民生教育集团有限公司

Minsheng Education Group Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1569

GLOBAL OFFERING

Joint Sponsors, Joint Global Coordinators and Joint Bookrunners (in alphabetical order)

citi

MACQUARIE

Joint Lead Managers (in alphabetical order)

citi

MACQUARIE

西證國際 SOUTHWEST SECURITIES

IMPORTANT

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

Minsheng Education Group Company Limited
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GLOBAL OFFERING

Total Number of Offer Shares under the Global Offering	:	**1,000,000,000 Shares (subject to the Over-allotment Option)**
Number of Public Offer Shares	:	**100,000,000 Shares (subject to adjustment)**
Number of International Placing Shares	:	**900,000,000 Shares (subject to the Over-allotment Option and adjustment)**
Offer Price	:	**Not more than HK$1.52 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	:	**US$0.00001 per Share**
Stock code	:	**1569**

Joint Sponsors, Joint Global Coordinators and Joint Bookrunners (in alphabetical order)

Joint Lead Managers (in alphabetical order)

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 VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) 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 Wednesday, March 15, 2017 or such later time as may be agreed between the parties, but in any event, no later than Monday, March 20, 2017. 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 Monday, March 20, 2017, the Global Offering will not proceed and will lapse immediately. The Offer Price will be not more than HK$1.52 per Share and is expected to be not less than HK$1.24 per Share, unless otherwise announced. Investors applying for the Public Offer Shares must pay, on application, the maximum offer price of HK$1.52 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$1.24. 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 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at **www.hkexnews.hk** and the Company at **www.minshengedu.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.

We have not been and will not be registered under the U.S. Investment Company Act of 1940, as amended (the "U.S. Investment Company Act"). The Offer Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws of the United States and may not be offered, sold, pledged or transferred within the United States, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold (i) to persons within the United States or to U.S. persons, in each case, who are both qualified institutional buyers (as defined in Rule 144A) and qualified purchasers (as defined in section 2(a)(51) of the U.S. Investment Company Act and Rule 2a51-1 thereunder), in reliance on Rule 144A under the U.S. Securities Act or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act; and (ii) outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

March 10, 2017

The Company will publish an announcement on the website of the Stock Exchange at ***www.hkex.com.hk*** *and our website at* ***www.minshengedu.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 Wednesday, March 15, 2017
Application lists for the Hong Kong Public Offering open *(note 2)*	11:45 a.m. on Wednesday, March 15, 2017
Latest time for lodging **WHITE** and **YELLOW** Application Forms and giving **electronic application instructions to HKSCC** *(note 3)*	12:00 noon on Wednesday, March 15, 2017
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 Wednesday, March 15, 2017
Application lists close *(note 2)*	12:00 noon on Wednesday, March 15, 2017
Expected Price Determination Date *(note 6)*	Wednesday, March 15, 2017
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.minshengedu.com** on or before *(note 7)*	Tuesday, March 21, 2017
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	Tuesday, March 21, 2017
Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** with a "search by ID function"	Tuesday, March 21, 2017

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)*	Tuesday, March 21, 2017
Share certificates in respect of wholly or partially successful applications to be despatched or deposited into CCASS on *(note 8)*	Tuesday, March 21, 2017
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 or before *(notes 7 & 11)*	Tuesday, March 21, 2017
Dealings in Shares on the Main Board of the Stock Exchange to commence on	9:00 a.m. on Wednesday, March 22, 2017

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 Wednesday, March 15, 2017, 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 Wednesday, March 15, 2017, 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 — 6. 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 Wednesday, March 22, 2017, 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 Wednesday, March 15, 2017 but in any event, the expected time for determination of the Offer Price will not be later than Monday, March 20, 2017. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators, on behalf of the Underwriters, and our Company by Monday, March 20, 2017, 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 Tuesday, March 21, 2017. Applicants being individuals who apply for 1,000,000 Public Offer Shares or more and opt for personal collection must not authorize 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 authorized representatives bearing letters of authorization from their corporations stamped with the corporations' chop. Identification and (where applicable) authorization 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."

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by Minsheng Education Group 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 purposes 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 authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by our Company, the Joint Sponsors, 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 were the tenth largest private provider of higher education in China, as measured by total number of student enrollment as of June 30, 2016, according to the Frost & Sullivan report. As of June 30, 2016, we had an aggregate of 30,616 students enrolled at the schools we owned and operated, namely, Chongqing College of Humanities, Science and Technology, Pass College of Chongqing Technology and Business University, Chongqing Vocational College of Applied Technology and Inner Mongolia Fengzhou Vocational College (Qingcheng Branch).

Our primary focus is to provide high-quality private formal higher education in China dedicated to nurturing professional talent. We offer a comprehensive range of diverse majors and courses, including through our collaborative relationships and cooperative education programs with local businesses and government agencies, through which we strive to improve our students' practical training and career prospects. As a result, we have achieved high initial graduate employment rates, with an average of approximately 90.2%, 91.1% and 88.9% for the schools we owned and operated during the 2013/2014, 2014/2015 and 2015/2016 school years, respectively, compared with the overall average initial graduate employment rates of the PRC higher education industry of 77.4%, 77.5% and 77.7%, respectively, as of September 1, 2013, 2014 and 2015, according to the Frost & Sullivan Report. We attribute the relatively high initial graduate employment rates we have achieved to the effectiveness of our education, which we believe will continue to elevate our brand recognition and help us attract talented students.

During the Track Record Period, we have experienced steady growth in our revenue and gross profit. Our revenue increased from RMB384.1 million for the year ended December 31, 2013 to RMB402.5 million for the year ended December 31, 2014, and further to RMB426.3 million for the year ended December 31, 2015. For the ten months ended October 31, 2016, our revenue amounted to RMB346.6 million compared to our revenue of RMB329.6 million for the ten months ended October 31, 2015. Our profit for the year increased from RMB185.9 million for the year ended December 31, 2013 to RMB196.3 million for the year ended December 31, 2014, and further to RMB213.5 million for the year ended December 31, 2015. For the ten months ended October 31, 2016, our profit for the period was RMB176.1 million compared to a profit of RMB147.5 million for the ten months ended October 31, 2015.

OUR SCHOOLS

We currently operate four schools in the PRC, of which three are located in Chongqing and the remaining school is situated in Inner Mongolia. Through these schools, we primarily offer formal higher education, including formal undergraduate education and junior college education. As of October 31, 2016, we had an aggregate of 32,685 students enrolled in our schools and a total of 1,090 teachers which, hereinafter shall include both full-time and part-time teachers and teaching assistants. Typically, we charge our students tuition fees and boarding fees and we generally raise tuition fees involving certain majors at the schools we own and operate every two to three school years to reflect our increased operating costs. Students who have already enrolled at our schools continue to pay the applicable tuition fees in effect when they first enrolled in our schools. Please see the section headed "Business — Our Schools" for further details.

As of the Latest Practicable Date, all of our schools are private schools that we, as the school sponsors, require reasonable returns. According to the applicable PRC regulations, for private schools the sponsors of which require reasonable returns, school sponsors can obtain legal surplus from the school operations at the end of each accounting year in accordance with the provisions of the articles of association of such private schools. The school council, the board of directors or other decision-making bodies shall determine the proportion of such legal surplus to be distributed to the school sponsors in accordance with applicable laws and regulations, and shall make requisite filings of such decisions to the relevant examination and approval authority for record.

According to the applicable PRC regulations, the private schools the sponsors of which require reasonable returns enjoy preferential tax policies. These tax policies shall be formulated by the financial department of the State Council in conjunction with the other relevant administrative departments of the State Council. As of the Latest Practicable Date, no such tax regulation has been introduced.

The following is a summary of the schools we currently own and operate:

- *Chongqing College of Humanities, Science and Technology*: Chongqing College of Humanities, Science and Technology is a degree-granting university-level education institution located in Chongqing, the PRC, which provides formal undergraduate education junior college education, as well as preparatory education for qualified ethnic minority students. Its predecessor, Southwest University Yucai College was recognized by the MOE as an independent College in March 2003. Chongqing College of Humanities, Science and Technology was the first private school in Chongqing that had met the criteria and was approved by the MOE to be converted to an independently organized ordinary undergraduate higher education institution (獨立設置的普通本科學校) in April 2013. As of October 31, 2016, the school had a total of 18,753 students under enrollment (comprising 16,528 students under the bachelor's degree program, 1,248 students under the junior college program and 977 students under the preparatory education program) and employed 629 teachers;

- *Pass College of Chongqing Technology and Business University*: Pass College of Chongqing Technology and Business University is an independent college located in Chongqing, the PRC, which provides formal undergraduate education and junior college education. It was recognized by the MOE as an independent college in December 2003. The school had as of October 31, 2016 an aggregate of 9,937 students enrolled (consisting of 8,929 students under the bachelor's degree program and 1,008 students under the junior college program) and employed 269 teachers;

- *Chongqing Vocational College of Applied Technology*: Chongqing Vocational College of Applied Technology is a degree-granting higher education institution located in Chongqing, the PRC, which provides junior college education. As of October 31, 2016, the school had a total student enrollment of 2,376 and employed 119 teachers; and

- *Inner Mongolia Fengzhou Vocational College (Qingcheng Branch)*: Inner Mongolia Fengzhou Vocational College is a degree-granting higher education institution located in Hohhot, Inner Mongolia, China, which primarily provides junior college education. As of October 31, 2016, the school had 1,619 students under enrollment aggregately and employed 73 teachers.

For details of each of our schools, please refer to the section headed "Business — Our Schools" in this prospectus.

Summary Business Operating Data

The following table sets forth the revenue and gross profit margin for each of the four schools we own and operate for the periods indicated:

	Revenue (RMB'000)					Gross Profit Margin (%)				
	Year ended December 31,			Ten months ended October 31,		Year ended December 31,			Ten months ended October 31,	
School	**2013**	**2014**	**2015**	**2015**	**2016**	**2013**	**2014**	**2015**	**2015**	**2016**
Chongqing College of Humanities, Science and Technology										
Tuition fees	234,307	243,786	253,231	196,478	202,490	N/A	N/A	N/A	N/A	N/A
Boarding fees	18,043	17,965	18,549	15,138	16,255	N/A	N/A	N/A	N/A	N/A
Subtotal	252,350	261,751	271,780	211,616	218,745	65.0	66.2	63.2	61.9	61.1
Pass College of Chongqing Technology and Business University										
Tuition fees	96,701	109,696	121,825	93,574	100,388	N/A	N/A	N/A	N/A	N/A
Boarding fees	8,271	8,678	9,497	7,775	8,060	N/A	N/A	N/A	N/A	N/A
Subtotal	104,972	118,374	131,322	101,349	108,448	60.6	61.2	62.3	60.6	56.9
Chongqing Vocational College of Applied Technology										
Tuition fees	14,867	13,465	12,104	9,591	9,988	N/A	N/A	N/A	N/A	N/A
Boarding fees	1,913	1,733	1,466	1,229	1,285	N/A	N/A	N/A	N/A	N/A
Subtotal	16,780	15,198	13,570	10,820	11,273	56.1	46.3	26.6	31.6	1.3[(1)]
Inner Mongolia Fengzhou Vocational College (Qingcheng Branch)										
Tuition fees	8,919	5,918	7,980	4,777	6,711	N/A	N/A	N/A	N/A	N/A
Boarding fees	1,064	1,274	1,665	996	1,423	N/A	N/A	N/A	N/A	N/A
Subtotal	9,983	7,192	9,645	5,773	8,134	42.4	38.9	47.1	32.9	21.4
Total revenue	384,085	402,515	426,317	329,558	346,600	62.8	63.5	61.4	60.0	56.9

Note:

(1) The gross profit margin of Chongqing Vocational College of Applied Technology decreased from 31.6% for the ten months ended October 31, 2015 to 1.3% for the ten months ended October 31, 2016, primarily due to (i) a decrease of revenue as a result of a decrease in student enrollment for the 2015/2016 school year; (ii) an increase in staff costs as we increased salaries for teachers; and (iii) an increase in the cost of cooperative education as we expanded school-enterprise collaboration programs to attract more students.

The following table sets forth the student enrollment for each of the four schools we own and operate for the periods indicated:

School	Student Enrollment[(1)] School Year 2012/2013	2013/2014	2014/2015	2015/2016	2016/2017[(2)]
Chongqing College of Humanities, Science and Technology					
Bachelor's degree program	16,173	16,762	17,013	16,818	16,528
Junior college program	1,575	742	508	953	1,248
Preparatory program	413	408	541	656	977
School Subtotal	18,161	17,912	18,062	18,427	18,753
Pass College of Chongqing Technology and Business University					
Bachelor's degree program	7,185	7,945	8,617	8,966	8,929
Junior college program	677	588	744	929	1,008
School Subtotal	7,862	8,533	9,361	9,895	9,937
Chongqing Vocational College of Applied Technology[(3)]	1,974	1,823	1,559	1,355	2,376
Inner Mongolia Fengzhou Vocational College (Qingcheng Branch)[(3)]	1,444	764	644	939	1,619
Total	29,441	29,032	29,626	30,616	32,685

Notes:

* The student enrollment information during the Track Record Period was based on the official records of the relevant PRC education authority or the internal records of the schools we own and operate, as the case may be.

(1) Despite the fact that our financial year ends on December 31, our school year generally ends in late June/early July, for consistency purposes, we use June 30 to present our business operating data in this prospectus.

(2) Student enrollment for the 2016/2017 school year were as of October 31, 2016.

(3) We believe students enrollment decreased from the 2012/2013 school year to 2015/2016 school year for Chongqing Vocational College of Applied Technology and from the 2012/2013 school year to the 2014/2015 school year for Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) mainly because the approvals in respect of new majors we applied to open at these schools, such as pre-school education and automotive inspection and repair services majors at Chongqing Vocational College of Applied Technology and a nursing major at Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) (all of which are included in the Vocational Majors Directory (as defined in "Regulatory Overview" in this prospectus)), were not granted in a timely manner by the relevant PRC education authorities. According to the applicable PRC regulations, schools are required to first (i) make a filing with the MOE prior to offering new majors included in the College and University Majors Directory (as defined in "Regulatory Overview" in this prospectus); and (ii) obtain approval from the MOE prior to offering new majors not included in the College and University Majors Directory or those that are designated as state-controlled undergraduate majors. In addition, schools must first (i) make a filing with the PRC education authorities at the provincial level prior to offering new higher vocational education (specialist) majors; and (ii) obtain approval from the MOE prior to offering state-controlled higher vocational majors. The timing and results of the acceptance of the filing or approval are often unpredictable. Please refer to "Regulatory Overview — Regulations on Private Education in the PRC — Regulations on Establishment of Majors in Colleges and Universities" in this prospectus for more details. There is no assurance whether or when such governmental authorities will provide approval or accept the filing. For example, we first applied to offer a pre-school education major, which is a state-controlled higher vocational education major, and an automotive inspection and repair services major at Chongqing Vocational College of Applied Technology in 2013 and 2014, respectively, but did not receive the approvals until March 2016. Similarly, we applied to offer a nursing major, which is a specialist higher vocational major requiring consent from the provincial health departments prior to obtaining approval from the competent PRC education authorities, at Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) in 2013 and only received approval in early 2016. Without obtaining regulatory approval or making the filings necessary to establish new majors, we could not establish the new majors as scheduled, which may directly impact the number of student enrollment for the relevant school year and therefore, affect the anticipated revenue of the school for the relevant school year. Please see "Risk Factors — Risk Relating to Our Business and Our Industry — 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." Therefore, we believe these delays had caused reduced student interest and inclination to enroll at these schools during the relevant periods. However, when such new majors are approved, we believe new student enrollment should increase.

The following table sets forth information relating to the student capacity and utilization rate for each of the schools we operate as of the dates indicated:

	Student Capacity(1)(2)					School Utilization Rate(1) (%)				
	School Year					School Year				
School	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017(3)	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017(3)
Chongqing College of Humanities, Science and Technology	21,877	21,877	21,877	21,877	21,877	83.0	81.9	82.6	84.2	85.7
Pass College of Chongqing Technology and Business University	8,104	9,600	9,600	11,160	11,160	97.0	88.9	97.5	88.7	89.0
Chongqing Vocational College of Applied Technology	2,748	2,748	2,748	2,748	2,748	71.8	66.3	56.7	49.3	86.5
Inner Mongolia Fengzhou Vocational College (Qingcheng Branch)	1,986	1,986	1,986	1,986	1,986	72.7	38.5	32.4	47.3	81.5
Total	34,715	36,211	36,211	37,771	37,771	84.8	80.2	81.8	81.1	86.5

Notes:

* The student capacity information during the Track Record Period was based on the internal records of the schools we own and operate.

(1) Despite the fact that our financial year ends on December 31, our school year generally ends in late June/early July. For consistency purposes, we use June 30 to present our business operating data in this prospectus.

(2) All of our schools are boarding schools. In addition, the capacity for student enrollment at each of our schools is restricted by the approximate number of beds available in student dormitories and the student enrollment quota approved and adjusted by the relevant PRC education authorities.

(3) Student capacity and utilization rate for the 2016/2017 school year were as of October 31, 2016.

The following is a summary of the types of programs conferred and key majors offered by each of our schools for the 2016/2017 school year:

- *Chongqing College of Humanities, Science and Technology*: (i) For the undergraduate program, key majors include journalism, Chinese literature, tourism management, hotel management, human resources management, computer science and technology, software engineering, automotive service engineering, pre-school education, art and design, architecture, accounting, economics, law, English and music theory; and (ii) for the junior college program, the school offers nursing major;

- *Pass College of Chongqing Technology and Business University*: (i) For the undergraduate program, key majors include finance, investment, taxation, financial engineering, business management, marketing, accounting, auditing, financial engineering management, tourism management, English, business English, broadcasting and television, Chinese literature, computer science and technology, networking engineering and automobile service engineering; and (ii) for the junior college program, the school offers marketing, accounting, and securities and futures majors;

- *Chongqing Vocational College of Applied Technology*: For the junior college program, key majors include tourism management, hotel management, finance management, accounting, electronic commerce, automotive electronic technology, automotive sales and service, automotive inspection and repair services, computer network technology, pre-school education, applied English, environmental technological design, digital media applied technology, architectural engineering technology, landscape engineering technology and architectural design; and

- *Inner Mongolia Fengzhou Vocational College (Qingcheng Branch)*: For the junior college program, key majors include accounting, auditing, pre-school education, nursing, architecture engineering technology, computer application technology, road and bridge engineering technology, tourism management and project cost management.

OUR STUDENTS

We believe the reputation of our schools, the high initial employment rates of our graduates, the quality of our curriculums, the diversity of our major offerings and the qualification of our teachers, combined with our various effective marketing methods are the key elements that attract our prospective students. In order to be enrolled at our schools, students are required to take the PRC National Higher Education Entrance Exam, achieve the required total score for one of the schools we operate, and follow the national and local admission standards and procedures. The number of students we are able to admit for each of our schools for each school year is set and approved by relevant PRC education authorities. In addition to recruiting students based on the PRC National Higher Education Entrance Exam, Chongqing Vocational College of Applied Technology and Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) are permitted by the relevant education authorities in Chongqing and Inner Mongolia, respectively, to formulate and administer self-designed entrance examinations for certain majors.

OUR TEACHERS

We believe the quality of our teachers is a key factor to our success. We recruit qualified teachers that suit our needs. As of October 31, 2016, we had 1,090 teachers. As of the same date, approximately 87.4% of our teachers have a bachelor's degree or above, and approximately 52.6% of our teachers have a master's degree or above. In addition, we value the recognitions bestowed upon our teachers who have achieved teaching excellence, subject matter expertise and relevant work experience. We also offer comprehensive training programs for our teachers and conduct regular teacher performance evaluations to improve the overall quality of the education we provide.

For the 2012/2013, 2013/2014, 2014/2015 and 2015/2016 school years, the range of monthly remuneration of our teachers was between RMB2,108 and RMB13,930, RMB2,639 and RMB11,169, RMB2,303 and RMB14,069 and RMB2,530 and RMB18,304, respectively, and the average monthly teachers' remuneration was approximately RMB5,190, RMB4,710, RMB6,470 and RMB7,270, respectively. Teachers' remuneration is comprised of salary, bonuses and all benefits our teachers received for their employment with us. The range of monthly remuneration of our teachers is determined by taking the lowest and highest individual monthly remuneration of our teachers for the month of June. In addition, average monthly teachers' remuneration is calculated by dividing the total teachers' remuneration for the month of June by the number of teachers we had as of June 30. The Directors confirm that our teachers' remuneration is payable on a monthly basis and we use the month of June for the purpose of calculating the remuneration range and average because we generally use June 30 to present our business operating data in this prospectus for consistency purposes.

OUR INVESTMENTS IN OVERSEAS SCHOOLS

As of October 31, 2016, we owned approximately 25.6% equity interest in Beacon International College and were one of two members of Hong Kong Nang Yan College of Higher Education, which is a company limited by guarantee established under the laws of Hong Kong. Through our overseas investments, we intend to ramp up our efforts to introduce advanced curriculums and innovative teaching methods into our schools in the PRC to bolster our education quality and reputation, and to create more exchange opportunities for our students in the PRC.

OUR OWNERSHIP STRUCTURE

We own and operate our schools through a direct ownership structure. Our three schools in Chongqing, namely, Chongqing College of Humanities, Science and Technology, Pass College of Chongqing Technology and Business University, Chongqing Vocational College of Applied Technology, were invested by us in 2006 through our purchase of 95% equity interests in Li'ang Industry, the school sponsor of these schools at that time, with the remaining 5% equity interests held by Mr. Li, a PRC domestic person. We became one of the joint school sponsors of Inner Mongolia Fengzhou Vocational College in 2008 through the purchase by Li'ang Education of the school sponsor interest corresponding to the interests and assets of Inner Mongolia Fengzhou Vocational College (Qingcheng Branch), with the other joint school sponsor, which is an Independent Third Party, being a PRC domestic party. The ownership structure described above allowed us to comply with the then applicable PRC regulations, which permitted foreign investors to invest in the form of Sino-foreign equity investment ("Sino-Foreign Investment", 中外合資) but prohibited foreign investors to wholly-own (whether directly or indirectly) PRC higher education institutions.

As advised by our PRC Legal Advisors, the direct ownership structure described above complied with the Guidance Catalog of Industries for Foreign Investment (《外商投資產業指導目錄》) (the "Former Catalogs") in effect at the time when we made these investments in 2006 and 2008, respectively.

As advised by our PRC Legal Advisors, the school sponsor structure of our schools and the existing shareholding structure remained legal and effective as of the Latest Practicable Date, on the basis that (i) each of the four schools mentioned above became indirectly owned by our Company before the effective date of the Foreign Investment Catalog (i.e. April 10, 2015); (ii) the Foreign Investment Catalog did not state that it has retrospective effect; and (iii) in accordance with the Legislative Law of the PRC (《中華人民共和國立法法》), unless otherwise expressly stated, PRC laws, administrative regulations, local regulations, autonomous regulations, special regulations, administrative rules or local rules do not have retrospective effect.

As mentioned above, the continued compliance of our ownership structure with PRC foreign investment regulations is dependent upon future legislative changes not having retrospective effect. However, we cannot rule out the technical possibility of the occurrence of such future legislative changes with retrospective effect, and if that occurs, our ownership structure may be subject to change. Please refer to "Risk Factors — Risks Relating to our Ownership Structure" for associated risks.

As confirmed by the Chongqing Commerce Commission (重慶市商務委員會), which is the competent authority as advised by our PRC Legal Advisors on the basis that Chongqing Commerce Commission is the provincial governmental authority which has governmental authority over the investment (including the investment in our schools) made by our Chongqing-based foreign-invested

PRC subsidiaries, in respect of the implementation of PRC foreign investment related regulations, (i) our investments into our schools in Chongqing and Inner Mongolia Fengzhou Vocational College in 2006 and 2008 were in compliance with the Former Catalogs; (ii) the Foreign Investment Catalog subsequently promulgated in April 2015 did not have retrospective effect and our direct ownership structure was and remained legal and effective and is not required to be restructured; and (iii) our investment in Minsheng Secondary Vocational School was in compliance with the Foreign Investment Catalog.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and differentiate us from our competitors: (i) we are one of the leaders and a pioneer in the PRC private higher education industry; (ii) we maintain an extensive and effective school-enterprise collaboration business model to provide our students with better training and job prospects; (iii) we offer market-oriented, comprehensive and diversified majors and curriculums to our students; (iv) our ability to provide a combination of a conducive learning environment and high teaching quality has enabled us to achieve industry-leading initial graduate employment rates; (v) through a centralized and prudent management system, we have established a highly scalable business model; (vi) we have invested in schools overseas and developed cooperative relationships with international institutions to propel our business expansion; and (vii) we have an experienced and proven management team with considerable expertise and strong reputation.

OUR BUSINESS STRATEGIES

Our goal is to solidify our position as the tenth largest private provider of formal higher education in China focusing on nurturing professional talent and further expanding our school network across the PRC and overseas. In order to achieve this goal, we plan to pursue the following business strategies: (i) expand our school network coverage by carefully selecting suitable acquisition targets or cooperation partners; (ii) continue to expand our business operations in our existing schools and diversify our revenue sources; (iii) continue to strengthen our school-enterprise collaboration business model; (iv) expand our service offerings and optimize our pricing; (v) further advance our brand, reputation and school network internationally; and (vi) continue to improve the quality of our teachers.

OUR CUSTOMERS AND SUPPLIERS

Our customers primarily comprise our students. For each of year ended December 31, 2013, 2014, 2015 and for the ten months ended October 31, 2016, we did not have any single customer who accounted for more than 10% of our revenue. Our suppliers primarily consist of construction companies and information technology equipment and service providers, which are Independent Third Parties. For the years ended December 31, 2013, 2014 and 2015 and the ten months ended October 31, 2016, purchases from our five largest suppliers amounted to RMB33.9 million, RMB27.6 million, RMB20.9 million and RMB27.0 million, respectively, representing 39.2%, 53.0%, 42.9% and 43.0%, respectively, of our total purchases for the relevant years/periods. Purchases from our largest suppliers during the Track Record Period amounted to RMB17.2 million, RMB15.8 million, RMB9.9 million and RMB10.0 million, respectively, representing 19.9%, 30.3%, 20.3% and 15.9%, respectively, of our total purchases for the relevant years/periods.

THE CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalization Issue and the Global Offering, our Controlling Shareholders will control the exercise of voting rights of approximately 75% 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 options 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

We have conditionally adopted the Share Option Scheme on March 2, 2017 in order to incentivize our Directors, senior management and our other employees for their contribution to our Group and in an effort to retain and attract qualified personnel. The principal terms of the Share Option Scheme are summarized in the section headed "F. Share Option Scheme" in Appendix VI to this prospectus.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth our summary consolidated financial information as of and for the years ended December 31, 2013, 2014 and 2015 and the ten months ended October 31, 2016. We have derived this summary from our consolidated financial statements set forth in the Accountants' Report in Appendix I to this prospectus. The table below also presents our summary consolidated statements of profit or loss and other comprehensive income for the ten months ended October 31, 2015, which we have derived from our unaudited consolidated financial statements set out in the Accountants' Report in Appendix I to this prospectus. Our financial results for the ten months ended October 31, 2016 are not necessarily indicative of the results for the year ended December 31, 2016 or for any other future year/period. You should read this summary together with the consolidated 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.

Selected Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Year ended December 31,			Ten months ended October 31,	
	2013	2014	2015	2015	2016
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) *(Unaudited)*	(RMB'000)
Revenue	384,085	402,515	426,317	329,558	346,600
Cost of sales	(142,886)	(146,811)	(164,653)	(131,904)	(149,340)
Gross profit	241,199	255,704	261,664	197,654	197,260
Other income and gains(1)	32,474	45,732	56,921	40,499	58,871
Selling and distribution expenses	(6,713)	(8,891)	(8,297)	(6,699)	(7,549)
Administrative expenses	(59,730)	(60,175)	(61,678)	(49,504)	(66,956)
Other expenses, net	(3,201)	(9,624)	(698)	(609)	(1,479)
Finance costs	—	—	(305)	(93)	(2,160)
Share of loss of an associate	—	(480)	(928)	(655)	(602)
Profit before tax	204,029	222,266	246,679	180,593	177,385
Income tax expense	(18,082)	(25,939)	(33,222)	(33,050)	(1,244)
Profit for the year/period	185,947	196,327	213,457	147,543	176,141

	Year ended December 31,			Ten months ended October 31,	
	2013	2014	2015	2015	2016
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) *(Unaudited)*	(RMB'000)
Other Comprehensive Income					
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Available-for-sale investments:					
Change in fair value	5,312	6,757	5,426	8,614	3,650
Reclassification adjustments for gains on maturity included in the consolidated statement of profit or loss	(3,926)	(5,312)	(6,757)	(6,757)	(5,426)
	1,386	1,445	(1,331)	1,857	(1,776)
Exchange differences on translation of foreign operations[(2)]	(7,892)	958	27,924	(1,969)	(19,988)
Other Comprehensive Income for the Year/Period	(6,506)	2,403	26,593	(112)	(21,764)
Total Comprehensive Income for the Year/Period	179,441	198,730	240,050	147,431	154,377

Notes:

(1) Other income and gains consist primarily of (i) investment income from available-for-sale investments and investment deposits; (ii) net rental income; (iii) government grants, 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; (iv) interest income from bank deposits; and (v) exchange gains/(losses), net. The government grants are related to the subsidies received from the local government for the purpose of compensating the operating expenses arising from our schools' teaching activities and expenditures on teaching facilities. There are no unfulfilled conditions or contingencies relating to such government grants income recognized. During the Track Record Period, these government grants were recurring in nature. Please see "Financial Information — Key Components of Our Results of Operations — Other Income and Gains" for further details on our other income and gains. During the Track Record Period, other income and gains formed a large part of our profit for the year/period.

(2) Significant exchange differences on translation of overseas operations of approximately RMB27.9 million and RMB(20.0) million were recorded in our Group's other comprehensive income in 2015 and the ten months ended October 31, 2016, respectively. This was primarily because in the second half of 2015, our overseas subsidiary borrowed funds from our PRC subsidiaries to repurchase issued ordinary shares from our previous investors, which continued in 2016 and resulted in large amounts of U.S. dollar-denominated funds. Due to the fluctuation of the exchange rate, such exchange differences were generated when we translated our overseas subsidiary's financial statements from U.S. dollars to Renminbi for consolidation purposes.

Selected Consolidated Statements of Financial Position

	As of December 31,			As of October 31,
	2013	2014	2015	2016
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Total non-current assets[(1)]	931,215	943,523	970,711	1,057,794
Total current assets[(2)]	1,128,762	1,357,314	1,038,757	1,169,600
Total current liabilities	309,271	320,349	354,157	567,170
Net current assets	819,491	1,036,965	684,600	602,430
Total equity	1,718,983	1,917,713	1,418,941	1,514,262

Notes:

(1) Includes goodwill acquired through business combination in 2006. As of December 31, 2013, 2014 and 2015 and October 31, 2016, goodwill amounted to RMB303.9 million, RMB303.9 million, RMB303.9 million and RMB303.9 million, respectively. The amount of consideration paid in connection with the business combination was RMB380.1 million and the amount of goodwill recognized as a percentage of total consideration paid was approximately 80.0%. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the identifiable net assets acquired and liabilities assumed. 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. We perform our annual impairment test of goodwill as at December 31. For the purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of our cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether our other assets or liabilities 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 recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Goodwill acquired through business combination is allocated to the cash-generating unit of Chongqing College of Humanities, Science and Technology. The recoverable amount of the Chongqing College of Humanities, Science and Technology cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The following table sets forth each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

	As of December 31,			As of October 31,
	2013	2014	2015	2016
Revenue (% annual growth rate)	5%	5%	5%	5%
Gross profit margin (% of revenue)	60%	60%	60%	60%
Long-term growth rate	2%	2%	2%	2%
Pre-tax discount rate	18.3%	17.6%	16.5%	16.9%

The budgeted revenue is based on the historical data and management's expectation on the future market. The basis used to determine the value assigned to the budgeted gross margin is the average gross margin achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market developments. The long term growth rate is based on the historical data and management's expectation on the future market. The pre-tax discount rate is determined using the capital asset pricing model with reference to the beta coefficient and debt ratio of certain publicly listed companies conducting business in the PRC education industry. Beta coefficient is a measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. The values assigned to the key assumptions on market developments of the cash-generating unit and discount rate are consistent with external information sources. However, there can be no assurance that such assumptions or values will continue to be applicable or applied, or otherwise achieved in future periods. For a sensitivity analysis of the impact of the variations of these key assumption on the recoverable amount, please refer to the section headed "Financial Information — Non-Current Assets — Goodwill" in this prospectus.

(2) Includes deferred revenue of RMB216.6 million, RMB231.2 million, RMB246.5 million and RMB310.4 million as of December 31, 2013, 2014 and 2015 and October 31, 2016, respectively. Unlike our fiscal year, which ends on December 31 of each calendar year, a school year typically commences in August or September each calendar year and ends in late June/early July the following calendar year. As such, the amounts of deferred revenue as of December 31, 2013, 2014 and 2015 generally represented the amount of tuition fees and boarding fees received from all of our students for the 2013/2014, 2014/2015 and 2015/2016 school years, respectively, but have yet to be recognized as revenue for the remainder of the school year (generally from January to June). The amount of deferred revenue as of October 31, 2016 mainly represented the amount of tuition fees and boarding fees received from all of our students for the 2016/2017 school year but have yet to be recognized as revenue for the remainder of the school year (from November 2016 to June 2017). The amount of deferred revenue as of October 31, 2016 increased by RMB63.9 million from December 31, 2015 primarily because compared with the deferred revenue as of December 31, 2015, the deferred revenue as of October 31, 2016 had two more months (November and December) of tuition fees and boarding fees received for the 2016/2017 school year that have yet to be recognized as revenue.

Key Financial Ratios

	As of/for the year ended December 31,			As of/for the ten months ended October 31,
	2013	2014	2015	2016
Net profit margin(1)	48.4%	48.8%	50.1%	50.8%
Return on assets(2)	9.2%	9.0%	9.9%	8.3%
Return on equity(3)	11.0%	10.8%	12.8%	12.0%
Current ratio(4)	365.0%	423.7%	293.3%	206.2%

Notes:

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

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

(3) Return on equity equals 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.

NET CURRENT ASSETS AND WORKING CAPITAL SUFFICIENCY

As of December 31, 2013, 2014 and 2015 and October 31, 2016, we had net current assets of RMB819.5 million, RMB1,037.0 million, RMB684.6 million, and RMB602.4 million, respectively. Our net current assets decreased from RMB684.6 million as of December 31, 2015 to RMB602.4 million as of October 31, 2016 mainly due to a substantial increase in current liabilities, partially offset by an increase in current assets. The increase in current liabilities was primarily a result of (i) an increase of RMB121.9 million of loans we borrowed from our ultimate holding company in 2016 to repurchase our issued ordinary shares from our previous investors, which was reclassified as current liability since the loans are repayable in full in March and June 2017; and (ii) an increase in deferred revenue because compared with the deferred revenue as of December 31, 2015, the deferred revenue as of October 31, 2016 had two more months (November and December) of tuition fees and boarding fees received for the 2016/2017 school year that have yet to be recognized as revenue. Our current assets increased primarily due to an increase in available-for-sale investments and investment deposits as we invested a substantial amount of the tuition fees received from students for the 2016/2017 school year in August and September 2016 in short-term wealth management products issued by licensed commercial banks in the PRC to gain higher short-term investment returns compared to fixed rate returns from cash deposits at banks.

Our net current assets decreased from RMB1,037.0 million as of December 31, 2014 to RMB684.6 million as of December 31, 2015, primarily due to a decrease in current assets and an increase in current liabilities. The decrease in current assets included: (i) a decrease in available-for-sale investments; and (ii) a decrease in investment deposits at licensed commercial banks in the PRC; as we used a portion of the collections from our available-for-sale investments and investment deposits to pay for the repurchase of our issued ordinary shares, as well as an increase in prepayments, deposits and other receivables as we extended a loan to an Independent Third Party in 2015. Our current liabilities increased from RMB320.3 million as of December 31, 2014 to RMB354.2 million as of December 31, 2015 mainly due to (i) an increase in deferred revenue as our total student enrollment increased for the 2015/2016 school year; and (ii) our tax payable increased as Chongqing College of Humanities, Science and Technology made dividend distributions to Li'ang Industry in 2015, which resulted in Li'ang Industry having to pay the relevant EIT during the year.

Our net current assets increased from RMB819.5 million as of December 31, 2013 to RMB1,037.0 million as of December 31, 2014, primarily due to an increase in current assets, partially offset by a slight increase in current liabilities. The increase in current assets was mainly due to an increase in available-for-sale investments as we invested our surplus cash in short-term wealth management products issued by licensed PRC banks. The increase in current liabilities mainly included an increase in deferred revenue as our total student enrollment increased for the 2014/2015 school year. Please refer to the section headed "Financial Information - Current Assets and Current Liabilities" in this prospectus for further details.

Our net cash from operating activities amounted to RMB290.5 million for the ten months ended October 31, 2016, consisting primarily of RMB178.0 million of cash generated from operations before working capital adjustments and positive net working capital adjustments of RMB128.8 million.

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 for the next 12 month from the date of this prospectus.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Since October 31, 2016 and up to the date of this prospectus, 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 higher education industry in which we operate that may have a material adverse effect to our business operations and financial position.

On July 8, 2016 and September 1, 2016, we entered into a cooperation agreement (the "Laoling School Cooperation Agreement") and a supplemental cooperation agreement (the "Laoling School Supplemental Cooperation Agreement" and together with the Laoling School Cooperation Agreement, the "Entrustment Management Agreements") with the People's Government of Laoling and the Bureau of Education of Laoling, pursuant to which (i) we established a new secondary vocational school in Laoling, Dezhou, Shandong Province, Minsheng Secondary Vocational School, which is expected to receive the first batch of student enrollment in September 2018; and (ii) we agreed to operate Laoling Secondary Vocational and Technical School through Minsheng Secondary Vocational School based on an entrustment management arrangement. Through this arrangement, we will be responsible for the school's day-to-day operations. Under this arrangement, Laoling Secondary Vocational and Technical School shall pay entrustment management fees to Minsheng Secondary Vocational School within three months from the end of the accounting year of Laoling Secondary Vocational and Technical School.

The entrustment management fees shall equal to the legal surplus of the school operation for the Laoling Secondary Vocational and Technical School, which will be subject to a PRC EIT at the rate of 25%. The entrustment management arrangement is for a period of 50 years from the date of the Laoling School Supplemental Cooperation Agreement, which cannot be terminated early without the consent of both parties. In addition, we can unilaterally terminate the Laoling School Supplemental Cooperation Agreement if the entrustment management arrangement is not approved by the relevant local PRC government authorities. Such arrangement can be implemented only after it is approved by and/or filed with the relevant local PRC government authorities. As advised by our PRC Legal Advisors, the entrustment management arrangement is legal, valid and binding under the PRC Laws once it is approved by the competent authorities. On October 18, 2016, the Education Bureau of Dezhou has approved such entrustment management arrangement. As of the Latest Practicable Date, we have not yet completed the filing of such arrangement with the People's Government of Dezhou. For further details of the new school we established and the entrustment management business model involving Laoling Secondary Vocational and Technical School, please refer to the section headed "Business — Proposed Entrustment Management Arrangement" in this prospectus.

We made the strategic business decision to pursue the entrustment management arrangement with respect to such school mainly because: (i) compared to converting Laoling Secondary Vocational and Technical School to a PRC subsidiary of our Group through acquisition, the Entrustment Management Agreements allow Minsheng Secondary Vocational School to only provide management services to Laoling Secondary Vocational and Technical School and therefore, it shall not be responsible for the relevant indebtedness and other related obligations, liabilities and risks incurred by Laoling Secondary Vocational and Technical School, which is an independent legal entity; (ii) under the entrustment management arrangement, Minsheng Secondary Vocational School is entitled to manage and operate all aspects of the business, original assets and new assets, finance-related matters, human resources and student administration, among other things, of Laoling Secondary Vocational and Technical School, which enables us to gain valuable experience in operating a school in Laoling City and helps us establish a footing in Shandong Province as a step towards our school network expansion; and (iii) the entrustment management arrangement does not involve the process of converting a public school into a private school and therefore, requires less cumbersome government approval procedures. Thus, we believe the process of implementing the entrustment management arrangement will be more predictable and manageable. In addition, the entrustment management arrangement allows the local government to procure services from a private school operator with relevant experience while maintaining the public school nature of the Laoling Secondary Vocational and Technical School, which we believe is in the interest of the local government. We hope this arrangement will be helpful for promoting the understanding and cooperation between the local government and our Company.

In addition, during the Track Record Period, we borrowed loans from our ultimate holding company in connection with the repurchase of our issued ordinary shares from our previous investors, and from certain of our related parties, a substantial portion of which was extended to Hong Kong Nang Yan College of Higher Education. As of October 31, 2016, we had outstanding amounts of RMB121.9 million due to our ultimate holding company and RMB13.7 million due to certain of our related parties. To repay such loans, on February 25, 2017, we obtained a term loan facility with a maximum principal amount of US$25.0 million from Bank of China (Hong Kong) Limited (the "Lender"). Please see the section headed "Financial Information — Indebtedness" for detailed terms of this loan facility. We expect to make a draw-down of this term loan to fully settle the loans from our ultimate holding company and certain related parties before Listing. For details of the financial impact of such term loan, please refer to the section headed "Risk Factors — Risks Relating to Our Business and Our Industry — We have obtained a term loan facility to repay loans we borrowed from our ultimate holding company and certain of our related parties, which will likely increase our finance cost and gearing ratio" in this prospectus.

Our Directors confirm that since October 31, 2016 (being the date on which the latest audited consolidated financial information of our Group was prepared) and up to the date of this prospectus, there had been no material adverse change in the industry in which we operate or in the financial or trading position of our Group that would materially affect the information shown in our consolidated financial statements consisted 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.

We have prepared unaudited preliminary financial information for our Group as of and for the year ended December 31, 2016, which is set forth in Appendix III to this prospectus.

THE DECISION REGARDING REVISIONS OF THE LAW FOR PROMOTING PRIVATE EDUCATION OF THE PRC (關於修改《中華人民共和國民辦教育促進法》的決定)

On November 7, 2016, the Decision Regarding Revisions of the Law for Promoting Private Education of the PRC ("the Decision") was promulgated by the Standing Committee of the NPC and will become effective on September 1, 2017. According to the Decision, the school sponsors of private schools providing non-compulsory education may, at their own discretion, elect to register the schools to be for-profit ("For-Profit Private Schools") or non-profit ("Non-Profit Private Schools"), with the exception of private schools providing compulsory education, which can only be established as Non-Profit Private Schools. A summary of certain comparisons between For-Profit Private Schools and Non-Profit Private Schools is set out below:

- *For-Profit Private Schools*: All private schools providing non-compulsory education in the PRC may choose to become For-Profit Private Schools. When the school sponsors of private schools choose to register such schools as For-Profit Private Schools, the school sponsors can obtain the schools' operating profits. With respect to setting the fees to be charged, For-Profit Private Schools may, at their own discretion, determine the amount of fees to be charged based on their costs of operation and market demand. In addition, For-Profit Private Schools may enjoy certain policy support from the PRC government, including preferential tax policies, purchases of services, student loans, scholarships and the rental or transfers of idle state-owned assets. Upon liquidation, the schools sponsors of For-Profit Private Schools can obtain the remaining assets of such schools after the settlement of their indebtedness.

- *Non-Profit Private Schools*: All private schools, including those that provide compulsory education, may choose to become Non-Profit Private Schools. The school sponsors of Non-Profit Private Schools are not permitted to obtain the schools' operating profits. The fees to be charged by Non-Profit Private Schools will be determined based on their operating costs and market demand, and will be regulated by the relevant local government authorities. Non-Profit Private Schools enjoy the same preferential tax and supply of land treatment as public schools, which are currently eligible to enjoy an exemption from EIT. In addition, Non-Profit Private Schools also enjoy more supportive measures, including government subsidies, fund awards and incentive donations, as compared to For-Profit Private Schools. In connection with the liquidation of Non-Profit Private Schools, their remaining assets shall be used for the operation of other Non-Profit Private Schools.

For further details of the Decision, please refer to "Regulatory Overview — Regulations on Private Education in the PRC — The Revisions of the Law for Promoting Private Education of the PRC" in this prospects.

Under the existing regulatory environment and based on the current interpretation of the Decision and our existing ownership structure involving our schools, it is our intention to register the schools we currently own as For-Profit Private Schools after the Decision, its implementation and the detailed rules and regulations regarding the conversion of existing schools to For-Profit Private Schools or Non-Profit Private Schools to be promulgated by the local government authorities become effective. However, based on the fact that (i) the Decision is silent on the specific measures regarding how existing schools can choose to become For-Profit Private Schools, which, according to the Decision, shall be regulated by the corresponding laws and regulations to be promulgated by the local government authorities; and (ii) the local government authorities have not yet promulgated the corresponding detailed laws and regulations regarding the conversion of existing schools into For-Private Schools or Non-Profit Private Schools as of the Latest Practicable Date, thus, the exact timing for us to register our existing schools as For-Profit Private Schools and the requirements in connection therewith remain uncertain.

On January 5, 2017, the MOE, the Ministry of Human Resources and Social Security, the Ministry of Civil Affairs, the State Commission Office of Public Sectors Reform and the State Administration for Industry and Commerce jointly issued the Implementation Regulations on Classification Registration of Private Schools (《民辦學校分類登記實施細則》) (the "Classification Registration Rules") without stipulating any definite time for their effectiveness. The Classification Registration Rules are applicable to private schools, including those that were established before the promulgation of the Decision Regarding Revisions of the Law for Promoting Private Education of the PRC on November 7, 2016 ("Existing Private Schools"). If an Existing Private School chooses to register as a Non-Profit Private School, it shall amend its articles of association in accordance with the relevant laws, continue its school operation and complete the new registration formalities. If an Existing Private School chooses to register as a For-Profit Private School, it shall make financial settlement, clarify the ownership of the schools' land, buildings and accumulations with the consent of the relevant departments of the people's governments at or below the provincial level, pay relevant taxes and fees, obtain new school permits, apply for re-registration and continue the school operations. The provincial people's government shall be responsible for formulating the detailed measures on the alteration of the registration of the private schools in accordance with national laws and various applicable local circumstances. For further details of the Classification Registration Rules, please see "Regulatory Overview — Regulations on Private Education in the PRC — Implementation Regulations on Classification Registration of Private Schools" in this prospectus.

If any of our schools chooses to be and registers as a For-Profit Private School, the potential impact of the Decision includes the following: (i) the rights and interests of the school sponsors of our schools will be protected in more definitive and favorable ways; (ii) our schools shall have the discretion to determine the amount of fees to be charged; (iii) our schools may enjoy support from certain PRC government policies; (iv) there may be increased uncertainty about the extent of the benefits to be provided by the government supporting measures; and (v) our schools will be subject to the requirements of applying for re-registration. For further details of the potential impact of the Decision on our business operations and our schools, please see "Business — The Decision Regarding Revisions of the Law for Promoting Private Education of the PRC" in this prospectus.

There are uncertainties regarding the interpretation and application of the Decision, which affect or may affect our industry as a whole or any of our schools, especially considering that the corresponding detailed rules and regulations regarding the conversion of exiting private schools to For-Profit Private Schools or Non-Profit Private Schools have not been promulgated by the local government authorities as of the Latest Practicable Date. We will closely monitor such promulgation or amendment and the regulatory development thereof. For risks associated with the Decision and new regulations in general that may impact our industry and/or our schools, please see "Risk Factors — Risks Relating to Our Industry and Our Business — New Legislation or changes in the PRC regulatory requirements regarding private higher education may affect our business operations and prospects" in this prospectus.

LISTING EXPENSES INCURRED AND TO BE INCURRED

We expect to incur a total of RMB65.8 million of listing expenses (assuming an Offer Price of HK$1.38, being the mid-point of the indicative Offer Price range between HK$1.24 and HK$1.52, and assuming that the Over-allotment Option is not exercised) until the completion of the Global Offering, of which RMB11.8 million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income for the year ended December 31, 2016, RMB19.5 million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income for the year ended December 31, 2017, and RMB34.6 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. 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$1.24	**Based on an Offer Price of HK$1.52 per Share**
Market capitalization of our Shares(1)	HK$4,960 million	HK$6,080 million
Unaudited pro forma adjusted consolidated net tangible asset value per Share(2)	HK$0.64	HK$0.71

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 4,000,000,000 Shares expected to be issued and outstanding following the completion of the Capitalization Issue and the Global Offering.

(2) The unaudited pro forma adjusted consolidated net tangible asset value per Share is calculated after making the adjustments referred to in Appendix II and based on 4,000,000,000 Shares expected to be issued and outstanding following the completion of the Capitalization Issue and the Global Offering.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$1,305.7 million from the Global Offering, assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions, discretionary bonus and other estimated offering expenses payable by us and assuming the initial Offer Price of HK$1.38 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, the net proceeds from the Global Offering will increase to approximately HK$1,507.5 million, assuming an Offer Price of HK$1.38 per Offer Share, being the mid-point of the proposed Offer Price range. We intend to use the proceeds from the Global Offering for the purposes and in the amounts set forth below, assuming that the Over-allotment Option is not exercised and assuming the initial Offer Price of HK$1.38 per Share:

- approximately 55.0%, or HK$718.1 million (equivalent to approximately RMB636.5 million), is expected to be used to acquire additional existing schools in the PRC and overseas. As of the date of this prospectus, we have not identified any acquisition target;

- approximately 21.2%, or HK$276.4 million (equivalent to approximately RMB245.0 million), is expected to be used to establishing new schools or expanding the existing schools we own or operate;

- approximately 14.8%, or HK$193.6 million (equivalent to approximately RMB171.6 million), is expected to be used to repay a term loan from a third-party financial institution, which was used to repay the loans we borrowed from our ultimate holding company and certain of our related parties, 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; and

- approximately 9.0%, or HK$117.5 million (equivalent to approximately RMB104.2 million), is expected to be used to fund our working capital and general corporate purposes.

DIVIDENDS

Our Group currently does not have a pre-determined dividend policy. The payment and the amount of any future dividends will be subject to the sole discretion of our Board of Directors and will also depend on factors including, among others, our results of operations, cash flow, capital requirements, general financial condition, contractual restrictions, future prospects and other factors that our Board of Directors deems 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 schools, which are established in the PRC. Our schools in the PRC must comply with their respective constitutional documents and the laws and regulations of the PRC in declaring and distributing returns to their school sponsors. Any amount of dividend we pay will be at the discretion of our Board of 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 (including all applicable PRC laws and regulations which our schools are required to comply with). In 2013, 2014 and 2015, we did not declare or pay any dividends to our shareholders. Please see the section headed "Financial Information — Dividends" 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, but not limited to, the following: (i) the direct ownership structure we use to hold our schools may be subject to change if future legislative changes with retrospective effect occur and our business may be materially and adversely affected; (ii) our business is heavily dependent on the market recognition of the brand and reputation of our schools and our Group; (iii) we may not be able to successfully execute our growth strategies or effectively manage our growth, which may hinder our ability to capitalize on new business opportunities; (iv) 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; (v) we may be exposed to financial liabilities incurred or to be incurred by Inner Mongolia Fengzhou Vocational College and/or any potential reputational damage caused by the operation of Inner Mongolia Fengzhou Vocational College (Zhongshan Branch); and (vi) subject to relevant approvals, we will utilize an entrustment management arrangement with respect to Laoling Secondary Vocational and Technical School. We have no prior experience operating a school based on such arrangement. Please refer to the section headed "Risk Factors" in this prospectus for a detailed discussion of these and other risks we face.

PROPERTY VALUATION

According to the property valuation report prepared by LCH (Asia-Pacific) Surveyors Limited, an independent valuer we engaged, as set forth in Appendix IV to this prospectus, the market value of the properties we owned and occupied as of December 31, 2016 was RMB1,484.6 million. For further details on our properties, please see the section headed "Business — Properties" in, and Appendix IV attached to, this prospectus. For risks associated with the assumptions made in the valuation of our properties, please refer to the section headed "Risk Factors — Risks Relating to Our Business and Our Industry - The appraisal value of our properties 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 compliant with the relevant PRC law requirements for making contributions to social insurance plans and housing provident fund for certain of our employees. Please refer to the section headed "Business — Legal Proceedings and Compliance" in this prospectus for further details.

