange; and

(d) the obligations of the underwriters under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms thereof or otherwise.

If the permission referred to in paragraph (b) above is not granted within two calendar months after the Adoption Date:

(i) the Share Option Scheme will forthwith terminate;

(ii) any Option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect;

(iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any Option; and

(iv) the Board may further discuss and devise another share option scheme that is applicable to a private company for adoption by our Company.

Application has been made to the Stock Exchange for the listing of 300,000,000 Shares which may be issued pursuant to the exercise of Options under the Share Option Scheme.

G. OTHER INFORMATION

1. Deed of Indemnity

Mr. Yan Yude and Virscend Holdings have entered into the Deed of Indemnity with and in favor of our Company for itself and as trustee for its subsidiaries, to provide indemnities in respect of, among other things:

(a) certain estate duty which might be payable by any companies in our Group by virtue of or under the provisions of the Estate Duty Ordinance (Chapter 111 of Laws of Hong Kong); and

(b) any liability of any or all of the members of our Group to any form of taxation and duty whenever created or imposed, whether of Hong Kong, the PRC or of any other part of the world, and without prejudice to the generality of the foregoing includes profits tax, provisional profits tax, business tax on gross income, income tax, value added tax, interest tax, salaries tax, property tax, land appreciation tax, lease registration tax, estate duty, capital gains tax, death duty, capital duty, stamp duty, payroll tax, withholding tax, rates, import, customs and excise duties and generally any tax duty, impost, levy or rate or any amount payable to the revenue, customs or fiscal authorities of local, municipal, provincial, national, state or federal level whether of Hong Kong, the PRC or of any other part of the world falling on any of the members of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the Listing Date or any event on transaction on or before Listing Date whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company.

The Deed of Indemnity does not cover any claim and Mr. Yan and Virscend Holdings shall be under no liability under this Deed of Indemnity in respect of above:

(a) to the extent that provision or allowance has been made for such taxation in the combined financial statements of our Group as set out in the Accountants' Report set out in Appendix I to this prospectus or in the audited accounts of the relevant members of our Group for the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 ("Accounts"); or

(b) for which any company of our Group is liable as a result of any event occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 30 June 2015 up to and including the Listing Date or consisting of any company of our Group ceasing, or being deemed to cease, to be a company in our Group for the purposes of any matter of the taxation; or

(c) to the extent that such claim arises or is incurred as a consequence of any retrospective change in the law or the interpretation or practice by the Hong Kong Inland Revenue Department or the tax authorities or any other authority in any part of the world coming into force after the Listing Date or to the extent such claim arises or is increased by an increase in the rates of taxation after the Listing Date with retrospective effect; or

(d) to the extent that any provision or reserve made for such taxation in the Accounts is finally established to be an over-provision or an excessive reserve as certified by a firm of accountants acceptable to our Company then the liability of Mr. Yan Yude and Virscend Holdings (if any) in respect of such taxation shall be reduced by an amount not exceeding such over-provision or excess reserve.

Under the Deed of Indemnity, Mr. Yan and Virscend Holdings have also undertaken to indemnify, on a joint and several basis, from any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages, penalties, fines or other liabilities which any member of our Group may incur or suffer arising from the non-compliances as disclosed in the section headed "Business — Legal Proceedings and Compliance" of this prospectus.

2. Litigation

As at the Latest Practicable Date, neither we nor any of our subsidiaries were/was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on its results of operations or financial condition.

3. Preliminary expenses

Our estimated preliminary expenses are approximately US$50,000 and have been paid by us.

4. Promoter

There are no promoters of our Company.

5. Sole Sponsor

The Sole Sponsor made an application on our behalf to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares in issue as mentioned herein, the Shares to be issued pursuant to the Capitalization Issue and any Shares falling to be issued pursuant to the exercise of the Over-allotment Option, and the Shares that may be issued upon the exercise of options that may be granted under the Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into CCASS. The Sole Sponsor confirms that it satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Our Company has entered into an engagement agreement with the Sole Sponsor, pursuant to which our Company agreed to pay the Sole Sponsor a fee of US$500,000 to act as sponsor to our Company in the Global Offering.

6. No material adverse change

Our Directors confirm that there has been no material adverse change in our Company's financial or trading position or prospects since June 30, 2015 (being the date to which our latest audited combined financial statements were made up).

7. 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 (WUMP) Ordinance (Chapter 32 of the Laws of Hong Kong) so far as applicable.

8. Miscellaneous

(1) Save as disclosed in this prospectus:

(a) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(b) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;

(d) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;

(e) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company;

(f) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and

(g) we have no outstanding convertible debt securities.

(2) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the twelve (12) months immediately preceding the date of this prospectus.

9. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
Macquarie Capital Securities Limited	A licensed corporation holding a license under the SFO for type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities under the SFO
Ernst & Young	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Jingtian & Gongcheng	PRC legal advisors to our Company
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
DTZ Debenham Tie Leung Limited	Independent property valuer

10. Consents of experts

Each of the experts named in paragraph 9 of this Appendix has given and has not withdrawn their respective consent to the issue of this 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 respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

11. Bilingual prospectus

The English language and the Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

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 **GREEN** Application Forms, the written consents referred to in the paragraph headed "G. Other Information — 10. Consents of experts" in Appendix V and copies of the material contracts referred to in the paragraph headed "C. Further Information about Our Business — 1. Summary of the Material Contracts" in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Orrick, Herrington & Sutcliffe at 43rd Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date that is 14 days from the date of this prospectus:

(1) our Memorandum and the Articles of Association;

(2) the Accountants' Report prepared by Ernst & Young, the text of which is set out in Appendix I to this prospectus;

(3) the audited financial statements as have been prepared for the companies now comprising our Group for each of the year ended December 31, 2012, 2013 and 2014 and six months ended June 30, 2015;

(4) the report received from Ernst & Young on unaudited pro forma financial information, the texts of which is set out in Appendix II to this prospectus;

(5) the material contracts referred to in the paragraph headed "C. Further Information about Our Business — 1. Summary of the Material Contracts" of Appendix V to this prospectus;

(6) the service contracts and letters of appointment with Directors, referred to in the paragraph headed "D. Further Information about our Directors — 1. Directors' service contracts and letters of appointment" of Appendix V to this prospectus;

(7) the written consents referred to in the paragraph headed "Consents of experts" of Appendix V to this prospectus;

(8) the PRC legal opinions prepared by Jingtian & Gongcheng, our legal advisors as to the PRC law, in respect of certain aspects of our Group and our property interests;

(9) the letter of advice prepared by Conyers Dill & Pearman summarizing certain aspects of Companies Law referred to in Appendix IV to this prospectus;

(10) the report relating to our property interest prepared by DTZ Debenham Tei Leung Limited, the text of which is set out in Appendix III to this prospectus and the full valuation report prepared by DTZ Debenham Tei Leung Limited;

(11) the Frost & Sullivan Report;

(12) the Companies Law; and

(13) the rules of the Share Option Scheme.

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語通世界

VIRSCEND EDUCATION COMPANY LIMITED
成實外教育有限公司