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

"ACCA"	Association of Chartered Certified Accountants, a leading international accountancy body, whose qualification is recognized and is treated in other countries as being equivalent to their local qualification
"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, in relation to the Hong Kong Public Offering
"Articles of Association" or "Articles"	the third amended and restated articles of association of our Company conditionally adopted on March 2, 2017 and effective upon the Listing Date, and as amended from time to time, a summary of which is set out in Appendix V to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Baring Entity(ies)"	Baring Private Equity Asia III Holding (3) Limited and Baring Private Equity Asia III Holding (3A) Limited, which are affiliates of Baring Capital, a private equity fund, and are Independent Third Parties
"Beacon International College"	Beacon International College Pte. Ltd., a limited liability company established under the laws of Singapore on May 2, 2006, an associate of our Company
"Board" or "Board of Directors"	the board of Directors of our Company
"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
"Capitalization Issue"	the issue of 410,548,800 Shares upon capitalization of certain sums standing to the credit of the share premium account of our Company referred to in the paragraph headed "A. Further Information about our Company — 4. Written resolutions of our sole Shareholder passed on March 2, 2017" in Appendix VI to this prospectus

"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
"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
"Chongqing Bozhi"	Chongqing Bozhi Education Services Co., Ltd.* (重慶博智教育服務有限公司), a wholly-foreign owned enterprise established under the laws of the PRC on August 30, 2006, and an indirect wholly-owned subsidiary of our Company
"Chongqing Renwen Hospital"	Chongqing Hechuan Renwen Hospital Co., Ltd. (重慶合川人文醫院有限公司), a limited liability company established under the laws of the PRC on November 6, 2015, and a subsidiary of our Company
"Chongqing College of Humanities, Science and Technology"	Chongqing College of Humanities, Science and Technology* (重慶人文科技學院), a college established under the laws of the PRC on November 6, 2006, and a subsidiary of our Company
"Chongqing Vocational College of Applied Technology"	Chongqing Vocational College of Applied Technology* (重慶應用技術職業學院), a college established under the laws of the PRC on December 1, 2006, and a subsidiary of our Company
"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"	Minsheng Education Group Company Limited (民生教育集团有限公司), an exempted company incorporated in the Cayman Islands with limited liability on December 13, 2005
"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 Honest Cheer, Mr. Li and Ms. Li Ning
"CSRC"	China Securities Regulatory Commission (中國證券管理監督委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
"Deed of Indemnity"	a deed of indemnity dated March 6, 2017 entered into by Mr. Li and Honest Cheer 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 VI to this prospectus
"Director(s)"	the directors of our Company
"Draft Foreign Investment Law"	the draft version of the Foreign Investment Law* (中華人民共和國投資法(草案徵求意見)) issued by MOFCOM on January 19, 2015 for public consultation
"Eastern China"	comprises Shanghai, Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi and Shandong
"EIT"	enterprise income tax
"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 which became effective on January 1, 2008
"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 NDRC on March 10, 2015 and became effective from April 10, 2015 and as amended from time to time
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party

"Frost & Sullivan Report"	an independent market research report dated March 10, 2016, 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 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
"GS Entities"	GS Capital Partners VI Parallel, L.P., GS Capital Partners VI Fund, L.P., GS Capital Partners VI Offshore Fund, L.P. and GS Capital Partners VI Gmbh & Co. KG, which are affiliates of the private equity arm of Goldman Sachs, and are Independent Third Parties
"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
"Honest Cheer"	Honest Cheer Investments Limited (誠悦投資有限公司), a company incorporated in the British Virgin Islands with limited liability on April 3, 2006 and owned as to 90% by Mr. Li and 10% by Ms. Li Ning, the daughter of Mr. Li, as of the Latest Practicable Date
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Nang Yan"	Hong Kong Nang Yan College of Higher Education Limited (香港能仁專上學院有限公司), a company limited by guarantee established under the laws of Hong Kong on April 10, 2012, and an associate of our Company

"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 Technology and Business"	Hong Kong College of Technology and Business Limited (香港工商學院有限公司), a company established under the laws of Hong Kong on August 21, 2014, and an indirect wholly-owned subsidiary of our Company
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering
"Hong Kong Underwriting Agreement"	the Hong Kong underwriting agreement dated March 9, 2017, 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
"Huizhi Education"	Chongqing Huizhi Education Services Co., Ltd.* (重慶匯智教育服務有限公司) a limited liability company established under the laws of the PRC on November 6, 2015, and a subsidiary of our Company
"IFRS"	the International Financial Reporting Standard(s)
"Inner Mongolia Fengzhou Vocational College"	Inner Mongolia Fengzhou Vocational College * (內蒙古豐州職業學院), a college established under the laws of the PRC
"Inner Mongolia Fengzhou Vocational College (Qingcheng Branch)"	Inner Mongolia Fengzhou Vocational College (Qingcheng Branch)* (內蒙古豐州職業學院 (青城分院)), a branch college of Inner Mongolia Fengzhou Vocational College
"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 900,000,000 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" or "International Underwriters"	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"	Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering), Citigroup Global Markets Limited (in relation to the International Placing) and Macquarie Capital Limited
"Joint Global Coordinators"	Citigroup Global Markets Asia Limited and Macquarie Capital Limited
"Joint Lead Managers"	Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering), Citigroup Global Markets Limited (in relation to the International Placing), Macquarie Capital Limited and Southwest Securities (HK) Brokerage Limited
"Joint Sponsors"	Citigroup Global Markets Asia Limited and Macquarie Capital Limited
"Laoling Chengyue"	Laoling Chengyue Education Investment Management Co., Ltd.* (樂陵誠悅教育投資管理有限公司), a limited liability company established under the laws of the PRC on July 7, 2016, and a subsidiary of our Company
"Laoling Secondary Vocational and Technical School"	Laoling Secondary Vocational and Technical School* (樂陵市職業中等專業學校), a secondary vocational school established under the laws of the PRC

"Latest Practicable Date"	March 1, 2017, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its publication
"Li'ang Education"	Chongqing Li'ang Education Services Co. Ltd.* (重慶利昂教育服務有限公司), a limited liability company established under the laws of the PRC on November 4, 2003, and a subsidiary of our Company
"Li'ang Industry"	Chongqing Li'ang Industry Co., Ltd.* (重慶利昂實業有限公司), a limited liability company established under the laws of the PRC on October 7, 1998, and a subsidiary of our Company
"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 March 22, 2017 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
"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
"M&A"	mergers and acquisitions
"Memorandum of Association" or "Memorandum"	the third amended and restated memorandum of association of our Company adopted on March 2, 2017 and as amended from time to time
"Minsheng Development (HK)"	Minsheng Education Development (Hong Kong) Company Limited (民生教育發展(香港)有限公司), a company established under the laws of Hong Kong on February 19, 2008, and a wholly-owned subsidiary of our Company
"Minsheng Development"	Minsheng Education Development Company Limited (民生教育發展有限公司), a company established under the laws of the Cayman Islands on June 7, 2007, and a wholly-owned subsidiary of our Company

"Minsheng Education"	Minsheng Education Company Limited (民生教育有限公司) a company established under the laws of the Cayman Islands on December 13, 2005, and a wholly-owned subsidiary of our Company
"Minsheng Education Management"	Chongqing Minsheng Education Management Co., Ltd.* (重慶民升教育管理有限公司), a wholly-foreign owned enterprise established under the laws of the PRC on March 16, 2006, and an indirect wholly-owned subsidiary of our Company
"Minsheng Secondary Vocational School"	Laoling Minsheng Secondary Vocational School* (樂陵民生職業中等專業學校), a secondary vocational school established under the laws of the PRC on September 20, 2016, and a subsidiary of our Company
"Minsheng Services"	Minsheng Education Services Company Limited (民生教育服務有限公司), a company established under the laws of the Cayman Islands on August 1, 2006, and a wholly-owned subsidiary of our Company
"Minsheng Time"	Beijing Minsheng Time Education Technology Co., Ltd.*(北京民晟時代教育科技有限公司) a limited liability company established the laws of the PRC on September 17, 2014, and a subsidiary of our Company
"MOE"	Ministry of Education of the PRC
"MOFCOM"	Ministry of Commence of the PRC (中華人民共和國商務部)
"Mr. Li"	Li Xuechun (李學春), one of our Controlling Shareholders, an executive Director and the Chairman of our Board
"Ms. Li Ning"	Li Ning (李寧), one of our Controlling Shareholders, and the daughter of Mr. Li
"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 final price in Hong Kong dollars per Public Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) at which the Public Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering, to be determined as further described in the section headed "Structure of the Global Offering" in this prospectus

"Offer Share(s)"	the Public 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 150,000,000 additional Shares at the Offer Price, representing 15% of the initial size of the Global Offering, to cover over allocations in the International Placing, if any, as described in the section headed "Structure of the Global Offering" in this prospectus
"Pass Education"	Chongqing Pass Education Services Co., Ltd.* (重慶派斯教育服務有限公司), a limited liability company established under the laws of the PRC on November 4, 2003, and an indirect wholly-owned subsidiary of our Company
"Pass College of Chongqing Technology and Business University"	Pass College of Chongqing Technology and Business University* (重慶工商大學派斯學院), a college established under the laws of the PRC on December 1, 2006, and a subsidiary of our Company
"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" or "PRC Legal Advisers"	Jingtian & Gongcheng, our legal advisors as to the PRC laws
"Price Determination Agreement"	an agreement between our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) to determine the Offer Price
"Price Determination Date"	the date, expected to be on or around Wednesday, March 15, 2017 and, in any event, not later than Monday, March 20, 2017, 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 Underwriters) to determine the Offer Price

"prospectus"	this prospectus
"Public Offer Share(s)"	the 100,000,000 Shares initially being offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering, subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus
"Regulation S"	Regulation S under the U.S. Securities Act
"RMB" or "Renminbi"	Renminbi, the lawful currency for the time being of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"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)
"S$" or "Singapore dollar(s)"	Singapore dollars, the lawful currency for the time being of the Republic of Singapore
"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 US$0.00001 each in the share capital of our Company
"Shareholder(s)"	holder(s) of the Share(s)
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on March 2, 2017, the principal terms of which are summarized under the paragraph headed "F. Share Option Scheme" in Appendix VI to this prospectus
"Southeastern China"	comprises Guangdong, Fujian, Zhejiang, Jiangsu and Shanghai
"Stabilizing Manager"	Citigroup Global Markets Asia 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 Honest Cheer 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
"Subsidiary(ies)"	has the meaning ascribed to it in the Listing Rules
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Track Record Period"	the years ended December 31, 2013, 2014 and 2015, and the ten months ended October 31, 2016
"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
"Western China"	comprises Sichuan, Yunnan, Guizhou, Chongqing, Tibet, Shaanxi, Gansu, Qinghai, Xinjiang, Ningxia, Guangxi and Inner Mongolia
"White Form eIPO"	the application for Public 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
"Yujinggang Education"	Chongqing Yujinggang Education Investment Co., Ltd.* (重慶渝京港教育投資有限公司), a limited liability company established under the laws of the PRC on January 21, 2015, and a subsidiary of our Company

"Zhiyuan Times"	Chongqing Zhiyuan Times Education Management Co., Ltd.* (重慶致遠時代教育管理有限公司) (formerly known as Chongqing Xinkang Medical Investment Co., Ltd.* (重慶信康醫療投資有限公司)), a limited liability company established under the laws of the PRC on January 22, 2015, and a subsidiary of our Company
"%"	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 RMB0.8863 = HK$1.00 or RMB6.8645 = 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.

This glossary of technical terms contains explanations of certain terms used in this prospectus in connection with our Group and our business. The meaning of these terms may not necessarily correspond to standard industry meaning or the usage of these terms.

"3+2 program"	a five-year vocational education program designed for qualified middle school graduates who usually take the nationally-administered examination to advance to a higher vocational education program after completing three years of secondary vocational education
"3+4 Program"	a seven-year higher education program for qualified middle school graduates who usually take the nationally-administered examination to advance to a university education program after completing three years of secondary vocational 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
"dual-qualified teachers"	teachers who possess both adequate academic background and teaching skills along with relevant industry experience and practicable knowledge
"formal education"	a format of education in the PRC for which the curriculum is designed and delivered based on the predetermined teaching program of the administrative authorities for education. After graduation, students will be granted with official certificates or diplomas
"fundamental education"	a sub-sector of formal education which includes four stages, namely, pre-school education, primary education, middle school education and high school education
"high schools"	schools that provide education for students from grade ten through grade twelve
"higher education"	a sub-sector of formal education that is also known as post-secondary education. It refers to an optional final stage of formal learning that occurs after secondary education, which is often delivered at universities or other college-level institutions that are able to award official academic degrees or certifications.
"independent college"	a PRC higher education institution that is run by a non-government institution(s) or individual(s) based on cooperation with a public university or college, which is only permitted to offer undergraduate courses

"initial employment rate"	the total number of university graduates obtaining employment in business entities and government institutions, pursuing further studies or becoming self-employed, divided by the total number of university graduates as of September 1 during the year in which they graduated
"legal surplus"	equal to the balance of the gross profit of the school after subtracting operating expenses, social donations, government subsidies and a general reserve and development fund in accordance with applicable PRC laws and regulations, as well as other expenses required to be deducted by applicable PRC laws and regulations
"middle schools"	schools that provide education for students from grade seven through grade nine
"National Higher Education Entrance Exam"	also known as the National Higher Education Entrance Examination, or "Gaokao," 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
"penetration rate"	the proportion of the student enrollment in private education of a certain educational phase among the total student enrollment in the same phase
"private schools"	schools which are not administered by local, provincial or national governments
"public schools"	schools administered by local, provincial or national governments
"school year"	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 education institution
"secondary education"	generally includes middle school education and high school education from grade seven through grade twelve
"secondary vocational education"	a sub-sector of formal education, which mainly provides three-years of vocational education. Schools offering secondary vocational education primarily recruit students with a graduation certificate from middle schools or equivalent educational records

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 materialize 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 OWNERSHIP STRUCTURE

The direct ownership structure we use to hold our schools may be subject to change if future legislative changes with retrospective effect occur and our business may be materially and adversely affected.

We own and operate our schools through a direct ownership structure, whereby our subsidiaries, namely, Minsheng Education Management and Chongqing Bozhi, directly hold the equity interests in Li'ang Industry and Li'ang Education, which in turn hold the school sponsor interest in our three schools in Chongqing and one school in Inner Mongolia. Such ownership structures were formed in 2006 and 2008 when we made our investments into these schools in accordance with the then applicable PRC regulations on foreign investment (i.e., the Former Catalogs), under which higher education was in the "encouraged" category for foreign investment and foreign investors were limited to carry out higher education in the PRC through Sino-Foreign Investment or Sino-foreign cooperation ("Sino-Foreign Cooperation"). In April 2015, the Guidance Catalog of Industries for Foreign Investment was amended to the effect that higher education has been adjusted from the "encouraged" category to the "restricted" category for foreign investment and foreign investors are only allowed to carry out higher education through Sino-Foreign Cooperation in operating schools and the domestic party shall play a dominant role in the cooperation. However, as advised by our PRC Legal Advisors, our direct ownership structure has remained legal and effective because our direct ownership structure was legally formed before the effective date of the new regulations and the new regulations did not have retrospective effect.

In the event that the PRC government enacts future legislation which prohibits direct ownership structures by foreign investors in higher education with retrospective effect, we may be found to be in violation of such new legislation, and we may be forced to restructure our ownership structure. If this occurs, we may incur additional costs, expenses or other liabilities, all of which may interrupt our operations and materially and adversely affect our business, financial position, results of our operations and/or prospects.

The PRC government may find contractual arrangements we may enter into in relation to the control of schools that we may acquire in the future do not comply with applicable PRC laws and regulations, which may subject us to severe penalties and our business may be materially and adversely affected.

Foreign investment in the education industry in China is extensively regulated and subject to numerous restrictions. 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 cooperative education institution such as a preschool, high school or university, should be below 50%. According to the relevant regulations, foreign investors investing in preschools, high schools and higher education must be foreign education institutions, with relevant qualifications and experience. See “Regulatory Overview” of this prospectus for more information.

In the event that we acquire new schools or education businesses whose foreign ownership is restricted or forbidden under PRC laws in the future, we may need to enter into contractual arrangements (the “Structured Contracts”) with such schools or education businesses and their respective domestic owners to acquire control in them and to receive their economic benefits.

If any Structured Contracts that establish the structure for operating such new businesses 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 the relevant PRC operating entities we control through the Structured Contracts;

- discontinuing or restricting the operations of any related-party transactions among the relevant PRC operating entities we control through the Structured Contracts and the other members of our Group;

- imposing fines or other requirements with which we or the relevant PRC operating entities we control through the Structured Contracts 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 any additional public offering or financing we may conduct to finance our business and operations in China.

If any of the above penalties or restrictions are imposed on us, our business, financial position, results of operations and prospects may be materially and adversely affected.

The Draft Foreign Investment Law proposes sweeping changes to the PRC foreign investment legal regime, which will likely have a significant impact on businesses in China controlled by foreign invested enterprises primarily through contractual arrangements.

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 businesses in the PRC controlled by foreign invested enterprises, or 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 introduces 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 investing 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.

While the Draft Foreign Investment Law has been released for consultation purposes, 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. 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 takes effect, will have a material impact on our corporate structure and business.

In the event that we are to acquire new schools or education businesses whose foreign ownership is restricted or forbidden under PRC laws in the future and enter into any Structured Contracts for that purpose, and any such Structured Contracts under which we operate such 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 the relevant schools or businesses. The occurrence of such event could have a material and adverse effect on our business, financial condition, results of operations and growth prospects, as the financial results of the relevant 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 de-recognition.

Structured Contracts may not be as effective in providing control over schools which may be acquired by us in the future as direct ownership.

In the event that we acquire new schools or education businesses in the future whose foreign ownership is restricted or forbidden under PRC laws, we may need to rely on Structured Contracts to operate such schools or education businesses in China. These Structured Contracts may not be as effective in providing us with control over such schools and education businesses as a direct equity ownership structure. If we had direct ownership of the school sponsor's interest of a school or education business, we would be able to exercise our rights as a direct or indirect holder of the school sponsor's interest of the relevant schools to effect changes in the board of directors of the relevant legal entities in China. However, if we control such schools and education businesses through Structured Contracts, and our relevant legal entities controlled through the Structured Contracts ("VIE Controlled Entities") or other parties to the Structured Contracts fail to perform their respective obligations under these Structured Contracts, we cannot exercise the school sponsors' rights to direct such corporate action as the direct ownership would otherwise entail.

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 the relevant schools and legal entities. If we were to lose effective control over such schools and entities, it may negatively influence our ability to consolidate the financial results of such entities with our financial results. In such event, our financial position and cash flow from operating activities may be materially and adversely affected and our operational efficiency, brand image may also be negatively impacted.

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

Where we acquire any schools or education business in the future in circumstances that we control such schools or businesses through Structured Contracts, our control over any VIE Controlled Entity will be based upon the Structured Contracts we may enter with such VIE Controlled Entity, the registered shareholders of the VIE Controlled Entity and other parties to the relevant Structured Contracts. Registered shareholders of any VIE Controlled Entities 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 the other parties to the Structured Contracts in respect of a VIE Controlled Entity on the other hand, registered shareholders of such VIE Controlled Entity 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 uncertainty as to the outcome of any such legal proceedings. If we are unable to resolve such conflicts, our business, financial condition and results of operations could be materially and adversely affected.

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

Under the applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. In the event that we acquire control over any VIE Controlled Entities by entering into Structured Contracts, we could face material and adverse tax consequences if the PRC tax authorities determine that the terms of any Structured Contract do 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, the PRC tax authorities may have reason to believe that our subsidiaries or PRC Operating Entities are avoiding/evading their tax obligations, and we may not be able to rectify such incidents within the limited timeline required by PRC tax authorities or at all. 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.

If Mr. Li transfers his equity interests in Li'ang Industry or Li'ang Education, a minority interest may arise and the profit attributable to our shareholders may decrease.

Mr. Li, one of our Controlling Shareholders, currently holds 5% equity interest in Li'ang Industry and Li'ang Education. Pursuant to certain shareholders resolutions of Li'ang Industry and Li'ang Education, dated September 22, 2016, Mr. Li has, with effect from August 10, 2016, relinquished his right to receive dividends and liquidation distributions of Li'ang Industry and Li'ang Education. As a result of such resolutions, with effect from August 10, 2016, no profit or retained earnings of our Group is attributable to the minority equity interest held by Mr. Li in Li'ang Industry and Li'ang Education and the equity of our Company does not include any non-controlling interest by virtue of Mr. Li's minority interest.

In the event Mr. Li transfers his equity interests in Li'ang Industry or Li'ang Education, whether voluntarily or passively, to a third party transferee, such transferee may make new arrangements with the other shareholders of Li'ang Industry or Li'ang Education regarding the equity interests transferred. If such new arrangement terminates the previous shareholders resolutions, the relevant portion of the profit and equity of Li'ang Industry and Li'ang Education will be attributable to the minority interest held by such transferee in Li'ang Industry or Li'ang Education and the equity of our Company will include a non-controlling interest held by such transferee in Li'ang Industry or Li'ang Education. In such event, the profit attributable to our shareholders may decrease and thus negatively impact our financial performances and results of operations.

RISKS RELATING TO OUR BUSINESS AND OUR INDUSTRY

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

We were the tenth largest private provider of higher education in China in terms of total number of student enrollment as of June 30, 2016, according to the Frost & Sullivan Report. To achieve our goal of being a leading provider of high-quality education, we aim to attract talented students and qualified teaching staff. We believe that our success is heavily dependent on the market recognition of the brand and reputation of our schools and our Group. Our ability to maintain such reputation depends on a number of factors, some of which are beyond our control. As we continue to grow in size and broaden the range of our programs and services, it may become difficult to maintain the quality and consistency of the services we offer, which may lead to loss of confidence in the brand name of our schools and our Group.

The reputation of our schools and our Group may potentially be impacted by numerous factors, including, but not limited to, the degree of student and parent satisfaction with our curriculums, teachers and teaching quality, the number of our graduates being able to secure satisfactory employment, accidents on campus, teacher or student scandals, negative press, interruptions to our educational services, failure to pass an inspection by a government educational authority, loss of certifications and approvals that enable us to operate our schools in the manner they are currently operated and unaffiliated parties using our brand without adhering to our standards of education. If the reputation of our schools and our Group is damaged, students' and parents' interest in our schools may decrease and our business could be materially and adversely affected.

We have established and developed our student base primarily through a variety of marketing methods, including school websites, promotional materials and online platforms such as Weibo, QQ and WeChat, as well as local newspaper publications. However, we cannot assure you that these marketing efforts will be successful or sufficient in further promoting our brand or in helping us to maintain our competitiveness. If we are unable to further enhance our reputation and increase market awareness of our 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 sustain or strengthen our reputation and brand recognition, we may not be able to maintain or increase student enrollment, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

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

We have experienced steady growth and expansion since our inception that has placed, and continues to place, significant pressure on our management and resources. We plan to leverage our existing operations and resources to further expand our school network in certain well-developed areas in Southeastern China and in major cities in Western China by primarily focusing on acquiring existing schools directly. We selected these areas for expansion mainly because we believe they will enhance our profile and brand recognition, or there exists significant growth potential due to the existing gap between market demand and available educational resources. However, we may not be able to identify suitable targets in certain well-developed areas in Southeastern China and in large cities in Western China. In order to expand our ability to import more diversified curriculums and majors and adopt innovative teaching methods for our schools in the PRC, we also intend to invest in additional schools overseas. See "Business — Our Business Strategies" in this prospectus for more information.

To manage and support our growth, we must make enhancements to our existing operational, administrative and technological systems, 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 efforts require substantial management time and know-how as well as the commitment of significant additional resources and expenditures. If we cannot adequately upgrade or 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 business 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. 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 prospective students in the future to expand the scale of our operations, which could adversely impact our business, financial condition 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.

We have considered expanding our business by acquiring or entering into cooperation with third-party school sponsors to establish new schools, in addition to establishing new schools ourselves. We believe we face challenges in integrating business operations and management philosophies of the schools we may acquire. We consider the benefits of our prospective acquisitions will mainly hinge on our ability to effectively and timely integrate the management, operations and personnel of these schools. The integration of the schools we acquire is a complex, time-consuming and costly process that without proper arrangement and implementation, could seriously interfere with our business operations and damage our reputation. Our Directors consider the main challenges involved in integrating acquired entities to include the following:

- retaining qualified teaching staff of any acquired school;
- consolidating educational services offered by the acquired school;
- integrating educational and administrative systems;
- ensuring and illustrating 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 be able to 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 expected 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.

We may be exposed to financial liabilities incurred or to be incurred by Inner Mongolia Fengzhou Vocational College and/or any potential reputational damage caused by the operation of Inner Mongolia Fengzhou Vocational College (Zhongshan Branch).

While Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) owned by us and Inner Mongolia Fengzhou Vocational College (Zhongshan Branch) owned by an Independent Third Party are two branches of Inner Mongolia Fengzhou Vocational College that have been, and will continue to be, operated separately, these two branches together have been recognized by the competent PRC educational authorities as a part of Inner Mongolia Fengzhou Vocational College, which is a single legal entity. Therefore, according to our PRC Legal Advisors, we are subject to financial liabilities incurred or to be incurred by Inner Mongolia Fengzhou Vocational College, limited by our initial investment in acquiring the school sponsor interest in Inner Mongolia Fengzhou Vocational College (Qingcheng Branch), which amounted to approximately RMB7.7 million as of the Latest Practicable Date and will amount to RMB11.0 million upon satisfaction of certain payment conditions. In addition, because Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) and Inner Mongolia Fengzhou Vocational College (Zhongshan Branch) are recognized as a part of Inner Mongolia Fengzhou Vocational College, which is a single legal entity, any potential reputational damage caused by the operation of Inner Mongolia Fengzhou Vocational College (Zhongshan Branch), over which we have no control, may harm the reputation of Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) as well as our Group. In the event any of the foregoing occurs, our business, financial condition, results of operation and prospects may be materially and adversely affected.

For the years ended December 31, 2013, 2014 and 2015 and for the ten months ended October 31, 2016, the revenue of Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) was approximately RMB10.0 million, RMB7.2 million, RMB9.6 million and RMB8.1 million, respectively, representing approximately 2.6%, 1.8%, 2.3% and 2.3%, respectively, of our total revenue. For the years ended December 31, 2013, 2014 and 2015 and for the ten months ended October 31, 2016, the net profit (loss) of Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) was approximately RMB1.7 million, (RMB0.6 million), RMB0.6 million and RMB1.4 million, respectively, representing approximately 0.9%, (0.3%), 0.3% and 0.8%, respectively, of our net profit (loss). As of December 31, 2013, 2014 and 2015 and October 31, 2016, the total assets of Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) amounted to RMB28.1 million, RMB30.9 million, RMB35.5 million and RMB39.1 million, respectively, representing approximately 1.4%, 1.3%, 1.8% and 1.8%, respectively, of our total assets. As of December 31, 2013, 2014 and 2015 and October 31, 2016, the total liabilities of Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) was RMB17.6 million, RMB20.9 million, RMB25.0 million and RMB30.0 million, respectively, representing approximately 5.2%, 5.5%, 4.2% and 4.2%, respectively, of our total liabilities. If we cease to operate Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) due to any of the risks highlighted above, the maximum adverse impact on our Group's financial results and financial position would be the loss of our initial investment in acquiring the school sponsor interest in the amount of RMB7.7 million as well as the loss of revenue and profit and the write-off of net assets corresponding to Inner Mongolia Fengzhou Vocational College (Qingcheng Branch), which would adversely affect our business, results of operations and financial condition.

We have and may in the future expand our business into the PRC secondary vocational education industry, which is subject to certain risks.

As part of our expansion strategy, we plan to acquire existing schools and/or establish new schools that primarily focus on providing secondary vocational education to students to complement our existing business focus, which is to provide formal higher education to students. Certain PRC provincial/municipal governments, including the provincial government of Shandong, have introduced programs whereby students who graduated from secondary vocational schools are permitted to enroll in higher vocational programs (i.e., "3+2" program) or undergraduate programs (i.e., "3+4" program), which we believe will result in an increase in the number of qualified graduates with professional skills to satisfy local social and economic development. To take advantage of this strategy, in September 2016, we established Minsheng Secondary Vocational School in Laoling, Dezhou, Shandong Province, which is expected to receive the first batch of student enrollment in September 2018. To date, we have therefore not been involved in the operation of any secondary vocational school. For further details, please see "Business — Expansion Plan" in this prospectus.

Our ability to successfully establish new schools and/or acquire existing schools that mainly provide secondary vocational education would be subject to obtaining the relevant PRC regulatory approvals, which could be uncertain and time consuming. In addition, we had no prior history of operating such schools, which has not been our primary business focus to date. There is no assurance we will be able to successfully operate any secondary vocational schools. We may face numerous business, financial and regulatory challenges in ways we have not anticipated or expected, which could have a material and adverse effect on our business, financial condition and results of operations. Furthermore, the secondary vocational education industry in the PRC generally and Shandong Province in particular is highly competitive and such competition has been intensifying in recent years, according to the Frost & Sullivan Report. We cannot guarantee we will be able to charge competitive and profitable tuition fee rates and/or offer diverse majors that would allow us to attract student interest and ensure a certain level of student enrollment. If we are unable to effectively compete with others in expanding student enrollment in the secondary vocational schools we establish or acquire, our business, financial condition, results of operations and prospects could be materially and adversely impacted. Moreover, secondary vocational schools may have a different profitability profile to our existing degree-granting higher education schools. Therefore, we cannot assure you the inclusion of secondary vocational schools in our school network will not have a negative impact on our overall profitability.

Subject to relevant approvals, we will utilize an entrustment management arrangement with respect to Laoling Secondary Vocational and Technical School. We have no prior experience operating a school based on such arrangement.

We entered into the Laoling School Cooperation Agreement and the Laoling School Supplemental Cooperation Agreement on July 8, 2016 and September 1, 2016, respectively, with the People's Government of Laoling and the Education Bureau of Laoling. Pursuant to these agreements, we will operate Laoling Secondary Vocational and Technical School on an entrustment management basis through our newly established secondary vocational school in Laoling, Minsheng Secondary Vocational School. Such arrangement can be implemented after it is approved by and/or filed with the relevant local PRC government authorities. As of the Latest Practicable Date, we have not yet completed such approval and/or filing process. Prior to such agreements, Laoling Secondary

Vocational and Technical School was operated by the Education Bureau of Laoling. Based on this entrustment management arrangement, we will be responsible for various aspects of Laoling Secondary Vocational and Technical School's operations for a period of 50 years from the date of the Laoling School Supplemental Cooperation Agreement, including all matters relating to the school's assets, business, finance, human resources, student administration and legal compliance. In connection with this project, the People's Government of Laoling has agreed to allocate to Minsheng Secondary Vocational School, free of charge, approximately 400 acres of land to be used for educational purposes, 50% of which shall be allocated before the end of 2016 and the remainder before the end of 2017. For details of the entrustment management arrangement, please refer to the section headed "Business — Proposed Entrustment Management Arrangement" in this prospectus.

According to our PRC Legal Advisors, under the entrustment management arrangement, Laoling Secondary Vocational and Technical School will not change its school sponsor status and therefore, it will remain as a public school. We believe this means that the tuition fees and boarding fees it charges will generally be lower than those charged by private schools. We also believe the cost of operation will either remain relatively stable or increase in the near future, mainly depending on the amount of increase in staff costs. If this occurs, Laoling Secondary Vocational and Technical School may not have much or any legal surplus and therefore, we may not be able to receive any entrustment management fees as expected or at all. In addition, according to the Entrustment Management Agreements, the entrustment management arrangement has a term of 50 years and if we desire to continue such arrangement after the expiration of the initial term, we must re-negotiate with the local government and the Bureau of Education of Laoling. There is no assurance that such arrangement will continue based on the terms as reasonable as the terms of the current arrangement, or at all.

Before entering into this arrangement, we have had no prior history operating a school on an entrustment management basis. Accordingly, we cannot assure you that this operating method will be successfully implemented. In addition, the implementation of the entrustment management arrangement is based on such arrangement being approved by and/or filed with the relevant PRC government authorities. The Education Bureau of Dezhou has approved such entrustment management arrangement on October 18, 2016. However, we cannot assure you that our filing would be accepted. In the event government acceptance of filing is not obtained within three months from the date of the Laoling School Supplementary Cooperation Agreement, we are entitled to terminate the arrangement by written notice. If we cannot satisfactorily operate Laoling Secondary Vocational and Technical School through such entrustment management arrangement, our reputation could be harmed and our business, results of operations and prospects may be materially and adversely affected.

In addition, the scope of our due diligence with respect to Laoling Secondary Vocational and Technical School in connection with the entrustment management arrangement was limited, and we might not have discovered all of the historical non-compliance and potential liabilities, including liabilities that may arise from any material claim against the school or from any non-compliance committed by the school. The Entrustment Management Agreements allow Minsheng Secondary Vocational School to only provide management services to Laoling Secondary Vocational and Technical School and not be responsible for the relevant indebtedness and other related obligations, liabilities and risks incurred by Laoling Secondary Vocational and Technical School, which is an independent legal entity. However, if any third party takes legal action against Laoling Secondary Vocational and Technical School or if any penalty is levied against it by the relevant PRC government authorities or any historical non-compliance has any adverse impact on the entrustment management arrangement, the legal surplus of Laoling Secondary Vocational and Technical School may decrease and we may receive less entrustment management fees or may receive no entrustment management fees at all, which in turn, will adversely affect our business, financial condition and results of operations.

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 teachers and increased capital expenditures.

The education sector in China is fast evolving, highly fragmented and competitive, and we expect competition in this sector to persist and intensify. In Chongqing and Inner Mongolia where our existing schools are located, we compete with public and other private schools that offer similar higher education and programs. We compete with these schools based on a range of factors, including, but not limited to, majors and curriculum offerings, tuition fee levels, expertise and reputation of teachers, school location and facilities. Public schools may enjoy favorable treatment from government authorities in respect of, among other things, tax exemptions and government subsidies. Our competitors may adopt similar or better curriculums, school support and marketing strategies, with more appealing pricing and service packages than what we are able to offer. In addition, some of our competitors may have more resources than we do and may be able to dedicate greater resources than we can to the development and promotion of the schools and respond more quickly than we can to changes in student demand, market needs and/or new technologies. As such, we may be required to lower our tuition fees and boarding fees or increase our spending in order to be competitive by retaining or attracting students and qualified teachers or identifying and pursuing new market opportunities. If we are unable to successfully compete for new students, maintain or increase our tuition levels, attracting and retaining qualified teachers or other key personnel, enhancing the quality of our educational services or controlling the costs of our operations, our business, results of operations and financial condition may be materially and adversely affected.

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.

The tuition fees we are able to charge at our school is one of the most significant factors affecting our profitability. For the years ended December 31, 2013, 2014 and 2015 and the ten months ended October 31, 2015 and 2016, tuition fees constituted 92.4%, 92.6%, 92.7%, 92.4% and 92.2% of our total revenue, respectively, while the boarding fees accounted for the remainder. Our tuition rates are mainly determined based on, among other things, 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 in the areas in which our schools are located. Pursuant to the Interim Measures for the Management of the Collection of Private Education Fees (《民辦教育收費暫行管理辦法》), the types and amounts of fees charged by private schools providing formal education must be approved by the relevant governmental pricing authority and those providing non-formal education must be filed with the relevant governmental pricing authority. There can be no assurance that we will be able to maintain or raise the tuition fee and/or boarding fee levels we charge at our schools in the future due to various reasons, including the failure to obtain necessary approvals for fee increases or other factors beyond our control, or even if we are able to maintain or raise tuition fees or boarding fees, we cannot assure you how such increases in fee rates will impact the number of student applications and enrollment at our schools. 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.

Furthermore, some of the students who have enrolled at our schools may experience financial difficulties in paying full tuition fees and boarding fees when they become due. While some of our schools have provided scholarships and grants to certain qualified students in the past, we cannot guarantee we will be able to fully cover their tuition fees and boarding fees. Consequently, in the event such students are unable to make full payments in a timely manner, we may be forced to recognize impairment losses on trade receivables, which could have a material and adverse impact on our results of operations and financial condition.

We may not be able to successfully increase student enrollment at our schools, which may hinder our ability to expand our business.

One of the most significant factors affecting our profitability is the number of students enrolled at our schools. For the 2013/2014, 2014/2015, 2015/2016 and 2016/2017 school years, the total number of students enrolled at our schools was 29,032, 29,626, 30,616 and 32,685, respectively. However, since all of our schools are boarding schools, the capacity for student enrollment at each of our schools is restricted by the number of beds available in student dormitories. For the 2013/2014, 2014/2015, 2015/2016 and 2016/2017 school years, our average school utilization rate estimated by student enrollment divided by our available beds was 80.2%, 81.8%, 81.1% and 86.5%, respectively. We cannot assure you that we will be able to maintain a stable school utilization rate and sufficient number of beds for students enrolled in our schools in the future in the event enrollment applications exceed our expectation.

Furthermore, the number of students our schools are able to admit each school year is set and approved by the relevant PRC education authorities. According to the Opinions of the Ministry of Education on Further Regulating Higher Education Enrollment Program (《教育部關於進一步規範高等教育招生計劃管理工作的意見》), student enrollment for graduate and undergraduate programs is subject to the approval of the MOE, while student enrollment for junior college programs is subject to the approval of the relevant provincial education authorities. In the spirit of further promoting equal access to education in urban and rural areas, the Notice of the Ministry of Education on Enrollment of Ordinary Colleges and Universities issued in 2016 (《教育部關於做好2016年普通高校招生的通知》) instructs universities and colleges to further improve their respective enrollment plan by taking into account the number of students currently enrolled, their own operational conditions, employment status of their graduates and other factors. This notice also encourages schools to continue to expand the implementation of the "Support for the Midwest Admissions Program" and to further increase student enrollment quota in the provinces in the central and western regions of China where enrollment rate is currently relatively low compared to other more developed regions. However, we cannot assure you that we are able to successfully increase student enrollment capacity at our schools, which is subject to the approvals of the relevant government authorities, and which is beyond our control.

If we fail to admit all qualified students who are interested in enrolling in our schools due to these capacity constraints or student enrollment quota limitations, maintain our historic enrollment levels or to grow our student enrollment. Thus, we may not be as successful in carrying out our growth strategies and expansion plans as we would have anticipated, which may have a material and adverse effect on our business, financial condition and results of operations.

Our business relies heavily on our ability to recruit, train and retain highly qualified teachers.

We rely substantially on our teachers to provide educational services to our students. Therefore, our teachers are critical in maintaining the quality of our programs and services and in upholding our brand and reputation. As of October 31, 2016, we had a team of 1,090 teachers.

We mainly focus on providing high-quality private higher educational services. It is therefore crucial for us to attract qualified teachers who have a strong command of their respective subject areas and have sufficient industry experience in the relevant areas. We seek to hire teachers who have the necessary education background and are competent in presenting clear and practical classroom instructions. We believe there are a limited number of qualified teachers with the relevant experience and subject matter expertise 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. We cannot assure you that we can recruit and retain such personnel in the future. In addition, during the recruitment process, it is difficult to properly assess applicants on some qualitative features, such as their commitment level and dedication, particularly as we continue to recruit more teachers to meet the needs of rising student enrollment. Furthermore, we must provide relatively competitive compensation and benefits packages to attract and retain qualified and competent teachers. We must also provide mandatory and on-the-job training programs for newly hired teachers as well as continuing training courses for existing teachers, so that our teachers are able to keep abreast of industry developments and understand what practical skills are currently sought after by employers, which enables them to incorporate such relevant knowledge in their lectures and training classes.

We may not be able to hire and retain a sufficient number of qualified teachers to keep pace with our anticipated growth while maintaining consistent teaching quality and the overall quality of our education programs across different schools. 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, financial condition and results of operations. In addition, there are several foreign teachers who teach at Chongqing College of Humanities, Science and Technology and Pass College of Chongqing Technology and Business University, and we may engage additional foreign teachers as we continue to expand our curriculums and majors. We may experience difficulties in assisting our foreign teachers in obtaining employment visas or other approvals required to enter and work in China, which may adversely impact the quality of the education we provide.

Our business depends on our ability to promptly and adequately respond to the changes in market demand.

Our educational services primarily focus on equipping students with practical and readily applicable skills in a variety of industries and areas to help them obtain employment and succeed in their future careers. We primarily design our curriculums and offer our majors based on market trends and employer preferences. We also adjust our curriculum and/or major offerings from time to time based on changes in domestic economic and job market conditions, educational materials, practices and technologies. If we fail to provide courses that adequately prepare our students to cater to the evolving demands of the job market, which can be subject to a variety of factors that are beyond our control, our students' placements after graduation may not be satisfactory and our graduates on-the-job performance may not be satisfactory to their employers. As a result, our programs and services may become less attractive. If this occurs, our business, results of operations, financial condition and reputation could be materially and adversely affected. In addition, if we fail to timely develop and introduce new education services and programs at our schools based on the changing market trends, employer preferences and educational standards, our ability to attract and retain students and our reputation could be harmed, which may have a material and adverse impact on our business, financial condition, results of operations and prospects.

Our students or their parents may not be satisfied with students' job placements or academic performance, which may have a negative impact on our reputation.

The success of our business relies on our ability to maintain the quality of education we provide and to equip our students with the necessary knowledge and skills to find suitable employment and to achieve high initial employment rates for the graduates of our schools. Our schools may not be able to meet students' and parents' expectations for academic performance, or help our graduates obtain satisfactory jobs upon graduation. A student may not find suitable employment after graduation, experience expected academic improvement or acquire desired skills or 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 or maintain the initial graduate employment rates at our schools at current levels. For example, we only achieved an initial employment rate of 35.9% for Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) for the 2015/2016 school year. Student and parent satisfaction with our educational programs may decline. We may also experience negative publicity or our marketing efforts may be ineffective. Any such negative developments could result in students' withdrawal or unwillingness to apply for admission to our schools, and therefore, could have a material and adverse impact on our reputation. If our student registration or 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, results of operations and prospects 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.

In order to conduct and operate our education business, we are required to obtain and maintain various approvals, licenses and permits and to fulfill registration and filing requirements pursuant to applicable laws and regulations. For 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.

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, 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, we cannot assure you that we will be able to obtain all required permits. If we fail to receive required permits in a timely manner or obtain or renew any permits and certificates, we may be subject to fines, confiscation of the gains derived from our non-compliant operations, suspension of our non-compliant operations or compensation of any economic loss suffered by our students or other relevant parties, which may materially and adversely affect our business, financial condition and results of operations.

In addition, PRC government approval or filing is required for our schools to offer new majors in connection with their curriculums. We cannot assure you whether or when the PRC educational authorities will provide relevant approvals or accept the filings. Without obtaining regulatory approval or making the filing necessary to establish new majors, we could not offer the new majors to students as scheduled or as expected, which may directly impact the number of students enrolled for the relevant school year and therefore, affect the anticipated revenue of the school for the relevant school year. For example, during the Track Record Period, Chongqing Vocational College of Applied Technology was not able to timely obtain government approval to offer pre-school education, automotive inspection and repair services majors; and Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) was not able to timely offer nursing major, which we believe resulted in reduced student enrollment at these schools during the relevant periods.

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

We may, from time to time, renovate existing premises or construct new buildings to ensure that our teaching facilities' convenience and comfort is improved for our students, teachers and staff. We may also develop new campuses and school premises as we grow in size and expand our business. Accordingly, we must obtain various permits, certificates and other approvals from the relevant administrative authorities at various stages of property development for campuses and school premises constructed and developed for our schools, including, among others, 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 encounter problems in the future 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. As of December 31, 2016, we did not have the relevant construction planning permits or construction permits or pass the acceptance checks on completion of construction with respect to 49 buildings with a total gross floor area of approximately 8,800.11 sq. m. In addition, the building ownership certificate of one property with a gross floor area of approximately 175.22 sq. m. owned by Minsheng Education Management is currently under application and we have yet to obtain such certificate as of the Latest Practicable Date. According to our PRC Legal Advisors, for properties that have been put into use or construction activities commenced without obtaining construction planning permits, we may be required to demolish the relevant buildings, and may be subject to fines of up to 10% of the construction cost of the buildings. In addition, for properties that we put into use without passing acceptance checks on completion of construction, we may be subject to a fine of between 2% and 4% of the total price of the construction contract of the affected premises. For more information, see the section headed "Business — Properties" in this prospectus.

In addition, if we 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 and hence may have a material adverse effect on our business, prospects, financial condition and results of operations.

New legislation or changes in the PRC regulatory requirements regarding private higher education may affect our business operations and prospects.

Private higher education industry is subject to regulations in various aspects. Relevant rules and regulations could be amended or updated from time to time to accommodate the development of PRC education, in particular, the private education markets. For instance, the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》) was promulgated in June 2013, and was further amended in November 2016 by the Decision, which will become effective on September 1, 2017. According to the Decision, private schools can be established as For-Profit Private Schools or Non-Profit Private Schools, with the exception of schools that provide compulsory education, which can only be established as Non-Profit Private Schools. In addition, pursuant to the Decision, (i) school sponsors of For-Profit Private Schools are allowed to receive the operating profits of the schools while the school sponsors of Non-Profit Private Schools are not permitted to do so; (ii) Non-Profit Private Schools shall enjoy the same preferential tax and supply of land treatment as public schools while For-Profit Private Schools shall enjoy the preferential tax and supply of land treatment as stipulated by the government; and (iii) For-Profit Private Schools have the discretion to determine the amount of fees to charge by taking into consideration various factors such as the school operating costs and market demand, and no prior approval from government authorities is required, while Non-Profit Private Schools shall collect fees pursuant to the measures stipulated by the local PRC government authorities. For details on the distinction between For-Profit Private Schools and Non-Profit Private Schools under the Decision, please see "Regulatory Overview — Regulations on Private Education in the PRC — The Revisions of the Law for Promoting Private Education of the PRC" in this prospectus.

Uncertainties exist with respect to the interpretation and enforcement of new and existing laws and regulations, including the interpretation and application of the Decision and the way in which the implementation regulations to be promulgated by the local government authorities may impact any of our schools. We cannot assure you that we will be in compliance with the new rules and regulations, interpretation of which may be uncertain, or that we will be able to timely and efficiently change our business practice in line with the new regulatory environment. Any such failure could materially and adversely affect our business, financial condition, results of operations and prospects.

In addition, if any of our schools choose to be registered as For-Profit Private Schools, there are uncertainties about the timing of the registration and our schools will be subject to the requirements of applying for such re-registration. There are also uncertainties relating to the types and extent of government support measures we may be able to enjoy. For instance, with respect to the preferential tax treatment contemplated by the Decision, the Decision does not specify whether any of our schools will be required to pay additional taxes as the relevant PRC tax laws have not been amended to distinguish between For-Profit Private Schools and Non-Profit Private Schools, and there is currently no clarity as to whether the tax treatment will change for any of our schools after the Decision becomes effective. According to the Decision, while land will be supplied to private schools by the government through allocation or other means, For-Profit Private Schools are not expected to enjoy the same treatment as public schools and Non-Profit Private Schools. Since the implementation regulations have not been promulgated by the local government authorities as of the Latest Practicable Date, there is uncertainty as to whether and how our schools will be able to benefit from any such additional supporting measures as contemplated or at all. We cannot assure you that favorable tax and other supportive treatment contemplated under the Decision will not change or that they continue to apply to our schools after the Decision becomes effective. Accordingly, as of the Latest Practicable Date, we were not be able to quantify the impact that the decision may have on our business, results of operations, financial condition and prospects.

We invested in schools outside the PRC, which may be subject to risks.

In June 2014 and November 2015, we invested in Beacon International College in Singapore and Hong Kong Nang Yan College of Higher Education in Hong Kong, respectively. As of the Latest Practicable Date, we owned approximately 25.6% equity interest in Beacon International College and were one of two members of Hong Kong Nang Yan College of Higher Education, which is a company limited by guarantee established under the laws of Hong Kong. We invested in these schools primarily because we intended to (i) enable our schools in the PRC to adopt advanced curriculums and innovative teaching methods to bolster our education quality and reputation by working closely with these overseas schools; and (ii) create more overseas exchange opportunities for our students in the PRC. However, prior to these investments, we have not invested in any school overseas and we may not be familiar with the applicable local laws and regulations affecting our investments and the schools we invested. During the Track Record Period, Beacon International College and Hong Kong Nang Yan College of Higher Education have been loss-making. In the event we are unable to receive dividends from our investments as we anticipated or recoup a portion or all of our investments, our results of operations and financial condition may be materially and adversely affected.

We generate all of our revenue from a limited number of cities in China and from a limited number of schools.

We currently operate our schools in two cities in the PRC, namely, Chongqing and Hohhot, Inner Mongolia. Three of the four schools we currently operate in the PRC are located in Chongqing, which is of particular importance to our overall business. For the years ended December 31, 2013, 2014 and 2015 and the ten months ended October 31, 2016, we generated 97.4%, 98.2%, 97.7% and 97.7%, respectively, of our revenue from our three schools in Chongqing. We expect that we will continue to generate a majority of our revenue from these schools in Chongqing for the foreseeable future. Accordingly, we are susceptible to factors adversely affecting the PRC private higher education industry, or any other factors adversely affecting the geographic areas in which our schools are located.

Therefore, any material adverse social, economic or political development, any natural disaster or epidemic affecting the Chongqing region could have a material and adverse effect on our business, financial condition and results of operations. Additionally, if any of our schools, in particular any of our three schools in Chongqing, experiences an event that materially and negatively affects its student enrollment, tuition, school operations or reputation in general, our business, financial condition and results of operations may be materially and adversely affected. Our business, results of operations and financial condition may also be materially and adversely affected if new local regulations relating to the private university education sector are adopted in Chongqing that place additional restrictions or burdens on us.

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

We experienced steady revenue growth during the Track Record Period. Our historical growth was primarily driven by the increases in the tuition fees our schools charge their students and in the number of students enrolled at our schools. 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) shifts in public perception of the private higher education industry in China; (ii) our ability to maintain and increase student enrollment at our schools and maintain and raise tuition fees and boarding fees; (iii) general economic and social conditions and government regulations or actions pertaining to the provision of private education in China, in particular, Chongqing; (iv) increased competition and market perception and acceptance of any newly introduced education programs in any given year; (v) expansion and related costs in a given period; 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, among other things, student enrollment quotas assigned by the relevant local PRC educational authorities and our limited capacity, and we may not be successful in carrying out our growth strategies and expansion plans. In addition, although all of our schools have elected to be private schools that require reasonable returns, they did not pay any PRC income tax during the Track Record Period (we paid EIT on dividends paid by certain of our schools to their school sponsors). If our schools are required by the PRC tax authorities to pay EIT in the future, our profitability may be adversely impacted. For the first ten months ended October 31, 2016, none of our schools elected to make any dividend distribution to their respective school sponsors, which resulted in minimal income tax expenses incurred by us for the period. In the event our schools elect to make such dividend distributions to their school sponsors in the future, the respective school sponsors will be required to pay the relevant EIT in accordance with the applicable PRC laws and regulations for the year/period during which such dividend distributions are made, which could adversely impact our profit for the year/period.

In addition, we have received various amounts of government grants during the Track Record Period, which were mainly related to the subsidies received from the local governments for the purpose of compensating our operating expenses arising from the schools' teaching activities and expenditures on teaching facilities. As of December 31, 2013, 2014 and 2015 and as of October 31, 2016, government grants we received amounted to RMB16.4 million, RMB36.3 million, RMB64.3 million and RMB51.2 million, respectively. While these government grants were recurring in nature during the Track Record Period, there is no assurance that the PRC government will continue to provide such grants to us in the future. In the event government subsidies are reduced substantially or entirely, our business, financial condition and results of operations could be materially affected.

Moreover, we may not be able to sustain our past growth rates in future periods, and we may not be able to 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 available-for-sale investments and short-term investment deposits may be subject to certain counterparty risks and market risks.

During the Track Record Period, we invested certain amounts of surplus cash in available-for-sale investments and short-term investment deposits. These available-for-sale investments are generally short-term wealth management products issued by licensed commercial banks in the PRC. As of December 31, 2013, 2014 and 2015 and October 31, 2016, the fair value of such available-for-sale investments totalled RMB498.3 million, RMB733.3 million, RMB522.1 million and RMB611.0 million, respectively. In addition, we made short-term investment deposits with certain licensed banks in the PRC during the Track Record Period. As of December 31, 2013, 2014 and 2015 and October 31, 2016, the total amount of such investment deposits was RMB224.6 million, RMB234.4 million, RMB121.2 million and RMB280.8 million, respectively. Accordingly, we are subject to the risks that any of our counterparties, such as the banks that issued short-term investment deposits, may not perform their contractual obligations, such as in the event that any such counterparty declares bankruptcy or becomes insolvent. Any material non-performance of our counterparties with respect to the wealth management products we invested in could materially and adversely affect our financial position and cash flow. Furthermore, our available-for-sale investments are subject to the overall market conditions, including the capital markets. Any volatility in the market or fluctuations in interest rates may reduce our financial position or cash flow, which in turn, could materially and adversely impact our financial condition.

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

We generally require tuition fees and boarding fees for a full school year to be paid by students to our schools prior to the commencement of each school year. We usually recognize revenue proportionately over the relevant school year, which generally commences from September of the current year to June of the following year, except tuition fees are not recognized in February for winter holiday purposes. Boarding fees are recognized proportionately over a 12-month period from September of the current year to August of the following year for non-graduating students, and over a 10-month period from September of the current year to June of the following year for graduating students. 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. 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.

The smooth operation of our schools and the execution of our business plans largely rely on our senior management and school administrators. Therefore, the continuing services of our executive Directors, senior management team, the principals and other key personnel of our schools are crucial to our future success.

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

Our future success is highly dependent on the acceptance, development and expansion of the market for private for-profit education services in China. The private educational services market began 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. 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 (《中華人民共和國民辦教育促進法》) became effective.

The development of this industry has been accompanied by significant press coverage and public debate concerning the management and operation of private schools and universities. Despite the general public's pursuit of higher degree levels, there remains significant uncertainty 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 currently outsource certain meal catering services at our schools to Independent Third Parties and, as a result, we cannot guarantee the quality and price of the food it serves to our students and therefore, we may be exposed to potential liabilities if we cannot maintain food quality standards.

During the Track Record Period, certain of our schools outsourced the meal catering services to Independent Third Parties, which provided such services to our students and faculty for a fee. There is no assurance that we will be able to ensure the quality of food and to monitor the meal preparation process to ensure its quality or require the independent third-party service provider(s) to adhere to our food quality standards. In the event poor food quality results in any serious health violations or medical emergencies involving our students and faculty staff, such as mass food poisoning, our business and reputation could be harmed.

We may not be able to successfully set up a campus hospital at Chongqing College of Humanities, Science and Technology in 2017 to provide, among other things, routine check-up and other basic medical services to students and faculty at the university, and may experience various difficulties and challenges in our operation of such campus hospital.

Historically, we have provided routine medical services for our students and faculty either through our own college clinics or outsourcing such services to qualified independent third-party medical care providers. As part of our strategy to expand our ancillary service offering, for students and staff at Chongqing College of Humanities, Science and Technology, we plan to transfer routine check-up and other basic medical services from outsourced medical clinics to a campus hospital to be operated by us, which we intend to set up in 2017, subject to obtaining the relevant government approvals. This compus hospital will not provide any medical services to the public. Such campus hospital will also be used to provide more training programs for the nursing students at Chongqing College of Humanities, Science and Technology.

Setting up a campus hospital is subject to the approval of the relevant PRC regulatory authorities, and requires numerous licenses and approvals. Please see "Regulatory Overview — Regulations on Private Education in the PRC — Regulations on Safety and Health Protection of Schools" in this prospectus. There is no assurance we will be able to establish or construct such campus hospital in a timely manner or at all. Moreover, we have no prior experience operating a campus hospital. We may face challenges and difficulties in the course of operating such campus hospital, including, but not limited to, the possibility that the nursing students at Chongqing College of Humanities, Science and Technology may not be satisfied with the quality and content of the training programs to be offered at such hospital. If we are not able to satisfactorily provide such programs and services, the reputation of Chongqing College of Humanities, Science and Technology as well as that of our Company may be harmed. Furthermore, medical incidents may occur at the campus hospital during the process of providing routine check-up and other basic medical services to students and staff at Chongqing College of Humanities, Science and Technology. While the campus hospital will purchase requisite medical liability insurance in line with industry practice, there is no assurance such insurance policy will be sufficient. In the event such insurance policy is inadequate, the hospital and Chongqing College of Humanities, Science and Technology may be subject to potential claims and lawsuits, which may adversely affect our business, financial condition, results of operations and reputation.

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

One of our schools, Inner Mongolia Fengzhou Vocational College (Qingcheng Branch), currently leases five properties with an aggregate gross floor area of approximately 17,617.80 sq. m. from Inner Mongolia Northern Occupation Technique College, an Independent Third Party. As of the Latest Practicable Date, Inner Mongolia Northern Occupation Technique College has not provided us with valid building ownership certificate for such properties. As a result, there is a risk that the landlord from whom we lease such properties may not have the right to lease such buildings to us. According to our PRC Legal Advisors, in the event Inner Mongolia Northern Occupation Technique College does not have valid building ownership certificates, the relevant lease agreement may be deemed invalid or we may face challenges from property owner or other third parties to the lessor’s rights. If such lease is 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.

During the Track Record Period, Pass College of Chongqing Technology and Business University has paid a certain amount of fees to Hechuan District Government annually for the use of certain parcel of land and buildings owned by a public school, which is an Independent Third Party. Furthermore, Pass College of Chongqing Technology and Business University have constructed some buildings on the aforesaid land and obtained building certificates in its own name for such constructions. As there is no written agreement between Hechuan District Government, the public school and us, we cannot assure you that Hechuan District Government and the public school will always follow the historical practice to allow us to use the land and buildings. If our use of the land and buildings is objected to by Hechuan District Government and/or the public school in the future, we may be forced to relocate the affected premises and incur significant expenses.

Furthermore, we have not registered certain of our lease agreements with the relevant government authorities. Under the applicable PRC laws and regulations, we may be required to register and file with the relevant government authorities executed leases. According to our PRC Legal Advisors, while the lack of registration will not affect the validity and enforceability of the lease agreements under the PRC Law, 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 may be different from their actual realizable value and are subject to uncertainty or change.

The property valuation report set out in Appendix IV to this prospectus with respect to the appraised value of our properties is based on various assumptions, which are subjective and uncertain in nature. The assumptions that LCH (Asia-Pacific) Surveyors Limited used in the property valuation report include: (i) the legally interested party in each of the properties has absolute title to its relevant property interests; (ii) the legally interested party in each of the properties has free and uninterrupted rights to assign its relevant property interests for the whole of the unexpired term as granted, and any premiums payable have already been fully paid; (iii) the legally interested party in each of the properties may sell its relevant property interest in the market in its existing states without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to increase the value of the property interest; (iv) each of the properties has obtained the relevant government's approvals for the sale of the property and is able to be disposed of and transferred free of all encumbrances (including but not limited to the cost of the transaction) in the market; and (v) the properties can be freely disposed of and transferred free of all encumbrances at the Valuation Date for their existing uses in the market to both local and overseas purchasers without payment of any premium to the government.

Certain of the assumptions used by LCH (Asia-Pacific) Surveyors Limited in reaching the appraised value of our properties may be inaccurate. Thus, 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 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 LCH (Asia-Pacific) Surveyors Limited.

Our school facilities may have capacity constraints, which could affect our ability to increase student enrollment or 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 additional building facilities such as classrooms and dormitories, we may not be able to expand our capacity at our current campuses to increase our student enrollment 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.

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

We could be held liable for any 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 in providing 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, such 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.

In addition, we recruit students nationwide, who possess different cultural backgrounds, living habits and customs. Since all of our schools are boarding schools, we require students attending our schools to live on campus. This arrangement may result in increased friction among students and we may not be able to effectively and successfully prevent student conflicts from occurring. If we cannot control such conflicts, or if such conflicts escalate into physical confrontations, our reputation or business prospects may be harmed.

We maintain limited insurance coverage.

We maintain various insurance policies for certain of our schools, 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. 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.

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 patent, 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 the PRC 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 the intellectual property rights of third parties. As of the Latest Practicable Date, we did not encounter any material claim for intellectual property infringement. 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 and adversely affect our educational programs and our operations. 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.

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

We have adopted the Share Option Scheme in March 2017, under which we may issue options to purchase up to a total of 400,000,000 Shares to our Directors, senior management and employees for their contribution to our Group and to attract and retain key personnel. The fair value of the services received in exchange for the grant of these share options will be recognized as share-based compensation expenses, which will have an adverse effect on our profits. Moreover, exercise of the share options we have granted or plan to grant will increase the number of our Shares in circulation. Any actual or perceived sales of additional Shares acquired upon the exercise of the share options we have granted or plan to grant may be adversely affect the market price of our Shares.

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 and up to the Latest Practicable Date, we did not make full contributions to the social insurance plans for some of our employees, including foreign teachers employed by Chongqing College of Humanities, Science and Technology and Pass College of Chongqing Technology and Business University, and during the Track Record Period, we failed to make full housing provident fund contributions for some of our employees, including certain employees in charge of logistic work of our schools. 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, 2013, 2014 and 2015 and the ten months ended October 31, 2016 was approximately RMB3.4 million, RMB5.1 million, RMB3.2 million and RMB4.3 million, respectively. See the section headed "Business — Legal Proceedings and Compliance" in this prospectus for further details. As of the Latest Practicable Date, we have made full housing provident fund contributions for our employees. However, 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.

The assets held by our schools may not be pledged as collateral in connection with securing our 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 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 seek loans from lenders. In such case, the schools' ability to obtain financing may 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 or teacher 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 have obtained a term loan facility to repay loans we borrowed from our ultimate holding company and certain of our related parties, which will likely increase our finance cost and gearing ratio.

During the Track Record Period, we borrowed loans from our ultimate holding company in connection with the repurchase of our issued ordinary shares from our previous investors, and also borrowed loans from certain of our related parties, a substantial portion of which was extended to Hong Kong Nang Yan College of Higher Education. As of October 31, 2016, we had outstanding amounts of RMB121.9 million due to our ultimate holding company and RMB13.7 million due to related parties. As of the Latest Practicable Date, we have obtained a term loan facility from the Lender to pay for such loans. The term loan facility has a maximum principal amount of US$25.0 million with an interest rate of 1.50% per annum over HIBOR/LIBOR, which will primarily be used to repay the loans from our ultimate holding company and certain of our related parties, as well as for our listing expenses. We expect to make a draw-down of this term loan facility to fully settle the loans from our ultimate holding company and certain related parties before Listing. Assuming we make a full draw-down and based on these terms, our finance cost is expected to increase by approximately RMB100,000 per month and our gearing ratio, which is calculated as all interest-bearing loans divided by total equity as of the end of the year or period, would be approximately 11% as of October 31, 2016 (assuming we obtained the term loan as of October 31, 2016), compared with a gearing ratio of approximately 9% as of October 31, 2016 without such term loan. In the event we experience significant increases in our finance cost and gearing ratio in the future, our results of operations and financial condition could be adversely affected.

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 most of our students are boarding 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.

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 in1978, 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 Subsidiaries; 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 schools, (ii) make additional capital contributions to our Subsidiaries in the PRC, (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 our Subsidiaries, must be approved by the relevant government authorities and must also be registered with the SAFE or its local counterparts; or
- capital contribution to our Subsidiaries must be approved by and registered with the relevant government authorities.

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 1.4% in December 2015. 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 gains 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 EIT at the 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.

In addition, pursuant to the EIT, 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 January 1, 2008 and applies to earnings after December 31, 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For our Group, the applicable withholding tax rate is 10%. Therefore, foreign investors may be subject to a PRC withholding tax upon dividends distributed by us or upon gains from the sale of our Shares.

The discontinuation of any favorable 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 favorable tax treatment as public schools. As a result, private schools providing academic qualification education are eligible to enjoy favorable income tax 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. Favorable 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 schools did not pay EIT in respect of income from rendering the formal education service during the Track Record Period. We have obtained confirmation from the local tax bureaus in the areas where we operate our schools, which confirmed, among other things, that our schools were not found to be default in tax or in violation of PRC tax laws. However, there is a possibility that the PRC government may promulgate relevant tax regulations that will eliminate such favorable 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. The discontinuation of any favorable tax treatment currently available to us or the determination of any of the relevant tax authorities that any of the favorable 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 consolidated net tangible asset value of HK$0.68 per Share (assuming an Offer Price of HK$1.38 per Offer Share, being the mid-point of our Offer Price range of HK$1.24 to HK$1.52 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 4,000,000,000 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 75.0% 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.

During the Track Record Period, we did not declare or distribute any dividends to our equity holders. Any future dividend declaration and distribution by our Company will be at the discretion of our Directors and 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" 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 favorable 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 and Exemption from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance" 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.

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.

We may be deemed a "covered fund" under the Volcker Rule, which could result in reduced interest in the Shares from banking organizations, and could potentially reduce the liquidity of the Shares on the secondary market.

Section 13 of the U.S. Bank Holding Company Act of 1956, commonly known as the "Volcker Rule," generally prohibits, subject to certain exclusions or exemptions, "banking entities" from engaging in proprietary trading and from acting as a sponsor to, or acquiring or retaining "ownership interests" in, a "covered fund." "Banking entities" generally are defined in the Volcker Rule as (i) any U.S. insured depository institution, (ii) any company that controls a U.S. insured depository institution, (iii) any non-U.S. banking organization that has U.S. bank subsidiaries or operates branches, agencies or commercial lending company subsidiaries in the United States), and (iv) any affiliate or subsidiary of these types of entities, regardless of geographic location. A "covered fund" is defined to include, among others, any issuer that would be an "investment company" (as defined in Section 3(a) of the U.S. Investment Company Act) but for the exemption provided by Section 3(c)(7) of the U.S. Investment Company Act.

Because we may rely on the exemption provided by Section 3(c)(7) of the U.S. Investment Company Act, we may be deemed a "covered fund" for purposes of the Volcker Rule. In that case, the Shares would constitute "ownership interests" under the Volcker Rule. If we are deemed to be a "covered fund," then a banking entity would generally be prohibited from acquiring or retaining the Shares, unless such a banking entity could rely on an exclusion or exemption from the Volcker Rule's prohibitions. These limitations could result in banking entities, in particular U.S. banking entities, being unable to purchase the Shares, which, in turn, could diminish the liquidity of the Shares on the secondary market. Investors that are banking entities (as defined in the Volcker Rule) should carefully review the Volcker Rule and consult with their legal advisors about the potential impact of the Volcker Rule on an investment in the Shares.

In preparation for the Listing, we have sought the following waivers and exemptions from strict compliance with the relevant provisions of the Listing Rules and the relevant sections of the Companies (WUMP) Ordinance:

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 headquarters as well as most of our schools are located in the PRC and will continue to be based in the PRC, most of our executive Directors and senior management members are and will continue to be based in the PRC. At present, only one 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 authorized 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 authorized representatives are Mr. Lam Ngai Lung and Mr. Zuo Yichen, our executive Directors. Each of the authorized 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 authorized 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 authorized representatives has been duly authorized 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 authorized 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 authorized 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 authorized representatives; (b) each Director will provide valid phone numbers or means of communication to the authorized representatives when he travels; and (c) all Directors will provide their mobile phone numbers, office phone numbers, email addresses and office facsimile numbers to the Stock Exchange;

(c) our Company has, in accordance with Rule 3A.19 of the Listing Rules, also appointed TC Capital International 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 authorized 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 authorized representatives and compliance adviser; and

(e) each Director who is not ordinarily resident in Hong Kong has confirmed that he or she 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 FROM STRICT COMPLIANCE WITH RULES 4.04(1) AND 13.49(1) OF THE LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH SECTION 342(1) OF THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE IN RELATION TO PARAGRAPHS 27 AND 31 OF THE THIRD SCHEDULE THEREIN

Rule 4.04(1) of the Listing Rules requires a listing applicant to include in the prospectus the consolidated results of the listing group in respect of each of the three financial years immediately preceding the issue of the prospectus or such shorter period as may be acceptable to the Hong Kong Stock Exchange.

Rule 13.49 of the Listing Rules requires a listed issuer to publish its preliminary results for each financial year not later than three months after the end of the financial year.

Section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (the "Ordinance") requires all prospectuses to include the matters specified in Part I of the Third Schedule to the Ordinance and set out the reports specified in Part II of the Third Schedule to the Ordinance.

Paragraph 27 of Part I of the Third Schedule to the Ordinance requires us to include in this Prospectus a statement as to our gross trading income or sales turnover (as may be appropriate) during each of the three financial years immediately preceding the issue of this Prospectus, including an explanation of the method used for the computation of such income or turnover, and a reasonable break-down between the more important trading activities.

Paragraph 31 of Part II of the Third Schedule to the Ordinance requires us to include in this Prospectus a report by our auditors with respect to the profits and losses of our Group in respect of each of the three financial years immediately preceding the issue of this Prospectus and assets and liabilities of our Group at the last date to which our financial statements were prepared.

Pursuant to section 342A of the Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with the relevant requirements under the Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interest of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

The Accountants' Report set out in Appendix I to this Prospectus includes the audited financial information for our Group for the years ended December 31, 2013, 2014 and 2015 and for the ten months ended October 31, 2016.

As such, an application has been made to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rules 4.04(1) and 13.49(1) of the Listing Rules, on the following conditions:

(a) our Company must list on the Stock Exchange on or before March 31, 2017;

(b) we must obtain a certificate of exemption from the SFC on compliance with the requirements under section 342(1) of the Ordinance in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Ordinance (the "Ordinance Requirements");

(c) the unaudited financial information and a commentary on the results of operations of our Group for the year ended December 31, 2016, which follow the same content requirement as for a preliminary results announcements under Rule 13.49 of the Listing Rules and have been agreed with the Reporting Accountants following their review under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants, must be included in this Prospectus; and

(d) our Company is not in breach of our constitutional documents or laws and regulations of the Cayman Islands or other regulatory requirements regarding our obligation to publish preliminary results announcements.

Further, an application has been made to the SFC for a certificate of exemption from strict compliance of the Ordinance Requirements on the following grounds:

(a) strict compliance with the Ordinance Requirements would be unduly burdensome as there would not have been sufficient time for our Reporting Accountants to update and finalize the Accountants' Report to cover such additional period for the inclusion herein within a short period of time and the Directors consider that the benefits of such work to the investing public may not justify the additional work and expenses involved and the delay in the listing timetable, given that it was expected that there would be no significant change in the financial position of our Group since 31 October 2016;

(b) our Company has included our unaudited financial information for the financial year ended December 31, 2016 (the "Preliminary Financials") and a commentary on the results for the year herein. Such unaudited financial information has been prepared in compliance with the content requirements as for a preliminary results announcements under Rule 13.49 of the Listing Rules and has been agreed with the Reporting Accountants of the Company, following their review under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants; and

(c) the Directors believed that all information necessary for potential investors to make an informed assessment of our activities, assets and liabilities, financial position, management and prospects would have been included in this Prospectus and that, as such, the exemption granted by the SFC from strict compliance with the Ordinance Requirements will not prejudice the interest of the investing public.

The SFC has granted us, a certificate of exemption from strict compliance with the Ordinance Requirements on the following conditions:

(a) the particulars of the exemption be set forth in this Prospectus;

(b) this Prospectus be issued by March 10, 2017; and

(c) our Company must list on the Stock Exchange on or before March 31, 2017.

We have included in Appendix III to this Prospectus the unaudited preliminary financial information and a commentary on the results of operations of our Group for the year ended December 31, 2016, which follow the same content requirement as for a preliminary results announcements under Rule 13.49 of the Listing Rules and which have been agreed with the Reporting Accountants following their review under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants.

Our Directors confirmed that all information necessary for the public to make an informed assessment of our activities, assets and liabilities, financial position, management and prospects has been included in this Prospectus and that, as such, the waiver granted by the Hong Kong Stock Exchange and the exemption granted by the SFC from strict compliance with Rules 4.04(1) and 13.49 of the Listing Rules and the Ordinance Requirements, respectively, will not prejudice the interest of the investing public.

Our Directors and the Joint Sponsors confirmed that after performing all due diligence work, up to the Latest Practicable Date, there has been no material adverse change in our financial position or prospects since October 31, 2016 and there has been no event since October 31, 2016 that would materially affect the information shown in the Accountants' Report set out in Appendix I to this Prospectus.

We will comply with Rule 13.46(2) of the Listing Rules by publishing and dispatching our annual report for the year ended December 31, 2016 by April 30, 2017.

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 purposes 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 authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, 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 Joint Sponsors. 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 Underwriters. If, for any reason, the Offer Price is not agreed among us and 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 authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the 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 authorization 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 March 22, 2017, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on March 22, 2017. The Shares will be traded in board lots of 2,000 Shares each, the stock code of the Shares will be 1569.

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 emphasize that none of our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, 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 stabilization 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 purposes of illustration only, into HK dollars or US$ in this prospectus at the following exchange rates: HK$1.00: RMB0.8863 and US$1.00: HK$7.7609. No representation is made that any amounts in RMB or US$ 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		
Mr. Li Xuechun (李學春)	Room 1106, Block A No.36 Guanganmen South Street Xicheng District Beijing, PRC	Chinese
Ms. Zhang Weiping (張衛平)	5-2-2901, Guanhu Guoji No.88 East Forth Ring North Road Chaoyang District Beijing, PRC	Chinese
Mr. Zuo Yichen (左熠晨)	Room 1702, Block 13 6 Chaowai Street, Chaoyang District Beijing, PRC	Chinese
Mr. Lam Ngai Lung (林毅龍)	Flat G, 6/F, Block 11, Glorious Garden Tuen Mun, New Territories Hong Kong	Hong Kong
Independent non-executive Directors		
Mr. Chan Ngai Sang, Kenny (陳毅生)	House A1, Jade View Villa 20 Tsing Tai Road, Siu Lam Tuen Mun, New Territories Hong Kong	Hong Kong
Mr. Yu Huangcheng (余黃成)	Room 102, Gate 1, Building No.3 Affiliated Middle School of China Geology University No.31 Xueyuan Road, Haidian District Beijing, China	Chinese
Mr. Wang Wei Hung, Andrew (王惟鴻)	Flat B, 8/F Carson Mansion 61-63 Kimberley Road Kowloon, Hong Kong	Hong Kong

Please refer to the section headed "Directors and Senior Management" in this prospectus for more information on our Directors.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors (in alphabetical order)	**Citigroup Global Markets Asia Limited** 50/F Champion Tower Three Garden Road Central Hong Kong **Macquarie Capital Limited** Level 18, One International Finance Centre 1 Harbour View Street Central Hong Kong
Joint Global Coordinators (in alphabetical order)	**Citigroup Global Markets Asia Limited** 50/F Champion Tower Three Garden Road Central Hong Kong **Macquarie Capital Limited** Level 18, One International Finance Centre 1 Harbour View Street Central Hong Kong
Joint Bookrunners (in alphabetical order)	**Citigroup Global Markets Asia Limited** (in relation to the Hong Kong Public Offering) 50/F Champion Tower Three Garden Road Central Hong Kong **Citigroup Global Markets Limited** (in relation to the International Placing) 33 Canada Square Canary Warf London E14 5LB United Kingdom **Macquarie Capital Limited** Level 18, One International Finance Centre 1 Harbour View Street Central Hong Kong

Joint Lead Managers (in alphabetical order)	**Citigroup Global Markets Asia Limited** (in relation to the Hong Kong Public Offering) 50/F Champion Tower Three Garden Road Central Hong Kong
	Citigroup Global Markets Limited (in relation to the International Placing) 33 Canada Square Canary Warf London E14 5LB United Kingdom
	Macquarie Capital Limited Level 18, One International Finance Centre 1 Harbour View Street Central Hong Kong
	Southwest Securities (HK) Brokerage Limited Room 1601, 06-08, 16/F Central Plaza 18 Harbour Road Wanchai Hong Kong
Legal advisors to our Company	*As to Hong Kong laws:* Luk & Partners Unit 2001, Level 20, One International Finance Centre 1 Harbour View Street, Central Hong Kong
	As to U.S. laws: Morgan, Lewis & Bockius LLP 1701 Market Street Philadelphia, Pennsylvania, United States
	As to PRC law: Jingtian & Gongcheng 34/F Tower 3, China Central Place 77 Jianguo Road Chaoyang District Beijing, PRC

	As to Cayman Islands law: Conyers Dill & Pearman Cricket Square P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Legal advisors to the Joint Sponsors and the Underwriters	*As to Hong Kong and U.S. laws:* 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, PRC
Auditors and reporting accountant	Ernst & Young Certified Public Accountants 22/F, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Property valuer	LCH (Asia-Pacific) Surveyors Limited 17th Floor Champion Building 287-291 Des Voeux Road Central Hong Kong
Receiving bank	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong
Compliance adviser	TC Capital International Limited Suite 1903 & 1904, 19/F, Tower 6 The Gateway, Habour City 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	Room 301, Fuer Building, No. 9, East Third Ring Middle Road, Chaoyang District, Beijing, PRC
Principal place of business in Hong Kong	Room 1102, 11/F., The Lee Gardens One 33 Hysan Avenue Causeway Bay Hong Kong
Company's website	www.minshengedu.com *(information contained in this website does not form part of this prospectus)*
Company secretary	Ng Wing Shan, *FCIS, FCS* 18/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Authorized representatives	Mr. Lam Ngai Lung Flat G, 6/F, Block 11, Glorious Garden Tuen Mun, New Territories Hong Kong Mr. Zuo Yichen Room 1702, Block 13, 6 Chaowai Street, Chaoyang District, Beijing, PRC
Audit committee	Mr. Chan Ngai Sang Kenny *(Chairman)* Mr. Yu Huangcheng Mr. Wang Wei Hung Andrew
Remuneration committee	Mr. Wang Wei Hung Andrew *(Chairman)* Mr. Li Xuechun Mr. Yu Huangcheng
Nomination committee	Mr. Li Xuechun *(Chairman)* Mr. Yu Huangcheng Mr. Chan Ngai Sang Kenny

Principal banker	Industrial and Commercial Bank of China Chongqing Heyang Branch No. 1, Sujia Street Heyang City, Chongqing 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 Joint Sponsors, 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 education market, the PRC private higher education market and the private higher education market in Western China.

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 education market, the PRC private higher education market and the private higher education market in Western China. Primary research involved discussing the status of the industry with leading industry participants and industry experts. Secondary research involved reviewing annual reports of companies, independent research reports and Frost & Sullivan's proprietary database.

The 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 during the forecast period from 2016 to 2020; and (iii) the market drivers, such as the attention on children's education by the Chinese households, support from the PRC central and local governments, improved investment on private education of the entire Chinese society, and the increase of income and personal wealth, are likely to drive China's private formal higher education market.

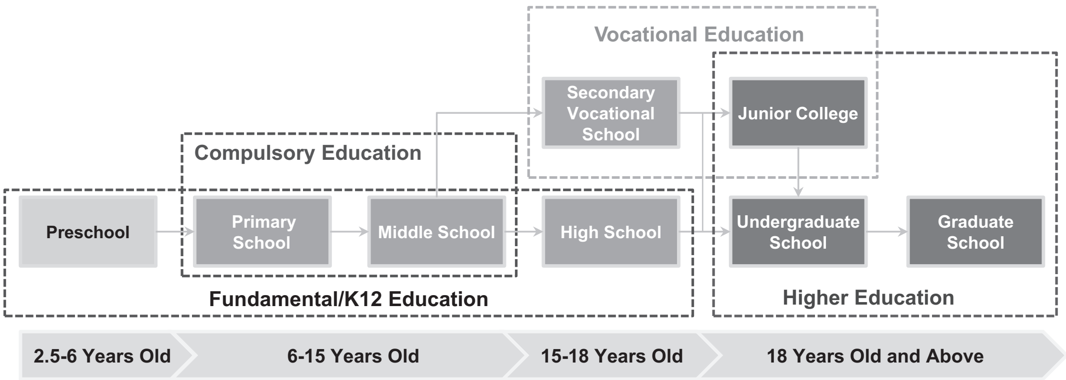
Frost & Sullivan is an independent global consulting firm, which was founded in 1961 in New York. It offers industry research and market strategies, and provides growth consulting and corporate training. It has over 40 offices worldwide with over 2,000 industry consultants, market research analysts and economists. We are contracted to pay a fee of RMB700,000 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 INDUSTRY IN CHINA

Overview

Generally, China's regular education system can be categorized into formal and informal education. Formal education is comprised of fundamental education, which includes education from preschool to high school, and higher education, which is comprised of junior college, undergraduate school and graduate school. Meanwhile, formal vocational education includes both secondary vocational school and junior college. The formal education system provides students with the opportunity to obtain official certificates from the PRC government, whereas the informal education system merely enables students to obtain completion certificates for the training and learning courses they take, which may not be officially recognized in China. This section only covers the formal education industry in China. The following diagram illustrates the composition of the PRC formal education system.

Illustration of China's Formal Education System



Source: Frost & Sullivan

Market Size and Trends of the Education Industry in China

The PRC education industry has exhibited strong growth over the past five years, mainly driven by rising government public expenditure and private consumption. According to National Bureau of Statistics of China and the MOE, China's total public expenditure on education increased from RMB1,467.0 billion in 2010 to RMB2,908.0 billion in 2015, representing a CAGR of 14.7%. China's total public expenditure on education in 2015 represented approximately 4.3% of China's overall nominal GDP. For the year ended December 31, 2015, PRC public expenditure accounted for approximately 81.7% of the total revenue generated by the PRC education industry.

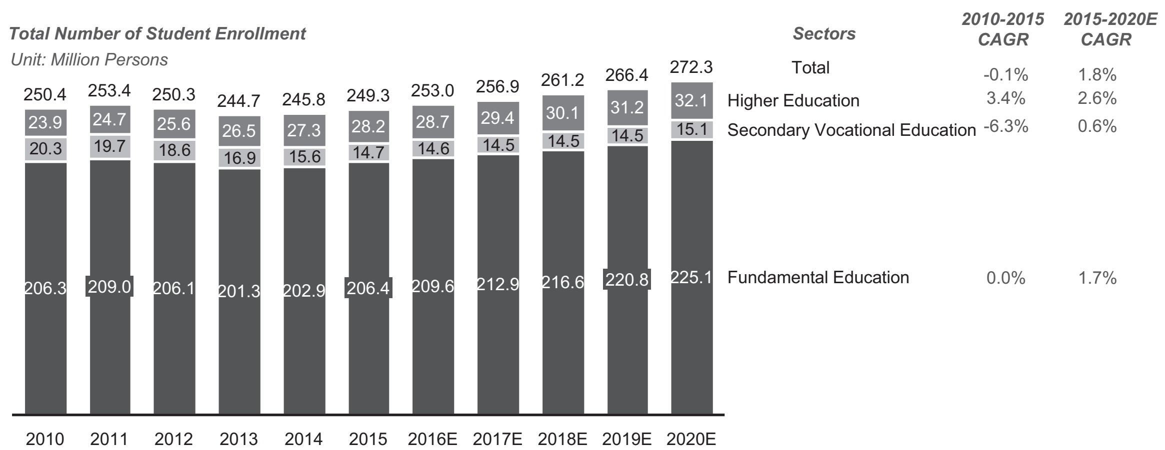
While the PRC government has continued to increase its budget on education, compared with developed countries, China still lagged behind as of 2015 in terms of public expenditure on education as percentage of GDP. For example, China's public expenditure on education in 2015 was approximately 4.3% of its GDP, which was less than that of the United States (6.0%), France (5.5%) and United Kingdom (4.9%), according to the Frost & Sullivan Report. Going forward, the PRC government is expected to further strengthen its investment in education.

Despite increasing public expenditure on education, the Chinese per capita annual living expenditure of urban households on education grew from RMB661 in 2010 to RMB1,008 in 2015, representing a CAGR of 8.8%, which was a result of increasing annual disposable income of urban households in China. Looking forward, with the increasing wealth of Chinese households and continued consciousness of Chinese parents regarding their children's education, per capita annual living expenditure of urban households on education is likely to reach RMB1,379 by 2020 with a CAGR of 6.5% from 2015 to 2020, according to the Frost & Sullivan Report.

Student Enrollment in the Education Industry in China

From 2010 to 2015, as the result of the decreasing size of the school-age population, the number of student enrollment in the education industry in China has decreased from 250.4 million to 249.3 million, representing a negative CAGR of 0.1%. While both fundamental education and secondary vocational education have suffered from the decreasing school-age population and experienced a fluctuating period or downward trend, the number of students enrolled in higher education increased from 23.9 million in 2010 to 28.2 million in 2015, representing a CAGR of approximately 3.4%. The growth was mainly driven by the increasing enrollment rate with the popularization of higher education in China. By 2020, the number of student enrollment is expected to reach 32.1 million, 15.1 million, 225.1 million in higher education, secondary vocational education, and fundamental education, respectively, representing a CAGR of 2.6%, 0.6% and 1.7%, respectively. The diagram below sets forth the number of student enrollment in formal education in China from 2010 to 2015, as well as a forecast of student enrollment expected from 2016 to 2020.

Total Number of Student Enrollment in Education (China), 2010-2020E



Source: Frost & Sullivan

Development Trends of the Education Industry in China

According to the Frost & Sullivan Report, the development trends of the education industry in China include the following:

- ***Income growth is likely to drive premium education spending***: As the PRC economy continues to grow steadily, annual disposable income for urban households is likely to grow as well. The rise of middle class families is likely to motivate the spending on premium education. For example, parents are inclined to send their children to schools with better access to premium education resources; and

- ***Increasing number of higher education institutions focusing on applied arts and technologies***: In order to better match market demand, the PRC government issued policies to support the development of profession-oriented undergraduate education in China, as well as the establishment of a classification and evaluation system for China's regular universities by 2020. It is expected that there will be increasing number of institutions focusing on applied arts and technologies in China in the future.

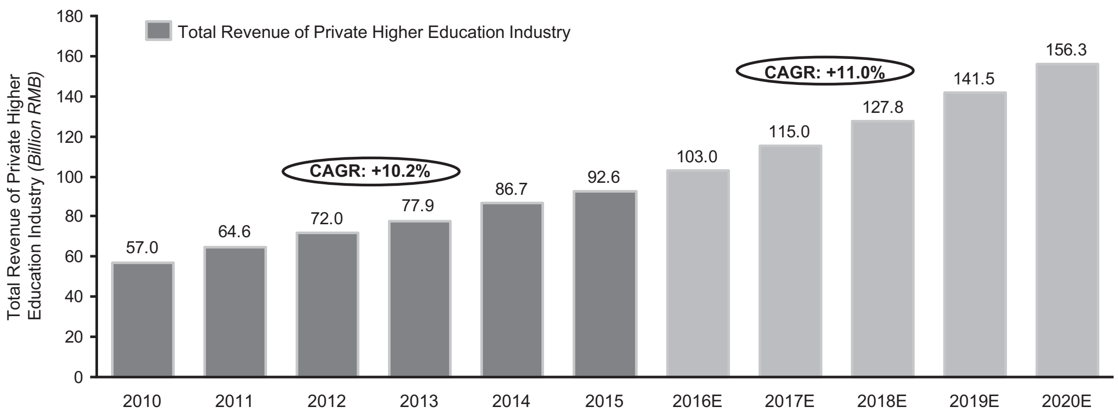
OVERVIEW OF THE PRIVATE HIGHER EDUCATION INDUSTRY IN CHINA

The private higher education industry in China has experienced rapid growth as it entered the phase of regulated development when the relevant government authorities made great endeavor in completing the regulative framework for private higher education, according to the Frost & Sullivan Report. Private higher education institutions in China can be divided into three categories, namely, private universities (民辦普通本科), independent colleges (獨立學院) and junior colleges (民辦普通專科). Private higher education institutions are distinct from public institutions of higher education mainly in that public institutions of higher education are generally operated by the PRC national or local governments and their major source of funding is PRC public expenditure on education.

Market Size and Trends of the Private Higher Education Industry in China

According to the Frost & Sullivan Report, the total revenue of the private higher education industry has been increasing steadily from RMB57.0 billion in 2010 to RMB92.6 billion in 2015, representing a CAGR of 10.2%. In the future, the total revenue of private higher education in China is expected to increase from RMB92.6 billion in 2015 to RMB156.3 billion in 2020, representing an expected CAGR of 11.0%. The following diagram illustrates the total revenue generated by the PRC private higher education industry from 2010 to 2015, and the forecast of revenue from 2016 to 2020.

Total Revenue of Private Higher Education Industry (China), 2010-2020E

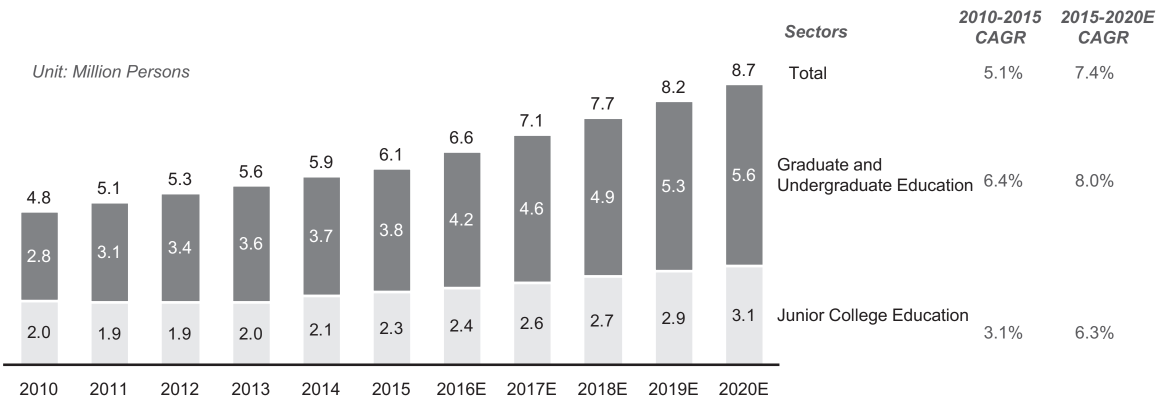


Source: Frost & Sullivan

Student Enrollment in the Private Higher Education Industry in China

According to the Frost & Sullivan Report, from 2010 to 2015, the total number of student enrollment in private higher education in China increased from 4.8 million to 6.1 million, representing a CAGR of approximately 5.1%. In 2020, the number is expected to increase to 8.7 million with a CAGR of 7.4% from 2015. The following diagram illustrates the total student enrollment in the PRC private higher education industry from 2010 to 2015, as well as a forecast of student enrollment from 2016 to 2020.

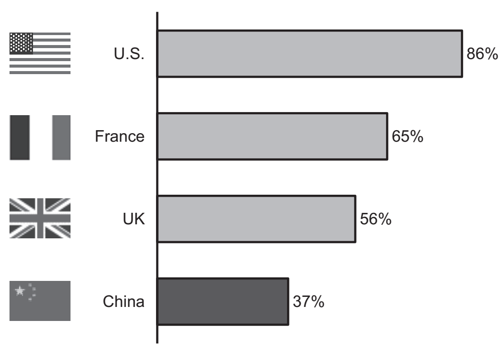
Total Number of Student Enrollments in Private Higher Education (China), 2010-2020E



Source: Frost & Sullivan

However, compared with the student enrollment of higher education in developed countries in Europe and North America, China's enrollment rate is still at a low level. The following diagram illustrates the enrollment rate of higher education in China, the United States, France and the United Kingdom in 2015.

Enrollment Rate of Higher Education: Country-wise Comparison, 2015



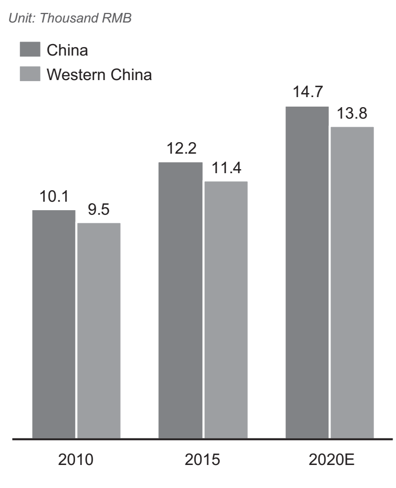
Source: Frost & Sullivan

Total penetration rate of private schools by the number of student enrollment increased from 13.5% in 2010 to 18.3% in 2015, and is expected to reach 21.4% in 2020, according to the Frost & Sullivan Report. Additionally, the penetration rate of private higher education as a whole in China has increased from 20.0% in 2010 to 21.7% in 2015, indicating that more students have chosen to go to private universities or colleges instead of public ones, and the trend is likely to continue as the penetration rate is expected to reach 27.2% in 2020, according to the Frost & Sullivan Report. During the same period, higher education has consistently enjoyed the highest penetration rate among private schools in China's education market.

Tuition and Miscellaneous Fees

According to the Frost & Sullivan Report, tuition and miscellaneous fees in private schools are usually higher than that in public schools. One of the key reasons is that public schools usually have public funds to support their operations while only a small percentage of total public educational expenditure in China were spent on the private sector, and therefore, private schools have to rely on tuition and miscellaneous fees to maintain operations. Additionally, private schools that have better facilities and offer more diversified curriculums usually charge much higher fees than public schools. In 2015, annual average tuition and miscellaneous fees in private higher education was RMB12,153, which was nearly twice as much as the annual average tuition and miscellaneous fees of public universities and colleges. The following diagram illustrates the average tuition fees of private higher education institutions in China and Western China.

Average Tuition Fees of Private Higher Education Institutions (Western China, China), 2010, 2015 and 2020E



Source: Frost & Sullivan

Market Drivers of Private Higher Education in China

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

- ***Government support***: The development of PRC private higher education is significantly driven by PRC government policies and initiatives. Certain major policies and initiatives include:

  - *The National Medium-to-Long Term Educational Reform and Development Plan (2010-2020)*: Promulgated in 2010, it advocated a strategic development plan in order to increase financial investment in education, support the development of private education and strengthen international communication and cooperation;

  - *Non-governmental Education Promotion Law of the PRC*: It was promulgated in 2002 to promote the development of non-governmental education and protect the rights of private schools and students in China;

  - *Implementation Opinions of the Ministry of Education on Encouraging and Guiding Private Capital's Entry into the Education Sector and Promoting the Sound Development of Private Education*: It was issued in 2012 to encourage and support private funding to operate educational businesses in China, including higher education institutions; and

  - *Draft Amendment for Non-governmental Education Promotion Law*: This draft amendment contains changes to the existing law. According to the draft amendment, private schools can choose to be registered as for-profit entities or non-profit entities. For-profit entities can determine the tuition fees to be charged without the need to seek approval from the relevant government authorities.

- ***Increasing wealth and demand for higher education***: With the increase in income and improvement of physical living conditions in China, the general public is more aware of the importance of education. Private education has gained ground for development based on the gap between the rapidly increasing demand for higher education and the relatively limited public higher educational resources. With continued economic development, Chinese households' increasing income and wealth, China's higher education student enrollment rate is expected to continue to increase at a rapid pace. Nevertheless, the development of public educational resources is likely to remain stable. Thus, private education is expected to fill in the gap and observe strong development;

- ***Growing market demand for technical talents***: With continued economic development, the market is demanding more technical talents in all areas. Especially with public higher education expanding their enrollment base, a significant lack of skilled and well-trained first-line workers has been identified; and

- ***Increasing diversification and strengthened education quality***: The quality of private formal higher education is continuously improving with favorable government policy support and resource integration by private education groups. The emergence and steady development of leading private universities signified the latest upgrade of China's private formal higher education market. Meanwhile, private education that focuses on professional education is expanding its profiles and increasing the level of specialization. Such developments are expected to attract more students to consider private formal higher education and drive the growth of the market.

Development Trends of the Private Higher Education Industry in China

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

- ***Industry consolidation***: China's higher education market is expected to observe increasing consolidation as the leading players continue to develop with the primary strategy of pursuing growth through M&A. Such trend is also heightened by stringent legal requirements, large amount of required capital and long preparation period for the establishment of higher education institutions;

- ***Transformation from independent colleges to private universities***: The transformation from independent colleges to private universities is likely to be a key development trend supported by private education operators' increasing capability to integrate quality academic and capital resources, as well as their continuously improving education quality and recognition. This trend is also supported by the Chinese people's pursuit of higher education degree levels based on the overall social economic and technological development of China along with the people's increasing personal wealth and spending on education;

- ***Encouragement of private capital***: Currently, a majority of the education institutions in China are funded and operated by government authorities. The PRC government is likely to welcome more private capital in the educational system in order to improve efficiency, in which case large-scale private education service providers are likely to be favored; and

- ***Better match of talent cultivation objective and market demand***: Universities focusing on applied arts and technologies are able to provide training with practical techniques to better cultivate technical talents, who are well sought after by employers in China. The PRC government is expected to further increase its support for the development of profession-oriented higher education and relevant institutes.

Development of Profession-oriented Higher Education in China

In order to better match talent cultivation and market demand the PRC government has issued a number of policies to support the development of profession-oriented higher education in China, as well as the establishment of a classification and evaluation system for those universities in China focusing on applied arts and technologies and those that focus on research. According to the Frost & Sullivan Report, by 2020, the total number of private universities (junior colleges not included) that focus on applied arts and technologies is expected to be approximately 300 to 400 and there will be approximately 3.5 to 4.5 million in student enrollment. The table below sets forth the comparisons between universities focusing on applied arts and technologies and research universities based on certain criteria.

	Universities Focusing on Applied Arts and Technologies	**Research Universities**
Talent Cultivation Objective	Universities focusing on applied arts and technologies generally set successful employment after graduation as their talent cultivation objective.	Research universities are generally more theoretical and academically-oriented and offer a broad range of disciplines. In China, these universities play key roles in research and development of different specific fields.
Curriculum Setting	Practical training is highly important. The curriculums generally focus on technical knowledge and skills, which are usually updated to current industry practice. Meanwhile, students are able to practice their skills during training sessions in a simulated environment.	Classroom learning and research lab experimenting are general teaching modes for research universities. In overall curriculum setting, a theoretical research program usually constitutes an important part.
Teaching Staff Qualification	Practical industry experience is usually as important as academic qualifications for teaching staff at universities focusing on applied arts and technologies.	Teaching staff is primarily evaluated based on their academic qualifications and achievements. These serve as major entry barriers for job seekers who want to work as teaching staff at research universities.
Student Development After Graduation	In general, the majority of students enrolled in these universities seek to directly enter the job market after graduation. Meanwhile, most of them start their career by serving basic level technical or management positions that require hands-on skills and knowledge in daily practical operations.	Further study constitutes one of the major development paths for students graduated from research universities. Many of them choose to apply for graduate schools in China or abroad.

Source: Frost & Sullivan

In addition, from 2014 to 2015, the PRC government has promulgated a series of decisions to encourage the development of professional-oriented education in China, including:

- "*The Decision of State Council on the Acceleration of Modern Occupation Education*" (國務院關於加快發展現代職業教育的決定): It was promulgated in 2014 by the PRC State Council to: (i) accelerate the construction of a modern vocational education system; (ii) stimulate the vitality in establishing vocational colleges; and (iii) strengthen school-enterprise communication and cooperation;

- "*Opinions on Guiding Profession-oriented Transformation of a Portion of Local Regular Universities*" (關於引導部分地方普通本科高校向應用型轉變的指導意見): In 2015, it was promulgated jointly by the MOE, NDRC and MOF to provide guidance to the profession-oriented transformation of a portion of China's higher education institutions to better cater to talent demand of the local economic and social development; and

- "*Made in China 2025*" (中國製造2025): It was issued by the State Council in 2015 to advocate the development of China's manufacturing industry in the next 30 years. This is likely to continuously promote demand for technical talents with strong practical skills and the development of profession-oriented higher education.

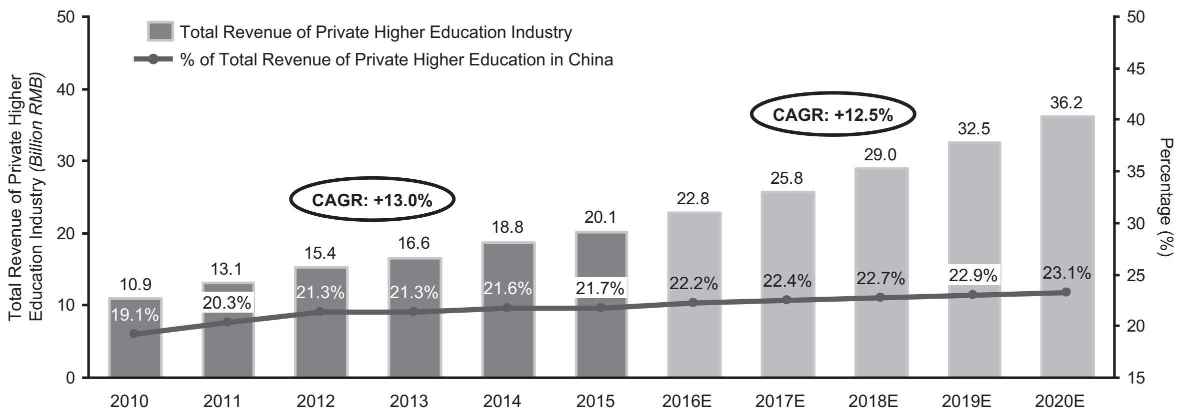
OVERVIEW OF THE PRIVATE HIGHER EDUCATION INDUSTRY IN WESTERN CHINA

According to the Frost & Sullivan Report, Western China, with a population of 371.3 million and a nominal GDP of RMB14.6 trillion, accounted for 27.0% of the Chinese total population and 21.5% of the Chinese national GDP in 2015.

Market Size and Trends of the Private Higher Education Industry in Western China

According to the Frost & Sullivan Report, the total revenue of private higher education in western China grew from RMB10.9 billion in 2010 to RMB20.1 billion in 2015, representing a CAGR of 13.0%. The total revenue is likely to reach RMB36.2 billion in 2020 with a CAGR of 12.5% from 2015, which will be in line with the fast development of Western China's private higher education market. The diagram below sets forth the total revenue of private higher education in Western China each year from 2010 to 2015, as well as the forecast of total revenue from 2016 to 2020.

Total Revenue of Private Higher Education Industry (Western China), 2010-2020E

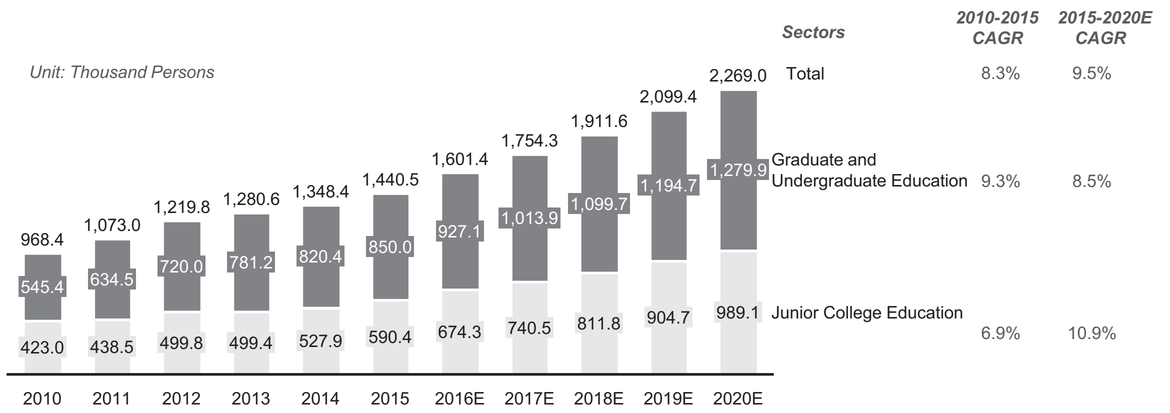


Source: Frost & Sullivan

Student Enrollment in the Private Higher Education Industry in Western China

According to the Frost & Sullivan Report, from 2010 to 2015, the total student enrollment in private higher education in Western China increased rapidly from 968,400 to 1.4 million, representing a CAGR of approximately 8.3%. It is estimated that the market will continue to grow from 2015 to 2020 with a CAGR of 9.5%. Students enrolled in undergraduate and graduate studies occupied the largest proportion. Junior college education is also playing an increasingly important role in Western China and the corresponding student enrollment shows a faster growth rate than that of the country. The following diagram illustrates the total number of student enrollment in private higher education in Western China from 2010 to 2015, as well as a forecast from 2016 to 2020.

Total Number of Student Enrollment in Private Higher Education (Western China), 2010-2020E



Source: Frost & Sullivan

Meanwhile, the penetration rate of private higher education in Western China has increased during the past five years, especially for private junior college education. According to the Frost & Sullivan Report, the penetration rate of private higher education in Western China by the number of student enrollment increased from 18.1% in 2010 to 21.2% in 2015. It is expected to increase to 28.1% in 2020.

Drivers of Private Higher Education in Western China

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

- ***Support from the PRC government***: In line with the implementation of "China Western Development" strategy, which is a comprehensive regional development plan promulgated by the State Council, the PRC government and the local governments of Western China are making continuous effort to support the development of private education;

- ***Western China's economic development***: Based on the effective implementation of the "China Western Development" strategy, the economy of Western China has been rapidly improving. Key provinces in Western China have become major manufacturing bases of multiple industries, and their promising development prospect is likely to be a key driver of future demand for professional talent and the relevant private higher education services;

- ***Insufficient public education resources***: Unlike Eastern China or other developed parts of China, education resources in Western China are insufficient. With continuous and strong economic development and urbanization, the increase in demand for private higher education is expected to be well supported. Meanwhile, society's general awareness of the importance of education is positively influencing the demand for high-quality private formal higher education, even though the tuition fees for such schools are higher than public schools. In addition, the PRC government has recently re-allocated student enrollment quota from certain provinces in Eastern China to Western China to provide additional enrollment spaces to students in Western China; and

- ***Enhanced quality of private education***: Based on the enhanced regulative framework and policy environment, private education is gaining access to more high-quality resources. Favorable policies also attracted various nationally renowned private education brands to set up branches in Western China. Moreover, the employment rate of graduates of private higher education has kept at a high and stable level in recent years, showing an optimistic future to students enrolled in private higher universities and colleges.

Development Trends of the Private Higher Education Industry in Western China

According to the Frost & Sullivan Report, the development trends of the private higher education industry in Western China include the following:

- ***Increasing penetration***: Demand for private higher education in Western China is likely to increase because (i) Western China currently lags behind the developed coastal regions of China in terms of resources and student enrollment in higher education; (ii) the rapid economic development in Western China triggers the increasing demand for higher education; and (iii) public higher education is likely to continue to develop at a relatively stable pace, which is likely to result in additional support from the local governments in Western China to boost the development of private higher education to fill the gap in order to satisfy the increasing demand;

- ***Differentiation***: Private higher education service providers facing intensifying competition in Western China are expected to offer increasingly diversified practical courses to differentiate themselves; and

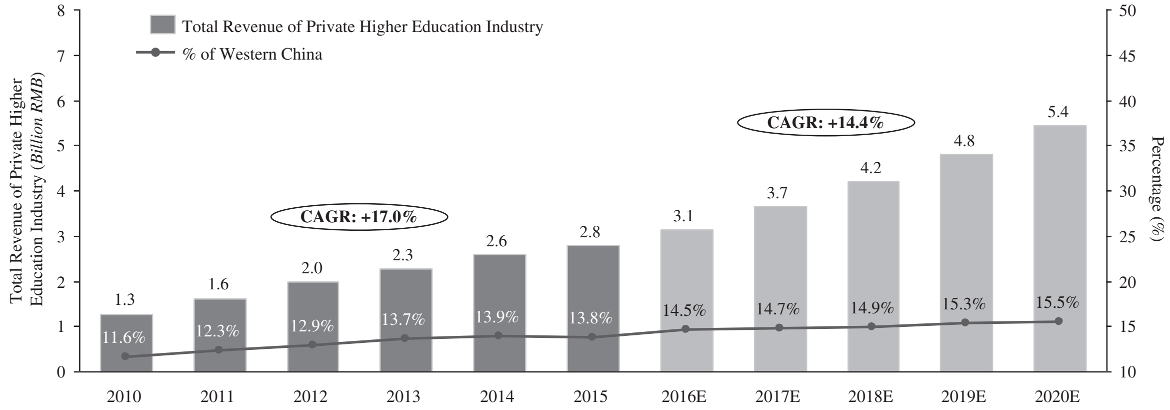
- ***Industry consolidation***: The education industry in Western China is also undergoing consolidation and the market is expected to observe increasing consolidation with the emergence and further development of leading private education operators as they pursue an M&A strategy.

OVERVIEW OF THE PRIVATE HIGHER EDUCATION INDUSTRY IN CHONGQING

Market Size and Trends of the Private Higher Education Industry in Chongqing

According to the Frost & Sullivan Report, the revenue of private higher education in Chongqing grew from RMB1.3 billion in 2010 to RMB2.8 billion in 2015, representing a CAGR of 17.0%. The total revenue is projected to reach RMB5.4 billion in 2020 with a CAGR of 14.4% from 2015. The diagram below sets forth the total revenue of private higher education in Chongqing each year from 2010 to 2015, as well as the forecast of total revenue from 2016 to 2020.

Total Revenue of Private Higher Education Industry (Chongqing), 2010-2020E

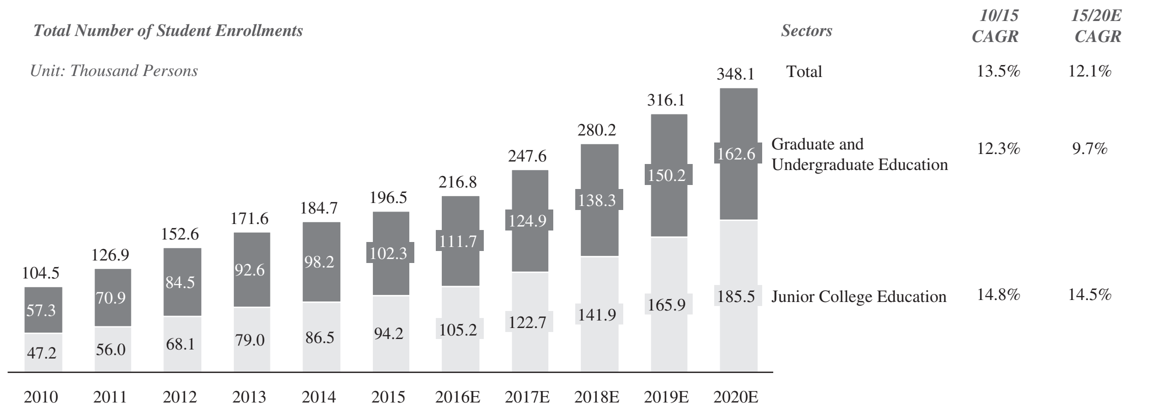


Source: Frost & Sullivan

Student Enrollment in the Private Higher Education Industry in Chongqing

According to the Frost & Sullivan Report, from 2010 to 2015, the total student enrollment in private higher education in Chongqing increased from approximately 104,500 to approximately 196,500, representing a CAGR of approximately 13.5%. Frost & Sullivan estimates that the market will continue to grow from 2015 to 2020 with a CAGR of 12.1%. Student enrollment in Chongqing shows a faster growth rate than that of Western China. The following diagram illustrates the total number of student enrollment in private higher education in Chongqing from 2010 to 2015, as well as a forecast from 2016 to 2020.

Total Number of Student Enrollments in Private Higher Education (Chongqing), 2010-2020E



Source: Frost & Sullivan

Meanwhile, the penetration rate of private higher education in Chongqing has increased during the past five years, especially for private junior college education. According to the Frost & Sullivan Report, the penetration rate of private higher education in Chongqing by the number of student enrollment increased from 18.5% in 2010 to 25.6% in 2015, and is expected to reach 36.7% in 2020.

COMPETITIVE LANDSCAPE OF PRIVATE HIGHER EDUCATION INDUSTRY IN CHINA

China's private higher education market is highly fragmented. According to the Frost & Sullivan Report, in 2015, the total number of private higher education institutions reached 734 and the operations of higher education institutions are relatively less local market-based than fundamental education. According to the Frost & Sullivan Report, in 2015, there were 175 private higher education institutions in Western China, including 91 private universities and 84 private junior colleges, among which approximately 50% of the schools had student enrollment of at least 6,000. In the same year, there were 197 private higher education institutions in Southeastern China, including 105 private universities and 92 private junior colleges, among which approximately 60% of the schools had student enrollment of at least 6,000. In addition, according to the Frost & Sullivan Report, the top ten players in the PRC private higher education industry accounted for approximately 8.2% of the market share. The following diagram illustrates the market share and student enrollment information of the top ten private higher education service providers in China in 2015.

Market Share of Leading Players in Private Higher Education Market (China), 2015

Rank	Market Players	Number of Student Enrollment (thousand students)	Market Share[(1)]
1	Company A	177.3	2.90%
2	Company B	58.3	0.95%
3	Company C	37.9	0.62%
4	Company D	33.8	0.55%
5	Company E	33.7	0.55%
6	Company F	33.6	0.55%
7	Company G	32.9	0.54%
8	Company H	32.8	0.54%
9	Company I	31.4	0.51%
10	**Our Group**	**30.6**	**0.50%**
	Others	5,606.7	91.79%
	Total	6,109.0	100.00%

Source: Frost & Sullivan

Note:

(1) The market share of leading players is based on total student enrollment of all higher education institutions owned by the respective company/group.

Company A ranked first place in 2015 with a market share of approximately 2.9% in terms of student enrollment. Company B ranked second with approximately 1.0% market share. Our Group ranked tenth and accounted for approximately 0.5% of the market with 30,616 of total student enrollment.

COMPETITIVE LANDSCAPE OF THE PRIVATE HIGHER EDUCATION INDUSTRY IN CHONGQING

Chongqing's private higher education market is relatively concentrated. According to the Frost & Sullivan Report, as of June 30, 2016, the top five players in Chongqing's private higher education market accounted for approximately 46.9% of the market share. According to the Frost & Sullivan Report, our Group ranked first in Chongqing in 2015 with a market share of approximately 15.1%. The following table illustrates the market share and student enrollment information of the top five private higher education service providers in Chongqing in 2015.

Market Share of Leading Players in Private Higher Education Market (Chongqing), 2015

Rank	Market Players	Number of Student Enrollment (thousand students)	Market Share[(1)]
1	**Our Group**	29.7	15.1%
2	Company A	18.6	9.5%
3	Company B	15.8	8.0%
4	Company C	15.2	7.7%
5	Company D	13.0	6.6%
	Others	104.2	53.1%
	Total	196.5	100.00%

Source: Frost & Sullivan

Note:

(1) The market share of leading players is based on total student enrollment of all higher education institutions owned by the respective company/group in Chongqing.

COMPETITIVE LANDSCAPE OF THE PRIVATE SECONDARY VOCATIONAL EDUCATION INDUSTRY IN CHINA AND SHANDONG

The private secondary vocational education market in China is competitive, highly fragmented and local market-based. In 2015, there were approximately 2,225 private secondary vocational schools in China with a total student enrollment of approximately 1.8 million, according to the Frost & Sullivan Report. In terms of education groups, in 2015, there were approximately 1,500 private education operators engaged in the provision of secondary vocational education services in China. Generally, one operator of education institutions owns one to three secondary vocational schools according to the Frost & Sullivan Report. In Shandong Province, the private secondary vocational education market is also highly competitive and fragmented. According to the Frost & Sullivan Report, there were 118 private secondary vocational schools in Shandong in 2015 with the total student enrollment of approximately 109,200.

ENTRY BARRIERS FOR THE PRIVATE HIGHER EDUCATION INDUSTRY IN CHINA

According to the Frost & Sullivan Report, the PRC private higher education industry has fairly high entry barriers. Specific entry barriers are set forth below:

- ***Regulatory approvals***: School operators in China are required to obtain and maintain a series of approvals, licenses and permits and comply with specific registration and filing requirements, including requirements on registered capital, total assets, availability of land and the number of minimum student enrollment, as well as teaching staff qualification. Additionally, the establishment of a private school in China is also subject to approvals under the Law for Promoting Private Education and the Implementation Rules for the Law for Promoting Private Education. The lengthy, complex and uncertain application process has become a natural entry barrier especially for new school operators;

- ***Availability of land and relevant facilities***: Insufficient land resources, challenged availability of relevant facilities and rising rental costs in certain cities in China are imposing higher capital and time cost for new school establishment and existing schools to establish branches in new locations;

- ***Capital requirements***: Establishing a new school in China requires large capital investment for the construction of school campuses and facilities as well as other related expenses, both initially and generally in an on-going basis. Therefore, the ability for school operators to secure sufficient capital is critical;

- ***Availability of qualified teaching staff***: The structural adjustment of China's higher education industry that involves matching talent cultivation with market demand has exacerbated the shortage of qualified teachers with relevant practical industry experience and know-how, which may inhibit new participants who do not have sufficient access to such resources from entering the market;

- ***Brand awareness and source of students***: Students' and their parents' inclination to obtain education at well-known schools with a long history and well-established reputation, which takes time to achieve, poses obstacles for new entrants to attract sufficient students; and

- ***Operational experience and management capability***: Operational and management experience are vital in human resources management required for the operations of schools as well as in achieving economies of scale, which is a significant entry barrier for new entrants.

FOREIGN INVESTMENT IN EDUCATION IN THE PRC

Foreign Investment Industries Guidance in Education Industry

According to Provisions on Guiding the Orientation of Foreign Investment (《指導外商投資方向規定》) (Order No. 346 of the State Council) ("the Foreign Investment Orientation Provisions"), which was promulgated by the State Council on February 11, 2002 and came into effect on April 1, 2002, projects with foreign investment shall fall into four categories, namely, encouraged, permitted, restricted and prohibited. The encouraged, restricted and prohibited projects with foreign investment shall be listed in the catalog of industries for guiding foreign investment, which may be revised and promulgated by the relevant departments of the State Council from time to time, while any project not listed in the catalog is deemed to be a permitted project for foreign investment.

According to the catalog of industries for guiding foreign investment which were in legal force during the period from April 1, 2002 to April 9, 2015, higher education belonged to the encouraged category for guiding foreign investment and foreigners were allowed to carry out higher education in the PRC through Sino-Foreign Investment or Sino-Foreign Cooperation in operating schools. However, the catalog of industries for guiding foreign investment has been revised and promulgated on March 10, 2015 and took effect from April 10, 2015. According to the latest catalog for guiding foreign investment, the categorization of higher education has been changed from the encouraged category to the restricted category for foreign investment, and foreigners are allowed to carry out higher education only through Sino-Foreign Cooperation in operating schools in which the domestic party shall play a dominant role in the cooperation. Furthermore, secondary vocational education is not listed in the latest catalog of industries for guiding foreign investment and has therefore fallen into the permitted category for foreign investment.

When higher education belonged to the encouraged category for foreign investment during the period from April 1, 2002 to April 9, 2015, in accordance with the model of Sino-Foreign Investment in operating schools, foreigners were permitted to indirectly invest in schools providing higher education through their PRC subsidiaries, in which case the sponsor of the school would be an enterprise established in accordance with PRC laws. The set-up of the relevant school through the model of Sino-Foreign Investment shall comply with the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》) and its implementation rules, which apply to the activities of education institutions established in the PRC by PRC social organizations or individuals using non-government funds, instead of being subject to the Sino-foreign Cooperative Education of the PRC (《中華人民共和國中外合作辦學條例》, the "Sino-Foreign Regulation") and its implementing rules, which mainly apply to the activities of education institutions established in the PRC cooperatively by foreign education institutions and Chinese educational institutions.

In contrast, after higher education has been categorized as an industry that belongs to the restricted category for foreign investment since April 10, 2015, foreigners are only permitted to directly invest in schools providing higher education by itself through the model of Sino-Foreign Cooperation in operating schools, in which case the sponsor of the school is an overseas enterprise and the set-up of the school shall be subject to the Sino-Foreign Regulation and its implementing rules, which apply to the activities of education institutions established in the PRC cooperatively by foreign education institutions and Chinese education institutions.

Regulations on Sino-Foreign Investment in Operating Schools

When higher education belonged to the encouraged category for foreign investment, foreigners were permitted to indirectly invest in schools providing higher education through their PRC subsidiaries under the model of Sino-Foreign Investment in operating schools, and the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》) and its implementation rules were applicable to the set-up of the relevant school through the model of Sino-Foreign Investment.

Furthermore, if the school sponsor is a foreign-invested enterprise, in addition to having to follow the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》) and its implementation rules, the foreigners shall also comply with Interim Provisions On the Investment by Foreign-Invested Companies in the PRC (《關於外商投資企業境內投資的暫行規定》, the "Interim Provisions"), which were promulgated on July 25, 2000 and took effect from September 1, 2000 and regulated the investment activities by foreign investment enterprises in their own names. In accordance with the Interim Provisions, any foreign invested enterprise that intends to invest and establish a company in the fields of the encouraged category or the permitted category for foreign investment shall register with the registration authority at the place where the investee company is to be located. While any foreign-invested enterprise that intends to invest and establish a company in the fields of the restricted category for foreign investment shall apply to the commerce department at the provincial level of the place where the investee company is to be located for approval and then registered with the commerce and industry department.

Regulations on Sino-Foreign Cooperation in operating schools

The Sino-Foreign Regulation and its implementing rules mainly apply to the activities of education institutions established in the PRC cooperatively by foreign education institutions and Chinese education institutions, the students of which are to be recruited primarily among the PRC citizens, and encourage substantive cooperation between overseas educational organizations with relevant qualifications and experience in providing high-quality education and PRC educational organizations to jointly operate various types of schools in the PRC, with such cooperation in the areas of higher education and occupational education being encouraged. The overseas educational organization must be a foreign education institution with relevant qualification and experience in education. Sino-foreign cooperative schools are not permitted, however, to engage in compulsory education and military, police, political and other kinds of education that are of a special nature in the PRC. Any Sino-Foreign Cooperation school and cooperation program shall be approved by relevant education authorities and get the Permit for Sino-Foreign Cooperation in Operating School, and a Sino-Foreign Cooperation school established without the above approval or permit may be banned 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.

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 (教育部關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見) to encourage private investment and foreign investment in the field of education. According to these opinions, the proportion of foreign capital in a Sino-foreign cooperative education institution shall be less than 50%.

REGULATIONS ON PRIVATE EDUCATION IN THE PRC

Education Law of the PRC

On March 18, 1995, the National People's Congress of the PRC (全國人大常務委員會) enacted the Education Law of the PRC (《中華人民共和國教育法》 (the "Education Law"), which was effective from September 1, 1995. 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 and establishes and operates schools and other institutions of education and in principle, enterprises, social organizations and individuals are encouraged to establish and operate schools and other types of education institution in accordance with PRC laws and regulations. Moreover, private schools may be operated for "reasonable returns" as described in more detail below. On December 27, 2015, the Standing Committee of the PRC National People's Congress, or the NPC Standing Committee, published the Decision on Amendment of the Education Law, which became effective on June 1, 2016. The NPC Standing Committee narrowed the provision prohibiting the establishment or operation of schools or other education institutions for profit to only restricting a school or other education institution founded with governmental funds or donated assets in the amended Education Law.

The Education Law also stipulates that some basic conditions shall be fulfilled for the establishment of a school or any other education institution, and the establishment, modification or termination of a school or any other education institution shall, in accordance with the relevant PRC laws and regulations, undergo examination, verification, approval, registration or filing procedures.

The 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 subsequently 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 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 elementary 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 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 they teach.

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

- Right to receive a return on investment. Please refer to the subsection headed "Sponsor's Reasonable Returns" below; and

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

Sponsor's Reasonable Returns

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

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

At the end of each fiscal year, every private school is required to allocate a certain amount to its development fund for the construction or maintenance of the school or procurement or upgrade of educational equipment. In the case of a private school the sponsor of 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 the sponsor of which does not require reasonable returns, this amount shall be equal to no less than 25% of the annual increase in the net assets of the school, if any. Private schools the 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 the sponsor of which 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 sponsor becomes assets of the school and the school has independent legal person status. In addition, the sponsor of a private school has the right to exercise ultimate control over the school by becoming the member of and controlling the composition of the school's decision making body. Specifically, the sponsor has control over the private school's constitutional documents and has the right to elect and replace the members of the private school's decision making bodies, such as the directors the school's board of directors, and therefore controls the private school's business and affairs.

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

On November 7, 2016, the Decision Regarding Revisions of the Law for Promoting Private Education of the PRC (關於修改《中華人民共和國民辦教育促進法》的決定) ("the Decision") was reviewed and passed by the Standing Committee of the NPC and will take effect from September 1, 2017.

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

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

If the school sponsors of private schools established prior to the promulgation date of the Decision choose to register and operate their schools as Non-Profit Private Schools, they shall procure the school to amend its articles of association in accordance with the Decision and continue the school operation pursuant to such revised articles of association. Furthermore, upon the termination of such Non-Profit Private Schools, the government authority may grant some compensation or reward to the school sponsors who have made capital contribution to such school from the remaining assets of such schools upon their liquidation and then apply the rest of the assets to the operation of other Non-Profit Private Schools. If the school sponsors of private schools established prior to the promulgation date of the Decision choose to register and operate their schools as For-Profit Private Schools, the schools shall go through some procedures including but not limited to conducting financial settlement, defining the property right, paying relevant taxes and expenses and making renewed registration, the details of which shall be subject to concrete measures to be promulgated by the provincial, autonomous regional or municipal government.

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

According to Several Opinions on Encouraging Individual Persons or Entities to Conduct Education and Promote the Healthy Development of Private Education (《關於鼓勵社會力量興辦教育促進民辦教育健康發展的若干意見》), which was issued by the State Council of PRC on January 18, 2017, innovative institutional mechanisms shall be implemented in the field of private education, which includes, but not limited to: (i) classification registration and management, which shall be applicable to private schools and the school sponsors of private schools shall, at their own discretion, choose to operate their schools as Non-Profit Private Schools or For-Profit Private Schools; (ii) different government support policies, which shall be applicable to private schools. The people's governments at all levels are responsible for formulating and perfecting the support policies for Non-Profit Private Schools, including, but not limited to, government subsidies, government procurement services, fund incentives, donation incentives and land allocation. At the same time, the people's governments at all levels may support the development of For-Profit Private Schools by way of government procurement services and preferential tax treatments in accordance with the economic and social development needs and the request for public services; and (iii) expanded financing channels for private schools and encourage and attract private funds to enter into the field of private education. Financial institutions are encouraged to provide loans to private schools with the pledge of the schools' operating profits in the future or intellectual property rights, while individual persons or entities are encouraged to make donations to Non-Profit Private Schools.

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

Implementation Regulations on Classification Registration of Private Schools

According to the Implementation Regulations on Classification Registration of Private Schools (《民辦學校分類登記實施細則》) (the "Classification Registration Rules"), which was issued jointly by the MOE, the Ministry of Human Resources and Social Security, the Ministry of Civil Affairs, the State Commission Office of Public Sectors Reform and the State Administration for Industry and Commerce on January 5, 2017 without stipulating any definite time for its effectiveness, the establishment of private schools is subject to government approval. Private schools approved to be established shall apply for the registration certificate or business license in accordance with the Classification Registration Rules after they are granted with the license for the school operation by the competent government authorities.

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

The Classification Registration Rules are also applicable to Existing Private Schools, which were private schools that were established before the promulgation of the Decision Regarding Revisions of the Law for Promoting Private Education of the PRC on November 7, 2016. If an Existing Private School chooses to register as a Non-Profit Private School, it shall amend its articles of association in accordance with the relevant laws, continue its school operation and complete the new registration formalities. If an Existing Private School chooses to register as a For-Profit Private School, it shall make financial settlement, clarify the ownership of the schools' land, buildings and accumulations with the consent of the relevant departments of the people's governments at or below the provincial level, pay relevant taxes and fees, obtain new school permits, apply for re-registration and continue the school operations. The provincial people's government shall be responsible for formulating the detailed measures on the alteration of the registration of the private schools in accordance with national laws and various applicable local circumstances.

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

According to the Implementation Regulations for the Supervision and Administration of For-Profit Private Schools (《營利性民辦學校監督管理實施細則》), which was issued jointly by the MOE, the Ministry of Human Resources and Social Security and the State Administration for Industry and Commerce on January 5, 2017 without stipulating any definite time for its effectiveness, social organizations or individuals are permitted to operate for-profit private colleges and universities and other higher education institutions, high schools and kindergartens, but are prohibited from operating For-Profit Private Schools providing compulsory education.

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

For-Profit Private Schools shall establish boards of directors, boards of supervisors (or supervisors), administrative organs, organizations of the communist party of China, the employee representatives' assembly as well as labor unions. Secretary of the communist party of China shall be a member of the board of directors and a member of the administrative organs of the school, and not less than one-third of the members of the board of supervisors of the school shall be employee representatives.

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

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

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

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. 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 requisite filing with the relevant government pricing authorities, the school would be required to return the additional tuition fees obtained through such raise and become liable for compensation of any losses caused to the students in accordance with relevant PRC laws. As a result, each of our schools' Fee Charge Permits were updated for each tuition fee increment and renewed upon its expiry prior to January 1, 2016. From January 1, 2016, pursuant to the Notice on the Cancellation of the Fee Charge Permit System and Strengthening the Supervision, our schools are not required to apply for or to renew any Fee Charge Permit Certificate.

Notice on the Cancellation of the Fee Charge Permit System and Strengthening the Supervision

According to the Notice on the Cancellation of the Fee Charge Permit System and Strengthening the Supervision (《國家發展和改革委員會、財政部關於取消收費許可證制度加強事中事後監管的通知》), which was jointly promulgated by the NDRC and the Ministry of Finance on January 9, 2015, the annual review system of Fee Charge Permit Certificate shall be abolished nationwide from January 1, 2015, and system of Fee Charge Permit Certificate shall be abolished nationwide from January 1, 2016. Accordingly, as advised by our PRC Legal Advisors, our schools are not required to apply for or to renew any Fee Charge Permit Certificate from January 1, 2016.

On October 12, 2015, the State Council and the Central Committee of Communist Party of China jointly issued the Certain Opinions of the Central Committee of the Communist Party of China and the State Council on Promoting the Price Mechanism Reform (《中共中央、國務院關於推進價格機制改革的若干意見》), which allows For-Profit Private Schools to set their tuition fees on their own, while the tuition-collecting policies of Non-Profit Private Schools shall be determined by the provincial governments in a market-oriented manner, taking into account the local circumstances. In Inner Mongolia, some local regulations have been adopted reflecting the relevant policy change in respect of the determination of tuition fees as set out in the Several Opinions and therefore, our school in Inner Mongolia is permitted to set the tuition fees on its own. In contrast, there has not yet been any amendment to existing local regulations in Chongqing applicable to our schools to reflect the relevant policy changes in respect of the determination of tuition fees as set out in the Several Opinions and as a result, the tuition fees of our schools in Chongqing remain subject to governmental approval.

Regulations on Safety and Health Protection of Schools

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

Regulations on Higher Education

According to the Higher Education Law of the PRC (《中華人民共和國高等教育法》), which was promulgated on August 29, 1998 and was then amended on December 27, 2015 and became effective on June 1, 2016, higher education includes education for academic qualifications and education for non-academic qualifications. Higher education institutions are universities, independent colleges, and specialized higher education schools, including higher vocational schools and higher education schools for adults. The establishment of higher education institutions for undergraduate education and above shall be subject to examination and approval by the administrative department for education under the State Council, the ones for junior college education shall be subject to examination and approval by the people’s governments of provinces, autonomous regions and municipalities directly under the PRC central government. The establishment of other higher education organizations shall be subject to examination and approval by the administrative department for education under the people’s governments of provinces, autonomous regions and municipalities directly under the PRC central government. Higher education for academic qualifications includes junior college education, undergraduate education and graduate course education. Higher education shall be conducted by higher education institutions and other higher education organizations. Higher education institutions shall be established in accordance with State plans for the development of higher education and in keeping with the interests of the State and the public. Universities and independent colleges shall mainly conduct undergraduate education and education at a still higher level. Specialized higher education schools shall conduct junior college education. With the approval of the administrative department for education under the State Council, research institutes may undertake the graduate program. Other higher education organizations shall conduct higher education for non-academic qualifications. Universities and independent colleges shall, in addition, have a stronger staff for teaching and research, a higher level of teaching and research, as well as a necessary size of the student body, in order that they can offer undergraduate education and education at a higher level. Moreover, universities shall offer at least three branches of learning designated by the State as the main courses.

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

Regulations on Establishment of Majors in Colleges and Universities

According to the Provisions on the Establishment of Undergraduate Majors in Colleges and Universities (《普通高等學校本科專業設置管理規定》) and the Colleges and Universities Majors Directory (2012)(《普通高等學校本科專業目錄(2012年)》) (the "College and University Majors Directory"), which were issued on September 14, 2012, colleges and universities are allowed to establish undergraduate majors through the following three ways: (i) the establishment of the undergraduate majors (except State-controlled distribution majors) included in the Colleges and Universities Undergraduate Majors Directory (2012) shall be filed with the MOE; (ii) the establishment of majors not included in the Colleges and Universities Undergraduate Majors Directory (2012) is subject to the approval by the MOE; and (iii) the establishment of the State-controlled distribution undergraduate majors is subject to the approval by the MOE.

According to the Provisions on the Establishment of Higher Vocational Education (Specialties) Majors in Colleges and Universities (《普通高等學校高等職業教育(專科)專業設置管理辦法》) and the Higher Vocational Education (Specialist) Majors in Colleges and Universities Directory (2015) (《普通高等學校高等職業教育(專科)專業目錄(2015年)》) (the "Vocational Majors Directory"), which were issued on October 26, 2015, colleges and universities are allowed to establish the higher vocational education (specialist) majors based on the Higher Vocational Education (Specialist) Majors in Colleges and Universities Directory (2015) through the following two ways: (i) the establishment of the higher vocational education (specialist) majors shall be filed with the provincial education administrative department; and (ii) the establishment of the State-controlled higher vocational majors shall be subject to the approval by the MOE.

According to the Several Opinions on Establishment of the Medical Education in College and University (《關於舉辦高等醫學教育的若干意見》), which was jointly issued by the MOE and the Ministry of Public Health on June 21, 2002, the establishment of medical-related (including nursing) undergraduate and medical-related (including nursing) specialist majors by colleges and universities is subject to the approval by the competent administrative department and before such competent administrative department grants the approval, consent from the Provincial Health Administrative Department shall be obtained. Meanwhile, the establishment of medical-related (including nursing) undergraduate majors shall be filed with the MOE. In addition, according to the Several Opinions on Strengthening the Medical Education Work to Improve the Quality of Medical Education (《關於加強醫學教育工作提高醫學教育質量的若干意見》), which was jointly issued by the MOE and the Ministry of Public Health on February 20, 2009, the establishment of medical undergraduate and medical specialist majors by colleges and universities is subject to the approval by the MOE through the Provincial Education Administrative Department and before the MOE grants the approval, the Ministry of Public Health and the State Administration of Traditional Chinese Medicine shall be consulted. The establishment of medical-related or pharmacy undergraduate and medical-related or pharmacy specialist majors is subject to the approval by the Provincial Education Administrative Department and before the Provincial Education Administrative Department grants the approval, the Provincial Health Administrative Department shall be consulted. Meanwhile, the establishment of medical-related or pharmacy undergraduate majors shall be filed with the MOE.

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 amended on November 10, 2015 and became effective since the same day, Independent Colleges refer to the colleges engaging in undergraduate diploma education and set up by the cooperation of colleges and universities engaging in undergraduate and graduate diploma education and social organization and individuals except for the state organs with non-state financial funds.

Social organization applying to be the sponsor of an independent college shall be qualified as a legal person, with its registered capital no less than RMB50 million, its total assets being no less than RMB0.3 billion, net assets no less than RMB120.0 million and its asset-liability ratio no more than 60%. Common colleges and social organizations who intend to engage in the set-up of an independent college shall enter into a cooperative 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 solving disputes, and other appropriate content. 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 the set-up of the 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 shall be organized by the representative of the colleges and universities and social originations who are sponsors of the independent colleges, the principal, the representatives of the faculty and staff. No less than 2/5 of the members of the executive council or the board of the directors shall be the representative of the colleges or universities. The executive council or the board of directors 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 filed with the examination and approval organ for record.

The executive council, the board of directors or a decision-making body of other forms for an independent college shall hold a meeting at least twice each year. Upon the proposal of 1/3 or more of the component members, the executive council, the board of directors or a decision-making body of other forms may convene an interim meeting. The quorum attendance of the meeting of the executive council, the board of directors or a decision-making body of other forms shall be more than half of the executive or directors of an independent college. Material matters such as the appointment or dismissal of the principal, 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 an independent college shall be subject to the resolution of the executive council, the board of directors or a decision-making body of other forms passed by two-thirds or more of its component members.

An independent college shall grant the certificate of graduation 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 utilizes of the management resources, teachers, curriculums and other education resources of the colleges and universities who act as its sponsors, the payment made by the independent college to its sponsors is permitted to be deemed and calculated as the running cost of the independent college in accordance with the cooperation agreement among the sponsors and/or the relevant PRC regulations. And the sponsors of an independent college may require to have reasonable gains 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.

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

On July 29, 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 "Drafted 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 Real Right Law of the PRC (《中華人民共和國物權法》) (the "Real Right Law") which was promulgated on March 16, 2007 and with effect from October 1, 2007, educational, medical and health and other public welfare facilities of institutions and social groups with the aim of benefiting the public such as schools, kindergartens, hospitals, etc. and other properties that cannot be mortgaged as prescribed by law or administrative regulation shall not be mortgaged.

According to the Real Right Law, transferable fund units and equity, property right in intellectual property rights of transferable exclusive trademark rights, patent rights, copyrights, etc., accounts receivable and other property rights that can be pledged as stipulated by any law or administrative regulation may be pledged.

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, etc.

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 of the PRC (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on June 29, 2007, 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 (《社會保險費征繳暫行條例》), 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 of the PRC (《中華人民共和國社會保險法》), 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 relevant 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 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 EIF Law, which was promulgated on March 16, 2007, came into effect on January 1, 2008 and was subsequently amended on February 24, 2017, 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 EIT on its income deriving from both inside and outside China at the EIT rate of 25%. A non-resident enterprise that has an establishment or place of business in the PRC shall pay EIT 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 EIT rate 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 EIT on its income deriving from inside China at the reduced rate EIT of 10%.

According to Notice of the Ministry of Finance and the State Administration of Taxation on Tax Policies Relating to Education (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、國家稅務總局關於加強教育勞務營業稅徵收管理有關問題的通知, the "Circular 3"),schools are not required to pay EIT on fees they have collected upon approval and have incorporated under the fiscal budget management or the special account management of the funds outside the fiscal budget. Schools are not required to pay EIT on the financial allocations they have received and special subsidies they have obtained from their administrative departments or institutions at higher levels.

According to the Law 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稅避免雙重徵稅和防止偷漏稅的安排) (the "Arrangement") on August 21, 2006 and implemented the Arrangement from January 1, 2007. 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 (國家稅務總局關於執行稅收協議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稅務總局) (the "State Administration of Taxation") became effective on February 20, 2009, all of the following requirements shall be satisfied where a fiscal resident of the other party to a tax agreement needs to be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a Chinese resident company: (i) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (ii) owner's equity interests and voting shares of the Chinese resident company directly owned by such a fiscal resident reaches a specified percentage; and (iii) the equity interests of the Chinese resident company directly owned by such a fiscal resident, at any time during the twelve months prior to the obtainment of the dividends, reach a percentage specified in the tax agreement.

Business Tax

According to the Provisional Regulations on Business Tax (《營業稅暫行條例》) (Order No. 136 of the State Council), which was amended on November 10, 2008 and became effective on January 1, 2009, 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 amended on October 28, 2011 and became effective on November 1, 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 education institutions shall be exempt from business tax. Hence, the educational services provided by our schools 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 expropriating arable land upon approval shall be exempt from arable land use tax. Schools and education institutions established by any enterprises, government affiliated institutions, social groups or other social organizations or individuals and citizens with non-state fiscal funds for education and open to the public 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 ownership 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 amended on November 10, 2008 and February 6, 2016, 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 amended on October 28, 2011 and became effective on November 1, 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 (營業稅改征增值稅試點方案) (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.

In accordance with Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (關於全面推開營業稅改征增值稅試點的通知)(Cai Shui [2016] No.36), which was promulgated on March 23, 2016 and with effect from May 1, 2016. Upon approval of the State Council, the pilot program of the collection of value-added tax in lieu of business tax shall be promoted nationwide in a comprehensive manner as of May 1, 2016, and all taxpayers of business tax engaged in the building industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot program with regard to payment of value-added tax instead of business tax.

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"). There 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 5, 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 government authorities (if necessary).

According to the Circular on the Management of Offshore Investment and Financing and Round Trip Investment By Domestic Residents through Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (匯發[2014] 37) ("the Circular No. 37"), which is promulgated on July 4, 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, operation term, etc., or if there is a capital increase, decrease, equity transfer or swap, merge, spin-off or other amendment of the material items, the domestic resident shall complete foreign exchange alteration of the registration formality for offshore investment. 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 purposes 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 (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.

SAFE Regulations on Employee Share Options

In February 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Share Incentive Plans of Overseas Publicly-Listed Companies (國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知(匯發[2012]7號)) or the Share Option Rules. Under the Share Option Rules, PRC residents, who participate in a share incentive plan in an overseas publicly-listed company are required to register with SAFE or its local branches and complete certain other procedures as required by the authorities. Participants of a share incentive plan, who are PRC residents, must retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly-listed company or another qualified institution selected by such PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the share incentive plan on behalf of its participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of share options, the purchase and sale of corresponding shares or interests and fund transfers. In addition, the PRC agent is required to update the SAFE registration with respect to the share incentive plan if there is any material change to the share incentive plan, change in the PRC agent or the overseas entrusted institution or any other material changes.

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") which was promulgated on June 22, 2009 and became effective on the same date, 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.

OUR HISTORY AND DEVELOPMENT

Overview

According to the Frost & Sullivan Report, we were the tenth largest private provider of higher education in China in terms of the total number of student enrollment as of June 30, 2016. Our first schools, namely Chongqing College of Humanities, Science and Technology and Pass College of Chongqing Technology and Business University were established in November and December, 2006, respectively, by Li'ang Industry, as the school sponsor. Li'ang Industry was founded by Mr. Li and Ms. Li Ning in October 1998 and was financed through their own personal means. Mr. Li has accumulated over 10 years of experience in education. Please see "Directors and senior management" for more details with regard to Mr. Li. Ms. Li Ning is the daughter of Mr. Li, and holds 10% of the equity interests of Honest Cheer as of the Latest Practicable Date and is a Controlling Shareholder of our Company. Other than being an indirect shareholder of our Company through her shareholding in Honest Cheer and, historically, having been a shareholder of our Company and Li'ang Industry, Ms. Li Ning has not engaged in any other business in the education industry and has not been involved in the operations or management of our Group. Ms. Li Ning's 10% equity interests in Honest Cheer was reflective of her corresponding interest in Li'ang Industry before our Company became the holding company of our Group. Ms. Li Ning has been a passive minority investor in our Group. She invested in Li'ang Industry in October 1998 for the accumulation of her own personal wealth, having learnt of such investment opportunity from her father, Mr. Li.

As of the Latest Practicable Date, we own and operate a total of four schools, namely, Chongqing College of Humanities, Science and Technology, Pass College of Chongqing Technology and Business University, Chongqing Vocational College of Applied Technology and Inner Mongolia Fengzhou Vocational College (Qingcheng Branch). In addition, we have established our fifth school, namely, Minsheng Secondary Vocational School, which we expect to commence schooling in September 2018. On September 1, 2016, we entered into the Laoling School Cooperation Agreement through which Minsheng Secondary Vocational School will exercise integrated and centralized management of Laoling Secondary Vocational and Technical School through an entrustment management arrangement. As of the Latest Practicable Date, such entrustment management arrangement has been approved by the Education Bureau of Dezhou. As of the Latest Practicable Date, we have not yet completed the filing of such entrustment management arrangement with the People's Government of Dezhou. For details of the entrustment management arrangement, please refer to the section headed "Business — Proposed Entrustment Management Arrangement".

Milestones

The following illustrates our major development milestones:

Year	Event
November, 2006 . .	Establishment of Chongqing College of Humanities, Science and Technology
December, 2006. . .	Establishment of Pass College of Chongqing Technology and Business University
December, 2006. . .	Establishment of Chongqing Vocational College of Applied Technology
November, 2008 . .	Acquisition of Inner Mongolia Fengzhou Vocational College (Qingcheng Branch)
April, 2013	Chongqing College of Humanities, Science and Technology's conversion from an independent college into a university-level independent private college was approved by the MOE
September, 2016 . .	Establishment of Minsheng Secondary Vocational School

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

OUR CORPORATE HISTORY

Our Company is a holding company incorporated in the Cayman Islands and we conduct our operations primarily through the four schools we own and operate in the PRC.

Our Company

Changes in Share Capital of our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on December 13, 2005. On December 13, 2005 our Company allotted one Share to the initial subscriber, who transferred the Share to Mr. Li on December 23, 2005. On December 23, 2005, our Company allotted and issued 26,999,999 Shares to Mr. Li and 3,000,000 Shares to Ms. Li Ning, Mr. Li's daughter. On October 17, 2006, in order to streamline the shareholding of our Company, Mr. Li and Ms. Li Ning transferred their entire equity interest in our Company to Honest Cheer, a company wholly-owned by Mr. Li as to 90% and Ms. Li Ning as to 10%.

Subsequent to the incorporation of our Company, our Company conducted a number of private investment financings between January 2006 and September 2007 with certain financial investors who are Independent Third Parties, all of whom have subsequently exited their investments by disposal of their interests in our Company between September 2015 and June 2016. Please refer to "— Previous Investments by Financial Investors" for details of these investments and their subsequent divesture.

On July 5, 2016, each share of par value of US$0.001 in the authorized share capital of our Company was subdivided into 100 Shares of par value of US$0.00001 each ("Share Subdivision"), such that immediately following the Share Subdivision, the authorized share capital of our Company became US$50,000 divided into 5,000,000,000 Shares of par value US$0.00001 each. On March 2, 2017, the authorized share capital of our Company was increased to US$100,000 divided into 10,000,000,000 Shares of par value of US$0.00001 each.

Acquisition and establishment of our PRC operating entities

Our Company was set up as the holding company of our PRC operating entities and the other members of our Group have been acquired/established as direct or indirect subsidiaries of it. The history and the manner by which our major operating subsidiaries and schools were acquired by our Company are summarized below.

On December 23, 2005, Minsheng Education was established as a wholly-owned subsidiary of our Company. On March 16, 2006, Minsheng Education Management was established as a wholly-owned subsidiary of Minsheng Education. On August 21, 2006, Minsheng Education Management acquired 95% equity interests in Li'ang Industry from Mr. Li and Ms. Li Ning. Please refer to "— Our School Sponsors — Li'ang Industry" for details of the aforementioned acquisition. At the time of the acquisition, Li'ang Industry was acknowledged by the competent education authority as the school sponsor of Chongqing College of Humanities, Science and Technology, Pass College of Chongqing Technology and Business University, and Chongqing Vocational College of Applied Technology.

Immediately following the completion of the abovementioned acquisition, we became the school sponsors of Chongqing College of Humanities, Science and Technology, Pass College of Chongqing Technology and Business University, and Chongqing Vocational College of Applied Technology, through our indirect shareholding in Li'ang Industry.

On August 1, 2006, Minsheng Services was established and it became a wholly-owned subsidiary of our Company on August 23, 2006. On August 30, 2006, Chongqing Bozhi was established by Minsheng Services as a wholly-owned subsidiary of Minsheng Services. On September 1, 2006, Chongqing Bozhi acquired the entire equity interests in Li'ang Education from Li'ang Industry for the consideration of RMB5.8 million. On August 2, 2008, Li'ang Education entered into an interest transfer agreement to acquire the entire interests in Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) through the acquisition of the corresponding school sponsor interest in Inner Mongolia Fengzhou Vocational College held by the Chinese Democratic League Inner Mongolia Committee*(民盟中央內蒙古自治區委員會) for a consideration of RMB11.0 million. Please refer to "— Our Schools — Inner Mongolia Fengzhou Vocational College (Qingcheng Branch)" for details of the aforementioned acquisition.

Immediately following the completion of the abovementioned acquisition, we became a school sponsor of Inner Mongolia Fengzhou Vocational College and such school sponsor interest corresponded to the interest and assets of Inner Mongolia Fengzhou Vocational College (Qingcheng Branch). For more details, please refer to "— Our Schools — Inner Mongolia Fengzhou Vocational College (Qingcheng Branch)".

Acquisition and establishment of our offshore entities and interest in schools outside of the PRC

On June 7, 2007, Minsheng Development was established and it became a wholly-owned subsidiary of our Company on August 1, 2007.

On February 19, 2008, Minsheng Development (HK) was established and it became a wholly-owned subsidiary of Minsheng Development on February 22, 2008. Minsheng Development (HK) is not currently engaged in any business activities.

On August 21, 2014, Hong Kong Technology and Business was established by Minsheng Development as a wholly-owned subsidiary of Minsheng Development. On November 10, 2015, Hong Kong Technology and Business became one of two members of Hong Kong Nang Yan, a company limited by guarantee established under the laws of Hong Kong. Hong Kong Nang Yan is a non-profit organization, primarily engaged in the provision of higher education in Hong Kong. According to the memorandum and articles of association of Hong Kong Nang Yan, in the event of its winding-up, the amount of contribution required to be paid by us shall not exceed HK$100. On November 16, 2015, Hong Kong Technology and Business entered into the Hong Kong Nang Yan Operation Agreement (the "Operation Agreement") with The Hong Kong Buddhist Sangha Association, Limited, the other member of Hong Kong Nang Yan and an Independent Third Party, pursuant to which, Hong Kong Technology and Business agreed to extend to Hong Kong Nang Yan interest-free loans with the aggregate principal amounts of HK$50.0 million (the "Committed Loans"), of which HK$20.0 million was advanced to Hong Kong Nang Yan on January 13, 2016 (the "First Loan Installment"), with the remaining HK$30.0 million to be further provided in two equal tranches within 20 business days of the first and second anniversary of the date of advancement of the First Loan Installment. As of the Latest Practicable Date, the parties were in the process of discussing the timing for the payment of the remaining HK$30.0 million loan. Hong Kong Nang Yan shall use a certain percentage of its annual operation surplus to repay these loans. Other than the Committed Loans, we have made no other financial commitments or investments to Hong Kong Nang Yan as of the Latest Practicable Date. According to the Operation Agreement, Hong Kong Technology and Business shall be responsible for Hong Kong Nang Yan's non-Hong Kong student admission. Further, under the Operation Agreement, Hong Kong Technology and Business shall have the right to appoint certain members to the board of governors of Hong Kong Nang Yan. Although our Group will not enjoy direct financial returns in the form of dividend payments by becoming a member of Hong Kong Nang Yan, due to Hong Kong Nang Yan's non-profit status, we believe our Group has indirectly benefited from the collaboration with Hong Kong Nang Yan after we became its member. Such collaboration includes the ACCA Program offered by Chongqing College of Humanities, Science and Technology and Pass College of Chongqing Technology and Business University. For more details of our ACCA Programs, please refer to "Business — Our Schools — Chongqing College of Humanities, Science and Technology — Featured Programs — ACCA Program" and "Business — Our Schools — Pass College of Chongqing Technology and Business University — Featured Programs — ACCA Program".

On June 10, 2014, Minsheng Development entered into a share transfer agreement to acquire 720,000 shares in Beacon International College, representing 30.00% of its then issued share capital, for an aggregate consideration of S$0.8 million. On March 17, 2015, Minsheng Development subscribed a further 150,000 shares in the capital of Beacon International College for the consideration of S$150,000. As of the Latest Practicable Date, Minsheng Development is interested in approximately 25.59% of equity interests in Beacon International College.

Our School Sponsors

Li'ang Industry

Li'ang Industry is the school sponsor of Chongqing College of Humanities, Science and Technology, Pass College of Chongqing Technology and Business University, and Chongqing Vocational College of Applied Technology.

Li'ang Industry was incorporated on October 7, 1998, with an initial registered capital of RMB5.0 million, 90% of which was contributed by Mr. Li and the remaining 10% was contributed by Ms. Li Ning. As confirmed by our PRC Legal Advisors, the initial registered capital was fully paid-up. Li'ang Industry has been primarily engaged in the business of investment holding. On May 19, 1999, the registered share capital of Li'ang Industry was increased from RMB5.0 million to RMB10.0 million. Immediately following the completion of the aforementioned increase in registered capital, Li'ang Industry was owned as to 67.73% by Mr. Li, 5.00% by Ms. Li Ning, and 27.27% by Chengdu Huachuan Electronic Appliances Factory* (成都華川電裝品總廠), an Independent Third Party. As confirmed by our PRC Legal Advisors, the increase in registered capital was fully paid-up.

On January 17, 2001, Chengdu Huachuan Electronic Appliances Factory* (成都華川電裝品總廠) transferred 22.27% and 5.00% of the equity interest in Li'ang Industry to Mr. Li and Ms. Li Ning, respectively, for an aggregate consideration of RMB8.0 million. Immediately following the completion of the aforementioned equity transfers, Li'ang Industry was owned as to 90% by Mr. Li and 10% by Ms. Li Ning.

On August 21, 2006, in order to reorganize our corporate structure, Mr. Li transferred 85% of the equity interest in Li'ang Industry, and Ms. Li Ning transferred her entire 10% equity interest in Li'ang Industry, to Minsheng Education Management for the aggregate consideration of RMB100.0 million. Immediately following the completion of the aforementioned equity transfers, Li'ang Industry was owned as to 95% by Minsheng Education Management and 5% by Mr. Li.

Pursuant to the shareholders' resolutions of Li'ang Industry dated September 22, 2016, (i) the articles of association of Li'ang Industry have been amended to the effect that Minsheng Education Management (and the successor of its equity interest in Li'ang Industry) shall be entitled to 100% of any dividend or distribution to be paid out by Li'ang Industry to its shareholders and Mr. Li (and the successor of his equity interest in Li'ang Industry) shall not be entitled to any such dividend or distribution with effect from August 10, 2016; and (ii) Mr. Li relinquished his right to distribution of assets of Li'ang Industry which may arise upon dissolution of Li'ang Industry with effect from August 10, 2016. As advised by our PRC Legal Advisors, the abovementioned shareholders' resolutions and the amendment to the articles of association of Li'ang Industry are legal and binding under PRC law on the basis that shareholders are allowed to draw dividends in accordance with their agreement instead of in proportion to their actual capital contributions pursuant to the PRC Company Law and that shareholders are permitted to dispose the financial interests relating to shareholders' right in accordance with his/her true intention pursuant to PRC laws and regulations.

As a result of such resolutions, with effect from August 10, 2016, no profit or retained earnings of our Group will be attributable to the minority equity interest held by Mr. Li in Li'ang Industry and the equity of our Company will not include any non-controlling interest by virtue of Mr. Li's minority equity interest in Li'ang Industry.

Li'ang Education

Li'ang Education is a school sponsor of Inner Mongolia Fengzhou Vocational College with such school sponsor interest that corresponds to the interest and assets of Inner Mongolia Fengzhou Vocational College (Qingcheng Branch).

Li'ang Education was incorporated on November 4, 2003, with an initial registered capital of RMB0.3 million, 95% of which was contributed by Li'ang Industry and the remaining 5% was contributed by Mr. Li Xuerang. As confirmed by our PRC Legal Advisors, the initial registered capital was fully paid-up.

Mr. Li Xuerang is a cousin of Mr. Li and an uncle of Ms. Li Ning. As of the Latest Practicable Date, Mr. Li Xuerang was a director of Chongqing College of Humanities, Science and Technology, and a director and consultant of Pass College of Chongqing Technology and Business University. Save as disclosed above, Mr. Li Xuerang has no other relationship with our Group, our shareholders, Directors, senior management or any of their associates.

On August 30, 2006, Mr. Li Xuerang transferred his entire equity interest in Li'ang Education to Li'ang Industry. Immediately following the completion of the aforementioned equity transfer, Li'ang Education became wholly-owned by Li'ang Industry.

On September 1, 2006, in order to reorganize our corporate structure, Li'ang Industry transferred the entire equity interest of Li'ang Education to Chongqing Bozhi for a consideration of RMB5.8 million.

On July 10, 2008, Mr. Li agreed to purchase from Chongqing Bozhi 15% of equity interest held by Chongqing Bozhi in Li'ang Education for the consideration of RMB3.5 million. The AIC registration for the aforementioned transfer was completed on August 9, 2016. As confirmed by our PRC Legal Advisors, the risk that the delay in perfecting the AIC registration will result in administrative penalties is low and prior to the completion of the AIC registration, the abovementioned equity transfer agreement was binding as between Mr. Li and Chongqing Bozhi. On November 2, 2010, the registered capital of Li'ang Education was increased to RMB 30.0 million, contributed entirely by Chongqing Bozhi. Immediately after the completion of the increase in registered capital and up until the Latest Practicable Date, Li'ang Education is owned as to 95% by Chongqing Bozhi and 5% by Mr. Li.

Pursuant to the shareholders' resolutions of Li'ang Education dated September 22, 2016, (i) the articles of association of Li'ang Education have been amended to the effect that Chongqing Bozhi (and the successor of its equity interest in Li'ang Education) shall be entitled to 100% of any dividend or distribution to be paid out by Li'ang Education to its shareholders and Mr. Li (and the successor of his equity interest in Li'ang Education) shall not be entitled to any such dividend or distribution with effect from August 10, 2016; and (ii) Mr. Li relinquished his right to distribution of assets of Li'ang Education which may arise upon dissolution of Li'ang Education with effect from August 10, 2016. As advised by our PRC Legal Advisors, the abovementioned shareholders' resolutions and the amendment to the articles of association of Li'ang Education are legal and binding under PRC law on the basis that shareholders are allowed to draw dividends in accordance with their agreement instead of in proportion to their actual capital contributions pursuant to the PRC Company Law and that shareholders are permitted to dispose of the financial interests relating to its shareholders' right in accordance with his/her true intention pursuant to PRC laws and regulations.

As a result of such resolutions, with effect from August 10, 2016, no profit or retained earnings of our Group will be attributable to the minority equity interest held by Mr. Li in Li'ang Education and the equity of our Company will not include any non-controlling interest by virtue of Mr. Li's minority equity interest in Li'ang Education.

Laoling Chengyue

Laoling Chengyue is the sole school sponsor of Minsheng Secondary Vocational School.

Laoling Chengyue was incorporated on July 7, 2016, with an initial registered capital of RMB50.0 million, and is wholly-owned by Yujinggang Education. Yujinggang Education is a wholly-owned subsidiary of Chongqing College of Humanities, Science and Technology.

Our PRC Legal Advisors confirmed that the establishment of Li'ang Industry, Li'ang Education and Laoling Chengyue and their subsequent changes have complied with the relevant laws and regulations in all material respects and have completed all required registrations with the relevant competent authorities.

Our Schools

As of the Latest Practicable Date, our Group owned and operated four schools. In addition, our fifth school, Minsheng Secondary Vocational School, was established on September 20, 2016 and is expected to enroll its first batch of students in September 2018. We set forth below the history of each of our schools:

Chongqing College of Humanities, Science and Technology

On January 30, 2000, Li'ang Industry and Southwestern Normal University* (西南師範大學) entered into an agreement regarding the establishment of Southwestern Normal University Xingzhi Yucai College* (西南師範大學行知育才學院), the predecessor of Chongqing College of Humanities, Science and Technology. On March 18, 2003, the MOE granted approval for the operation of the school as an independent college by the joint school sponsorship between Southwestern Normal University and Li'ang Industry. On November 6, 2006, the school was established and registered with the Civil Affairs Department of Chongqing* (重慶市民政局) with an initial capital of RMB55.0 million, which was 100% contributed by Li'ang Industry. As confirmed by our PRC Legal Advisors, the initial capital was fully paid-up.

On November 28, 2006 Chongqing College of Humanities, Science and Technology changed its name from Southwestern Normal University Yucai College to Southwestern University Yucai College* (西南大學育才學院), as a result of the merger between Southwestern Normal University and Southwestern Agricultural University* (西南農業大學) into Southwestern University* (西南大學). Following the merger, Southwestern University, as the successor to Southwestern Normal University, became the joint sponsor of the school.

On May 17, 2011, Li'ang Education and Southwestern University entered into a termination of cooperation agreement, pursuant to which, and amongst other things: (i) the parties agreed to terminate the joint school sponsorship of Southwestern University Yucai College; (ii) the school shall be converted into a university-level independent private college; (iii) Southwestern University shall transfer its entire school sponsor interest to Li'ang Industry for a total consideration of RMB120.0 million. The consideration of RMB120.0 million was determined after arm's length negotiations between the parties, and was settled on May 16, 2011. The transfer and the conversion into a university-level independent private college was approved by the MOE on April 18, 2013 and was registered with the Civil Affairs Department of Chongqing City on September 23, 2014. On September 23, 2014, the name of the school was formally registered as Chongqing College of Humanities, Science and Technology.

As of the Latest Practicable Date, Li'ang Industry is the sole school sponsor of Chongqing College of Humanities, Science and Technology.

Pass College of Chongqing Technology and Business University

On December 23, 2003, pursuant to the Notice of the Ministry of Education regarding the Confirmation of Independent Colleges Operated by Chongqing Higher Education Institutions* (教育部關於對重慶市普通高等學校舉辦的獨立學院予以確認的通知), the establishment of Pass College of Chongqing Technology and Business University as an independent college jointly sponsored by Chongqing Technology and Business University* (重慶工商大學), an Independent Third Party and Li'ang Industry was recognized by the MOE. On November 30, 2006, Li'ang Industry and Chongqing Technology and Business University entered into a cooperation agreement (the "Cooperation Agreement"), pursuant to which, and amongst other things: (i) Chongqing Technology and Business University agreed to contribute intangible assets including school branding and management capabilities to Pass College of Chongqing Technology and Business University; (ii) in consideration of the aforementioned intangible assets contribution, Pass College of Chongqing Technology and Business University agreed to pay an annual fee of RMB4.0 million to Chongqing Technology and Business University commencing from the year of 2006; (iii) for each increase or decrease of 100 students in the annual enrollment of Pass College of Chongqing Technology and Business University in each subsequent year, the aforementioned annual fee would be correspondingly adjusted upward or downward in the amount of RMB136,800; (iv) other than the payment of the annual fee, Chongqing Technology and Business University would not participate in any profit distribution of Pass College of Chongqing Technology and Business University.

On December 1, 2006, Pass College of Chongqing Technology and Business University was established and registered with the Civil Affairs Department of Chongqing as an independent college with an initial capital of RMB5.0 million, which was contributed entirely by Li'ang Industry. As confirmed by our PRC Legal Advisors, the initial capital was fully paid-up. As of the Latest

Practicable Date, Pass College of Chongqing Technology and Business University is jointly sponsored by Chongqing Technology and Business University and Li'ang Industry, each of whom enjoys and bears their respective rights and obligations in accordance with the applicable PRC laws, the articles of association of the school and the terms of the Cooperation 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, Chongqing Technology and Business University, as the cooperating public university which offers undergraduate studies, is named as a school sponsor for Pass College of Chongqing Technology and Business University.

Chongqing Vocational College of Applied Technology

On April 21, 2005, the Municipal Government of Chongqing granted approval for the establishment of Chongqing Vocational College of Applied Technology, then known as Chongqing Minsheng Vocational College* (重慶民生職業技術學院). On May 13, 2005, the establishment of the school was filed with the MOE as required by relevant PRC laws. On December 1, 2006, the school was established and registered with the Civil Affairs Department of Chongqing with an initial capital of RMB1.0 million, which was contributed entirely by Li'ang Industry. On July 31, 2015, the school changed its name from Chongqing Minsheng Vocational College* (重慶民生職業技術學院) to Chongqing Vocational College of Applied Technology (重慶應用技術職業學院).

As of the Latest Practicable Date, Li'ang Industry is the sole school sponsor of Chongqing Vocational College of Applied Technology.

Inner Mongolia Fengzhou Vocational College (Qingcheng Branch)

Inner Mongolia Fengzhou Lianhe University* (內蒙古豐州聯合大學), the predecessor of Inner Mongolia Fengzhou Vocational College, was established as a result of the merger between Zhongshan College* (中山學院), which was operated and sponsored by the Revolutionary Committee of Chinese Kuomingtang Inner Mongolia Committee*(中國國民黨革命委員會中央委員會內蒙古自治區委員會) ("Minge") and Qingcheng University* (青城大學), which was operated and sponsored by the Chinese Democratic League Inner Mongolia Committee*(民盟中央內蒙古自治區委員會) ("Minmeng"). The merger was approved by the relevant competent government authority on May 15, 1985 (the "Merger Approval"). Following the merger, Inner Mongolia Fengzhou Vocational College became the only legal entity recognized by the competent educational authorities. Minge and Minmeng were the initial school sponsors to Inner Mongolia Fengzhou Vocational College and they respectively operated Inner Mongolia Fengzhou Vocational College (Zhongshan Branch) (the "Zhongshan Branch") and Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) (the "Qingcheng Branch") immediately after the merger. Subsequent to the merger, Zhongshan Branch and Qingcheng Branch were separate branches under Inner Mongolia Fengzhou Vocational College.

Zhongshan Branch and Qingcheng Branch are located at different locations and the management and operations of each of them, including student enrolment, finance, staffing and internal organization, are separately carried out by the school sponsors of Inner Mongolia Fengzhou Vocational College whose school sponsor interest corresponds to the respective branch.

On August 2, 2008, Li'ang Education entered into an interest transfer agreement with Minmeng, pursuant to which Minmeng agreed to transfer the entire school sponsor interest held by it in Inner Mongolia Fengzhou Vocational College, which school sponsor interest corresponded to the entire interest in Qingcheng Branch, to Li'ang Education for the consideration of RMB11.0 million. The consideration was determined after arm's length negotiations between the parties. As of the Latest Practicable Date, RMB 7.7 million of the consideration, representing the consideration payable by Li'ang Education under the said interest transfer agreement other than the last instalment which is payable upon satisfaction of certain payment conditions, has been settled by Li'ang Education. The transfer was completed on November 30, 2008. As confirmed by our PRC Legal Advisors, the aforementioned transfer of school sponsor interest has obtained all necessary recognition and/or approvals from the relevant competent authorities and has taken legal effect in accordance with PRC laws.

The main reasons for our acquisition of the school sponsor interest in Inner Mongolia Fengzhou Vocational College despite the abovementioned joint school sponsor structure were that (i) to the best knowledge of our then executive directors prior to the acquisition, since the Merger Approval, the joint school sponsor structure had not resulted in any case in which any property or interest in Qingcheng Branch were subject to any compensation or liabilities caused by the activities of Zhongshan Branch; (ii) our then executive directors believe that the purchase of the entire interests in Qingcheng Branch was a good investment opportunity in light of (a) the development potential of Qingcheng Branch in Inner Mongolia where there was a short supply of private education at the time of purchase, taking into account the management and financial resources which our Group believed it would be able to provide to improve its profitability; and (b) the relatively modest purchase price of RMB11.0 million, of which RMB7.7 million has been paid as of the Latest Practicable Date; and (iii) the acquisition would help expand our footprint outside of Chongqing, and thereby further strengthen our school network and reputation.

As of the Latest Practicable Date, Li'ang Education holds the entire interest in the Qingcheng Branch through its corresponding school sponsor interest in Inner Mongolia Fengzhou Vocational College. According to the Permit for Operating a Private School (民辦學校辦學許可證) of Zhongshan Branch, as of the Latest Practicable Date, the other school sponsor of Inner Mongolia Fengzhou Vocational College which interest corresponds with the Zhongshan Branch was Mr. Zhang Kaifei ("Mr. Zhang"), an Independent Third Party.

As acknowledged and confirmed by Mr. Zhang, (i) all assets with respect to the operation and management of Zhongshan Branch belongs to the Zhongshan Branch and his sponsor interest in Inner Mongolia Fengzhou Vocational College corresponds to such interest and assets, while all assets with respect to the operation and management of Qingcheng Branch belongs to the Qingcheng Branch and our school sponsor interest in Inner Mongolia Fengzhou Vocational College corresponds to such interest and assets and (ii) we shall be entitled to claim against the Zhongshan Branch or the holder of school sponsor interest corresponding to the Zhongshan Branch in the event that we suffer loss for reasons attributable to Zhongshan Branch. As advised by our PRC Legal Advisors, Mr. Zhang, as the school sponsor as recorded on the Permit for Operating a Private School (民辦學校辦學許可證) of Zhongshan Branch, is the competent party to make such acknowledgement and confirmation.

As advised by our PRC Legal Advisors, (i) Inner Mongolia Fengzhou Vocational College is an independent legal identity, Li'ang Education is a joint school sponsor of Inner Mongolia Fengzhou Vocational College, and our liability in respect of that of Inner Mongolia Fengzhou Vocational College is limited to our school sponsor interest in it; (ii) all assets with respect to the operation and management of Qingcheng Branch belongs to the Qingcheng Branch and our school sponsor interest in Inner Mongolia Fengzhou Vocational College corresponds to such interest and assets; (iii) as an independently managed and operated branch, Qingcheng Branch has passed the annual inspections of the Education Bureau and the Civil Affairs Bureau of Inner Mongolia Autonomous Region between 2013 to 2015; (iv) as an independently managed and operated branch, Qingcheng Branch is legally entitled to carry on the businesses within the scope indicated in its Permit for Operating a Private School (民辦學校辦學許可證); (v) as an independently managed and operated branch, the contents of the articles of association of Qingcheng Branch are in compliance with relevant laws and regulations and have been approved by the Civil Affairs Bureau of Inner Mongolia Autonomous Region and filed with the Education Bureau of Inner Mongolia Autonomous Region.

Minsheng Secondary Vocational School

Minsheng Secondary Vocational School was established on September 20, 2016, with an initial capital of RMB30 million, which was entirely contributed by Laoling Chengyue. On August 15, 2016, Minsheng Secondary Vocational School obtained the Permit for Operating a Private School (民辦學校辦學許可證). Minsheng Secondary Vocational School has not yet commenced schooling as of the Latest Practicable Date, but is expected to do so by September 2018.

On September 1, 2016, we entered into the Laoling School Cooperation Supplemental Agreement pursuant to which Minsheng Secondary Vocational School will exercise integrated and centralized management of Laoling Secondary Vocational and Technical School through an entrustment management arrangement. As of the Latest Practicable Date, this entrustment management arrangement has been approved by the Education Bureau of Dezhou. As of the latest Practicable Date, we have not yet completed the filing of such entrustment management arrangement with the People's Government of Dezhou. For details of the entrustment management arrangement, please refer to the section headed "Business — Proposed Entrustment Management Arrangement."

PRC Legal and Compliance

Our PRC Legal Advisers confirmed that the establishment or acquisition of our schools and all subsequent changes have complied with the relevant laws and regulations in all material aspects, and have obtained all required approvals and confirmation from the relevant competent authorities.

Previous Investments by Financial Investors

Between December 2005 and September 2007, the Baring Entities and the GS Entities invested in our Company. They had subsequently exited their respective investments in our Company by way of certain share repurchases by our Group between September 2015 and June 2016. A chronological summary of these investments and their subsequent divesture is set out below:

Date	Transaction	Total issued share capital of our Company at the relevant time	Shareholding percentage of our Company after respective investment/ transfer/repurchase
December 31, 2005	Our Company entered into a convertible note purchase agreement with Mr. Li and the Baring Entities (and as amended from time to time by the parties, the "Convertible Note Purchase Agreement").	30,000,000 ordinary shares of US$0.001 each	Mr. Li: 90% Ms. Li Ning: 10%
January 17, 2006	Our Company issued to the Baring Entities a convertible note with a principal amount of US$15,000,000 convertible into 5,589,090 ordinary shares of our Company (the "Phase I Convertible Note") pursuant to the Convertible Note Purchase Agreement. Mr. Li, Ms. Li Ning, the Baring Entities and our Company entered into the Securities Holders Agreement (the "Securities Holders Agreement"), which at the time governed the relationships between our Company and the then shareholders/securities holders.	30,000,000 ordinary shares of US$0.001 each	Mr. Li: 90% Ms. Li Ning: 10%
October 10, 2006	Honest Cheer, Mr. Li and the Baring Entities entered into a sale and purchase agreement (and as amended from time to time by the parties, the "Baring Old Share Purchase Agreement").	30,000,000 ordinary shares of US$0.001 each	Mr. Li: 90% Ms. Li Ning: 10%
October 17, 2006 and February 8, 2007	The Baring Entities acquired an aggregate of 3,305,488 ordinary shares of our Company from Honest Cheer for a total consideration of US$15,000,000 pursuant to the Baring Old Share Purchase Agreement.	30,000,000 ordinary shares of US$0.001 each	As of October 17, 2006: Honest Cheer: 89.35% Baring Entities: 10.65% As of February 8, 2007: Honest Cheer: 88.98% Baring Entities: 11.02%
June 11, 2007	The Phase I Convertible Note was converted by the Baring Entities in its entirety into 5,589,090 ordinary shares of our Company.	35,589,090 ordinary shares of US$0.001 each	Honest Cheer: 75.01% Baring Entities: 24.99%

Date	Transaction	Total issued share capital of our Company at the relevant time	Shareholding percentage of our Company after respective investment/ transfer/repurchase
June 12, 2007	Our Company issued to the Baring Entities a convertible note with a principal amount of US$11,838,000 convertible into 4,410,910 ordinary shares of our Company (the "Phase II Convertible Note", together with Phase I Convertible Note, the "Convertible Notes") pursuant to the Convertible Note Purchase Agreement. On the same date, the Phase II Convertible Note was converted by the Baring Entities in its entirety into 4,410,910 ordinary shares of our Company.	40,000,000 ordinary shares of US$0.001 each	Honest Cheer: 66.74% Baring Entities: 33.26%
September 14, 2007	Our Company entered into a share purchase agreement with the Baring Entities and Honest Cheer (the "2007 Baring Share Purchase Agreement"), pursuant to which our Company agreed to issue an aggregate of 1,206,519 ordinary shares of our Company, and Honest Cheer agreed to transfer an aggregate of 154,336 ordinary shares of our Company issued and held by Honest Cheer, to the Baring Entities for the respective aggregate consideration of approximately US$8.5 million and US$1.1 million. Our Company entered into a share purchase agreement with the GS Entities and Honest Cheer (the "2007 GS Share Purchase Agreement"). On the same date, our Company allotted and issued an aggregate of 5,308,223 ordinary shares of our Company, and Honest Cheer transferred an aggregate of 645,664 ordinary shares of our Company, to the GS Entities for the respective aggregate consideration of approximately US$37.3 million and US$4.5 million, pursuant to the 2007 GS Share Purchase Agreement. Our Company, Mr. Li, Honest Cheer, the Baring Entities and the GS Entities entered into a shareholders agreement (the "Shareholders Agreement"), pursuant to which certain rights were granted to the Baring Entities and the GS Entities.	45,308,223 ordinary shares of US$0.001 each	Honest Cheer: 57.49% GS Entities: 13.14% Baring Entities: 29.37%
September 18, 2007	Our Company allotted and issued an aggregate of 1,206,519 ordinary shares of our Company, and Honest Cheer transferred an aggregate of 154,336 ordinary shares of our Company, to the Baring Entities for the respective aggregate consideration of approximately US$8.5 million and US$1.1 million, pursuant to the 2007 Baring Share Purchase Agreement.	46,514,742 ordinary shares of US$0.001 each	Honest Cheer: 55.67% GS Entities: 12.80% Baring Entities: 31.53%

Date	Transaction	Total issued share capital of our Company at the relevant time	Shareholding percentage of our Company after respective investment/ transfer/repurchase
September 25, 2015	Our Company entered into a share repurchase agreement with the Baring Entities (the "Baring Repurchase Agreement"), pursuant to which, on the same date, our Company repurchased the entire equity interest held by the Baring Entities in our Company, being 14,666,343 ordinary shares of our Company for a total consideration of US$74.0 million, which was subsequently adjusted to US$70.0 million in accordance with the terms of the Baring Repurchase Agreement. Immediately following the repurchase, the 14,666,343 ordinary shares of our Company repurchased from the Baring Entities were cancelled.	31,848,399 ordinary shares of US$0.001 each	Honest Cheer: 81.31% GS Entities: 18.69%
September 25, 2015	Our Company, Minsheng Services and the GS Entities entered into a share transfer agreement (the "GS Repurchase Agreement"), pursuant to which Minsheng Services agreed to purchase from the GS Entities an aggregate of 5,953,887 ordinary shares of our Company for a total consideration of US$50.0 million.	31,848,399 ordinary shares of US$0.001 each	Honest Cheer: 81.31% GS Entities: 18.69%
December 28, 2015	Minsheng Services purchased from the GS Entities 4,981,022 ordinary shares of our Company for a total consideration of approximately US$41.8 million pursuant to the GS Repurchase Agreement. Immediately thereafter, Minsheng Services surrendered all of the transferred shares to our Company.	26,867,377 ordinary shares of US$0.001 each	Honest Cheer: 96.38% GS Entities: 3.62%
June 10, 2016	Minsheng Services purchased from the GS Entities 972,865 ordinary shares of our Company for a total consideration of approximately US$8.2 million pursuant to the GS Repurchase Agreement. Immediately thereafter, Minsheng Services surrendered all of the transferred shares to our Company.	25,894,512 ordinary shares of US$0.001 each	Honest Cheer: 100%

Investment by Baring Capital

Background of the Baring Entities

The Baring Entities, which were the entities that directly invested in our Company, were affiliates of Baring Capital, a private equity fund, and are Independent Third Parties.

2006 Convertible Note Financing

The following is the summary of certain key terms of the Convertible Notes and the Securities Holders Agreement.

Date of issue:	(a) January 17, 2006 (Phase I Convertible Note) (b) June 12, 2007 (Phase II Convertible Note)
Principal amount:	(a) US$15,000,000 (Phase I Convertible Note) (b) US$11,838,000 (Phase II Convertible Note)
Interest:	5.8% per annum on the principal amount
Basis of consideration:	the consideration was determined with reference to the financial performance of our Company at the relevant time, based on arm's length negotiations
Maturity date:	Fifth anniversary of the issue date, or upon written request of the Baring Entities, the seventh anniversary of the issue date
Conversion:	(a) the Baring Entities had the right to convert the Phase I Convertible Note into 5,589,090 ordinary shares of US$0.001 each of our Company (subject to certain adjustments regarding our Company's audited financial results for the financial year of 2006); and (b) the Baring Entities had the right to convert the Phase II Convertible Note into 4,410,910 ordinary shares of US$0.001 each of our Company
Other rights:	The Baring Entities were granted the following rights: • *Director appointment right* — The Baring Entities were entitled to appoint a non-executive director to the Board (the "Baring Director") provided that their shareholding in our Company was above 5% calculated on a fully diluted and as converted basis;

- *Observer appointment right* — The Baring Entities were entitled to appoint a Board observer provided that their shareholding in our Company was above 2% calculated on a fully diluted and as converted basis;

- *Reserved matters* — provided that the Baring Entities' shareholding in our Company was above 5% calculated on a fully diluted and as converted basis, certain corporate actions and transactions of our Company were subject to the approval of the Baring including, among others, alteration of share capital, amendment of constitutional documents or mergers and acquisitions concerning our Group, certain material acquisitions or disposals of assets, incurrence of certain debts, change of management members, or the entry into of material contracts;

- *Information rights* — provided that the Baring Entities' shareholding in our Company was above 5% calculated on a fully diluted and as converted basis, they were entitled to certain information rights including, amongst others, provision of (i) audited financial statements and related documents; (ii) quarterly management accounts; and (iii) annual and quarterly business reports, by our Company;

- *Right of first refusal* — should any security holder of our Company propose to transfer any of our Company's securities, the Baring Entities had the right of first refusal to purchase a pro-rata portion of any remaining security that were offered to but not taken up by our Company;

- *Co-sale* — should Mr. Li or Ms. Li Ning propose to transfer any of our Company's securities, the Baring Entities had the right to sell a pro-rata portion of their own securities together with the transferor;

- *Drag-along* — during a certain period of time, in the event that the Baring Entities agreed with a non-affiliated third party to purchase all of the outstanding securities of our Company at a certain minimum valuation, Mr. Li and Ms. Li Ning would be obliged to sell such minimum amount of securities such that the purchaser would acquire 51% interest in our Company; and

- *Pre-emptive rights* — The Baring Entities had the right to purchase a pro-rata portion of any new securities offered by our Company.

All of the above rights were terminated on September 14, 2007 following the entry into of the Shareholders Agreement (as defined below).

The Phase I Convertible Note and the Phase II Convertible Note were respectively converted by the Baring Entities in their entirety into 5,589,090 and 4,410,910 shares of our Company on June 11, 2007 and June 12, 2007.

2006 Baring Old Share Purchase

Pursuant to the Baring Old Share Purchase Agreement, the Baring Entities acquired an aggregate of 3,305,488 ordinary shares of our Company from Honest Cheer on October 17, 2006 and February 8, 2007 for a total consideration of US$15,000,000. The consideration for the aforementioned share transfer was determined with reference to the financial performance of our Company at the relevant time, based on arm's length negotiations between Honest Cheer and the Baring Entities.

2007 Baring Share Purchase

Pursuant to the 2007 Baring Share Purchase Agreement, on September 18, 2007, our Company allotted and issued an aggregate of 1,206,519 ordinary shares of our Company, and Honest Cheer transferred an aggregate of 154,336 ordinary shares of our Company issued and held by Honest Cheer, to the Baring Entities for the aggregate consideration of approximately US$8.5 million and US$1.1 million, respectively. The consideration for the aforementioned share transfer was determined with reference to the financial performance of our Company at the relevant time, based on arm's length negotiations between the parties.

2015 Baring Repurchase

On September 25, 2015, our Company repurchased the entire equity interest held by the Baring Entities in our Company, being 14,666,343 ordinary shares of our Company, for a total consideration of US$74.0 million which was subsequently adjusted to US$70.0 million in accordance with the terms of the Baring Repurchase Agreement (the "2015 Baring Repurchase"). The consideration for the 2015 Baring Repurchase was fully settled on December 14, 2015.

To the best knowledge of the Directors, the 2015 Baring Repurchase was initiated by the Baring Entities primarily due to the pending expiration and maturity of the underlying investment schemes which funded the Baring Entities' investments into our Company. The consideration for the repurchase was determined by reference to (i) the Baring Entities' investment cost; (ii) the duration of their investment; and (iii) the rate of return on their investment as determined by the parties through arm's length negotiation.

Pursuant to the 2015 Baring Repurchase Agreement, all rights of the Baring Entities under the Shareholders Agreement have been terminated with effect from September 25, 2015.

Investment by Goldman Sachs

Background of GS Entities

The GS Entities, which were the entities that directly invested in our Company, were affiliates of the private equity arm of Goldman Sachs, and are Independent Third Parties.

2007 GS Share Purchase

Pursuant to the 2007 GS Share Purchase Agreement, on September 14, 2007, our Company allotted and issued an aggregate of 5,308,223 ordinary shares of our Company, and Honest Cheer transferred an aggregate of 645,664 ordinary shares of our Company, to the GS Entities for the respective aggregate consideration of approximately US$37.3 million and US$4.5 million. The consideration for the aforementioned share subscription and transfer was determined with reference to the financial performance of our Company at the relevant time, based on arm's length negotiations between the parties.

2015 GS Repurchase

Pursuant to the GS Repurchase Agreement, the GS Entities agreed to sell, and Minsheng Services agreed to purchase the entire equity interest held by the GS Entities in our Company, being 5,953,887 ordinary shares of our Company for an aggregate consideration of US$50.0 million (the "2015 GS Repurchase"). Pursuant to the GS Repurchase Agreement, the 2015 GS Repurchase was conducted through two closings on December 28, 2015 and June 10, 2016, respectively.

To the best knowledge of the Directors, the 2015 GS Repurchase was initiated by the GS Entities primarily due to (i) regulatory pressure faced by GS Entities to reorganize the structure of some of their investment schemes (which included the investment schemes that funded the GS Entities' investment into our Company) by a certain date to comply with changes to the regulatory regime in the United States that governed such investment schemes; and (ii) the long duration of their investments into our Company. The consideration for the repurchase was determined by reference to the rate of return on their investment as determined by the parties as reasonable through arm's length negotiation.

Pursuant to the GS Repurchase Agreement, all rights of the GS Entities under the Shareholders Agreement have been terminated and extinguished with effect from December 28, 2015.

The Shareholders Agreement

Pursuant to the Shareholders Agreement entered into on September 14, 2007, certain rights were granted to the GS Entities and the Baring Entities. A summary of the major terms of the Shareholders Agreement is set out below:

Director appointment rights:	the Board should comprise of seven members to be appointed in the following manner: Honest Cheer, which was controlled by Mr. Li, was entitled to appoint four directors to the Board; the Baring Entities and the GS Entities were each entitled to appoint a non-executive director to the Board, for so long as their respective shareholding in the Company remained at 5% or above on a fully diluted and as converted basis; the Baring Entities and the GS Entities were entitled to jointly appoint an independent director to the Board; in the event Honest Cheer did not appoint such number of directors to the Board, Mr. Li was entitled to exercise additional voting rights on the Board such that the directors appointed by Honest Cheer, including Mr. Li, would be entitled to four votes on the Board.
Observer appointment rights:	The Baring Entities and the GS Entities were each entitled to appoint a Board observer, provided that their shareholding in our Company was 2% or above calculated on a fully diluted and as converted basis.
Reserved matters:	For so long as (i) the Baring Entities' shareholding in our Company does not fall below 7,332,172 ordinary shares (with par value US$0.001 each); or (ii) the GS Entities' shareholding in our Company does not fall below 2,976,944 ordinary shares (with par value US$0.001 each), then certain corporate actions and transactions of our Company were subject to the approval of the Baring Entities and the GS Entities (as the case may be) including, among others, alteration of share capital, amendment of constitutional documents or mergers and acquisitions concerning our Group, certain material acquisitions or disposals of assets, incurrence of debts, change of management members, or the entry into of material contracts.
Information rights:	The Baring Entities and the GS Entities were entitled to certain information rights, including, amongst others, the provision of (i) audited financial statements and related documents; (ii) quarterly management accounts; and (iii) annual and quarterly business reports by our Company, for so long as their respective shareholding in our Company was 5% or above calculated on a fully diluted and as converted basis.

Rights of first refusal:	Should any security holder of our Company propose to transfer any of our Company's securities, the Baring Entities and the GS Entities had the right of first refusal to purchase a pro rata portion of any remaining security that were offered to but not taken up by our Company.
Rights of co-sale:	Should Honest Cheer, Mr. Li or Ms. Li Ning propose to transfer any of our Company's securities, the Baring Entities and the GS Entities had the right to co-sell a pro-rata portion of their respective securities together with the transferor.
Drag-along:	For so long as the Baring Entities or the GS Entities hold not less than 80% of their respective initial investment in our Company, then in the event that such investor agreed with a non-affiliated third party to purchase all of the outstanding securities of our Company held by such party at a certain minimum valuation, Honest Cheer, Mr. Li and Ms. Li Ning would be obliged to sell such minimum amount of securities such that the proposed purchaser would acquire 51% interest in our Company.
Pre-emptive rights:	The Baring Entities and the GS Entities had the right to purchase a pro-rata portion of any new securities offered by our Company.

All of the above rights were terminated on September 25, 2015 and December 28, 2015, respectively, for the Baring Entities and the GS Entities, following their respective exits.

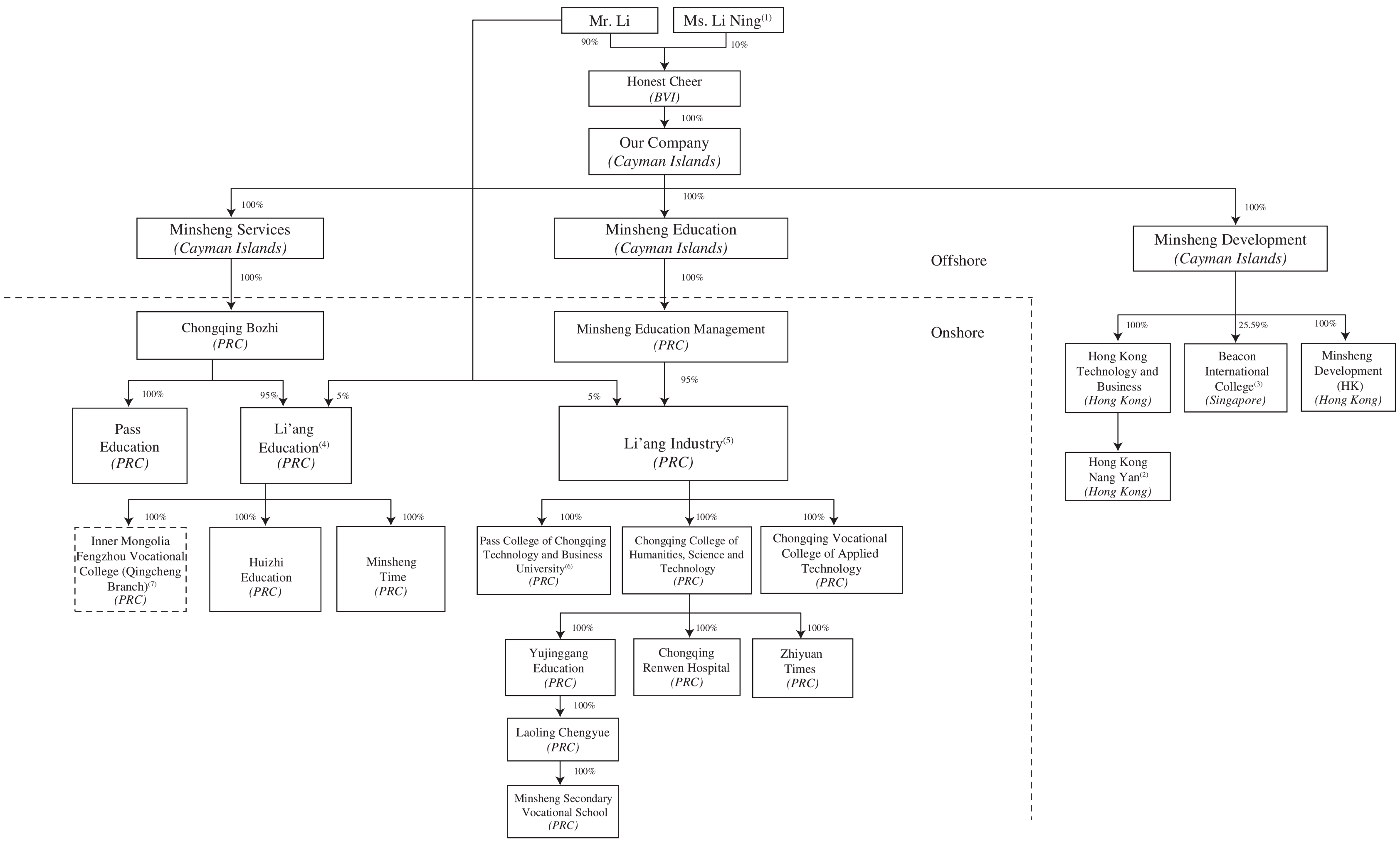
Directors Appointed by Baring Entities and GS Entities

Following the issuance of the Phase I Convertible Note, and pursuant to the terms of Securities Holders Agreement, the Baring Entities appointed a representative as a non-executive director of the Company (the "Baring Director") on January 17, 2006. The Baring Director resigned on September 25, 2015 when our Company repurchased all of the shares in our Company then held by the Baring Entities pursuant to the Baring Repurchase Agreement. The role of the Baring Director was non-executive in nature and the Baring Director was not involved in the management or day-to-day operations of our Group. Accordingly, our Directors believe that the departure of the Baring Director had no adverse impact on our Group's operations, financial performance and prospects. As confirmed by the representative from the Baring Entities and our Company, there is no disagreement between our Company and the Baring Entities or the Baring Director.

Pursuant to the terms of the Shareholders Agreement, the GS Entities appointed a representative as a non-executive director of our Company (the "GS Director") on September 14, 2007, who was replaced by another representative of the GS Entities, on June 29, 2011 upon request by the GS Entities. The last GS Director resigned on December 28, 2015 when Minsheng Services purchased the GS Entities' entire shareholding in our Company. The role of each of the GS Directors was non-executive in nature and none of the GS Directors was involved in the management or day-to-day operations of our Group. Accordingly, our Directors believe their change and departure had no adverse impact on our Group's operations, financial performance or prospects. As confirmed by the representative from the GS Entities and our Company, there is no disagreement between our Company and the GS Entities or any of the GS Directors.

GROUP STRUCTURE

The following chart sets forth our corporate structure immediately prior to the Global Offering:



Notes:

(1) Ms. Li Ning is the daughter of Mr. Li.

(2) As of the Latest Practicable Date, Hong Kong Technology and Business is one of two members of Hong Kong Nang Yan. The other member in Hong Kong Nang Yan is The Hong Kong Buddhist Sangha Association Limited, an Independent Third Party.

(3) As of the Latest Practicable Date, the remaining equity interest in Beacon International College is owned as to 1.55% by Mr. Raymond Ng, 30.01% by Ms. Lee Hian, 12.84% by Mr. Chia Tek Yew and 30.01% by Ms. Chua Sing Zhi, all of whom are Independent Third Parties.

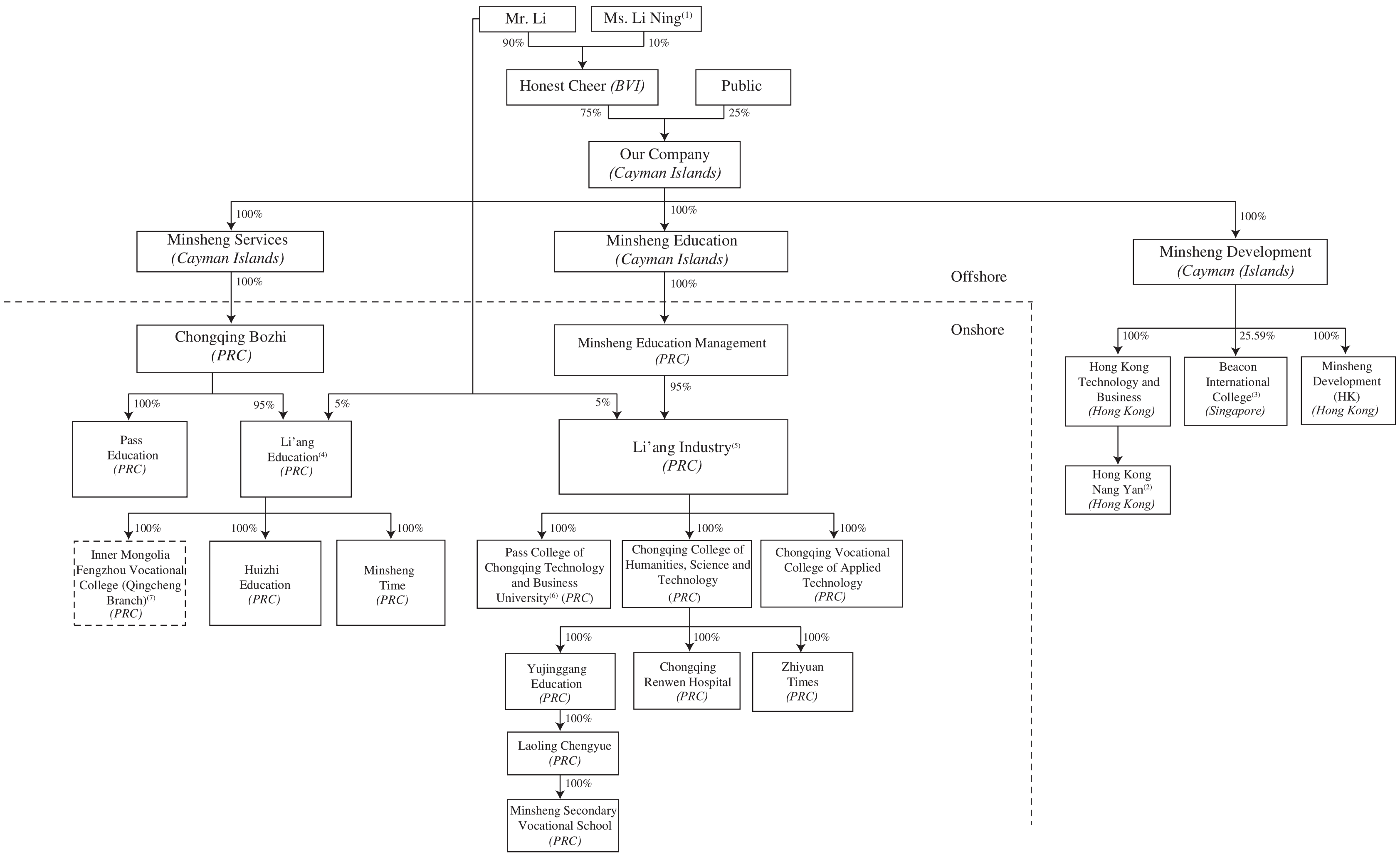
(4) Pursuant to the resolutions of all shareholders of Li'ang Education dated September 22, 2016, (i) the articles of association of Li'ang Education have been amended to the effect that Chongqing Bozhi (and the successor of its equity interest in Li'ang Education) shall be entitled to 100% of any dividend or distribution to be paid out by Li'ang Education to its shareholders and Mr. Li (and the successor of his equity interest in Li'ang Education) shall not be entitled to any such dividend or distribution with effect from August 10, 2016; and (ii) Mr. Li relinquished his right to distribution of assets of Li'ang Education which may arise upon dissolution of Li'ang Education with effect from August 10, 2016.

(5) Pursuant to the resolutions of all shareholders of Li'ang Industry dated September 22, 2016, (i) the articles of association of Li'ang Industry have been amended to the effect that Minsheng Education Management (and the successor of its equity interest in Li'ang Industry) shall be entitled to 100% of any dividend or distribution to be paid out by Li'ang Industry to its shareholders and Mr. Li (and the successor of his equity interest in Li'ang Industry) shall not be entitled to any such dividend or distribution with effect from August 10, 2016; and (ii) Mr. Li relinquished his right to distribution of assets of Li'ang Industry which may arise upon dissolution of Li'ang Industry with effect from August 10, 2016.

(6) Pass College of Chongqing Technology and Business University is jointly sponsored by Chongqing Technology and Business University and Li'ang Industry, each of whom enjoys and bears their respective rights and obligations in accordance with the applicable PRC laws, the articles of association of the school and the terms of the Cooperation Agreement.

(7) Li'ang Education holds the entire interest in Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) through its corresponding school sponsor interest in Inner Mongolia Fengzhou Vocational College. Please see "Our Schools - Inner Mongolia Fengzhou Vocational College (Qingcheng Branch)" for more details. The remaining school sponsor interest in Inner Mongolia Fengzhou Vocational College is held by Mr. Zhang Kaifei, an Independent Third Party.

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



Notes:

(1) Ms. Li Ning is the daughter of Mr. Li.

(2) As at the Latest Practicable Date, Hong Kong Technology and Business is one of two members of Hong Kong Nang Yan. The other member in Hong Kong Nang Yan is The Hong Kong Buddhist Sangha Association Limited, an Independent Third Party.

(3) As at the Latest Practicable Date, the remaining equity interest in Beacon International College is owned as to 1.55% by Mr. Raymond Ng, 30.01% by Ms. Lee Hian, 12.84% by Mr. Chia Tek Yew and 30.01% by Ms. Chua Sing Zhi, all of whom are Independent Third Parties.

(4) Pursuant to the resolutions of all shareholders of Li'ang Education dated September 22, 2016, (i) the articles of association of Li'ang Education have been amended to the effect that Chongqing Bozhi (and the successor of its equity interest in Li'ang Education) shall be entitled to 100% of any dividend or distribution to be paid out by Li'ang Education to its shareholders and Mr. Li (and the successor of his equity interest in Li'ang Education) shall not be entitled to any such dividend or distribution with effect from August 10, 2016; and (ii) Mr. Li relinquished his right to distribution of assets of Li'ang Education which may arise upon dissolution of Li'ang Education with effect from August 10, 2016.

(5) Pursuant to the resolutions of all shareholders of Li'ang Industry dated September 22, 2016, (i) the articles of association of Li'ang Industry have been amended to the effect that Minsheng Education Management (and the successor of its equity interest in Li'ang Industry) shall be entitled to 100% of any dividend or distribution to be paid out by Li'ang Industry to its shareholders and Mr. Li (and the successor of his equity interest in Li'ang Industry) shall not be entitled to any such dividend or distribution with effect from August 10, 2016; and (ii) Mr. Li relinquished his right to distribution of assets of Li'ang Industry which may arise upon dissolution of Li'ang Industry with effect from August 10, 2016.

(6) Pass College of Chongqing Technology and Business University is jointly sponsored by Chongqing Technology and Business University and Li'ang Industry, each of whom enjoys and bears their respective rights and obligations in accordance with the applicable PRC laws, the articles of association of the school and the terms of the Cooperation Agreement.

(7) Li'ang Education holds the entire interest in Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) through its corresponding school sponsor interest in Inner Mongolia Fengzhou Vocational College. Please see "Our Schools - Inner Mongolia Fengzhou Vocational College (Qingcheng Branch)" for more details. The remaining school sponsor interest in Inner Mongolia Fengzhou Vocational College is held by Mr. Zhang Kaifei, an Independent Third Party.

SAFE REGISTRATION

Pursuant to the Circular of the SAFE on Issues relating to Foreign Exchange Control on Funds raising by Domestic Residents Through Offshore Special Purpose Vehicles and Round Trip Investment (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (the “SAFE Circular No. 75”), promulgated by SAFE on 21 October, 2005 and which became effective on November 1, 2005, PRC residents shall register with the local SAFE branch before establishing or controlling any company, referred to in the SAFE Circular No. 75 as an “Overseas Special Purpose Vehicle”, outside PRC for the purposes of capital financing with the assets or interests in China, and to register again after completing an investment in or acquisition of any operating subsidiaries in the PRC, which we refer to herein as a round trip investment. Also any material capital alteration, such as capital increase or decrease, merger or division in such overseas special purpose vehicle involving no round trip investment shall be registered or filed within 30 days starting from the date of shareholding transfer or capital alteration.

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 purposes 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. Li and Ms. Li Ning has completed the registration under the SAFE Circular No.75 on May 30, 2011.

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) Minsheng Education Management and Chongqing Bozhi were both established as wholly foreign-owned enterprises 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 Minsheng Education Management and Chongqing Bozhi 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.

FOREIGN INVESTMENT IN HIGHER EDUCATION AND SECONDARY VOCATIONAL EDUCATION IN THE PRC

Overview of PRC Laws and Regulations regarding Foreign Investment into "Higher Education" and "Secondary Vocational Education"

Under the framework of the PRC laws and regulations effective since 1995, generally, there are three permitted forms of investment for foreign investors making investments into the PRC. Such three permitted forms of foreign investment (determined on a see-through basis) are Sino-Foreign Investment, Sino-Foreign Cooperation and wholly-foreign ownership ("Wholly Foreign Owned Structure").

In respect of the PRC education industry, due to restrictions placed by applicable PRC laws which stipulate that no foreign education institution or other foreign organization or individual are permitted to establish solely any school or other education institution within the PRC that aims to enroll mainly PRC citizens, the Wholly Foreign Owned Structure has not been a permitted form of investment into the PRC education industry under relevant PRC laws and regulations. Thus, generally, the permitted forms of foreign investment into PRC education industry have been Sino-Foreign Investment and Sino-Foreign Cooperation, but they are subject further to the specific regulations stipulated under various versions of the Guidance Catalog of Industries for Foreign Investment (《外商投資產業指導目錄》) and other related PRC laws and regulations which are changed and updated from time to time.

In respect of the PRC education industry, when foreign investment takes the form of Sino-Foreign Investment, the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》) would be applicable, pursuant to which, foreign investor(s) must hold their interest in the relevant schools through a PRC incorporated subsidiary (the "Indirect Foreign Investment Requirement"). Furthermore, pursuant to the applicable regulations which stipulates that no foreign education institution or other foreign organization or individual is permitted to establish solely any school or other education institution within the PRC that aims to enroll mainly PRC citizens, foreign investor(s) were prohibited from directly/indirectly holding 100% school sponsor interests in the schools (i.e. foreign investor(s) were allowed to hold any percentage of school sponsor interest other than 100% on a see through basis) (the "Sino-Foreign Investment Holding Restriction").

Where the foreign investment in the PRC education industry takes the form of Sino-Foreign Cooperation, the Regulations on Sino-foreign Cooperative Education (《中外合作辦學條例》) and its implementation measures would be applicable, pursuant to which, the foreign investor must be a foreign education institution and should make a direct foreign investment (instead of through a PRC subsidiary) into the Sino-Foreign Cooperation education institution (the "Direct Foreign Investment Requirement"). Further, according to Implementation Opinions on Encouraging and Guiding Private Fund's Entry into the Education Sector for the Promotion of Healthy Development of Private Education (《教育部關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》) (the "MOE Implementation Opinions"), promulgated by the MOE on June 18, 2012, where foreign investment in PRC education institutions is conducted in the form of Sino-Foreign Cooperation, the foreign portion of the total investment shall be less than 50% (the "Sino-Foreign Cooperation Holding Restriction").

Foreign Investment in "Higher Education" in the PRC and Our Compliance with Relevant Rules and Regulations

Legal Framework

Overview of PRC Rules and Regulations Effective at the Time when We Made Our Investments into Our Schools that Conduct "Higher Education" Business

According to the Guidance Catalog of Industries for Foreign Investment (《外商投資產業指導目錄》) effective during the period between January 1, 2005 to April 9, 2015 (the "Former Catalogs"), "higher education" was under the "encouraged" category for foreign investment and such foreign investment can be carried out through either the form of Sino-Foreign Investment or Sino-Foreign Cooperation.

Our PRC Legal Advisors have advised that, as of the Latest Practicable Date, we have invested in each of our four schools that are engaged in "higher education", namely, Chongqing College of Humanities, Science and Technology, Pass College of Chongqing Technology and Business University, Chongqing Vocational College of Applied Technology and Inner Mongolia Fengzhou Vocational College (collectively, the "Higher Education Schools") through the form of Sino-Foreign Investment.

Where the foreign investment took the form of Sino-Foreign Investment as permitted under the Former Catalogs, the Sino-Foreign Investment Holding Restriction and the Indirect Foreign Investment Requirement mentioned above would need to be complied with.

As further explained below, the above PRC rules and regulations on foreign investment effective at the time when we made the investments into our Higher Education Schools and the restrictions thereunder were, and have remained, applicable to our investments into our Higher Education Schools.

Overview of Current PRC Rules and Regulations on Foreign Investment into "Higher Education"

According to the latest Guidance Catalog of Industries for Foreign Investment (《外商投資產業指導目錄》) (the "Current Catalog"), which took effect from April 10, 2015, "higher education" has been moved to the "restricted" category. In addition, according to the Current Catalog, any foreign investment into the PRC "higher education" industry must be conducted through the form of Sino-Foreign Cooperation only, while the PRC domestic party shall play a dominant role in such cooperation. Under the Current Catalog, Sino-Foreign Investment is no longer a permitted form of investment for foreign investment into the PRC "higher education" institutions. Accordingly, if the investment is governed by the Current Catalog, such investment must comply with the Sino-Foreign Cooperation Holding Restriction and the Direct Foreign Investment Requirement.

Our Compliance with Relevant PRC Rules and Regulations

As advised by our PRC Legal Advisors, the school sponsor structure of our Higher Education Schools, and the existing shareholding structures had been legal and effective prior to the effective date of the Current Catalog on the basis that (i) the rules applicable to our investments into such schools were the Former Catalogs; and (ii) our investments into such schools were in compliance with the then applicable Former Catalogs on the basis that such investments were conducted in the form of Sino-Foreign Investment (rather than Sino-Foreign Cooperation) and we have complied with the Sino-Foreign Investment Holding Restriction and Indirect Foreign Investment Requirement, details of such compliance are set out in "— Investment in Our Schools in Chongqing" and "— Investment in Inner Mongolia Fengzhou Vocational College" below.

As further advised by our PRC Legal Advisors, the school sponsor structure of our Higher Education Schools and their existing shareholding structure have remained legal and effective as of the Latest Practicable Date on the basis that (i) each of these schools became indirectly owned by our Company prior to the effective date of the Current Catalog; (ii) the Current Catalog did not state that it has any retrospective effect; and (iii) in accordance with the Legislative Law of the PRC (《中華人民共和國立法法》), unless otherwise expressly stated, PRC laws, administrative regulations, local regulations, autonomous regulations, special regulations administrative rules or local rules do not have any retrospective effect.

Investments in Our Schools in Chongqing

We invested in our three schools in Chongqing, namely, Chongqing College of Humanities, Science and Technology, Pass College of Chongqing Technology and Business University and Chongqing Vocational College of Applied Technology, in 2006 by way of Sino-Foreign Investment through our purchase of 95% equity interests in Li'ang Industry. The remaining 5% of the equity interests in Li'ang Industry has continued to be held by Mr. Li, a PRC domestic person. Such structure has allowed us to comply with both the Sino-Foreign Investment Holding Restriction and the Indirect Foreign Investment Requirement. As advised by our PRC Legal Advisors, the ownership of 95% equity interest in Li'ang Industry by Minsheng Education Management and Li'ang Industry's school sponsor interests in our schools in Chongqing have therefore been in compliance with the Former Catalogs.

Investments in Inner Mongolia Fengzhou Vocational College

We became one of the joint school sponsors of Inner Mongolia Fengzhou Vocational College through the purchase of the school sponsor interest corresponding to the interests and assets of Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) by Li'ang Education in 2008, with the remaining joint school sponsor (which corresponded to the interests and assets of Inner Mongolia Fengzhou Vocational College (Zhongshan Branch)) continued to be held by a PRC domestic party who is an Independent Third Party. Such structure has allowed us to comply with the Sino-Foreign Investment Holding Restriction and the Indirect Foreign Investment Requirement because immediately following our investment, the school sponsor interest of Inner Mongolia Fengzhou Vocational College was held partially by us through Li'ang Education, our indirect PRC subsidiary, and partially by the other joint school sponsor of Inner Mongolia Fengzhou Vocational College who was a PRC domestic party and an Independent Third Party. As advised by our PRC Legal Advisors and as confirmed by the Chongqing Commerce Commission (重慶市商務委員會), the equity interest in Li'ang Education held by Chongqing Bozhi and Li'ang Education's joint school sponsor interests in Inner Mongolia Fengzhou Vocational College have therefore been in compliance with the Former Catalogs.

As further advised by our PRC Legal Advisors and as confirmed by the Chongqing Commerce Commission (重慶市商務委員會), by virtue of Mr. Li's 5% equity interest ownership in Li'ang Education, we would be able to continue to comply with the Sino-Foreign Investment Holding Restriction in relation to our investment even in the event that the other joint school sponsor of Inner Mongolia Fengzhou Vocational College ceases to hold the school sponsor interest in the future.

Foreign Investment in "Secondary Vocational Education" in the PRC and our Compliance with Relevant Rules and Regulations

Legal Framework

Under the Current Catalog, foreign investment into "secondary vocational education" in the PRC has not been classified as "encouraged," "restricted" or "prohibited" for foreign investment, and is therefore deemed to be in the "permitted" category under relevant PRC laws. As advised by our PRC Legal Advisors, this means that, under the Current Catalog, there is no restriction on the form of foreign investment when foreign investors invest into the PRC "secondary vocational education" industry. Accordingly, as advised by our PRC Legal Advisors, our investment into Minsheng Secondary Vocational School by way of Sino-Foreign Investment has been in compliance with the Current Catalog.

The Sino-foreign Cooperation Holding Restriction stipulated under the MOE Implementation Opinions is only applicable when foreign investments are made in the form of Sino-Foreign Cooperation. As mentioned above, pursuant to the Current Catalog, we were free to choose the form of investment into Minsheng Secondary Vocational School, and we opted to make our investment by way of Sino-Foreign Investment. Therefore, as advised by our PRC Legal Advisors, our investment in Minsheng Secondary Vocational School was not subject to the Sino-Foreign Cooperation Holding Restriction.

In addition, as our investment in "secondary vocational education" in the PRC took the form of Sino-Foreign Investment, we are further subject to the Sino-Foreign Investment Holding Restriction and the Indirect Foreign Investment Requirement stipulated under existing PRC laws and regulations.

Our Compliance with the Relevant PRC Rules and Regulations

As advised by our PRC Legal Advisors, our investment in Minsheng Secondary Vocational School, which is engaged in "secondary vocational education," was and has been in compliance with the Current Catalog on the basis that (i) there was no restriction under the Current Catalog on the form of foreign investment in the PRC "secondary vocational education" industry and thus, our investment in Minsheng Secondary Vocational School, by way of Sino-Foreign Investment, has been in compliance with the Current Catalog; (ii) our investment in Minsheng Secondary Vocational School was made by way of Sino-Foreign Investment, rather than by way of Sino-Foreign Cooperation and thus we were not subject to the Sino-Foreign Cooperation Holding Restriction; and (iii) we were able to comply with the Sino-Foreign Investment Holding Restriction because Li'ang Industry, which indirectly owns 100% of the school sponsor interest in Minsheng Secondary Vocational School, was held as to 95% by Minsheng Education Management, a foreign investor, and 5% by Mr. Li, a PRC domestic person.

Governmental Confirmation

As confirmed by the Chongqing Commerce Commission through the director of Chongqing Commerce Commission's foreign investment administration department (重慶市商務委員會外國投資管理處), whom our PRC Legal Advisors have advised was the officer having authority over the subject matter on the basis that the foreign investment administration department of Chongqing Commerce Commission has been responsible for the implementation of foreign-investment related regulations, (i) our investments in our Higher Education Schools in 2006 and 2008, including the manner in which such schools were held by our Group, were in compliance with the Former Catalogs; (ii) the Current Catalog subsequently promulgated in April 2015 did not have any retrospective effect and our investments, including the manner in which our Higher Education Schools are held by our Group, had remained legal and effective and are not required to be restructured; and (iii) our investment in Minsheng Secondary Vocational School, including the manner in which such school is held by our Group, was in compliance with the Current Catalog.

As advised by our PRC Legal Advisors, Chongqing Commerce Commission is the competent authority to confirm the above because Chongqing Commerce Commission is the provincial-level authority which has government authority over the investment (including the investment in our schools) made by our Chongqing-based foreign investment enterprise, such as Minsheng Education Management and Chongqing Bozhi, in respect of the implementation of PRC foreign-investment related regulations.

As further advised by our PRC Legal Advisors, Chongqing Commerce Commission is competent to give a confirmation with respect to our investment in our schools in Inner Mongolia and Shandong, namely, Inner Mongolia Fengzhou Vocational College and Minsheng Secondary Vocational School, on the basis that (i) in accordance with the then applicable foreign investment catalogs at the time when we made our investments into such schools, "higher education" and "secondary vocational education" were under the "encouraged" and "permitted" categories for foreign investment, respectively; (ii) in accordance with PRC regulations, in respect of investments into industries that belong to the "encouraged" and "permitted" categories for foreign investment, no approval is required from the commerce authorities at the location of the investee entity, but instead certain reporting requirements must be satisfied at the commerce authorities at the location of the foreign investment enterprise making the investment; and (iii) Chongqing Commerce Commission is the provincial-level commerce authority at the location of our foreign investment enterprises making the investments, namely, Minsheng Education Management and Chongqing Bozhi.

As confirmed by the Inner Mongolia Commerce Department (內蒙古自治區商務廳) through the director of Inner Mongolia Commerce Department's foreign investment administration department (內蒙古自治區商務廳外國投資管理處), whom our PRC Legal Advisors have advised was the officer having authority over the subject matter on the basis that the foreign investment administration department of Inner Mongolia Commerce Department has been responsible for the implementation of foreign-investment related regulations, (i) the commerce authority at the location of the foreign-investment enterprise making investments into our schools (namely, the Chongqing Commerce Commission) shall be the competent authority to confirm the compliance of our investment (including the manner in which such school is held in our Group) with applicable PRC laws and regulations; (ii) our investment into Inner Mongolia Fengzhou Vocational College through Li'ang Education in 2008 was not subject to the approval of the Inner Mongolia Commerce Department since at the time when we made investment into such school, "higher education" was under the "encouraged" category for foreign investment and in accordance with PRC laws, in respect of investments into industries that belong to the "encouraged" category for foreign investment, no approval is required from the commerce authority at the location of the investee entity; (iii) even upon the Current Catalog taking effect, which provided that "higher education" is under the "restricted" category for foreign investment, our investment into Inner Mongolia Fengzhou Vocational College (including the manner in which such school is held by our Group) is not required to be restructured in accordance with the Current Catalog and therefore, is still not subject to the approval of the Inner Mongolia Commerce Department, since the Current Catalog does not have any retrospective effect and shall not be applicable to our existing investment.

Our Continued Compliance with Relevant Rules and Regulations

Change of Nationality of Mr. Li

As advised by our PRC Legal Advisors, according to Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者並購境內企業的規定》), the corporate nature of a PRC domestic enterprise would not be changed merely because of a subsequent change of nationality of its natural person shareholder(s). As advised by our PRC Legal Advisors, the 5% equity interest held by Mr. Li in Li'ang Industry and Li'ang Education have qualified as domestic investments since their respective time of investments, and in accordance with the aforementioned PRC regulation, the existing investments would remain so qualified even if Mr. Li ceases to be a PRC domestic person.

Voluntary or Passive Equity Transfer to Foreign Investor

As advised by our PRC Legal Advisors, pursuant to PRC laws and regulations, if the equity interests in Li'ang Industry and Li'ang Education held by Mr. Li were to be transferred to a foreign investor (whether voluntarily or passively, including in the event of death of Mr. Li or enforcement by the court, etc.), the approval and/or registration required for such transfer would not be legally granted by the relevant competent PRC authorities and thus, such transfer could not be completed. As advised by our PRC Legal Advisors, any voluntary or passive transfer by Mr. Li of such equity interests to a foreign investor would constitute a new foreign investment after the effective date of the Current Catalog and therefore must comply with the restrictions stipulated under the Current Catalog. As advised by our PRC Legal Advisors, under the Current Catalog, the only permitted form of foreign investment into the PRC "higher education" institution is Sino-Foreign Cooperation (i.e. the establishment of PRC education institutions jointly by foreign education institution(s) on the one hand and PRC domestic education institution(s) on the other hand, where the PRC domestic education institution(s) should play a dominant role in such cooperation). As further advised by our PRC Legal Advisors, because the existing investments into our schools were conducted in the form of Sino-Foreign Investment instead of Sino-Foreign Cooperation, any transfer by Mr. Li of his equity interests in Li'ang Industry or Li'ang Education to a foreign party would not be able to comply with the relevant restrictions under the Current Catalog and the Regulations on Sino-foreign Cooperative Education (《中外合作辦學條例》), and would not be able to legally obtain approvals from relevant competent PRC authorities. Therefore, as advised by our PRC Legal Advisors, Mr. Li's equity interests in Li'ang Industry and Li'ang Education could only be voluntarily or passively transferred to PRC domestic parties pursuant to existing PRC laws and regulations. In the event of death of Mr. Li, our PRC Legal Advisors have advised that, for reasons abovementioned, any successors that are not a PRC domestic party would not be able to legally obtain such equity interests and become shareholders in Li'ang Industry or Li'ang Education, as the case may be, and would be obligated to transfer any such equity interest to a PRC domestic party.

Voluntary or Passive Equity Transfer to PRC Domestic Party

Our PRC Legal Advisors have advised that, if Mr. Li's equity interests in Li'ang Industry or Li'ang Education is voluntarily or passively transferred to a PRC domestic party, such transfer would not involve any foreign investment, and therefore would not subject us to the restrictions and requirements regarding PRC "Higher Education" under the Current Catalog. Accordingly, as advised by our PRC Legal Advisors, such transfer would not affect our continued compliance with the PRC laws and regulations on foreign investment.

Based on the above, our PRC Legal Advisors have advised that, neither the change of nationality of Mr. Li nor any voluntary or passive transfer by Mr. Li of any equity interest held by him in Li'ang Industry and Li'ang Education to a PRC domestic party would affect our continued compliance with the relevant PRC laws and regulations on foreign investment.

Shareholders Resolutions of September 22, 2016

On September 22, 2016, shareholders resolutions (the "Shareholders Resolutions") were passed by the shareholders of Li'ang Industry and Li'ang Education to the effect that all future dividends and distributions of Li'ang Industry and Li'ang Education shall be respectively paid out to Minsheng Education Management and Chongqing Bozhi, both being indirect wholly-owned subsidiaries of our Company, and that Mr. Li has relinquished his right to receive distribution of assets in the event of dissolution of Li'ang Industry and Li'ang Education. Please refer to "— Our Corporate History — Our School Sponsors — Li'ang Industry" and "— Our Corporate History — Our School Sponsors — Li'ang Education" for details of the Shareholders Resolutions.

As advised by our PRC Legal Advisors, the Shareholders Resolutions do not affect the nature of the domestic investment of Mr. Li's 5% equity interests in Li'ang Industry and Li'ang Education and do not affect our full compliance with the Sino-Foreign Investment Holding Restriction and the applicable PRC regulations on the basis that Mr. Li's relinquishment of dividend and distribution rights did not constitute an equity interest transfer under PRC law. As further advised by our PRC Legal Advisors, the Shareholders Resolutions did not affect Mr. Li's legal status as a shareholder of Li'ang Industry and Li'ang Education and do not limit his rights to exercise such other rights generally enjoyed by shareholders in accordance with the PRC Company Law (including, without limitation, the rights to convene shareholders meetings, propose resolutions at shareholders meetings, vote at shareholders meetings and initiate proceedings against improper conduct of directors and supervisors). Accordingly, as advised by our PRC Legal Advisors, upon the taking effect of the Shareholders Resolutions, Mr. Li shall continue to enjoy all such other shareholders' rights (other than the rights to receive dividends and the right to receive asset distributions in the event of any dissolution of Li'ang Industry and Li'ang Education) and therefore Minsheng Education Management and Chongqing Bozhi did not, by virtue of the Shareholders Resolutions, become the respective sole shareholder of Li'ang Industry and Li'ang Education and become directly /indirectly interested in 100% of the school sponsor interest in each of our schools. Accordingly, as advised by our PRC Legal Advisors, the Shareholders Resolutions were not in circumvention of the Sino-Foreign Investment Holding Restriction.

Our PRC Legal Advisors have advised that in the event Mr. Li ceases to be a shareholder of Li'ang Industry or Li'ang Education, the respective Shareholders Resolutions shall remain legal and effective unless they are replaced by new arrangements as agreed by the shareholders of Li'ang Industry and Li'ang education. Our PRC Legal Advisors have further advised that in the absence of any new arrangements (including by way of new shareholders resolutions and amendment to the articles of association of Li'ang Industry or Li'ang Education), the equity interests transferred whether voluntarily or passively shall continue to be subject to the restrictions with respect to the dividends and liquidation distribution as stipulated under the Shareholders Resolutions on the basis that (i) the Shareholders Resolutions remain effective; and (ii) the Shareholders Resolutions have been put on public notice by virtue of the publication of this prospectus and thus, any transferee knows or should know the rights in and the restrictions over the transferred equity interests before the equity transfer.

Where such transferee(s) and the shareholders of Li'ang Industry and Li'ang Education agree to make new arrangement regarding the rights and interests of the equity to be transferred, whether voluntarily or passively transferred, the respective Shareholders Resolutions shall cease to be effective and the shareholders of Li'ang Industry and Li'ang Education shall enjoy the shareholders' rights in accordance with the new arrangements as agreed by them. If such new arrangement as may be agreed among Li'ang Industry or Li'ang Education and their respective shareholders (including by way of shareholders resolutions and amendment to the articles of association) terminate the existing arrangement between the shareholders of Li'ang Industry or Li'ang Education with respect to distribution of dividends and liquidation distribution as set out above such that the transferee of Mr. Li's interest would be entitled to distribution of dividends and liquidation distribution pursuant to such new arrangement, the relevant portion of the profit and equity of Li'ang Industry and Li'ang Education will be attributable to the minority interest held by such transferee in Li'ang Industry or Li'ang Education and the equity of our Company will include a non-controlling interest held by such transferee in Li'ang Industry or Li'ang Education. Please refer to "Risk Factors — Risks Relating to our Ownership Structure — If Mr. Li transfers his equity interests in Li'ang Industry or Li'ang Education, a minority interest may arise and the profit attributable to our shareholders may decrease." for details of the associated risks.

OVERVIEW

We were the tenth largest private provider of higher education in China in terms of total number of student enrollment as of June 30, 2016, according to the Frost & Sullivan report. As of June 30, 2016, we had a total number of student enrollment of 30,616. We primarily provide private formal higher education in China focusing on nurturing professional talent. During the Track Record Period, we owned and operated four schools, namely, Chongqing College of Humanities, Science and Technology, Pass College of Chongqing Technology and Business University, Chongqing Vocational College of Applied Technology and Inner Mongolia Fengzhou Vocational College (Qingcheng Branch).

We provide high-quality education to our students, which is not only reflected in the diversity of the majors and courses we offer, but also in the extensiveness of our collaborative relationships with local businesses and government agencies through which we strive to improve our students' practical training and career prospects. We design our curriculums and introduce and adjust major offerings mainly based on the extensive and on-going market research we conduct to determine the market demand for professional talent and the preferences of potential employers. In addition, we also collaborate closely with business enterprises and government institutions to set up a nurturing learning environment focused on providing practical training opportunities to equip our students with readily applicable skills. Such practical training opportunities include internships, laboratories providing workplace simulation training and participation at external practical training bases we have set up with our school-enterprise collaboration partners. As a result, we have achieved high initial graduate employment rates, with an average of approximately 90.2%, 91.1% and 88.9% for the schools we owned and operated during the 2013/2014, 2014/2015 and 2015/2016 school years, respectively, compared with the overall average initial graduate employment rates of the PRC higher education industry of 77.4%, 77.5% and 77.7%, respectively, as of September 1, 2013, 2014 and 2015 according to the Frost & Sullivan Report. We believe the relatively high initial graduate employment rates we have achieved demonstrates the effectiveness of our education, which we believe will continue to enhance our brand recognition and help us attract talented students.

We employ a comprehensive educational approach and centralized management system to better coordinate our efforts to provide high-quality education services to our students at all of our schools in China in order to adequately prepare them to face the challenges of the job market after graduation. We have implemented a standardized comprehensive educational approach at all of the schools we operate in China to provide well-rounded educational experience, foster a conducive environment for practical training and provide numerous employment opportunities for our students. In addition, through our centralized management system, we provide consistent school administration, supply procurement, teaching resource sharing and campus logistics coverage for all of the schools we own and operate in China.

We have experienced steady growth in our revenue, gross profit and student enrollment during the Track Record Period. Our revenue increased from RMB384.1 million for the year ended December 31, 2013 to RMB402.5 million for the year ended December 31, 2014, and further to RMB426.3 million for the year ended December 31, 2015. For the ten months ended October 31, 2016, our revenue amounted to RMB346.6 million compared to our revenue of RMB329.6 million for the ten months ended October 31, 2015. Our profit for the year increased from RMB185.9 million for the year ended December 31, 2013 to RMB196.3 million for the year ended December 31, 2014, and further to RMB213.5 million for the year ended December 31, 2015. For the ten months ended October 31, 2016, our profit for the period was RMB176.1 million compared to a profit of RMB147.5 million for the ten months ended October 31, 2015. Our overall student enrollment grew from 29,441 as of June 30, 2013 to 32,685 as of October 31, 2016.

OUR COMPETITIVE STRENGTHS

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

We are one of the leaders and a pioneer in the PRC private higher education industry.

We are a provider of private formal higher education in China mainly focusing on nurturing professional talent. According to the Frost & Sullivan Report, we were the tenth largest private provider of higher education in China in terms of the total number of student enrollment as of June 30, 2016. As of the Latest Practicable Date, we operated four schools in the PRC, namely, Chongqing College of Humanities, Science and Technology, Pass College of Chongqing Technology and Business University, Chongqing Vocational College of Applied Technology and Inner Mongolia Fengzhou Vocational College (Qingcheng Branch). As of October 31, 2016, we had an aggregate of 32,685 students enrolled at our schools in the PRC for the 2016/2017 school year. We have experienced steady organic growth during the Track Record Period. Our total number of enrolled students in the PRC increased from 29,441 as of June 30, 2013 to 30,616 as of June 30, 2016, which ranked tenth in China among private providers of formal higher education services, according to the Frost & Sullivan Report. It further increased to 32,685 as of October 31, 2016.

Besides being one of the leaders, we are also a pioneer in the PRC private higher education industry. For instance, Southwest University Yucai College (the predecessor of Chongqing College of Humanities, Science and Technology) and Pass College of Chongqing Technology and Business University were recognized by the MOE as independent colleges in March and December 2013, respectively. Additionally, Chongqing College of Humanities, Science and Technology was the first private school in Chongqing that has met the criteria and been approved by the MOE to be converted from an independent college to an independently organized ordinary undergraduate higher education institution (獨立設置的普通本科學校) in April 2013.

According to the Frost & Sullivan Report, the PRC private higher education industry has substantial room for growth. However, the formal higher education market is still under-served. In China, approximately 37.1% of the college-aged population were enrolled in a higher education institution in 2015, which was substantially lower than certain developed countries in Europe and North America, according to the Frost & Sullivan Report. In addition, as the PRC government is expected to provide stable resources to support formal higher education going forward, private providers of formal higher education are expected to fill in the gap created by increasing market demand and the limitation of government resources dedicated to higher education. Furthermore, according to the Frost & Sullivan Report, there has been a significant imbalance of educational resource allocation between Western China and other more developed regions in the PRC. As the PRC government continues to focus on the economic development of Western China, the demand for professional talent has been and will continue to be on the rise, and there is a substantial growth potential in Western China for well-trained university and junior college graduates. As one of the leaders and a pioneer in the PRC private higher education industry, we believe we have an early-mover advantage to expand our school network, increase market penetration and capture the growth opportunities in the market.

Our schools have received numerous awards and recognitions during the Track Record Period for their excellence in providing high quality education services. For example, in 2010, Pass College of Chongqing Technology and Business University was awarded "National Advanced Private Education Institution" (全國民辦教育先進集體) by China Teacher Development Foundation of the Ministry of Education (教育部中國教師發展基金會). In addition, in 2011, Chongqing College of Humanities, Science and Technology was named "Excellent Private Higher Education Institution in China" (中國民辦高等教育優秀院校) by The Higher Education Professional Committee of China's Non-Government Education Association (中國民辦教育協會高等教育專業委員會). Furthermore, in 2013, Chongqing College of Humanities, Science and Technology was recognized by a PRC education authority as a "National Applied Technology Research Pilot University" (全國應用技術型大學戰略研究試點高校). For more details of the awards and recognitions of our schools, please see "— Awards and Recognitions" of this prospectus.

In addition, we were also able to achieve high initial employment rates for our graduates during the Track Record Period. During the 2013/2014, 2014/2015 and 2015/2016 school years, approximately 90.2%, 91.1% and 88.9% of our graduates, respectively, obtained initial employment after graduation, compared with the overall average initial graduate employment rates of the PRC higher education industry of 77.4%, 77.5% and 77.7% as of August 31, 2013, 2014 and 2015, according to the Frost & Sullivan Report. We believe that our high initial graduate employment rates enhance our reputation, raise our profile within the PRC private higher education industry, and attract talented high school graduates.

We maintain an extensive and effective school-enterprise collaboration business model to provide our students with better training and job prospects.

We believe establishing and maintaining effective school-enterprise collaboration relationships is essential for the schools we own and operate to provide additional practical training to our students and improve their job prospects. Our school-enterprise collaboration programs endeavor to nurture well-trained talents and integrate theoretical learning with skill-oriented practices. We aim to satisfy the needs of the local labor market and establish close interaction with businesses and government agencies, as well as other social organizations. We have established a centralized management system through which we consistently manage certain aspects of the schools we operate, including, among others, school administration, supply procurement, market research, teaching resource sharing and campus logistics, with the ultimate aim of enhancing the overall quality of our education services.

Through these collaborative relationships with potential employers, our students have access to abundant training and employment opportunities. During the Track Record Period, we had maintained such relationships with many corporate and governmental institutions in the PRC, including well-known companies, institutions and local government agencies. For example, since the 2015/2016 school year, Chongqing College of Humanities, Science and Technology has set up a joint program with ZTE Corporation Co., Ltd. (中興通訊股份有限公司) ("ZTE") focusing on information and communication technology. Students enrolled in the program are exposed to a combination of academic teaching and practical learning. The instructors for practical training courses are mainly teachers employed by a third-party management agent of ZTE. We rely on the school-enterprise collaboration model to formulate and design applicable curriculums and practical programs in order to bring the latest technological developments as well as first-hand practical knowledge to our students. We have also cooperated with our school-enterprise collaboration partners to set up external practical training bases where our students can attend additional real workplace training projects and internship opportunities. For details of our school-enterprise collaboration programs at each of our schools, please see "— Our Schools" in this prospectus. To further expand the employment opportunities available to our students, we have also organized a number of local career recruitment fairs at our schools during the Track Record Period where we invite potential employers to meet with our graduating students.

We offer market-oriented, comprehensive and diversified majors and curriculums to our students.

Our primary educational goal is to further enhance our students' interest in learning and promote their well-being. We are committed to providing high-quality private higher education to our students in the PRC, including both formal university education and higher vocational education. We have dedicated our resources to developing comprehensive and diversified curriculums encompassing a broad range of practical major offerings. We believe these majors and curriculums will be instrumental in equipping our students with readily applicable and practical skills that enable them to meet the demand of a rapidly evolving labor market. We generally create and regularly update major offerings at our schools by conducting thorough research to identify under-served segments of the labor market. We also closely follow evolving requirements of professional talent sought after by potential employers, including both enterprises and government agencies.

Based on our extensive market research, we carefully design the curriculums for our majors. In addition to providing theoretical courses, we try to maximize the time students spend on practical training and internships during each semester. For instance, at Chongqing College of Humanities, Science and Technology, we tailor specific majors with an appropriate post-graduation outlook to include as many courses focusing on practical training as we can, such as software engineering, law and nursing majors, so that students can gain necessary knowledge and skills that can be readily applied in the work place upon graduation. Within the parameters of the curriculums we set, our teachers usually are permitted to use teaching materials and textbooks designed and published by our teachers, subject to school approval. We also regularly review and adjust our major and course offerings according to changes in the labor market. For example, during the Track Record Period, after conducting thorough market research, we have created majors of hotel management, architectural design, computer software engineering and mechanical and electrical engineering at Chongqing College of Humanities, Science and Technology that we believe have good job prospects. To further improve our curriculums, we have entered into cooperative relationships with selected private enterprises and local government agencies with respect to a variety of the majors we offer, including, among others, information technology, hotel and management, pre-school education and nursing, to leverage on their first-hand practical knowledge in course design and experienced industry expert teams in course teaching.

As a result of the above-mentioned measures, we boast a wide selection of fields of concentration for our students. For details of the majors we offer at each of our schools, please see "— Our Schools" in this prospectus. We believe these diverse and highly practical programs and curriculums allow us to improve our students' job prospects and prepare them for the fast evolving demands of the PRC labor market. We believe our high-quality education allows us to draw talent from a large pool of students, which enables us to maintain a strong and stable student pipeline for our schools.

Our ability to provide a combination of a conducive learning environment and high teaching quality has enabled us to achieve high initial graduate employment rates.

In order to help our students achieve high initial employment rates post-graduation, we believe a conducive learning environment, high-quality teaching staff, robust education quality control and cooperative relationships with potential employers are all essential contributing factors.

We have dedicated substantial resources to establishing a nurturing educational environment equipped with numerous teaching hardware and software. Our classrooms and laboratories are well-equipped for particular majors to facilitate in-class skill development. They are set up for, among others, accounting, tax, computer science and architecture design majors. In addition to classrooms and laboratories, we also cooperate with our school-enterprise collaboration partners to set up external practical training bases outside our schools in collaboration with various enterprises and institutions to provide additional practical training opportunities to our students. These external practical training bases generally offer participating students relevant workplace skills training. For the years ended December 31, 2013, 2014 and 2015 and the ten months ended October 31, 2016, our expenditure on property, plant and equipment, which mainly comprised of our expenditure on teaching buildings and equipment, amounted to RMB84.2 million, RMB48.5 million, RMB51.0 million and RMB53.0 million, respectively.

We believe the quality of our teaching staff is paramount to the high standards of educational services we provide. We have applied high standards and procedures when hiring teachers to ensure that all of our teachers possess high levels of professional expertise and/or relevant teaching experience. We believe some of our teachers have extensive work experience in the relevant fields, which enables them to understand what employers prefer, which in turn allows them to design practical curriculums and employ appropriate teaching methods that we believe are tailored to provide sufficient practical training to our students. As of June 30, 2013, 2014, 2015 and 2016 and October 31, 2016, we had an aggregate of 953, 883, 883, 947 and 1,090 teachers, respectively. As of October 31, 2016, 573 teachers had obtained master's degrees or above, representing approximately 52.6% of our total teaching staff. A number of our teachers were considered "dual-qualified teachers," who have both teaching experience and have worked or are currently working in the relevant industries. We also provide mandatory and on-the-job training programs for newly hired teachers, as well as continuing training courses for existing teachers, so that our teachers are able to keep abreast of industry developments and understand what practical skills are sought after by employers, which allows them to incorporate such relevant knowledge in their lectures and training classes.

In addition to the quality of our teaching staff, we believe continuous teacher performance review and student feedback are also important factors in maintaining the high quality of our education services. We have also set up rigorous performance evaluation systems for our teaching staff across all of our schools. Our teachers are subject to periodic assessments conducted by school principals and administrators, which include in-class observations and evaluations of our teachers' preparation and the effectiveness of their classroom instruction. As part of the evaluation process, we believe student feedback is essential and we encourage our students to complete teacher satisfaction surveys at the end of each semester and/or school year. We consolidate student feedback and suggestions into our teaching staff assessments as well as curriculum improvements. We rely on this comprehensive quality control system to ensure we maintain the high quality of our education services and to continuously work to improve our students' academic results and job prospects.

Through a centralized and prudent management system, we have established a highly scalable business model.

We believe our centralized management system enables us to maintain a highly scalable business model. Through our centralized management system, we consistently manage various aspects of the schools we operate in China, which allows us to conduct our business operations across regions while effectively controlling our operating costs. For all of the schools we operate, we centralize our market research efforts in connection with majors and curriculums design at each school. We also centralized the procurement of equipment and other educational supplies for all of our schools. In addition, in order to maintain the high quality of our educational services, our schools also share teaching resources among themselves. For example, we have a short-term rotational program for teachers to teach certain courses at other institutions within our school network. Our school principals also regularly share operating experiences, such as discussions to optimize majors and curriculums.

In addition, we have established cooperation between our schools in the PRC and the school we have invested in overseas, namely, Hong Kong Nang Yan College of Higher Education. For instance, Chongqing College of Humanities, Science and Technology entered into an agreement with Hong Kong Nang Yan College of Higher Education on September 21, 2016, pursuant to which the two schools may engage in one or more of the three possible cooperation models in accordance with applicable PRC laws and the result of student recruitment for such program in order to offer certain ACCA-related courses to domestic and qualified students at Chongqing College of Humanities, Science and Technology. In addition to Chongqing College of Humanities, Science and Technology, Pass College of Chongqing Technology and Business University also entered into a similar agreement with Hong Kong Nang Yan College of Higher Education on September 21, 2016 to offer ACCA-related courses. For details of these programs, please refer to "— Our Schools — Chongqing College of Humanities, Science and Technology" and "— Our Schools — Pass College of Chongqing Technology and Business University" in this prospectus. We believe our highly scalable business model and centralized management help us integrate our resources, achieve economies of scale, lower our operating costs and serve a large and growing student population while maintaining consistent educational quality and standards, presenting significant competitive advantages to us.

We have invested in schools overseas and developed cooperative relationships with international institutions to propel our business expansion.

During the Track Record Period, we have invested in Beacon International College in Singapore, a private education institution providing higher education to students, and Hong Kong Nang Yan College of Higher Education in Hong Kong, a private-degree granting higher education institution, through which we have gained valuable educational experience overseas. As of the Latest Practicable Date, we owned approximately 25.6% equity interest in Beacon International College and were one of two members of Hong Kong Nang Yan College of Higher Education, which is a company limited by guarantee established under the laws of Hong Kong. We invested in these schools primarily because we intended to (i) introduce advanced curriculums and teaching methods into our schools in Chongqing and Inner Mongolia to bolster our education quality; (ii) strengthen the reputation and brand name of our schools; and (iii) create more exchange opportunities for our students in the PRC.

Besides investing in overseas education institutions, we have also entered into various cooperative opportunities with institutions and enterprises during the Track Record Period. Through this cooperation, we believe we are able to adopt and implement advanced educational content and course customization and design capabilities into our schools, which we believe will enhance the overall quality of our educational services and the attractiveness of our schools. For instance, in August 2016, Chongqing College of Humanities, Science and Technology became one of the first 14 higher education institutions in the PRC to participate in the "double-100" pilot program advocated by the MOE (中美雙百項目), pursuant to which the participating schools from China are encouraged by the MOE to establish cooperative relationships with education institutions and enterprises in the United States within the next five years in order to import and refine advanced curriculums and teaching methods relating to applied arts and technologies and develop competitive and innovative major offerings.

We have an experienced and proven management team with considerable expertise and strong reputation.

We have an experienced and proven management team with extensive knowledge and experience in the PRC private education industry. We believe that our management team's extensive education and management experience has provided us with valuable industry insight and expertise, which ensures our efficient business operations and strengthens our brand name and reputation as the tenth largest private higher education service provider in the PRC.

Our management team consists of our executive Directors and senior management. Our Board is responsible for the overall management and strategic development of our Group. Our Founder, Chairman of the Board and executive Director, Mr. Li Xuechun (李學春), has more than 10 years of experience in the education industry in China. In addition, Mr. Li serves as a representative of the Science Education Culture Health and Sport Commission of the Chinese People's Political Consultative Conference (全國政協科教文衛體委員會), and has been recognized as a "national education industry model worker" (全國優秀教育工作者).

Ms. Zhang Weiping (張衛平), our executive Director and Chief Executive Officer, has over 15 years of experience in the PRC private education industry. She was also a vice chairwoman of the Higher Education Commission of the China Non-Government Education Association (中國民辦教育

協會高等教育專業委員會) in 2011. Mr. Zuo Yichen (左熠晨), our executive Director and Vice President, has more than 14 years of experience in banking practice. Mr. Zuo was a Letter of Guarantee Expert certified by Chamber of Commerce China* (中國國際商會) from June 2012 to May 2014, and has obtained the certificate of Certified Treasury Professional ("CTP") from the Association for Financial Professionals in June 2014. He has been a Certified Anti-Money Laundering Specialist ("CAMS") charter-holder since November 2015. In addition, Mr. Lam Ngai Lung (林毅龍), an executive Director and Chief Financial Officer, has more than 15 years of experience in the field of accounting, finance and mergers and acquisitions. Mr. Lam obtained the Postgraduate Certificate in Professional Accounting from the City University of Hong Kong. Mr. Lam has been a member of the Hong Kong Institute of Certified Public Accountants since 2004 and a Chartered Financial Analyst ("CFA") charter-holder since 2005. For details of the relevant experience of our Directors and senior management, please refer to the section headed "Directors and Senior Management" in this prospectus.

In addition, each of our schools' day-to-day management is handled by its principal, who is assisted by several vice principals, each of whom is responsible for one or more specific aspects of the school's operations, such as educational curriculum, student admissions, securities and logistics, student affairs and human resources. The principals of our schools are dedicated and experienced educators.

OUR BUSINESS STRATEGIES

We intend to solidify our position as the tenth largest private provider of formal higher education in China focusing on nurturing professional talent and further expanding our school network across the PRC and overseas. To achieve this goal, we plan to pursue the following business strategies:

Expand our school network coverage by carefully selecting suitable acquisition targets or cooperation partners.

We intend to expand our school network primarily through acquiring existing schools and/or establishing new schools, including by cooperating with other school sponsors to establish new schools. In particular, we generally prefer to expand our school network by acquiring schools that have established a direct ownership structure prior to the Current Catalog becoming effective on April 10, 2015. However, we would also consider acquiring existing high-quality higher education institutions and secondary vocational schools and/or establishing new schools through an arrangement involving the use of Structured Contracts where a direct ownership structure would not be available. Specifically, we plan to adopt the following measures:

- *Expansion in PRC higher education industry.* We plan to acquire schools that offer higher education with relatively low existing utilization rates and/or have substantial growth potential in China. In terms of preferred locations, we plan to acquire existing schools in certain well-developed areas in Southeastern China as well as other major cities in Western China. We believe that expanding our school network in well-developed areas in Southeastern China will enhance our profile and raise the brand recognition of our schools and our Group nationwide. In addition, driven by the fast increasing demand for private higher education in large cities in Western China, we intend to leverage our existing regional school network and operational experience to further increase the number of student enrollment. As advised by our PRC Legal Advisors, if our Group is the transferee of the equity interest directly and/or indirectly held by the foreign investor in an existing school, which has legally established a direct ownership structure through Sino-Foreign Investment prior to the Current Catalog and as long as the proposed acquisition does not exceed the proportion of the original direct and indirect foreign holding of the equity interest in such school, such change in the existing direct ownership structure upon acquisition by our Group would be in compliance with the Former Catalogs. Such direct ownership structure of the relevant school belongs to the existing Sino-Foreign Investment that has been permitted by and was legally formed in accordance with the Former Catalogs, and such change in the existing direct ownership structure upon acquisition by our Group would not trigger the need to comply with the requirements under the Current Catalog on the basis that (i) the foreign investment catalogs regulate the entry of foreign investment, and acquisition by our Group in the above manner does not constitute a new entry of foreign investment after the effective date of the Current Catalog and therefore would not be subject to the Current Catalog; and (ii) there are no provisions under the existing PRC laws and regulations that require additional compliance with the latest restrictions in the Current Catalog, provided that our Group's acquisition does not exceed the proportion of the original direct and indirect foreign holding of the equity interest in the such school and therefore, does not constitute a new entry of foreign investment after the Current Catalog became effective on April 10, 2015;

- *Expansion overseas.* Given our prior experience in investing in schools in Singapore and Hong Kong, we have accumulated a certain degree of overseas school operational and management experience. We plan to further expand internationally by acquiring existing schools or establishing new schools overseas; and

- *Expansion in PRC secondary vocational education industry.* While our core business focus is providing higher education to students, in order to optimize our business synergy and to effectively supplement our primary business in light of the currently favorable regulatory environment applicable to secondary vocational education, we also plan to acquire existing schools and/or establish new schools that focus on providing secondary vocational education to students, which offer particular majors that we believe, based on market research, are currently in high demand in the labor market and with potential positive prospects for student enrollment and development. Certain provincial/municipal governments in the PRC, including the provincial government of Shandong, have promoted the importance of vocational training and encouraged secondary vocational students, upon graduation, to continue their studies directly in higher vocational programs (i.e., "3+2" program) or undergraduate programs (i.e., "3+4" program), which, we believe, will result in an increase in the number of more qualified graduates with professional skills to satisfy local social and economic development. We are of the view that this strategy is a natural extension of our primary business focus that will complement our existing business.

  To carry out this strategy, we have entered into a cooperative relationship with the Education Bureau of Laoling, Dezhou, Shandong Province, which operates Laoling Secondary Vocational and Technical School, in July 2016. We have established a new secondary vocational school in Laoling in September 2016, through which we will operate Laoling Secondary Vocational and Technical School based on an entrustment management arrangement, which will become enforceable once it is approved by and/or filed with the relevant local government authorities. On October 18, 2016, the Education Bureau of Dezhou has approved such entrustment management arrangement. As of the Latest Practicable Date, we have not yet completed the filing of such arrangement with the People's Government of Dezhou. For further details regarding this school and the entrustment management arrangement, please see "—Expansion Plan" and "—Proposed Entrustment Management Arrangement" in this prospectus.

We currently own the schools in our network through foreign investment and direct equity ownership structure as permitted by the then-applicable PRC laws and regulations, in particular the Foreign Investment Catalog. For further details about the legality of our direct equity ownership structure, please refer to the sections headed "Regulatory Overview" and "History and Corporate Structure" in this prospectus. With respect to new schools we plan to establish or existing schools in the PRC we intend to acquire in the future, to the extent permitted by applicable PRC laws and regulations and the competent government authorities, we prefer to continue to use a similar equity ownership structure if foreign ownership in such new schools is permitted under the then-applicable PRC laws. However, in the event foreign ownership in such schools is restricted or prohibited under the then-applicable PRC laws, in order to consolidate the financial results of such schools into our Group, we intend to control such schools through an arrangement involving the use of Structured Contracts. We will comply with the requirements of the Listing Rules, in particular, the requirements of Chapters 14 and 14A of the Listing Rules, in respect of any such acquisitions or investments and any Structured Contracts we enter into in connection with such acquisitions or investments.

While it is our preference to target schools where a direct ownership structure is available, our Directors believe it is in our best interest not to categorically exclude schools from acquisition consideration if they require us to adopt the arrangement involving the use of Structured Contracts in order to maximize our opportunities to identify and pursue suitable schools that complement our existing business and create a synergetic effect to our operations. In the event we must adopt an arrangement involving the use of Structured Contracts when establishing new schools and acquiring existing schools, we could be exposed to certain risks, including, but not limited to, the risks that it may not comply with applicable PRC laws and regulations and that it may not allow us to effectively control such school as compared to direct ownership. For details of these risks, please refer to the section headed "Risk Factors — Risks Relating to Our Ownership Structure" in this prospectus.

In addition, pursuant to the Foreign Investment Catalog and the Sino-Foreign Regulation, the foreign investor in a Sino-Foreign Cooperation school offering higher education services must be a foreign education institution with relevant qualification and experience (the "Qualification Requirement"). During the Track Record Period, we have invested in Beacon International College in Singapore and Hong Kong Nang Yan College of Higher Education in Hong Kong. As of the Latest Practicable Date, we directly owned approximately 25.6% equity interests in Beacon International College, with the option to purchase up to an aggregate 51.0% of the equity interest in the school, and were one of the two members of Hong Kong Nang Yan College of Higher Education. As advised by our PRC Legal Advisors, the aforesaid steps taken by us were reasonable and appropriate to comply with the Qualification Requirement, subject to confirmations from relevant education authority at local level relevant to any school we may establish or acquire in the future. We intend to seek relevant legal advice to ensure that the relevant structure adopted for any newly established or acquired schools in the future will comply with the relevant PRC laws and regulations, and the Stock Exchange's requirements in respect of an arrangement involving the use of Structured Contracts.

When conducting our analysis regarding potential acquisition targets, we will primarily consider the following criteria: (i) location — whether the schools are located in Southeastern China, other major cities in Western China or overseas; (ii) type of education institution — whether the target is a higher education institution, secondary vocational school or overseas school with advanced curriculums and reputation; (iii) scale — for domestic higher education institutions and secondary vocational schools, we will generally consider schools with existing student enrollment between 6,000 and 10,000 and 3,000 and 6,000, respectively. For overseas education institutions, we will seek to identify schools with student enrollment between 1,000 and 3,000; and (iv) other factors, such as acquisition price, student enrollment growth potential and ownership structure. We will carefully evaluate these factors based on a totality of circumstances in order to identify the most suitable acquisition target(s) for our expansion.

According to the Frost & Sullivan Report, in 2015, there were 175 private higher education institutions in Western China, including 91 private universities and 84 private junior colleges. Approximately 50% of these schools each of which had student enrollment of at least 6,000. In the same year, there were 196 private higher education institutions in Southeastern China, including 105 private universities and 91 private junior colleges. Approximately 60% of these schools each of which had a total number of student enrollment of at least 6,000. These schools may include schools that adopted direct ownership structure prior to the Foreign Investment Catalog becoming effective on April 10, 2015 and those that would require us to adopt the arrangement involving the use of Structured Contracts upon acquisition. In addition, according to the Frost & Sullivan Report, in 2015, there were 2,225 private secondary vocational schools in China and approximately 8% of such schools had student enrollment of at least 3,000. In line with our expansion strategy, our Directors are of the view that these schools comprise a list of potential acquisition targets we would consider pursuing in the future. However, as of the date of this prospectus, we have not identified any specific acquisition targets. We intend to apply the above-mentioned criteria to identify potential suitable acquisition targets and plan to carry out one or more acquisitions in the next three years. The completion timetable depends on the duration of the vetting/approval process.

Continue to expand our business operations in our existing schools and diversify our revenue sources.

We intend to expand the scale of our business operations in our existing schools and diversify our revenue primarily through the following measures:

- *Optimize major offerings*. To make our curriculums more attractive to students, we plan to continue to optimize the majors we offer at each of the schools we operate based on market demand. Unlike traditional undergraduate programs, which usually take students four years to complete, we offer certain majors, such as the architecture major, which requires students to study one or more additional years. We intend to increase the student enrollment in this major so that we can expedite our revenue growth and improve revenue visibility. Moreover, we plan to add majors that are in high demand based on our research of the local job market in Chongqing, such as the majors related to new energy and information and communications, to attract more students. We also aim to (i) provide more training programs for our nursing students at Chongqing College of Humanities, Science and Technology by establishing a campus hospital in 2017; and (ii) expand our dedicated preparatory education program (預科教育) for ethnic minority students at Chongqing College of Humanities, Science and Technology through the increase of our student recruitment efforts. We regularly review and analyze the evolving market demand and student enrollment so that we can adjust the majors we offer accordingly;

- *Offer undergraduate studies to graduates of junior college programs.* In China, junior college graduates who are interested in applying for undergraduate programs are required to take a provincial examination administered by the local education authority. Qualified students can enroll at particular universities based on their examination results and their applications. We have obtained necessary approvals from the relevant PRC regulatory authorities for Chongqing College of Humanities, Science and Technology to participate in this program and enroll qualified students who have passed such examination. We may, in the future, apply for and obtain approval for certain of our other schools to participate in such program if and when they meet criteria to offer undergraduate studies to graduates of junior college programs, which we believe will enhance our reputation and add an additional important revenue source; and

- *Offer postgraduate education.* We have obtained approval from the Chongqing Education Commission for Chongqing College of Humanities, Science and Technology as an education pilot unit (碩士專業學位研究生教育試點單位) to offer professional postgraduate studies in certain majors to qualified undergraduate students, including master's degrees. In the 2013/2014, 2014/2015 and 2015/2016 school years before we had obtained such approval, certain graduates from the school went on to seek professional postgraduate education in other universities in the PRC after graduation. Upon approval of the relevant education authorities, Chongqing College of Humanities, Science and Technology can offer professional postgraduate education programs and allow both our own graduates and the graduates from other universities to enroll in postgraduate programs, which we believe will create another meaningful additional future revenue source.

Continue to strengthen our school-enterprise collaboration business model.

To improve our competitiveness, we aim to continue to improve our school-enterprise collaboration business model. Our schools have entered into cooperative relationships with numerous leading and reputable enterprises and institutions in a variety of industries, including travel, telecommunications and medical sectors. Pursuant to these cooperative arrangements, our schools collaborate closely with these enterprises and institutions to formulate and design applicable curriculums and practical programs for our students. Some of our schools have also maintained and developed cooperative relationships with selected local government agencies, including law enforcement and tax bureaus in order to assist our graduates to obtain initial employment in the public sector. We plan to further expand our coverage to other reputable and industry-leading organizations and deepen our relationships with local government authorities. Furthermore, the school-enterprise business model allows us to tap into a large pool of industry experts to teach in our schools either on a full-time or part-time basis and, thereby, provide our students access to enhanced hands-on learning.

We have set up and plan to continue to expand short-term training services for the employees of our various school-enterprise partners to expand our revenue streams. As of the Latest Practicable Date, we have established training programs for employees of enterprises and local government agencies, such as the local tax bureaus, who are our school-enterprise collaboration partners.

We also aim to leverage on a large and growing alumni network to further explore school-enterprise collaboration opportunities, which we believe will knit closer ties between us and our existing and potential partners and thereby, provide additional internship and employment opportunities for our students.

Expand our service offerings and optimize our pricing.

The level of tuition fees and boarding fees we charge is a significant factor affecting our profitability. Historically, we have kept our tuition fee rates at levels we believe are competitive in order to attract more students and thereby, increase our student enrollment and market share. 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 talented students. According to applicable local regulations in Chongqing, requests to raise tuition fees must be approved by the relevant local government authority. In addition, according to the relevant local regulations in Hohhot, Inner Mongolia, tuition fee raises are generally not subject to any regulatory limitation, and no filing with or government approval from the relevant local government authority is required for such raises. During the Track Record Period, we have increased our tuition fees at certain of our schools, which we believe were commensurate with the improved quality of education we provided. For details of the tuition fee raises involving the schools we own and operate during the Track Record Period, please see "— Our Schools" in this prospectus.

Historically, we have engaged Independent Third Parties to provide certain value-added services to our students, such as meal catering services and medical clinics. To improve the quality of such services and to further diversify our revenue sources, we intend to internalize certain or all of such services. For example, we have begun to internalize the operation of our meal catering services in 2016, which have been mainly provided by Independent Third Parties during the Track Record Period. As of the Latest Practicable Date, we operated seven canteens at our schools, and we expect to further internalize the operation of the remaining canteens after the existing outsourcing agreements expire. In addition, for students and staff at Chongqing College of Humanities, Science and Technology, we plan to transfer routine check-up and other basic medical services from outsourced medical clinics to a campus hospital at Chongqing College of Humanities, Science and Technology, which is currently under preparation for construction and we expect to legally set up the hospital in 2017, subject to the approval of the relevant PRC regulatory authorities. Such campus hospital will not provide any medical services to the public. We believe the internalization of these services will expand our service offerings to students. For risks associated with the campus hospital, please see "Risk Factors — Risks Relating to Our Business and Our Industry — We may not be able to successfully set up a campus hospital at Chongqing College of Humanities, Science and Technology in 2017 to provide, among other things, routine check-up and other basic medical services to students and faculty at the university, and may experience various difficulties and challenges in our operations of such campus hospital" in this prospectus.

In addition, most of our courses are currently taught in a traditional class-room setting along with student participation at laboratories. In light of the rapid growth of the Internet and the distinct trend to shift a variety of teaching services online, we intend to invite industry experts and renowned educators to give lectures through online platforms operated by licensed Independent Third Parties to our students. Teachers at each school will organize discussions, classwork and homework in connection with these lectures. We believe the model of combining online lectures from Independent Third Parties with classroom instructions at our schools will provide additional access channels for our students to connect with and learn from industry experts.

Further advance our brand, reputation and school network internationally.

During the Track Record Period, we have invested in schools in Singapore and Hong Kong to gain valuable overseas educational experience through various collaboration programs with our schools in the PRC, such as the ACCA programs. Going forward, we aim to foster closer business ties with schools and education institutions located in Australia, the United Kingdom and Switzerland. We plan to engage in cooperative relationships with institutions in these regions so that we can, together with them, discover and adopt innovative teaching methods and exchange ideas on the design and formulation of appropriate curriculums and programs. Through these initiatives, we believe we will be able to adopt more advanced educational philosophies, design comprehensive curriculums and implement effective teaching methods at certain of our schools in the PRC to improve the quality of the educational services we provide.

In August 2016, Chongqing College of Humanities, Science and Technology was selected to be one of the first 14 higher education institutions in the PRC to participate in the "double-100" pilot program advocated by the MOE. We intend to further expand the collaboration at Chongqing College of Humanities, Science and Technology to develop closer business relationships with American counterparts, which we believe will enhance our attractiveness to students and improve the reputation of such school and our Group in China and overseas.

Furthermore, as we continue to expand our school network both domestically and overseas, we believe it is essential to provide our students with exposure to various cultures and opportunities to seek overseas education. Accordingly, we plan to explore partnership opportunities with reputable overseas higher education institutions and set up joint-degree and/or dual-diploma programs with our schools, among other things.

Continue to improve the quality of our teachers.

The quality of our education services largely depends on our teachers. We intend to continue to improve the overall quality of our teaching staff and build a first-rate faculty team. To achieve this objective, we intend to expand our team of "dual-qualified teachers" and recruit well-recognized technical experts, experienced business administrators and other highly skilled personnel to teach at our schools on either a full time or a part time basis. We will continue to apply high teacher recruitment standards, including favoring teaching candidates with master's degrees or above who also possess adequate and relevant prior work experience. To further improve the quality of teaching, we plan to refine our educational quality control systems of our schools by maintaining rigorous teacher performance standards at these schools. These evaluations will continue to involve periodic performance reviews, which will include students' teacher satisfaction surveys on a more regular basis and more thorough teaching supervisors' evaluations of our teachers' preparation and the effectiveness of their classroom instructions.

OUR EDUCATIONAL PHILOSOPHY

Our fundamental educational philosophy is "to emphasize both theoretical learning and practical training in order to offer a perfect fusion of knowledge and practical experience" (理實並重，知行合一). We are focused on providing high-quality private higher education to allow our students to develop their full potential and to equip them with practical and readily applicable skills. Our mission is to build a competitive private educational brand in China with industry leadership and international recognition. We adhere to our core values of kindness, excellence, entrepreneurship and innovation to achieve future success and improve people's livelihood.

OUR SCHOOLS

Overview

We currently own and operate four schools in the PRC, namely, Chongqing College of Humanities, Science and Technology, Pass College of Chongqing Technology and Business University, Chongqing Vocational College of Applied Technology and Inner Mongolia Fengzhou Vocational College (Qingcheng Branch). The details of the schools we operate are as follows:

- *Chongqing College of Humanities, Science and Technology* — a formal university-level education institution located in Chongqing, the PRC, which provides formal undergraduate education and junior college education. It also offers preparatory education (預科教育) to qualified ethnic minority students. It offers approximately 35 majors in a wide range of subject areas;

- *Pass College of Chongqing Technology and Business University* — an independent college located in Chongqing, the PRC, which provides formal undergraduate education and junior college education. It offers approximately 20 majors;

- *Chongqing Vocational College of Applied Technology* — a formal higher education institution located in Chongqing, the PRC, providing junior college education in approximately 18 majors; and

- *Inner Mongolia Fengzhou Vocational College (Qingcheng Branch)* — a formal higher education institution located in Inner Mongolia, the PRC, that primarily provides junior college education in approximately 14 majors.

Our Board is generally responsible for approving the adoption of relevant school management policies and making important corporate decisions involving the schools we own and operate, including matters relating to the school assets, liabilities, investments, acquisitions and operations. Our Board decides and appoints our representatives of the boards of directors of the schools we own and operate, and the boards of directors of the schools, which are the decision making bodies of such schools, designate the principals of these schools to manage their daily affairs. These principals are 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, student career placement, security and logistics, student affairs and human resources. The principals of the schools report directly to the boards of directors of the schools whose members include, but are not limited to, our Chairman and other Directors of our Company. We believe this management structure allows us to maximize the capability of our educators and administrative personnel to enhance the quality of education we provide.

Student Enrollment and Capacity

During the course of our operations, we have sought to capture the opportunities in the areas we operate in terms of the demand for specialized technical talent. As a result, we have experienced steady growth in student enrollment during the Track Record Period. As of October 31, 2016, we had an aggregate of 32,685 students enrolled at the schools we own and operate in the PRC. We employed an aggregate of 1,090 teachers as of October 31, 2016.

The following table sets forth information relating to the student enrollment for each of the schools we own and operate as of the dates indicated:

	Number of Student Enrollment(1)				
	School Year				
School	**2012/2013**	**2013/2014**	**2014/2015**	**2015/2016**	**2016/2017(2)**
Chongqing College of Humanities, Science and Technology					
Bachelor's degree program	16,173	16,762	17,013	16,818	16,528
Junior college program	1,575	742	508	953	1,248
Preparatory program	413	408	541	656	977
School Subtotal	18,161	17,912	18,062	18,427	18,753
Pass College of Chongqing Technology and Business University					
Bachelor's degree program	7,185	7,945	8,617	8,966	8,929
Junior college program	677	588	744	929	1,008
School Subtotal	7,862	8,533	9,361	9,895	9,937
Chongqing Vocational College of Applied Technology(3)	1,974	1,823	1,559	1,355	2,376
Inner Mongolia Fengzhou Vocational College (Qingcheng Branch)(3)	1,444	764	644	939	1,619
Total	29,441	29,032	29,626	30,616	32,685

Notes:

* The student enrollment information during the Track Record Period was based on the official records of the relevant PRC education authority or the internal records of the schools we own and operate, as the case may be.

(1) Despite the fact that our financial year ends on December 31, our school year generally ends in late June/early July. For consistency purposes, we use June 30 to present our business operating data in this prospectus.

(2) Student enrollment for the 2016/2017 school year was as of October 31, 2016.

(3) We believe the number of student enrollment decreased from the 2012/2013 school year to the 2015/2016 school year for Chongqing Vocational College of Applied Technology and from the 2012/2013 school year to the 2014/2015 school year for Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) mainly because the approvals in respect of the new majors we applied to offer at these schools, such as pre-school education and automotive inspection and repair services majors at Chongqing Vocational College of Applied Technology and a nursing major at Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) (all of which are included in the Vocational Majors Directory), were not granted in a timely manner by the relevant PRC education authorities. According to the applicable PRC regulations, schools are required to first (i) make a filing with the MOE prior to offering new majors included in the College and University Majors Directory; and (ii) obtain approval from the MOE prior to offering new majors not included in the College and University Majors Directory or those that are designated as state-controlled undergraduate majors. In addition, schools must first (i) make a filing with the PRC education authorities at the provincial level prior to offering new higher vocational education (specialist) majors; and (ii) obtain approval from the MOE prior to offering state-controlled higher vocational majors. The timing and results of the acceptance of the filing or approval are often unpredictable. Please refer to "Regulatory Overview —Regulations on Private Education in the PRC — Regulations on Establishment of Majors in Colleges and Universities" in this prospectus for more details. There is no assurance whether or when such government authorities will provide approval or accept the filing. For example, we first applied to offer a pre-school education major, which is a state-controlled higher vocational education major, and an automotive inspection and repair services major at Chongqing Vocational College of Applied Technology in 2013 and 2014, respectively, but did not receive the approvals until March 2016. Similarly, we applied to offer a nursing major, which is a specialist higher vocational major requiring consent from the provincial health departments prior to obtaining approval from the competent PRC education authorities, at Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) in 2013 and only received approval in early 2016. Without obtaining regulatory approval or making the filings necessary to establish new majors, we could not offer the new majors to students as scheduled, which may directly impact the number of student enrollment for the relevant school year and therefore, affect the anticipated revenue of the school for the relevant school year. Please see "Risk Factors — Risk Relating to Our Business and Our Industry — 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." Therefore, we believe the delays had caused reduced student interest and inclination to enroll at these schools during the relevant periods. However, when such new majors are approved, we believe new student enrollment should increase.

The following table sets forth information relating to the student capacity and utilization rate for each of the schools we operate for the school years dates indicated:

	Student Capacity[(1)(2)]					School Utilization Rate[(1)] (%)				
	School Year					School Year				
School	2012/ 2013	2013/ 2014	2014/ 2015	2015/ 2016	2016/ 2017[(3)]	2012/ 2013	2013/ 2014	2014/ 2015	2015/ 2016	2016/ 2017[(3)]
Chongqing College of Humanities, Science and Technology	21,877	21,877	21,877	21,877	21,877	83.0	81.9	82.6	84.2	85.7
Pass College of Chongqing Technology and Business University	8,104	9,600	9,600	11,160	11,160	97.0	88.9	97.5	88.7	89.0
Chongqing Vocational College of Applied Technology	2,748	2,748	2,748	2,748	2,748	71.8	66.3	56.7	49.3	86.5
Inner Mongolia Fengzhou Vocational College (Qingcheng Branch)	1,986	1,986	1,986	1,986	1,986	72.7	38.5	32.4	47.3	81.5
Total	34,715	36,211	36,211	37,771	37,771	84.8	80.2	81.8	81.1	86.5

Notes:

* The student capacity information during the Track Record Period was based on the internal records of the schools we own and operate.

(1) Despite the fact that our financial year ends on December 31, our school year generally ends in late June/early July. For consistency purposes, we use June 30 to present our business operating data in this prospectus.

(2) All of our schools are boarding schools. In addition, the capacity for student enrollment at each of our schools is restricted by the approximate number of beds available in student dormitories and the student enrollment quota approved and adjusted by the relevant PRC education authorities.

(3) Student capacity and utilization rate for the 2016/2017 school year were as of October 31, 2016.

The number of students we are able to admit for enrollment at each of our schools for each school year is set and approved by the relevant PRC education authorities. According to the Opinions of the Ministry of Education on Further Regulating Higher Education Enrollment Program (《教育部關於進一步規範高等教育招生計劃管理工作的意見》), student enrollment for graduate and undergraduate programs is subject to approval of the MOE, while student enrollment for junior college is subject to approval of the relevant provincial educational authorities. The Notice of the Ministry of Education on Enrollment of Ordinary Colleges and Universities in 2016 instructs universities and colleges to further improve their respective enrollment plan by taking into account a number of factors, including, among others, the number of students currently enrolled, school operational conditions, employment status of such school's graduate students, and whether the school is located in the central and western regions of China where student enrollment rate is relatively low compared to other more developed regions. During the Track Record Period, all of our students were boarding students.

We emphasize the quality of education we offer at all of our schools. Accordingly, we have made teacher recruitment, training and retention a vital part of our overall corporate strategy. As of June 30, 2013, 2014, 2015 and 2016 and October 31, 2016, we had an aggregate of 953, 883, 883, 947 and 1,090 teachers, respectively. Approximately 87.4% of our teachers have obtained a bachelor's degree or above and approximately 52.6% have obtained a master's degree or above as of October 31, 2016. We are committed to training newly joined and existing teachers through various mandatory and continuing training programs, including courses on teaching theory and teaching techniques. See the section headed "— Teaching Staff, Recruitment, Training and Evaluation" in this prospectus for more details.

Tuition Fees and Boarding Fees

We typically charge our students fees comprising tuition fees and boarding fees. We generally raise tuition fees for certain majors at the schools we own and operate every two to three school years to reflect our increased operating costs. During the Track Record Period, we have raised tuition fees for certain majors at Pass College of Chongqing Technology and Business University and Chongqing Vocational College of Applied Technology for the 2014/2015 and 2015/2016 school years, and at Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) for the 2015/2016 school year and at Chongqing College of Humanities, Science and Technology for the 2016/2017 school year. New tuition fees are only applicable to newly enrolled students. Students who have already enrolled at our schools continue to pay the tuition fees in effect at the rates applicable when they first enrolled in our schools.

The following table sets forth the tuition fee information for the schools we operate for the 2012/2013, 2013/2014, 2014/2015, 2015/2016 and 2016/2017 school years:

	Tuition Fees(1)(2)				
School	2012/2013 school year	2013/2014 school year	2014/2015 school year	2015/2016 school year	2016/2017 school year
Chongqing College of Humanities, Science and Technology					
–Bachelor's degree program	RMB13,000-RMB17,000	RMB13,000-RMB17,000	RMB13,000-RMB17,000	RMB13,000-RMB17,000	RMB14,000-RMB18,000
–Junior college program	N/A(3)	RMB10,000	RMB10,000	RMB10,000	RMB11,000
–Preparatory education	RMB13,500	RMB13,500	RMB9,500-RMB13,500	RMB9,500-RMB13,500	RMB10,000-RMB14,000
Pass College of Chongqing Technology and Business University					
–Bachelor's degree program	RMB12,000-RMB13,000	RMB12,000-RMB13,000	RMB12,500-RMB14,000	RMB12,500-RMB15,000	RMB13,500-RMB15,000
–Junior college program	RMB8,500	RMB8,500	RMB10,000	RMB10,000-RMB11,000	RMB11,000
Chongqing Vocational College of Applied Technology					
–Junior college program	RMB7,000-RMB10,000	RMB7,000-RMB10,000	RMB7,500-RMB10,000	RMB7,500-RMB9,800	RMB8,000-RMB8,800(4)

School	Tuition Fees(1)(2)				
	2012/2013 school year	2013/2014 school year	2014/2015 school year	2015/2016 school year	2016/2017 school year
Inner Mongolia Fengzhou Vocational College (Qingcheng Branch)					
–Junior college program	RMB5,800-RMB6,000	RMB6,000	RMB6,000-RMB6,300	RMB6,500-RMB7,000	RMB6,500-RMB7,000
–The first three years of the "3+2" program	RMB2,500	RMB2,500	RMB2,500	RMB2,500	RMB4,500

Note:

(1) Tuition fees shown above for all of our schools are applicable to newly enrolled students in the relevant school years only, excludes boarding fees.

(2) Tuition fee range for each school represents the tuition fees of the majors it offers.

(3) There were no new student enrollment under the three-year junior college program in the 2012/2013 school year.

(4) The high-end of the tuition fee range for Chongqing Vocational College of Applied Technology decreased from RMB9,800 per student per year to RMB8,800 per student per year for the 2016/2017 school year, mainly due to our decision to cease to offer certain majors for such school year, which had commanded the tuition fees of RMB9,800 per student per year for the previous school year.

We generally require our students to board at our schools. For the 2016/2017 school year, we charge boarding fees per student of RMB1,200 at Chongqing College of Humanities, Science and Technology, RMB980 to RMB1,000 at Pass College of Chongqing Technology and Business University, RMB1,000 at Chongqing Vocational College of Applied Technology and RMB650 to RMB1,200 at Inner Mongolia Fengzhou Vocational College (Qingcheng Branch).

For the years ended December 31, 2013, 2014 and 2015 and the ten months ended October 31, 2015 and 2016, tuition fees from all of our schools accounted for 92.4%, 92.6%, 92.7%, 92.4% and 92.2% of our total revenue, respectively, while boarding fees accounted for 7.6%, 7.4%, 7.3%, 7.6% and 7.8% of our total revenue, respectively. We require students to pay tuition fees and boarding fees for the entire school year upfront, and recognize revenue proportionately over the relevant periods of the applicable program.

Student Withdrawals and Refund

In the event a student withdraws during the school year, we have refund policies in place at each of the schools we operate, setting forth the formulae for calculating the amount of tuition fees and boarding fees that can be refunded to such student based on when during the school year he or she leaves the school. These policies were formulated pursuant to the rules and regulations issued by the local education authorities where our schools are located. For example, for Chongqing College of Humanities, Science and Technology, Pass College of Chongqing Technology and Business University and Chongqing Vocational College of Applied Technology, pursuant to the Interim Measures on Regulating Tuition Fees Charged by Private Education Providers in Chongqing (《重慶市民辦教育收費管理暫行辦法實施細則》), (i) if a student withdraws from the school for military service, all of the tuition fees and boarding fees paid in advance shall be refunded; and (ii) if a student is required to withdraw from the school due to accident, illness or poor performance, or voluntarily withdraws or otherwise transfers to another school in accordance with applicable rules and regulations, the tuition fees and boarding fees to be refunded shall equal to the total amount of tuition fees and boarding fees paid after deducting an amount that is equal to the number of days between the commencement of the current school year and the date such student completes his or her withdrawal or transfer, divided by the total number of days in the current school year, and then multiplied by the total sum of the tuition fees and boarding fees, provided that no less than 5% of the total tuition fees and boarding fees in the current school year shall be withheld by the school.

With respect to Inner Mongolia Fengzhou Vocational College (Qingcheng Branch), the refund policy is as follows: If a student withdraws from the school (i) within three days of the commencement of the current school year, all of the tuition fees and boarding fees shall be refunded; (ii) after three days but within the first week after the commencement of the current school year, 90% of the tuition fees and boarding fees shall be refunded; (iii) after one week but before the end of the first month after the commencement of the current school year, 70% of the tuition fees and boarding fees shall be refunded; (iv) after one month but before completing half of the school year, 50% of the tuition fees and boarding fees shall be refunded; and (v) after completing half of the school year, neither tuition fees nor boarding fees will be refunded.

The following table sets out the number of students who withdrew from each of the schools we own and operate for the school years indicated:

	Number of Students Dropped Out			
	School Year			
School	**2012/2013**	**2013/2014**	**2014/2015**	**2015/2016**
Chongqing College of Humanities, Science and Technology	45	66	86	46
Pass College of Chongqing Technology and Business University	20	53	46	46
Chongqing Vocational College of Applied Technology	12	6	26	21
Inner Mongolia Fengzhou Vocational College (Qingcheng Branch)	1	2	5	8
Total	78	127	163	121

The table below sets forth the amount of tuition each of the schools we own and operate refunded to the students for the periods indicated:

School	Tuition Refunded				
	Year ended December 31,			Ten months ended October 31,	
	2013	2014	2015	2015	2016
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Chongqing College of Humanities, Science and Technology	449.7	616.4	526.7	390.7	361.4
Pass College of Chongqing Technology and Business University	193.6	346.9	302.9	148.5	168.5
Chongqing Vocational College of Applied Technology	99.7	54.2	98.6	55.7	89.3
Inner Mongolia Fengzhou Vocational College (Qingcheng Branch)	49.5	178.3	136.9	78.5	170.5
Total	792.5	1,195.8	1,065.1	673.4	789.7

Chongqing College of Humanities, Science and Technology

Overview

Chongqing College of Humanities, Science and Technology is a degree-granting university-level education institution located in Chongqing, the PRC, which provides formal undergraduate education and junior college education. It also offers preparatory education to qualified ethnic minority students. Its predecessor was Southwest University Yucai College, which was a private independent college recognized by the MOE in March 2003. In April 2013, the school was approved by the MOE to convert to an independent university-level education institution and was the first private school in Chongqing that has been approved by the MOE to convert from an independent college to a formal university-level education institution. Chongqing College of Humanities, Science and Technology's educational philosophy is "to serve society by training students with theoretical knowledge and practical abilities." Its educational goal is to establish a people-oriented institution that provides quality education, fosters special characteristics and focuses on talent development.

As of June 30, 2016, the school had a total of 18,427 students under enrollment (comprising 16,818 students under the bachelor's degree program, 953 students under the junior college program and 656 students under the preparatory education program) and employed 524 teachers. As of October 31, 2016, Chongqing College of Humanities, Science and Technology had 18,753 students under enrollment (comprising 16,528 students under the bachelor's degree program, 1,248 students under the junior college program and 977 students under the preparatory education program) for the 2016/2017 school year. It employed 629 teachers as of the same date. For the 2016/2017 school year, students from various provinces, autonomous regions and municipalities across China were admitted to and enrolled in the school based on their scores in the National Higher Education Entrance Exam and in accordance with the national and local admission standards and procedures.

Curriculums and Majors

Chongqing College of Humanities, Science and Technology currently offers approximately 35 majors in a wide range of subject areas, including journalism, Chinese literature, tourism management, hotel management, human resources management, computer science and technology, software engineering, automotive service engineering, pre-school education, art and design, architecture, accounting, economics, law, English and music theory. It also offers a dedicated preparatory education program for ethnic minority students. Once students complete such one-year program, they will be eligible to participate in the examination administered by the school for admission to the junior college program or undergraduate program offered by the school. We conduct thorough market research on potential employment trends and review and adjust our major and course offerings according to changes in the labor market. For example, we created hotel management, architecture, software engineering and mechanical and electrical engineering majors that we believe have good job prospects at Chongqing College of Humanities, Science and Technology in 2014, 2015, 2015 and 2015, respectively, after conducting such market research.

Graduation and Employment

Historically, Chongqing College of Humanities, Science and Technology has achieved high initial employment rates for graduates. For the 2013/2014, 2014/2015, 2015/2016 school years, there school had 4,217, 4,292 and 5,099 graduates, respectively, and the initial employment rates were 90.3%, 92.5% and 90.3%, respectively. The following table sets forth the number of graduates and initial employment rates for the graduates from Chongqing College of Humanities, Science and Technology by program for the school years indicated:

	Number of Graduates and Initial Employment Rate					
	School Year					
	2013/2014		2014/2015		2015/2016	
Type of Graduates	**# of Graduates**	**Initial Employment Rate (%)**	**# of Graduates**	**Initial Employment Rate (%)**	**# of Graduates**	**Initial Employment Rate (%)**
Bachelor's degree program.	3,574	90.5	4,292	92.5	5,000	90.3
Junior college program	643	89.3	—(1)	—(1)	99	90.9
Total	4,217	90.3	4,292	92.5	5,099	90.3

Note:

(1) There were no graduates of the junior college program during the 2014/2015 school year because there was no new student enrollment under the three-year junior college program in the 2012/2013 school year.

Due to our dedication to developing students' practical skills, our students have received numerous awards and accolades for their achievements. In 2015, several of our students have won the first, second and third prize at national subject matter competitions, and 42 students have received at least a third prize in the provincial subject matter competitions. In addition, during the Track Record Period, certain graduates from Chongqing College of Humanities, Science and Technology successfully pursued graduate studies in other universities in the PRC or overseas, such as Hong Kong Polytechnic University, Beijing Normal University, Chongqing University, Southwest University, China University of Petroleum and University of International Business and Economics.

School-Enterprise Collaboration Programs

We emphasize school-enterprise collaboration so that our students can learn from experts in industry while receiving valuable practical training, which we believe will better prepare them for the job market after graduation. Chongqing College of Humanities, Science and Technology has cooperated with various reputable enterprises and institutions during the Track Record Period. For instance, starting from the 2015/2016 school year, Chongqing College of Humanities, Science and Technology has set up a joint program with ZTE focusing on information and communication technology. Students enrolled in the program are exposed to a combination of academic teaching and practical learning. The instructors for the practical training courses are mainly teachers employed by a third-party management agent of ZTE. As a result of the combined research efforts by ZTE and ourselves, we determined that the local job market in Chongqing lacks talent in certain areas of information and communication technologies given the growth potential. Accordingly, we offer two majors in this program, namely, computer science and technology and software engineering so that students are able to learn and possess readily applicable skills. For the 2016/2017 school year, 177 students have participated in these programs.

Similarly, Chongqing College of Humanities, Science and Technology has also set up school-enterprise collaboration programs with local hospitals with respect to nursing majors and with local courts, procuratorates and justice bureaus with respect to law-related majors.

Featured Programs

ACCA Program

Chongqing College of Humanities, Science and Technology entered into an agreement with Hong Kong Nang Yan College of Higher Education on September 21, 2016 (the "ACCA Cooperation Agreement"), pursuant to which certain ACCA-related courses will be offered to students at Chongqing College of Humanities, Science and Technology through cooperation between these two schools. According to the agreement, the two schools may cooperate in one or more of the three cooperation models in accordance with applicable PRC and Hong Kong laws and the result of student recruitment for such program as follows:

- Hong Kong Nang Yan College of Higher Education will recognize the credits of the students for their three years of study in specific majors at Chongqing College of Humanities, Science and Technology and will grant the students credit certificates if they complete a fourth year of study at the Hong Kong Nang Yan College of Higher Education. Students who are granted such credit certificates are qualified to take the ACCA professional examination;

- Chongqing College of Humanities, Science and Technology may engage certain qualified teachers from Hong Kong Nang Yan College of Higher Education as its own foreign teachers and they will be in charge of teaching the relevant ACCA-related courses to students at Chongqing College of Humanities, Science and Technology; and/or

- With the approval of the Chongqing Education Commission, Hong Kong Nang Yan College of Higher Education will designate its own teachers to Chongqing to teach the relevant ACCA-related courses to qualified students at Chongqing College of Humanities, Science and Technology.

Students who are enrolled in the ACCA program are required to pay an additional tuition fee of RMB12,000 per student per year. According to the agreement, Chongqing College of Humanities, Science and Technology and Hong Kong Nang Yan College of Higher Education agreed to split the additional annual tuition fee of RMB12,000 per student through a separate supplemental agreement, which has not yet been entered into as of the Latest Practicable Date. The ACCA Cooperation Agreement became retroactively effective on June 1, 2016 and will expire on May 31, 2021. Renewal will be subject to mutual agreement by the parties.

Core courses under this ACCA program include, among others, Hong Kong business law, Hong Kong companies law, corporate finance, intermediate and advanced level financial accounting, financial management overview and auditing overview. Students who have completed all four years of this program are (i) eligible to receive a bachelor's degree from Chongqing College of Humanities, Science and Technology; (ii) exempt from F1- to F9-level examinations required for the ACCA certification; and (iii) eligible to obtain the ACCA certification after passing required examinations and obtaining at least three years of relevant professional experience.

Pass College of Chongqing Technology and Business University

Overview

Pass College of Chongqing Technology and Business University is an independent college located in Chongqing, China, which provides formal undergraduate education and junior college education. The school was recognized by the MOE as an independent college in December 2003. Pass College of Chongqing Technology and Business University's educational philosophy is "to establish a school with quality, develop a school with special features and strengthen a school with talent."

As an independent college, Pass College of Chongqing Technology and Business University is a separate and independent legal entity from Chongqing Technology and Business University, and carries out its own day-to-day school administration, human resources management, student recruitment, curriculum and major design and formulation and financial accounting. Chongqing Technology and Business University is one of the school sponsors of Pass College of Chongqing Technology and Business University. Pursuant to the supplemental agreement between the school sponsors of Pass College of Chongqing Technology and Business University entered into on November 30, 2006 and the articles of association of the school, (i) Chongqing Technology and Business University agreed to contribute intangible assets, including school branding and management capabilities, to Pass College of Chongqing Technology and Business University; (ii) in consideration of the aforementioned intangible assets contribution, Pass College of Chongqing

Technology and Business University agreed to pay an annual fee of RMB4.0 million to Chongqing Technology and Business University commencing from 2006; (iii) for each increase or decrease of 100 students in the annual enrollment of Pass College of Chongqing Technology and Business University in each subsequent year, the aforementioned annual fee would be correspondingly adjusted upward or downward, as the case may be, in the amount of RMB136,800; and (iv) other than the payment of the annual fee, Chongqing Technology and Business University would not participate in any profit distribution by Pass College of Chongqing Technology and Business University. In addition, Chongqing Technology and Business University can appoint three directors to the board of directors of Pass College of Chongqing Technology and Business University, which comprises seven directors.

As of June 30, 2016, the school had a total of 9,895 students under enrollment (comprising 8,966 students under the bachelor's degree program and 929 students under the junior college program) and employed 256 teachers. As of October 31, 2016, Pass College of Chongqing Technology and Business University had a total of 9,937 students under enrollment (comprising 8,929 students under the bachelor's degree program and 1,008 students under the junior college program) for the 2016/2017 school year. It employed 269 teachers as of the same date. For the 2016/2017 school year, students from numerous provinces, autonomous regions and municipalities across China, were admitted to and enrolled in the school based on their scores in the National Higher Education Entrance Exam and in accordance with the national and local admission standards and procedures.

Curriculums and Majors

Pass College of Chongqing Technology and Business University currently has seven colleges, including, the School of Management, School of Accounting, School of Literature and Journalism, School of Foreign Languages, School of Finance, School of Software and Engineering and the Department of Basic Studies (which is mainly responsible for the teaching of and research on certain basic subjects, such as sports, mathematics and political theory courses, at Pass College of Chongqing Technology and Business University). It offers approximately 20 majors in the undergraduate, including, among others, finance, investment, taxation, financial engineering, business management, marketing, accounting, auditing, financial engineering management, tourism management, English, business English, broadcasting and television, Chinese literature, computer science and technology, networking engineering and automobile service engineering. In addition, the school offers three majors under the junior college program, including marketing, accounting and securities and futures. Among the majors Pass College of Chongqing Technology and Business University offers, accounting and finance have been lauded as "municipal specialty majors," whereas seven other majors, including business management, computer science and technology, have been recognized as "school specialty majors."

Graduation and Employment

Pass College of Chongqing Technology and Business University has achieved high graduate employment rates during the Track Record Period. For the 2013/2014, 2014/2015, 2015/2016 school years, the school had 1,492, 2,188 and 2,764 graduates, respectively, and their initial employment rates were 88.9%, 86.8% and 89.5%, respectively. The following table sets forth the number of graduates and initial employment rates for the graduates from Pass College of Chongqing Technology and Business University by program for the school years indicated:

	Number of Graduates and Initial Employment Rate					
	School Year					
	2013/2014		2014/2015		2015/2016	
Type of Graduates	**# of Graduates**	**Initial Employment Rate (%)**	**# of Graduates**	**Initial Employment Rate (%)**	**# of Graduates**	**Initial Employment Rate (%)**
Bachelor's degree program.	1,492	88.9	2,001	86.1	2,541	89.4
Junior college program	—[1]	—[1]	187	93.6	223	91.0
Total	1,492	88.9	2,188	86.8	2,764	89.5

Note:

(1) There were no graduates of the junior college program during the 2013/2014 school year because there was no new student enrollment for the three-year junior college program in the 2011/2012 school year.

During the Track Record Period, a number of graduating students at Pass College of Chongqing Technology and Business have successfully applied for and were admitted to undergraduate programs in various universities, including Chongqing Technology and Business University, Yangtze Normal University, Chongqing Three Gorges University and Chongqing University of Arts and Sciences.

School-Enterprise Collaboration Programs

Pass College of Chongqing Technology and Business University has established eight external training and employment bases with third-party enterprises and institutions to provide practical on-site training for its students in addition to in-class training. These enterprises include a securities company, an insurance company, a large beverage manufacturer, a hotel and a media company, as well as a film group.

Featured Programs

ACCA Program

Like Chongqing College of Humanities, Science and Technology, Pass College of Chongqing Technology and Business University has also entered into an agreement with Hong Kong Nang Yan College of Higher Education on September 21, 2016. Pursuant to this agreement, certain ACCA-related courses will be offered to qualified students at Pass College of Chongqing Technology and Business University through cooperation between Hong Kong Nang Yan College of Higher

Education and Pass College of Chongqing Technology and Business University. According to the agreement, the two schools may cooperate in one or more of the three possible cooperation models in accordance with applicable PRC and Hong Kong laws and the result of student recruitment for such program as outlined above for Chongqing College of Humanities, Science and Technology. These three models are similar to those under the ACCA program at Chongqing College of Humanities, Science and Technology. This agreement expires on May 31, 2021. It can be renewed subject to mutual agreement by the parties. For more information about this program, please see "— Our Schools — Chongqing College of Humanities, Science and Technology — Featured Programs" in this prospectus.

Chongqing Vocational College of Applied Technology

Overview

Chongqing Vocational College of Applied Technology is a degree-granting higher education institution located in Chongqing, the PRC, which provides junior college education. The school was approved as a higher vocational school by the People's Government of Chongqing in April 2005 and was registered with the Civil Affairs Department of Chongqing in December 2006. Chongqing Vocational College of Applied Technology's educational philosophy is "to foster morality, develop capability, seek truth and pursue sincerity and respect."

As of June 30, 2016, the school had a total of 1,355 students under enrollment and employed 95 teachers. As of October 31, 2016, Chongqing Vocational College of Applied Technology had a total of 2,376 students under enrollment for the 2016/2017 school year and employed 119 teachers. For the 2016/2017 school year, students from various provinces, autonomous regions and municipalities across China, were admitted to and enrolled in the school based on their scores in the National Higher Education Entrance Exam and in accordance with the national and local admission standards and procedures.

Curriculums and Majors

Chongqing Vocational College of Applied Technology currently offers approximately 18 majors in the junior college program, including, among others, tourism management, hotel management, finance management, accounting, electronic commerce, automotive electronic technology, automotive sales and service, automotive inspection and repair services, computer network technology, pre-school education, applied English, environmental technological design, digital media applied technology, architectural engineering technology, landscape engineering technology and architectural design. We design these majors based on our understanding of the market demand for skilled graduates. To facilitate students' learning, for certain majors such as architectural design and automotive electronic technology, we have set up interactive classrooms that are fitted with training equipment so that students can combine in-class learning with practical training.

Graduation and Employment

During the Track Record Period, Chongqing Vocational College of Applied Technology has achieved high graduate employment rates. For the 2013/2014, 2014/2015, 2015/2016 school years, the school had 612, 787 and 341 graduates, respectively, and their initial employment rates were 92.0%, 94.9% and 97.7%, respectively. The following table sets forth the number of graduates and initial employment rates for the graduates from Chongqing Vocational College of Applied Technology by type for the school years indicated:

	Number of Graduates and Initial Employment Rate					
	School Year					
	2013/2014		2014/2015		2015/2016	
Graduates	**# of Graduates**	**Initial Employment Rate (%)**	**# of Graduates**	**Initial Employment Rate (%)**	**# of Graduates**	**Initial Employment Rate (%)**
Junior college program	612	92.0	787	94.9	341	97.7

During the Track Record Period, a number of graduating students at Chongqing Vocational College of Applied Technology have successfully applied for and were admitted to such junior college to undergraduate programs.

We have also encouraged students at Chongqing Vocational College of Applied Technology to participate in various skill-based competitions, such as English speech competitions, tourist guide service and architectural modeling competitions, among others, which we believe improve their practical knowledge and hands-on ability, foster their entrepreneurial spirit and improve their overall competitiveness in the job market.

School-Enterprise Collaboration Programs

Chongqing Vocational College of Applied Technology has established school-enterprise collaboration programs to merge resources from the school and third-party enterprises and institutions to create a conducive educational environment that blends academic teaching with practical training. For example, the hotel management major is taught in collaboration with certain large, reputable local hotels. Chongqing Vocational College of Applied Technology also entered into cooperative relationships with respect to its tourism management major with a travel agency and a government authority, to provide students with valuable practical training and internship opportunities. In addition, Chongqing Vocational College of Applied Technology collaborates with local automobile manufacturers, software companies and local technology companies, respectively, to establish external training and employment bases in respect of its automotive electronic technology major and computer network technology major. Altogether, Chongqing Vocational College of Applied Technology has set up school-enterprise collaboration programs with respect to 11 majors, which, besides the four majors mentioned above, also include, among others, architectural design technology, architectural engineering technology, graphic design, business administration, arts and design, cultural market operation and management and engineering supervision. For the 2015/2016 school year, 96 students have participated in these programs. In addition, the school has also established approximately 47 external training and employment bases with various school-enterprise collaboration partners.

Besides collaborative business relationships with third-party enterprises and institutions, Chongqing Vocational College of Applied Technology also entered into an agreement with Pass College of Chongqing Technology and Business University on September 13, 2016, pursuant to which both schools agreed to collaborate in a variety of areas, including designing appropriate curriculums for certain majors, implementing useful teaching methodologies and constructing adequate teaching staff. According to this agreement, Pass College of Chongqing Technology and Business University will focus on assisting Chongqing Vocational College of Applied Technology in the development of two particular majors, namely, accounting and electronic commerce.

Inner Mongolia Fengzhou Vocational College (Qingcheng Branch)

Overview

Inner Mongolia Fengzhou Vocational College is a degree-granting higher education institution located in Hohhot, Inner Mongolia, China, which provides junior college education. We became one of the school sponsors and entitled to the entire interest in Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) in 2008. The school's educational philosophy is "people oriented, moral education focused." For details of our commercial rationale for the acquisition of this school, please refer to "History and Corporate Structure — Our Corporate History — Our Schools — Inner Mongolia Fengzhou Vocational College (Qingcheng Branch)" in this prospectus. As of the date of this prospectus, we had no intention to further expand our school network in Inner Mongolia.

As of June 30, 2016, Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) had a total of 939 students under enrollment and employed 72 teachers. As of October 31, 2016, it had a total of 1,619 students under enrollment for the 2016/2017 school year and employed 73 teachers.

Curriculums and Majors

Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) currently offers approximately 14 majors in the junior college program, including, among others, accounting, auditing, pre-school education, nursing, architecture engineering technology, computer application technology, road and bridge engineering technology, tourism management and project cost management. To facilitate students' learning, for certain majors such as pre-school education, nursing, auditing and computer application technology, we have set up interactive classrooms that are fitted with training equipment so that students can combine in-class learning with practical training.

Graduation and Employment

For the 2013/2014, 2014/2015, 2015/2016 school years, Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) had 509, 288 and 223 graduates, respectively, and their initial employment rates were 91.6%, 92.4% and 35.9%[(1)], respectively. The following table sets forth the number of graduates and initial employment rates for the graduates from Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) by type for the school years indicated:

	Number of Graduates and Initial Employment Rate					
	School Year					
	2013/2014		2014/2015		2015/2016	
Graduates	**# of Graduates**	**Initial Employment Rate (%)**	**# of Graduates**	**Initial Employment Rate (%)**	**# of Graduates**	**Initial Employment Rate (%)**
Junior college program	509	91.6	288	92.4	223	35.9[(1)]

Note:

(1) The initial graduate employment rate for the 2015/2016 school year was lower compared to that of the 2013/2014 and 2014/2015 school years mainly because the initial graduate employment rate was calculated as of September 1 during the year when the students graduated, and during the period from graduation in June to the date initial graduate employment was determined, as advised by our Directors, the administrator in charge of student employment affairs at Inner Mongolia Fengzhou Vocational College was not at her post as she left in April 2016 due to an internal staff reorganization at the school. Accordingly, as advised by our Directors, we did not timely obtain all of the graduation data for the 2015/2016 school year, which we believe resulted in a lower reported initial graduate employment rate.

To help students obtain more opportunities to meet with potential employers, Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) has set up a dedicated employment-related website where the school may post recruiting news relating to, and requests from, potential employers. Some of these companies also participate in on-campus recruitment meetings where they can meet face-to-face with graduating students.

School-Enterprise Collaboration Programs

As of October 31, 2016, Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) maintained two separate school-enterprise collaboration programs involving aviation service and high-speed railway passenger service majors.

Featured Programs

"3+2" Program

Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) is approved by the relevant PRC education authorities to offer the "3+2" program to qualified middle school graduates. This program is a five-year vocational study program where qualified middle school graduates can take the nationally-administered examination to advance to the higher vocational education program after completing three years of secondary vocational training. Students who graduate from the "3+2" program are eligible to receive junior college degrees from the school.

OUR COMPREHENSIVE EDUCATIONAL APPROACH

Our comprehensive educational approach comprises the following:

Students and Student Recruitment

We have been operating in the PRC higher education industry since 2003 and we believe the reputation of our schools, the high initial employment rate of our graduates, the quality of our curriculums, the diversity of our major offerings and the qualification of our teachers are key elements that attract our prospective students. In order to be enrolled at our schools, students are required to take the PRC National Higher Education Entrance Exam, achieve the required total score for one of the schools we operate, and follow the national and local admission standards and procedures. The number of students we are able to admit at each of our schools for each school year is set and approved by the relevant PRC education authorities. In addition to recruiting students based on the PRC National Higher Education Entrance Exam, Chongqing Vocational College of Applied Technology and Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) are permitted by the relevant education authorities in Chongqing and Inner Mongolia, respectively, to formulate and administer self-designed entrance examinations for certain majors.

To attract more high-quality applicants, we utilize a variety of marketing and recruitment tools, which include, but are not limited to, (i) designing attractive and informative school websites to promote our brand name and provide introductions of our schools, teachers, curriculums and other relevant information; (ii) designing and distributing comprehensive promotional materials; and (iii) utilizing various online and mobile channels, such as Weibo, QQ and WeChat, to publicize our schools and connect with candidates effectively and cost-efficiently. At certain of our schools, we have also set up student recruitment hotlines through which our recruitment staff is available on a daily basis to answer questions from prospective students and parents. We also place student recruitment advertisements for certain of our schools on the local college publication and recruitment networks. We believe these efforts, together with our provision of high-quality education, which encompasses the quality of our teachers, the diversity of our curriculums, and the relatively high employment rates of our graduates, demonstrate our commitment to attracting talented students.

Furthermore, we have established student recruitment offices at each of our schools through which we arrange our teachers and admission staff to answer questions from prospective students and their parents. In order to attract high-quality students, we offer scholarships to outstanding applicants who demonstrate academic excellence or other commendable qualities, and grants and other types of financial assistance to underprivileged students. For the years ended December 31, 2013, 2014 and 2015 and the ten months ended October 31, 2016, we provided an aggregate of RMB3.8 million, RMB3.6 million, RMB4.3 million and RMB3.2 million, respectively, in scholarships, grants and other types of financial aid to qualified students.

Examinations and Grade Assessment

Each of our schools administers examinations at the end of each semester to test students' understanding in various subject matters. The final grade a student receives for a particular course generally consists of his or her performance in the written examinations and/or coursework assessment. The examination primarily takes the form of closed book and/or open book examinations and course work assessments consist of projects and other forms of assessment including students' participation in class discussions, their performance in written papers, homework and quizzes, as well as the results of their internship evaluations and training and practical examinations also form a significant part of their final grades. The examinations are generally formulated by the relevant teachers based on the teaching syllabuses and approved by the teaching and research office and/or the dean's office at each of our schools.

Career Planning Initiatives and Graduate Employment

As a formal higher education service provider, we consider our schools' graduate employment rate as a key measurement of our teaching quality. We have established a comprehensive system of employment and entrepreneurship guidance for our students. Relevant measures include：

- *Curriculum planning:* We generally design a comprehensive career planning map for our students, ranging from developing career awareness and setting career goals early on to providing relevant career-oriented courses, expanding practical training and enhancing job-seeking skills. Relevant courses include career planning, innovation and entrepreneurship and career guidance, among others;

- *Students' practical training platform:* We strive to further enhance our students' employment and entrepreneurship skills through the provision of various practical training opportunities, such as entrepreneurship competitions, career planning competitions, resume drafting competitions and mock interviews; and

- *Career information system:* We are committed to perfecting our career information system, incorporating online and offline channels, including our website, Weibo and WeChat, in order to timely disseminate critical employment-related information to students.

To assist our students in finding suitable job opportunities that best utilize their knowledge and skills and provide them with the appropriate platform to further develop their potential, we have established a graduate employment office at each of our schools, which reports to the management of each school. We formulate our overall strategic decisions regarding school-enterprise cooperative programs and numerous valuable internship and practical training opportunities for all of our schools. However, we generally delegate the matters relating to graduate employment to the graduate employment office at each of our schools, which is usually responsible for, among other things, (i) formulating, consolidating, verifying and reporting graduate career placement strategies; (ii) providing training to career placement officials; (iii) arranging employment guidance sessions for our students; (iv) exploring and developing relevant job markets for graduates; (v) organizing on-campus recruitment fairs; and (vi) keeping track of graduates' employment status. For details of our graduates' employment rates for each of the schools we operate, please see "— Our Schools" in this prospectus.

To further assist our graduates to secure initial employment, we have set up numerous mandatory courses which focus on teaching strategies to and providing useful tips to students who are interested in seeking employment in private and public sectors and to students who are interested in becoming entrepreneurs. For instance, Chongqing College of Humanities, Science and Technology, Pass College of Chongqing Technology and Business University and Chongqing Vocational College of Applied Technology have introduced such required courses as part of their curriculums. In addition, we have utilized a variety of methods to better prepare our graduates for joining the labor market, including, but not limited to, establishing employment and entrepreneurship mentor teams focused on career planning and organizing entrepreneurship competitions. For graduates that have particular difficulties in obtaining initial employment, we work with them one-on-one to devise appropriate strategies and solve any issues that may arise during their interview processes.

Simulated Workplace Training and Internships

To give students ample opportunities to perfect their practical knowledge and skills, we have constructed numerous laboratories at the schools we own and operate. These laboratories provide enterprise-like simulated training environment and offer specific task-oriented training programs so that our students can seamlessly transition from in-class learning to obtaining real work-like experience. In order to better prepare our students to face challenges professionally after graduation and provide them with more ideal job prospects, certain of our major courses are taught in the form of simulation training.

We also highly encourage our students to seek internships during the course of their enrollment at our schools to receive first-hand professional working experience. Students generally obtain internships on their own or through various school-enterprise collaboration programs and the external practical training bases we have established with our collaboration partners. Similar to simulated workplace training, we believe internships can provide further practical training to our students and better prepare them for future employment.

Online Teaching Platform

We provide our students access to online learning through online platforms operated by licensed third parties at Chongqing College of Humanities, Science and Technology. Beginning in the 2015/2016 school year, we have introduced an aggregate of 19 online courses from two online education service providers who are Independent Third Parties. Through this online teaching portal, students who are interested in registering for online courses can login onto the third-party operated platform using their designated student ID number and watch on-demand videos by accessing the website. These on-demand videos are all credit courses, which cover a variety of topics and subject areas, including, but not limited to, astronomy, psychology, cultural geography, health, photography and business management. For these courses, students are required to watch these videos during a specified period, participate in online discussions and complete online tests to satisfy the academic requirements and receive the relevant credits.

Teaching Staff, Recruitment, Training and Evaluation

Our Teaching Staff

We believe the quality of our teachers is one of the decisive factors to our success. We believe teachers who possess sufficient industry expertise and practical knowledge and are capable and dedicated to teaching will be instrumental in shaping the learning habits of our students. Before hiring each teacher, we usually consider his or her education background and/or performance in the interview. We prefer to recruit teachers who have the following characteristics: (i) have sufficient teaching experience and teaching track record; (ii) are dedicated to teaching and improving students' academic performance and practical skills; (iii) demonstrate strong command of their subject areas; (iv) can effectively implement tailored teaching methods; and (v) possess strong communication, language and interpersonal skills. We also prefer to recruit teachers who have master's degree or above, or hold relevant professional and/or technical qualifications. For teaching assistants, we generally prefer the applicants to (i) have concentrated on the same subject matter for which the teaching position is sought; (ii) preferably have a master's degree or above; (iii) possess relevant student administration experience when attending university; and (iv) have strong communication, language and interpersonal skills.

Approximately 87.4% of our teachers as of October 31, 2016 have a bachelor's degree or above, and approximately 52.6% have a master's degree or above. Chongqing College of Humanities, Science and Technology and Pass College of Chongqing Technology and Business University employed several foreign teachers as of the same date. We also value the recognition bestowed upon our teachers who have achieved teaching excellence. For instance, during the Track Record Period, our teachers at Chongqing College of Humanities, Science and Technology have contributed to the publication of over 1,100 research papers, while our teachers at Chongqing Vocational College of Applied Technology made contributions to the publication of over 160 research papers, professional articles and books.

The following table sets forth the number of our teachers for each of the schools we own and operate as of the dates indicated:

	Number of Teachers[1]				
	School Year				
School	**2012/2013**	**2013/2014**	**2014/2015**	**2015/2016**	**2016/2017[2]**
Chongqing College of Humanities, Science and Technology[3]	613	525	526	524	629
Pass College of Chongqing Technology and Business University[4]	203	227	234	256	269
Chongqing Vocational College of Applied Technology[5]	90	78	73	95	119
Inner Mongolia Fengzhou Vocational College (Qingcheng Branch)[6]	47	53	50	72	73
Total	953	883	883	947	1,090

Notes:

(1) For consistency purposes, we use June 30 to present our business operating data in this prospectus despite the fact our school year generally ends in late June/early July of each calendar year.

(2) The number of teachers employed for the 2016/2017 school year was as of October 31, 2016.

(3) Includes 34, 20, 15, 18 and 19 teaching assistants as of June 30, 2013, 2014, 2015 and 2016 and October 31, 2016, respectively.

(4) Includes 20, 25, 30, 38 and 33 teaching assistants as of June 30, 2013, 2014, 2015 and 2016 and October 31, 2016, respectively.

(5) Includes 23, 15, 13, 16 and 26 teaching assistants as of June 30, 2013, 2014, 2015 and 2016 and October 31, 2016, respectively.

(6) Includes one, nil, nil, three and two teaching assistants as of June 30, 2013, 2014, 2015 and 2016 and October 31, 2016, respectively.

As of June 30, 2013, 2014, 2015 and 2016 and October 31, 2016, among all of our teachers, 742, 698, 707, 739 and 829, respectively, were full-time teachers, and 211, 185, 176, 208 and 261, respectively, were part-time teachers.

Teacher Recruitment

We recruit teachers based on the total number of our students and strive to maintain a reasonable student-to-teacher ratio. Before hiring a teacher, we consider his or her education background, subject matter expertise and relevant work experience. We administer written assessments and/or in-person interviews by the officials at the human resources department of each of our schools in the PRC, the dean of the respective college of the school or other school officials, as the case may be. 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. In addition, we also consider other criteria, such as the teaching applicant's prior teaching experience, awards and recognitions. Once our teaching candidates completed their personal interviews and/or live teach-in classes, the human resources managers at our schools generally conduct and evaluate second round interviews before we make job offer to such candidates.

Teacher Training Programs

Newly hired teachers undergo mandatory training programs at each of our schools which focus on teaching skills and techniques. We also provide continuing training for our existing teachers so that they can stay abreast of changes in their relevant industry, new teaching theories and/or methodologies, changing teaching and testing standards. Our training programs generally include (i) subject matter training; (ii) teaching theories and methodologies training, such as training on managing student behavior in the classroom; (iii) teaching skills and techniques training, such as training on how to use various hardware and software to prepare teaching materials and conduct in-class teaching; (iv) cultural training, such as training on academic and professional improvements and team building; and (v) other professional training, such as professional ethnics and counselling. In addition to the training we provide in-house, we also encourage our teaching staff to attend external training courses and programs organized by third parties, such as local education authorities.

Teacher Performance Evaluations

To ensure we continuously provide high quality education to our students, we conduct teacher performance reviews and evaluations periodically. We typically conduct periodic teacher performance reviews during each school year. These assessments are generally conducted by school principals and administrators, which include in-class observations and evaluation of our teachers' preparation and/or the effectiveness of their classroom instructions. Certain of our schools also implemented end-of-contract and/or end-of-probation evaluations. Our evaluations generally focus on teachers' moral qualities, teaching capabilities and subject matter expertise, work attitude, teaching results in terms of various targets and personal character. As part of the evaluation process, we also highly encourage our students to complete teacher satisfaction surveys at the end of each semester or school year so we can consider their views and suggestions in our assessments. We generally award teachers who receive outstanding performance reviews. For those teachers that fail to meet our rigorous standards, we generally dismiss them although in special circumstances as approved by the dean's office, we may allow these teachers who failed to meet our rigorous standards to conduct a second round of assessment after six months of the initial teacher performance review.

As a private higher education service provider, we believe we offer relatively competitive compensation to our teachers so we can retain and attract talented teaching staff. Our teachers' compensation package typically includes a base salary, compensation based on teaching performance, a subsidy and/or a performance bonus. In addition, because our schools are boarding schools, our teaching staff at certain of the schools we operate have been provided with subsidized living arrangements. We also provide free lunches to the teachers at certain of the schools we operate. In addition, we provide free annual medical check-ups to our teachers and staff.

Selection and Design of Teaching Materials and Textbooks

We adhere to strict procedures for selecting teaching materials and textbooks in order to maintain the quality of our education. Each of the schools we operate has implemented a set of teaching material management policies, which generally covers the selection, procurement, distribution and management of the teaching materials to be used by each school. We generally require our schools to adopt and use teaching materials published recently, which must comply with the basic course requirements and course syllabuses for each major offered by the schools. In addition, we typically require our teachers to teach one course with one set of teaching materials for an extended period of time in order to ensure consistency and learning stability, until such materials are no longer suitable for our teaching requirements, which will subsequently be replaced. In terms of selection, teaching materials for a course typically must be approved by the teaching and research department of the major under which such course is offered and by the dean's office of the school prior to procurement and distribution.

In addition, we permit our schools to use teaching materials and textbooks designed and published by our teachers, who generally create appropriate teaching materials based on the conditions of the schools and the majors they offer, subject to the approval by the dean's office. For example, since we commenced operation of our first school, our teachers have published over 70 textbooks, covering a variety of subject matters, including, among others, music, law, arts, literature, languages, business, economics, computer science, accounting and mathematics.

CENTRALIZED MANAGEMENT SYSTEM

We have established a centralized management system through which we consistently manage certain aspects of the schools we operate, including, among others, school administration, supply procurement, market research, teaching resource sharing and campus logistics, to support and facilitate the effective implementation of our standardized comprehensive educational approach.

Teaching Resource Sharing

In order to maintain and improve the quality of the education services we provide, some of the schools we operate share their teaching resources in case of need, such as the short-term engagement of certain teachers from one of such schools to teach particular courses at another. They also share their operating experiences with each other, for example relating to the implementation of new majors, where one of the schools we operate has already successfully implemented such major and shares its experience with the other schools. For instance, when a school we operate introduces a new course but does not at the time have any teachers with sufficient subject matter expertise available to teach the course, one or more of the other schools we operate that employ qualified teachers with adequate experience and availability may share their relevant teaching resources. We intend to continue to utilize the availability of our teaching resources at different schools within our network to raise the quality of the education we provide.

Market Research

We generally conduct market research to select, design and update our majors and curriculum offerings at different schools, as the case may be. We keep track of and analyze our graduating students' initial employment record to keep abreast of the local employment market. Through our extensive school-enterprise business arrangements with a number of private companies and local government agencies, we have the ability to identify key industry segments where we believe the demand for professional talent is strong. In connection with our market research, we also consider the direction of the technical development and the changing requirements of professional talent sought after by potential employers. We typically designate and task the graduate employment department at each of our schools to conduct market research periodically to gauge changes in the market demand for skilled professionals. We then incorporate the results of our research into an official application to create new majors at the relevant school to be submitted to the local PRC educational authorities for approval. Such application usually also includes the relevant operating experience of the school, the availability of educational resources to open the new major, such as the sufficiency of teachers, details of the available laboratory spaces and libraries, and a comprehensive plan for the cultivation of professional talent.

School Administration

In order to improve the quality of the education we provide, lower our operating costs and elevate our corporate efficiency, we have implemented a series of measures to administer our schools in a centralized and coordinated manner. For example, in August 2016, we have set up a logistics service center through which we coordinate supply procurement, service procurement and computer software procurement and installation, as well as projects involving renovation, energy procurement, environment protection and infrastructure construction of all of our schools. Our logistics support center oversees and manages the logistics department at each of our schools. Furthermore, our Board has also approved a series of policies and procedures relating to, among others, corporate governance, risk management, anti-bribery and conflicts of interest matters, which are aimed at strengthening the management and governance of our Group and our schools.

Supply Procurement

We make procurement decisions regarding teaching equipment and other educational supplies for all of our schools centrally through our logistics service center, which we believe allows us to allocate resources effectively and efficiently without compromising the quality of education at each of our schools. For example, under the guidance of our logistics service center and with the supervision of our auditing department, we generally conduct purchases centrally for each order exceeding set limits in order to standardize our purchasing processes and improve our operating efficiency. We then allocate the materials to the relevant school(s) we operate. Such purchases typically include, among others, air conditioners, classroom furniture, computer laboratory furniture, as well as kitchen equipment, tableware and furniture for our proprietary canteens. For each order of regular and frequently used items under the designated limit, our logistics service center conducts centralized bidding and negotiation with our strategic suppliers directly. Such purchases typically include office appliances and supplies, electricity and water supply repair materials, as well as printing materials, among other things. Through such centralized procurement mechanism, we are able to effectively lower operating cost and widen our purchasing channels.

Campus Services

The campus service arrangements at our schools typically include meal catering services and medical care services.

Meal Catering Services

As of the Latest Practicable Date, we operated internally four of the nine canteens at Chongqing College of Humanities, Science and Technology, two of the four canteens at Pass College of Chongqing Technology and Business University and the only canteen at Chongqing Vocational College of Applied Technology, and outsourced the rest of the campus food and meal catering services at our schools to third-party catering service providers, all of whom are Independent Third Parties. For the meal catering services that we operate in-house, we have obtained the required licenses and permits, such as the license for food operation service (食品經營許可證). For meal catering services outsourced to third-party service providers, we typically enter into one to five-year outsourcing agreements, which set forth the key terms of the catering arrangements. We require all third-party catering service providers to obtain relevant licenses and permits required by laws and regulations. The catering providers are obliged to provide catering services to our students and faculty for three meals each day (with the exception of Chongqing Vocational College of Applied Technology, which also offers late evening meals), and must ensure food quality and safety. They are also generally required to ensure that for each meal, the relevant canteen is open for a certain number of hours for each meal service. Going forward, we intend to internalize all meal catering services at the schools we operate when the existing outsourcing agreements expire in order to expand the sources of our revenue. For risks associated with meal catering services, please see "Risk Factors — Risks Related to Our Business and Our Industry — We currently outsource certain meal catering services at our schools to Independent Third Parties and, as a result, we cannot guarantee the quality and price of the food it serves to our students and therefore, we may be exposed to potential liabilities if we cannot maintain food quality standards" in this prospectus.

Medical Care Services

We provide routine medical services for our students and faculty by operating our own college clinics or outsourcing such services to qualified independent third-party medical care providers. We require third-party medical care providers to hold all licenses and permits required by law and regulations. In certain serious and emergency medical situations, we will promptly send our students to local hospitals for treatment. For students and staff at Chongqing College of Humanities, Science and Technology, we plan to transfer routine check-up and other basic medical services from outsourced medical clinics to a campus hospital at Chongqing College of Humanities, Science and Technology to be operated by us, which we intend to set up in 2017, subject to obtaining the relevant government approvals. This campus hospital will not provide any medical services to the public.

OUR INVESTMENTS IN OVERSEAS SCHOOLS

In order to introduce advanced curriculums and innovative teaching methods into our schools in the PRC to bolster our education quality and reputation, and to create more exchange opportunities for our students in the PRC, we have invested in Beacon International College in Singapore and Hong Kong Nang Yan College of Higher Education in Hong Kong. The details of these schools are as follows:

- *Beacon International College* — a private education institution registered with the Council for Private Education in Singapore focusing on providing higher education to students who aspire to pursue a career primarily in information technology, hospitality, business or design; and

- *Hong Kong Nang Yan College of Higher Education* — a private degree-granting higher education institution located in Hong Kong that offers higher education bachelor and associate degree programs in Chinese, arts, accounting, marketing and business association to local and international students, among others.

As of October 31, 2016, we directly owned approximately 25.6% equity interest in Beacon International College and were one of two members of Hong Kong Nang Yan College of Higher Education, which is a company limited by guarantee established under the laws of Hong Kong.

Beacon International College

Beacon International College, formerly known as Beacon School of Technology, is a private education institution that was founded in May 2006 in Singapore. We invested in the school in June 2014 and currently hold approximately 25.6% of the equity interest in the school which we acquired at a total consideration of approximately S$1.0 million. According to the share transfer agreement entered on June 10, 2014, we have the option to purchase up to an aggregate 51.0% of the equity interest in the school from its other shareholders within three years of the date of signing of the share transfer agreement. We will comply with applicable legal and regulatory requirements if we decide to exercise such option prior to expiry.

Based on the information provided by the school, as of October 31, 2016, Beacon International College had an enrollment of 287 students. Among its enrolled students, a substantial majority were from foreign countries, including India, China, Hong Kong, Vietnam and Malaysia. It currently offers approximately 13 majors, including English for professional and intercultural communication, information technology, hospitality management, business administration, business interactive media, 3D design and graphic design.

Hong Kong Nang Yan College of Higher Education

Hong Kong Nang Yan College of Higher Education is a degree-granting higher education institution located in Hong Kong. We invested in the school in November 2015 and are currently one of two members of Hong Kong Nang Yan College of Higher Education, which is a company limited by guarantee established under the laws of Hong Kong.

According to the information provided by the school, for the 2016/2017 school year, Hong Kong Nang Yan College of Higher Education had an enrollment of 71 students. It currently offers six majors in its undergraduate program, including Chinese, English, accounting, marketing, banking and financial services and human resources management. It also offers two majors in associate-degree programs, including Chinese and business administration, as well as one major under its diploma program.

OUR OWNERSHIP STRUCTURE

We own and operate our schools through a direct ownership structure. The continued compliance of such ownership structure with PRC foreign investment regulations is dependent upon future legislative changes not having retrospective effect. However, we cannot rule out the technical possibility of the occurrence of such future legislative changes with retrospective effect, and if that were to occur, our ownership structure may be subject to change. Please refer to "History and Corporate Structure — Foreign Investment in Higher Education and Secondary Vocational Education in the PRC" in this prospectus for more details regarding our direct ownership structure and its compliance with the relevant PRC laws and regulations. Please also refer to "Risk Factors — Risks Relating to Our Ownership Structure" for a more detailed discussion in connection with the risks associated with our direct ownership structure.

EXPANSION PLANS

Overview

In our efforts to achieve business growth, we plan to further expand our school network through acquiring existing schools and/or establishing new schools, including by cooperating with other school sponsors to establish new schools. For details of our expansion strategies, please refer to "— Our Business Strategies — Expand our school network coverage by carefully selecting suitable acquisition targets or cooperation partners" in this prospectus.

Reasons for Expansion

We intend to expand our school network now for the following principal reasons:

- *Our continuous growth requires the expansion of our school network* — We have operated private higher education institutions in Chongqing for a number of years and have accumulated a certain amount of experience and capability, including, but not limited to, school administration and the provision of educational services. In the meantime, according to the Frost & Sullivan Report, the demand for private higher education in the PRC will continue to grow in the future and China's higher education industry is expected to consolidate. Thus, we are willing to make additional investments into our school network to nurture more students and to satisfy local social and economic development needs; and

- *Laws and regulations in the PRC relating to private education are becoming clearer* — We believe that our investments in the private education sector will be protected under the current legal framework in the PRC. For example, in December 2015, the NPC passed an amendment to Education Law of the PRC (中華人民共和國教育法), which allows the establishment and operation of education institutions, which are not sponsored by fiscal funds or donated funds, for the purposes of making profits. In addition, on November 7, 2016, the Standing Committee of the NPC passed amendments to The Law for Promoting Private Education in the PRC (中華人民共和國民辦教育促進法), pursuant to which school sponsors of private schools may elect to set up Non-Profit Private Schools or For-Profit Private Schools. For For-Profit Private Schools, the school sponsors may obtain legal surplus and may utilize such legal surplus in accordance with the PRC Company Law and other related laws and regulations. Based on the foregoing, we have decided to expand our school network based on the favorable regulatory environment.

Cost and Feasibility of Expansion

Our expansion plan requires a significant amount of capital. According to the property valuation report prepared by LCH (Asia-Pacific) Surveyor Limited as set forth in Appendix IV to this prospectus, the value of the properties owned and occupied by our schools as of December 31, 2016 ranged from RMB0.88 million to RMB1,069.4 million. Although we had an aggregate of RMB611.0 million of available-for-sale investments and investment deposits as of October 31, 2016, we generally purchased a substantial amount of available-for-sale investments and investment deposits using the tuition fees and boarding fees we collected from students prior to the commencement of a new school year, and gradually redeem them over the course of the school year to fund the costs of our school operations and other significant business activities. Accordingly, our Directors are of the view that available-for-sale investments and investment deposits alone would not be sufficient for us to fund our business expansion without obtaining additional proceeds from the Global Offering. Furthermore, because the acquisition price of private higher education institutions would generally include the market price of the properties they own and occupy, which we believe is significant, thus, if we aim to acquire one or more schools in the future as part of our expansion plan, additional funding would be required.

In addition, according to the Frost & Sullivan Report, in 2015, there were 175 private higher education institutions in Western China, approximately 50% of which had student enrollment of at least 6,000, and 196 private higher education institutions in Southeastern China, approximately 60% of which had student enrollment of at least 6,000. In the same year, there were 2,225 private secondary vocational schools in China, approximately 8% of which had student enrollment of at least 3,000. We believe these schools comprise a list of potential acquisition targets we would consider pursuing in the future as part of our expansion plan.

Difficulties Encountered in Past Expansion Plans

In formulating and implementing our past expansion plans, we encountered various difficulties. For example, the expansion of our existing schools was mainly affected by the limitation of the student enrollment quota, which was set by the relevant PRC education authorities, and the uncertainty in the approval and/or filing process with the relevant PRC educational authorities relating to offering of new majors, which can take approximately one year or more. Both of these difficulties impacted our ability to increase our student enrollment during the Track Record Period. Please refer to the section headed "Risk Factors — Risks Relating to Our Business and Our Industry — We may not be able to successfully increase student enrollment at our schools, which may hinder our ability to expand our business" and "Risk Factors — Risks Relating to Our Business and Our Industry — 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" in this prospectus.

Recent Development of Our Expansion Plan

Minsheng Secondary Vocational School

As part of our strategic plan to acquire existing schools or establish new schools that focus on providing secondary and higher vocational education to students and in connection with executing our expansion plan to broaden the geographical footprint of our school network coverage in China, in September 2016, we established Minsheng Secondary Vocational School in Laoling, Shandong Province, based on a detailed feasibility study we conducted, which included a comprehensive market analysis of Laoling, the estimation of construction costs and financial impact to our Group, a detailed plan of school operations, capital investment budgeting and financial analysis, among others.

In addition to establishing Minsheng Secondary Vocational School, we have entered into a cooperative relationship with the Education Bureau of Laoling, which operates Laoling Secondary Vocational and Technical School, to pursue an entrustment management arrangement pursuant to which the school will be operated by Minsheng Secondary Vocational School. For further details regarding the entrustment management arrangement, please refer to "— Proposed Entrustment Management Arrangement" in this prospectus.

Implementation

We estimate that Minsheng Secondary Vocational School will occupy a campus of approximately 400 acres, the land use right for which we anticipate will be granted to us by relevant local government authorities free of charge. We plan to construct school premises with a total gross floor area of approximately 100,000 sq. m. The first phase of the school construction will cover approximately 75,000 sq. m and is expected to be completed by June 2018 with the second phase covering the remaining area by July 2019. Based on a feasibility study prepared by our Group, we estimate that the total cost of the expansion project will be RMB234.0 million, which will be entirely funded by cash generated from our operations. We anticipate that the expected payback period will be approximately seven years with an expected annual investment return of approximately 14.3%.

Strategic Implications

After completion of the construction of Minsheng Secondary Vocational School, , we expect that the school will have a maximum enrollment capacity of 6,000 students (including approximately 1,500 students to be contributed by the Education Bureau of Laoling) and provide secondary vocational skills training services to 5,000 students annually. Upon completion of the school construction, Laoling Secondary Vocational and Technical School and Minsheng Secondary Vocational School will jointly utilize the new campus of Minsheng Secondary Vocational School, and we will implement integrated management and operation involving the two schools through the entrustment management arrangement in respect of Laoling Secondary Vocational and Technical School.

We plan to implement a three-year secondary vocational education system in the two schools in Laoling and offer majors for which we anticipate strong demand in the marketplace, including, among others, nursing, information technology application, automotive repair, pre-school education, use and maintenance of agricultural machinery and application of electronic engineering technology. In order to provide quality education at both schools in Laoling, we plan to implement a teaching staff sharing system and unified management system throughout the two schools.

The foregoing represents our expansion plan formulated on the basis of the current market and operating conditions, our estimated student enrollment capacity and forecasted market demand for our educational services as of the date of this prospectus, and may be subject to changes and adjustments as our Directors believe necessary and appropriate to expand our school network. Please see "Risk Factors — Risks Relating to Our Business and Our Industry — We may not be able to successfully execute our growth strategies or effectively manage our growth, which may hinder our ability to capitalize on new business opportunities."

PROPOSED ENTRUSTMENT MANAGEMENT ARRANGEMENT

Overview

Laoling Secondary Vocational and Technical School is a secondary vocational education institution located in Laoling, Dezhou, Shandong Province, China. It is currently a public institution approved by the municipal government of Dezhou City and filed with the Education Department of Shandong Province. We entered into the Laoling School Cooperation Agreement on July 8, 2016 and subsequently entered into the Laoling School Supplemental Cooperation Agreement on September 1, 2016, pursuant to which we will operate Laoling Secondary Vocational and Technical School on an entrustment management basis through a newly established secondary vocational school in Laoling, Minsheng Secondary Vocational School.

Rationale and Potential Benefits

We made the strategic business decision to pursue the entrustment management arrangement with respect to such school mainly because: (i) compared to converting Laoling Secondary Vocational and Technical School to a PRC subsidiary of our Group through acquisition, the Entrustment Management Agreements allow Minsheng Secondary Vocational School to only provide management services to Laoling Secondary Vocational and Technical School and therefore, it shall not be responsible for the relevant indebtedness and other related obligations, liabilities and risks incurred by Laoling Secondary Vocational and Technical School, which is an independent legal entity; (ii) under the entrustment management arrangement, Minsheng Secondary Vocational School is entitled to manage and operate all aspects of the business, original assets and new assets, finance-related matters, human resources and student administration, among other things, of Laoling Secondary Vocational and Technical School, which enables us to gain valuable experience in operating a school in Laoling City and helps us establish a footing in Shandong Province as a step towards our school network expansion; and (iii) the entrustment management arrangement does not involve the process of converting a public school into a private school and therefore, requires less cumbersome government approval procedures. Thus, we believe the process of implementing the entrustment management arrangement will be more predictable and manageable. In addition, the entrustment management arrangement allows the local government to procure services from a private school operator with relevant experience while maintaining the public school nature of Laoling Secondary Vocational and Technical School, which we believe is in the interest of the local government. We hope this arrangement will be helpful for promoting the understanding and cooperation between the local government and our Company. We established Minsheng Secondary Vocational School under the direct ownership structure because the school offers secondary vocational education, which is a permitted industry for foreign investment under the Current Catalog as advised by our PRC Legal Advisors.

In addition, we considered that operating Laoling Secondary Vocational and Technical School and Minsheng Secondary Vocational School in a cohesive and centralized manner is feasible and in the interest of our Company, after taking into account the following:

- *Synergies* — In line with our strategic position in China as the tenth largest higher education service provider, we believe operating a secondary vocational school will benefit our overall business by creating synergies through the integration of our teaching methods and management experience, as well as providing a stable source of student enrollment from our secondary vocational school to our degree-granting higher education institutions; and

- *Economic benefits* — Through the establishment of Minsheng Secondary Vocational School, we anticipate obtaining the following economic benefits: (i) according to the applicable PRC regulations, Minsheng Secondary Vocational School will be entitled to receive annual subsidies in the amount of RMB2,000 per student for the first two years of their enrollment; and (ii) we intend to offer certain majors focusing on nursing, pre-school education and information technology application that are in line with high market demand, which we believe will supplement the curriculums offered by Laoling Secondary Vocational and Technical School and help us nurture professional talent to fill the gap and improve our results of operations.

Establishment of the New School

To facilitate the entrustment management arrangement, we have established Minsheng Secondary Vocational School on September 20, 2016 and designated it as the entity responsible for the management and operation of Laoling Secondary Vocational and Technical School. According to the Entrustment Management Agreements, the People's Government of Laoling agreed to provide to Minsheng Secondary Vocational School, free of charge, 400 acres of land, which will be used as the new school campus of Minsheng Secondary Vocational School. According to the Entrustment Management Agreements, 50% of the land will be allocated to Minsheng Secondary Vocational School by the People's Government of Laoling before the end of 2016 and the remainder before the end of 2017. As of the Latest Practicable Date, the People's Government of Laoling was in the process of allocating such parcel of land to Minsheng Secondary Vocational School. We anticipate the construction of the first phase of the campus of Minsheng Secondary Vocational School with a total gross floor area of 75,000 sq. m. will be completed by June 2018 and the remaining 25,000 sq. m. for the second phase of the construction will be completed by July 2019. Please see "— Expansion Plan" for further details. Under the entrustment management arrangement, prior to the completion of construction of the campus by Minsheng Secondary Vocational School, the teaching buildings and facilities will be provided by Laoling Secondary Vocational and Technical School. Upon the completion of the construction of the campus, the teaching buildings and facilities will be provided by Minsheng Secondary Vocational School. The new school will have a maximum enrollment capacity of 6,000 students, and the first batch of new student enrollment is anticipated to arrive in September 2018. The People's Government of Laoling has agreed to provide policy and funding support for Minsheng Secondary Vocational School. In addition, the People's Government of Laoling guarantees to us that it will provide to Minsheng Secondary Vocational School a minimum student enrollment source of not less than 1,500 students annually.

Entrustment Management Agreements

Pursuant to the Entrustment Management Agreements, Minsheng Secondary Vocational School will operate Laoling Secondary Vocational and Technical School through an entrustment management arrangement. Through this arrangement, we will manage the day-to-day operations of Laoling Secondary Vocational Technical School, which entails the following key aspects:

- *Teaching business arrangement* — we will be responsible for (i) managing of teachers and students; (ii) organizing and carrying out educational activities; (iii) formulating administrative and educational management rules and procedures; (iv) collecting tuition fees and miscellaneous fees from students; and (v) managing school expenditures and other finance-related activities, and we will manage the aforesaid activities in the name of Laoling Secondary Vocational and Technical School;

- *Administrator arrangement* — Laoling Secondary Vocational and Technical School shall set up a board of directors, which will be authorized to appoint a principal who will be responsible for the overall administration and management of the school. We will be entitled to recommend, and the Education Bureau of Laoling, as the school sponsor, shall approve, director candidates for the school;

- *Financial arrangement* — during the entrustment period, all of the original assets and new assets, as well as all finance-related matters of Laoling Secondary Vocational and Technical School will be managed and operated by Minsheng Secondary Vocational School. Except that the municipal government of Laoling would be responsible for the salary, insurance and pension for in-staff personnel of Laoling Secondary Vocational and Technical School, Laoling Secondary Vocational and Technical School shall continue to incur indebtedness in its own name and bear the indebtedness with its own assets;

- *Entrustment fees arrangement* — Laoling Secondary Vocational and Technical School shall pay entrustment management fees to Minsheng Secondary Vocational School within three months after the end of each accounting year. The entrustment management fees shall equal to the legal surplus from operating Laoling Secondary Vocational and Technical School. In the event legal surplus from Laoling Secondary Vocational and Technical School is negative, we will not be responsible for such losses; and

- *Personnel arrangement* — Laoling Secondary Vocational and Technical School shall enter into employment relationships with the teaching staff and other school personnel, and the People's Government of Laoling is responsible for providing sufficient in-staff teaching resources annually to Laoling Secondary Vocational and Technical School and Minsheng Secondary Vocational School to meet 50% of the required teachers at these two schools. The number of teachers requested in such schools are determined in certain proportion to the aggregate number of the students enrolled in the two schools, which is capped at 6,000 for the purpose of calculating the teaching resources that shall be provided by the government.

This entrustment management arrangement is for a period of 50 years from the date of the Laoling School Supplemental Cooperation Agreement, and cannot be terminated early without the consent of both parties. In addition, we can unilaterally terminate the Laoling School Supplemental Cooperation Agreement if the entrustment arrangement is not approved by the relevant local PRC government authorities. Moreover, such arrangement can be implemented only after it is approved by and/or filed with the relevant local PRC government authorities. On October 18, 2016, the Education Bureau of Dezhou has approved such entrustment management arrangement. As of the Latest Practicable Date, we have not yet completed the filing of such arrangement with the People's Government of Dezhou. As advised by our PRC Legal Advisors, the entrustment management arrangement is a legal, valid and binding under the PRC laws once approved by the competent authorities.

Despite the fact that Minsheng Secondary Vocational School and Laoling Secondary Vocational and Technical School are located in the same city and offer the same secondary vocational training to students, we believe that these schools will not be directly competing with each other for the following reasons: (i) as a public school, Laoling Secondary Vocational and Technical School primarily targets students with limited paying power, whereas Minsheng Secondary Vocational School, as a private school, mainly targets students seeking premium secondary vocational education; and (ii) by centrally operating Laoling Secondary Vocational and Technical School through Minsheng Secondary Vocational School based on an entrustment management arrangement where the entrustment management fees are mainly comprised of any legal surplus to be generated from operating Laoling Secondary Vocational and Technical School, in order for us to maximize our benefits under the operation of these two schools, Laoling Secondary Vocational and Technical School shall be managed and operated in the aligned interest of our Group. Accordingly, our Directors are of the view that the interest of Laoling Secondary Vocational and Technical School and Minsheng Secondary Vocational School are aligned rather than directly competing and our Directors do not believe such arrangement will create potential conflicts of interest that will materially impact our results of operations and financial audition going forward.

THE DECISION REGARDING REVISIONS OF THE LAW FOR PROMOTING PRIVATE EDUCATION OF THE PRC

On November 7, 2016, the Decision was promulgated by the Standing Committee of the NPC and will become effective on September 1, 2017. According to the Decision, the school sponsors of private schools providing non-compulsory education may, at their own discretion, elect to register the schools as For-Profit Private Schools or Non-Profit Private Schools, with the exception of private schools providing compulsory education, which can only be established as Non-Profit Private Schools. For further details of the Decision, please refer to "Regulatory Overview — Regulations on Private Education in the PRC — The Revisions of the Law for Promoting Private Education of the PRC" in this prospectus.

Under the existing regulatory environment and based on the interpretation of the Decision and the existing ownership structure of our schools, it is our intention to register the schools we currently own as For-Profit Private Schools after the Decision, its implementation and the detailed rules and regulations promulgated by local government authorities become effective. However, based on the fact that (i) the Decision is silent on the specific measures regarding how existing schools can choose to become For-Profit Private Schools, which, according to the Decision, shall be regulated by the corresponding laws and regulations to be promulgated by the local government authorities; and (ii) the local government authorities have not yet promulgated the corresponding detailed laws and regulations regarding the conversion of existing schools to For-Profit Private Schools or Non-Profit Private Schools as of the Latest Practicable Date, thus, the exact timing for us to register our existing schools as For-Profit Private Schools and the requirements in connection therewith remain uncertain. If any of our schools chooses to be and registers as a For-Profit Private School, the potential impact of the Decision includes the following:

- *The rights and interests of the sponsors of our schools will be protected in more definitive and favorable ways* — the Decision provides that the school sponsors of For-Profit Private Schools can obtain the schools' operating profits, and upon liquidation, the school sponsors of For-Profit Private Schools can obtain their remaining assets after the settlement of the schools' indebtedness in accordance with the PRC Company Law and other relevant laws and administrative regulations;

- *Our schools shall have the discretion to determine the amount of fees to be charged* — in accordance with the Decision, For-Profit Private Schools are entitled to make their own decisions about the amount of fees to be charged based on the schools' operating costs and market demand;

- *Our schools may enjoy support from certain PRC government policies* — the Decision stipulates that the governments at or above the county level in the PRC can provide various policy support to For-Profit Private Schools, such as preferential tax policies, purchases of services, student loans, scholarships and the rent or transfers of idle state-owned assets in accordance with applicable laws and regulations;

- *There may be increased uncertainty about the extent of the benefits to be provided by the government supporting measures* — according to the Decision, while land will be supplied to Non-Profit Private Schools by the government through allocation or other means, For-Profit Private Schools are not expected to enjoy the same treatment as public schools and Non-Profit Private Schools; and

- *Our schools will be subject to the requirements of applying for re-registration* — the Decision also requires that private schools choosing to register as For-Profit Private Schools shall carry out financial settlement procedures, clarify property ownership, pay the relevant taxes and fees, and re-apply for registration. According to the Classification Registration Rules, For-Profit Private Schools that have been approved by the relevant government authorities shall be registered with the State Administration of Industry and Commerce in accordance with the applicable laws and regulations in the relevant jurisdictions. The registration authority shall, in accordance with applicable regulations, register the private schools that meet the requirements of registration and issue to them relevant registration certificates or business licenses. The specific registration requirements for Existing Private Schools shall be formulated by the local governments in the provinces, autonomous regions or municipalities in the PRC.

For further details of the Decision, please see "Regulatory Overview — Regulations on Private Education in the PRC — The Revisions of the Law for Promoting Private Education of the PRC" in this prospectus.

There are uncertainties regarding the interpretation and application of the Decision, which affect or may affect our industry as a whole or any of our schools, especially considering that the corresponding detailed rules and regulations regarding the conversion of existing schools to For-Profit Private Schools or Non-Profit Private Schools have not been promulgated by the local government authorities as of the Latest Practicable Date. Accordingly, as of the same date, we were not able to quantify the impact the implementation that the Decision may have on our business operations. For risks associated with the Decision and new regulations in general that may impact our industry and/or our schools, please see "Risk Factors — Risks Relating to Our Industry and Our Business — New Legislation or changes in the PRC regulatory requirements regarding private higher education may affect our business operations and prospects" in this prospectus.

COMPETITION

The private higher education services market in China is rapidly evolving, highly fragmented and competitive. We face competition primarily from public schools and other private higher education institutions in China. We also compete directly with public and other private higher education institutions in Western China, where four of the schools we own and operate are located. We believe our principal competitive advantages include, among others:

- the reputation of each of our schools;
- our extensive operating experience;
- the effectiveness and completeness of our educational and practical training-focused programs;
- the high employment rate of our graduates and the extensiveness of the career planning guidance we provide;
- the scope and quality of our education programs, services and major offerings;
- the abundance of practice and training opportunities we are able to provide to our students;
- our cooperation with overseas schools to obtain high-quality educational resources;
- overall student experience and satisfaction;
- students' academic performance; and
- our ability to attract and retain highly qualified teachers.

We expect competition in the private higher education market to persist and intensify. We believe that we are able to compete effectively due to our strong reputation, established practical training-focused programs, and the high initial employment rate of the graduates of our schools. However, some of our existing and potential competitors, especially public universities, 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 teachers and increased capital expenditures" for further details.

CUSTOMERS AND SUPPLIERS

Our customers primarily consist of our students. We did not have any single customer who accounted for more than 10% of our revenue for each of the years ended December 31, 2013, 2014 and 2015 and for the ten months ended October 31, 2016.

Our suppliers primarily comprise construction companies and information technology equipment and service providers, all of which were Independent Third Parties. For the years ended December 31, 2013, 2014 and 2015 and for the ten months ended October 31, 2016, purchases from our five largest suppliers amounted to RMB33.9 million, RMB27.6 million, RMB20.9 million and RMB27.0 million, respectively. Purchases from our largest suppliers during the Track Record Period amounted to RMB17.2 million, RMB15.8 million, RMB9.9 million and RMB10.0 million, respectively.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we owned 18 patents, including eight patents owned by Chongqing Vocational College of Applied Technology, nine owned by Chongqing College of Humanities, Science and Technology and one owned by Pass College of Chongqing Technology and Business University. We are also in the process of applying for the registration of a further 15 patents, all of which are in the PRC. However, as of the Latest Practicable Date, we did not own any registered trademarks in the PRC. As of the same date, we are in the process of applying for the registration of 11 trademarks, including ten in the PRC and one in Hong Kong, although this is not the legal prerequisite for our current use of such trademarks. We have registered two domain names for Chongqing Vocational College of Applied Technology and one domain name for Inner Mongolia Fengzhou Vocational College as of the Latest Practicable Date. Please see "C. Further Information about Our Business — 2. Intellectual property rights of our Group" in Appendix VI 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" in this prospectus.

AWARDS AND RECOGNITIONS

We have received numerous awards and recognitions since our establishment in recognition of the quality of the education we provide and the outstanding achievements of our students. The following table sets forth some of the awards and recognition we have received during the periods indicated:

Year	Award / Accreditation	Awarding Organization	Awarded Entity
2015	Education Informatization Pilot Unit	Chongqing Education Commission	Chongqing College of Humanities, Science and Technology
2015	National Unity and Progress Model Collective of Chongqing	People's Government of Chongqing	Chongqing College of Humanities, Science and Technology
2013	National Applied Technology Research Pilot University	Chongqing Education Commission	Chongqing College of Humanities, Science and Technology
2011	2009-2010 Graduate Career Placement Construction Award for Higher Education Institutions in Chongqing	Chongqing Education Commission	Chongqing College of Humanities, Science and Technology
2011	Excellent Private Higher Education institution in China	The Higher Education Professional Committee of China's Non-Government Education Association	Chongqing College of Humanities, Science and Technology
2010	National Advanced Private Education Institution	China Teacher Development Foundation of the Ministry of Education	Pass College of Chongqing Technology and Business University
2010	National Advanced Social Organization	Ministry of Civil Affairs of the PRC	Chongqing College of Humanities, Science and Technology
2010	Independent College with the Most Brand Influence in 2009	Sina.com	Pass College of Chongqing Technology and Business University

EMPLOYEES

As of June 30, 2013, 2014, 2015 and 2016 and October 31, 2016, we had 1,712, 1,641, 1,587, 1,715 and 2,007 employees, respectively. The following table sets forth the total number of employees by function as of October 31, 2016:

Function	Number of Employees	% of Total
Teachers[(1)]	1,090	54.3
Administrative staff	563	28.1
Other staff	354	17.6
Total	2,007	100.0

Note:

(1) Teachers with administrative responsibilities were categorized into administrative staff instead and were not included in the number of our teachers.

As required by PRC laws and regulations, we participate in various employee social security plans for our employees that are administered by local governments, including housing provident fund, pension, medical, maternity insurance, work-related injury 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 the section headed "— Legal Proceedings and Compliance" for details of our non-compliance involving social security plans.

Furthermore, each of Pass College of Chongqing Technology and Business University and Chongqing Vocational College of Applied Technology has established a labor union. During the Track Record Period, we have not experienced any material labor union disputes.

PROPERTIES

As of December 31, 2016, we owned the land use rights for 31 parcels of land in the PRC with a total gross site area of approximately 1,461,687.34 sq. m. and have applied for the land use right certificate for one parcel of land with a gross site area of approximate 33,019.00 sq. m. As of the same date, we occupied 201 buildings (excluding leased properties) with a total gross floor area of approximately 611,863.46 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 value of our property interests as of December 31, 2016 was approximately RMB1,484.6 million, according to the property valuation report prepared by LCH (Asia-pacific) Surveyors Limited as set out in Appendix IV to this prospectus. As of December 31, 2016, we also leased 20 properties with a total gross floor area of approximately 29,145.16 sq. m. As of the Latest Practicable Date, we leased 26 properties with a gross floor area of approximately 40,200.59 sq. m.

Owned Properties

Land

As of December 31, 2016, we owned land use rights in the PRC for 20 parcels of land for Chongqing College of Humanities, Science and Technology with a gross site area of approximately 1,050,366.00 sq. m., eight parcels of land for Pass College of Chongqing Technology and Business University with a gross site area of approximately 306,202.99 sq. m., two parcels of land for Chongqing Vocational College of Applied Technology with a gross site area of approximately 100,558.00 sq. m., and one parcel of land for Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) with a gross site area of approximately 4,560.35 sq. m. The following table sets forth a summary of the land use rights we owned:

No.	Reference to Property Valuation Report	Land Use Right Owner	Description/Location	Gross Site Area	Existing Use	Expiry Date(1)
	(Category Type/ Property#)			(sq. m.)		
1	B1	Chongqing College of Humanities, Science and Technology	Located at Hechuan District, Cao Street Office, 256 College Street, Parcel B, Chongqing	499,675.00	Science and Education	N/A

No.	Reference to Property Valuation Report	Land Use Right Owner	Description/Location	Gross Site Area	Existing Use	Expiry Date[1]
	(Category Type/ Property#)			(sq. m.)		
2	B1	Chongqing College of Humanities, Science and Technology	Located at Hechuan District, Cao Street Office, 256 College Street, Parcel L, Chongqing	36,614.00	Science and Education	N/A
3	B1	Chongqing College of Humanities, Science and Technology	Located at Hechuan District, Cao Street Office, 256 College Street, Parcel A, Chongqing	86,885.00	Science and Education	N/A
4	B1	Chongqing College of Humanities, Science and Technology	Located at Hechuan District, Cao Street Office, 256 College Street, Chongqing	183,548.00	Science and Education	N/A
5	B1	Chongqing College of Humanities, Science and Technology	Located at Hechuan District, Cao Street Office, 256 College Street, Parcel I, Chongqing	1,074.00	Science and Education	N/A
6	B1	Chongqing College of Humanities, Science and Technology	Located at Hechuan District, Cao Street Office, 256 College Street, Parcel K, Chongqing	14,430.00	Science and Education	N/A
7	B1	Chongqing College of Humanities, Science and Technology	Located at Hechuan District, Cao Street Office, 256 College Street, Parcel J, Chongqing	8,176.00	Science and Education	N/A
8	B1	Chongqing College of Humanities, Science and Technology	Located at Hechuan District, Cao Street Office, 256 College Street, Parcel F, Chongqing	5,627.00	Science and Education	N/A
9	B1	Chongqing College of Humanities, Science and Technology	Located at Hechuan District, Cao Street Office, 256 College Street, Parcel C, Chongqing	3,733.00	Science and Education	N/A
10	B1	Chongqing College of Humanities, Science and Technology	Located at Hechuan District, Cao Street Office, 256 College Street, Parcel G, Chongqing	3,752.00	Science and Education	N/A
11	B1	Chongqing College of Humanities, Science and Technology	Located at Hechuan District, Cao Street Office, 256 College Street, Parcel H, Chongqing	73,513.00	Science and Education	N/A
12	B1	Chongqing College of Humanities, Science and Technology	Located at Hechuan District, Cao Street Office, 256 College Street, Parcel D, Chongqing	118,452.00	Science and Education	N/A

No.	Reference to Property Valuation Report (Category Type/ Property#)	Land Use Right Owner	Description/Location	Gross Site Area (sq. m.)	Existing Use	Expiry Date(1)
13	B1	Chongqing College of Humanities, Science and Technology	Located at Hechuan District, Cao Street Office, 256 College Street, Fengmei Tower, Chongqing	813.00	Science and Education	N/A
14	B1	Chongqing College of Humanities, Science and Technology	Located at Hechuan District, Cao Street Office, 256 College Street, Guangyi Tower, Chongqing	1,154.00	Science and Education	N/A
15	B1	Chongqing College of Humanities, Science and Technology	Located at Hechuan District, Cao Street Office, 256 College Street, Bowen Tower, Chongqing	1,708.00	Science and Education	N/A
16	B1	Chongqing College of Humanities, Science and Technology	Located at Hechuan District, Cao Street Office, 256 College Street, Bayin Tower, Chongqing	2,229.00	Science and Education	N/A
17	B1	Chongqing College of Humanities, Science and Technology	Located at Hechuan District, Cao Street Office, 256 College Street, Gezhi Tower, Chongqing	1,712.00	Science and Education	N/A
18	B1	Chongqing College of Humanities, Science and Technology	Located at Hechuan District, Cao Street Office, 256 College Street, Hongshi Tower, Chongqing	1,183.00	Science and Education	N/A
19	B1	Chongqing College of Humanities, Science and Technology	Located at Hechuan District, Cao Street Office, 256 College Street, No. 14 Education Tower, Chongqing	1,128.00	Science and Education	N/A
20	B1	Chongqing College of Humanities, Science and Technology	Located at Hechuan District, Cao Street, Parcel (HC13-111-3), Chongqing	4,960.00	Road	N/A
21	A1	Pass College of Chongqing Technology and Business University	Located at Hechuan District, No. 593 He Yang Ban Traffic Street, Chongqing	808.00	Science and Education	2051
22	A1	Pass College of Chongqing Technology and Business University	Located at Hechuan District, No. 593 He Yang Ban Traffic Street, Chongqing	19,973.00	Education	2054
23	A1	Pass College of Chongqing Technology and Business University	Located at Hechuan District, No. 593 He Yang Ban Traffic Street, Chongqing	20,000.00	Education	2054

No.	Reference to Property Valuation Report (Category Type/ Property#)	Land Use Right Owner	Description/Location	Gross Site Area (sq. m.)	Existing Use	Expiry Date[1]
24	A1	Pass College of Chongqing Technology and Business University	Located at Hechuan District, He Ban Chu, Bei Huan Road, Chongqing	48,267.00	Science and Education/ Road	(1) 2058 for 44,321 sq. m. of land (2) N/A for 3,946 sq. m. of land
25	A1	Pass College of Chongqing Technology and Business University	Located at Hechuan District, Heyang Ban, Bei Huan Road North, Chongqing	51,733.99	Education and Municipal Road	(1) 2060 for 47,613 sq. m. of land (2) N/A for 4,120.99 sq. m. of land
26	A1	Pass College of Chongqing Technology and Business University	Located at Hechuan District, He Yang Cheng Street, Sha Ping Village, Chongqing	80,000.00	Science and Education	N/A
27	A1	Pass College of Chongqing Technology and Business University	Located at Hechuan District, He Yang Cheng Street, Bei Huan Road North, Chongqing	10,734.00	Science and Education	2066
28	A1	Pass College of Chongqing Technology and Business University	Located at Hechuan District, He Yang Cheng Street, Bei Huan Road North, Chongqing	74,687.00	Science and Education	2066
29	A2	Chongqing Vocational College of Applied Technology	Located at Hechuan District, He Ban Chu, Si Yuan Road, Chongqing	99,102.00	Education/ Road	(1) 2058 for 87,126 sq. m. of the land (2) N/A for 11,976 sq. m. of the land
30	A2	Chongqing Vocational College of Applied Technology	Located at Hechuan District, He Ban Chu, Si Yuan Road, Chongqing	1,456.00	Science and Education	2058
31	B2	Inner Mongolia Fengzhou Vocational College (Qingcheng Branch)	Located at Da Tai She Road West, Hohhot, Inner Mongolia	4,560.35	Education	N/A

Note:

(1) Land allocated by the PRC government authorities generally does not have an expiry date.

As of December 31, 2016, Chongqing Vocational College of Applied Technology has entered into an assignment contract with Hechuan District Land Resources and Housing Administration for one parcel of land located at Hechuan District, He Yang Cheng Road, Chongqing, with a total gross site area of approximately 33,019.00 sq. m. This parcel of land is generally used for education purposes. The relevant land use right has a use term of 50 years. Chongqing Vocational College of Applied Technology has applied for the land use right certificate for this parcel of land as of the Latest Practicable Date.

Buildings

As of December 31, 2016, we occupied 201 buildings (excluding leased properties) located in the PRC with an aggregate gross floor area of approximately 611,863.46 sq. m., of which one building with a gross floor area of approximately 175.22 sq. m. was occupied by Minsheng Education Management, one building with a gross floor area of approximately 137.67 sq. m. was occupied by Li'ang Industry, 164 buildings with a total gross floor area of approximately 402,532.6 sq. m. were occupied by Chongqing College of Humanities, Science and Technology, 22 buildings (excluding leased properties) with a total gross floor area of approximately 141,862.37 sq. m. were occupied by Pass College of Chongqing Technology and Business University, four buildings with a total gross floor area of approximately 61,331.58 sq. m. were occupied by Chongqing Vocational College of Applied Technology and nine buildings (excluding leased properties) with a total gross floor area of approximately 5,824.02 sq. m. were occupied by Inner Mongolia Fengzhou Vocational College (Qingcheng Branch). All of these buildings have been designed mainly for education-related usage (including canteen, dormitory, warehouse and recreational usage).

As of December 31, 2016, Chongqing College of Humanities, Science and Technology had obtained construction planning permits with respect to two additional buildings with a total gross floor area of approximately 13,439.15 sq. m. One building will be used as student accommodation and the other for teaching purposes. In addition, as of the same date, Chongqing Vocational College of Applied Technology had obtained the construction land use permit, construction planning permit and construction work commencement permit with respect to one additional building with a planned gross floor area of approximately 9,760.90 sq. m. This building will be used for student accommodation.

As of December 31, 2016, all the buildings our schools occupied had been granted with building ownership certificates and/or have passed the acceptance checks on completion of construction as required by PRC laws and regulations, except the following: (i) with respect to 164 buildings occupied by Chongqing College of Humanities, Science and Technology, 38 buildings with a total gross floor area of approximately 4,489.07 sq. m. did not have the relevant construction planning permits and did not pass the acceptance checks on completion of construction, and four of such 38 buildings, each with a construction size of more than 300 sq. m., do not have the relevant construction permits. These buildings were mainly used for ancillary activities not related to teaching, including boiler rooms, security posts, logistic service commercial buildings and vacant units, and have a gross floor area which ranges from 9.00 sq. m. to 587.07 sq. m. Only one of the 38 buildings with a gross floor area of 200.00 sq. m. was used as classrooms and another building with a gross floor area of 400.74 sq. m. was used as teaching facilities; (ii) with respect to the 22 buildings occupied by Pass College of Chongqing Technology and Business University, three buildings with a total gross floor area of approximately 379.60 sq. m. did not have the relevant construction planning permits and did not pass the acceptance checks on completion of construction. All of these three buildings were used for ancillary activities not related to teaching, such as ancillary rooms and auxiliary sports facility; (iii) with respect to the nine buildings owned by Inner Mongolia Fengzhou Vocational College (Qingcheng Branch), eight buildings with a total gross floor area of approximately 3,931.44 sq. m. did not have the construction planning permits and did not pass the acceptance checks on completion of construction, and three of such eight buildings, each with a construction size of more than 300 sq. m., do not have the construction permits. Among these eight buildings, (A) two buildings with a gross floor area of 729.92 sq. m. and 222.72 sq. m., respectively, were used as offices, (B) two buildings with a gross floor area of 1,520.64 sq. m. and 772.80 sq. m., respectively, were used as student dormitories, (C) two buildings with a gross floor area of 209.76 sq. m. and 111.69 sq. m., respectively, were used as teaching facilities, (D) one building with a gross floor area of 273.66 sq. m. was used as a canteen and (E) the remaining building with a gross floor area of 90.25 sq. m was used for ancillary activities not related to teaching; and (iv) the ownership certificate for one building with a gross floor area of approximately 175.22 sq. m. occupied by Minsheng Education Management was under application. Most of the affected buildings as described above were used for ancillary activities not related to teaching and the lack of permits and/or acceptance checks on completion of construction regarding the affected buildings as described above was primarily a result of historical non-compliance involving these properties prior to our acquisition of Li'ang Industry, which is the school sponsor of our three schools in Chongqing, in 2006 and the acquisition of Inner Mongolia Fengzhou Vocational College in 2008, and our administrative oversight post acquisition.

As of December 31, 2016, the aggregate gross floor area of the buildings with defective titles was approximately 1.5% of the total gross floor area of the buildings we occupied. For risks and uncertainties associated with our failure to obtain the relevant construction planning permits and/or pass the acceptance checks on completion of construction, see the section headed "Risk Factors — Risks Relating to Our Business and Our Industry — We are subject to extensive governmental approvals and compliance requirements for establishing our campuses and school premises" in this prospectus.

According to our PRC Legal Advisors, for construction work carried out without the relevant construction planning permit, the relevant PRC government authority at or above the county level may order the cessation of construction. If the impact on planning caused by such construction can be eradicated, the relevant PRC government authorities may order the construction entity to rectify such impact within a specified time limit and an additional fine of not less than 5% but not more than 10% of the construction cost may be imposed. If such impact cannot be eliminated, the relevant PRC government authority may (i) order the construction entity to demolish the construction within a specified time limit; (ii) if the construction cannot be demolished, confiscate the buildings or structures or any income illegally earned from such properties; and/or (iii) impose a fine of not more than 10% of the construction cost. For construction work, if the construction size is more than 300 sq. m. and if the construction is carried out without the relevant construction permit, the relevant PRC government shall order the construction entity to suspend the construction, rectify the behavior within a time limit and impose a fine of between 1% and 2% of the contract price of the project on the construction entity. Furthermore, if a construction project is delivered for use without passing the relevant completion inspections, the construction entity may be ordered to rectify and may be obliged to pay compensation where any damage has been caused. A fine of not less than 2% but not more than 4% of the contract price of the construction may also be imposed. As of December 31, 2016, the maximum aggregate amount of penalty with respect to such non-compliance is estimated to be approximately RMB560,000. For further details on the risks associated with our owned properties, please see the section headed "Risk Factors—Risks Relating to Our Business and Our Industry — We are subject to extensive governmental approvals and compliance requirements for establishing our campuses and school premises" in this prospectus.

Rectification Measures and Improvement of Internal Control Measures

In respect of the 38 buildings occupied by Chongqing College of Humanities, Science and Technology that had defective titles, as of the Latest Practicable Date, we have demolished 22 buildings at Chongqing College of Humanities, Science and Technology with a total gross floor area of 1,606.43 sq. m. that were used for ancillary activities not related to teaching and one building at Chongqing College of Humanities, Science and Technology with a gross floor area of 200.00 sq. m. that was used as classrooms, all of which did not meet the development needs of the school. With regard to the remaining 15 buildings at Chongqing College of Humanities, Science and Technology with a total gross floor area of 2,682.64 sq. m., including one building that was used as teaching facilities, we have engaged a qualified independent engineering quality inspection company in Chongqing in January 2017 to conduct appraisals regarding the safety of these building structures. Such independent engineering quality inspection company issued inspection reports on January 10, 2017 that in terms of building structure, these buildings can be put into use safely. We will use our best efforts to promptly make appropriate applications with the relevant government authorities to obtain the required permits and/or acceptance checks. Until we obtain the requisite permits and/or acceptance checks, we will not use these buildings, and we had ceased using such buildings as of the Latest Practicable Date. The 22 buildings that Chongqing College of Humanities, Science and Technology had demolished and most of the remaining 15 buildings it had ceased using were mainly used for ancillary activities not related to teaching, such as gym, logistic services commercial building and vacant units, which will not have any material and adverse impact on the business operation of the school. We will disclose the progress of the aforesaid rectification in our interim/annual reports as appropriate and, where applicable, the explanation for any delay in such rectification.

With respect to the three buildings occupied by Pass College of Chongqing Technology and Business University with a total gross floor area of 379.60 sq. m. that had defective titles, as of the Latest Practicable Date, we had engaged a qualified independent engineering quality inspection company in Chongqing in January 2017 to conduct appraisals regarding the safety of these building structures. Such independent engineering quality inspection company issued inspection reports on January 10, 2017 that in terms of building structure, these buildings can be put into use safely. We will use our best efforts to promptly make appropriate applications with the relevant government authorities to obtain the required permits and/or acceptance checks. Until we obtain the requisite permits and/or acceptance checks, we will not use these buildings, and we have ceased using such buildings as of the Latest Practicable Date. Accordingly, the three buildings that Pass College of Chongqing Technology and Business University ceased using were all used for ancillary activities not related to teaching, which will not have any material and adverse impact on the business operation of the school. We will disclose the progress of the aforesaid rectification in our interim/annual reports as appropriate and, where applicable, the explanation for any delay in such rectification.

In addition, with respect to the eight buildings occupied by Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) that had defective titles, as of the Latest Practicable Date, we have demolished three buildings with a total gross floor area of 1,064.33 sq. m. that were mainly used as offices and teaching facilities, all of which did not meet the development needs of the school. With respect to the remaining five buildings with a total gross floor area of 2,867.11 sq. m., we have engaged a qualified independent engineering quality inspection company in Inner Mongolia in November 2016 to conduct safety appraisals in terms of building structure. Such independent engineering quality inspection company issued inspection reports on November 15, 2016 and January 20, 2017 that in terms of building structure, these buildings can be put into use safely. We will use our best efforts to promptly make appropriate applications with the relevant government authorities to obtain the required permits and/or acceptance checks, or lease suitable properties and relocate the relevant school business of Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) at the premises with defective titles to a new location, so that our business operation at Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) would not be materially interrupted. Until we obtain the required permits and/or acceptance checks or complete the relocation, we will not use these buildings, and we have ceased using such buildings as of the Latest Practicable Date. As advised by our Directors, when we ceased using two of the eight buildings with defective titles that were used as student dormitories in September 2016, the students who reside there were all away from school attending training and internships off-campus and were not living at those dormitories. We ceased using the remaining buildings with defective titles in December 2016 when the school was in winter recess. Accordingly, our Directors are of the view that the vacancy and demolition of the relevant buildings with defective titles did not materially and adversely affect the business operation of Inner Mongolia Fengzhou Vocational College (Qingcheng Branch).

Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) has entered into a lease agreement with an Independent Third Party on February 17, 2017, pursuant to which it has agreed to lease buildings with an aggregate gross floor area of approximately 11,055.43 sq. m. According to the lease agreement, the rental payments will be approximately RMB1.8 million per year and the lease has an initial expiry date of March 16, 2020, subject to a one-time extension to July 30, 2020 at the discretion of Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) with a monthly rental fee of RMB150,000. These buildings are located in Hohhot, Inner Mongolia. We expect to relocate the relevant school business of Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) at its current premises with defective titles to this new location prior to the start of the school semester in the spring in March 2017. Therefore, we are of the view that the business operation at Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) would not be materially and adversely affected. As advised by our Directors, the cost relevant to the relocation (including the cost of demolition) is expected to be approximately RMB1.2 million and the rental payments payable in relation to the suitable properties leased by Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) will be approximately RMB1.8 million per year. Accordingly, our Directors are of the view that the demolition of the buildings with defective title and subsequent relocation will not have any materially adverse financial impact on Inner Mongolia Fengzhou Vocational College (Qingcheng Branch). We will disclose the progress of the aforesaid rectification in our interim/annual reports as appropriate and, where applicable, the explanation for any delay in such rectification.

As of the Latest Practicable Date, the aggregate gross floor area of the buildings with defective titles was approximately 1.0% of the aggregate gross floor area of all of the buildings we occupied. Based on the foregoing, in the unlikely event we are required to permanently discontinue our use of these buildings, we do not believe it will have a material adverse impact on our business operations.

Going forward, we will adopt the following measures to mitigate any future recurrence of such non-compliance: (i) conduct due diligence on the properties owned and/or related construction work undertaken by the companies and/or schools that are our acquisition targets to ensure that such properties and/or related construction work have appropriate and requisite certificates and/or permits, as the case may be; (ii) engage legal counsels to verify and provide legal opinions as to the legal status of the properties owned and/or the related construction work undertaken by the target companies and/or schools we intend to acquire; (iii) if any of the properties and/or related construction work are not in compliance with the applicable laws and regulations, we will employ professional organizations approved by the government to carry out safety appraisals in terms of the structure of the properties owned and/or related construction work undertaken by the target companies and/or schools and obtain safety appraisal reports regarding the safety of these building structures; (iv) if the properties owned and/or the related construction work undertaken by the target companies and/or schools to be acquired do not have the relevant certificates and/or permits, and such properties and/or the related construction work are identified as structurally safe and conform to our school development plan, we will ensure that the shareholders of the target companies and/or schools to be acquired will provide necessary assistance to enable us to obtain confirmations from the competent government authorities so that (A) they will not impose any penalties on us after the acquisition for the lack of any certificates and/or permits; and (B) we may continue to use and occupy the properties and/or conduct related construction work, as the case may be, and we will use our best endeavor to apply for necessary certificates and/or permits in a timely manner; and (v) if the target companies and/or schools to be acquired are not able to obtain the relevant certificates and/or permits for the properties owned and/or related construction work undertaken by such companies and/or schools, we will ensure that the shareholders of the target companies and/or schools to be acquired will stop using the properties and/or cease the relevant construction work and will carry out appropriate remedial measures, including finding and relocating to suitable substitute properties and/or demolishing those properties for which the target companies and/or schools are not able to obtain requisite certificates and/or permits.

In addition, we have strengthened our internal control system through the following measures: (i) we have formulated risk assessment management measures in August 2016 to identify various risks associated with our investment development strategies and to monitor and avoid such risks; (ii) we have implemented fixed asset management measures in August 2016 to ensure the safety, integrity and intactness of our properties; and (iii) we have engaged our PRC Legal Advisors to provide internal control training in respect of the compliance with applicable laws and regulations to our Directors and senior management. After adopting these internal control measures, our Directors are of the view that we have adequate internal control systems in place for our property-related compliance in the future, and therefore, are able to comply with the internal control requirements under the Listing Rules.

Views of Our Directors and the Joint Sponsors

Considering the nature, scale, reasons and potential impact of the non-compliances as disclosed in the section headed "Business — Properties" in this prospectus, the executive Directors are of the view that none of the non-compliances was fundamental to the daily operations of our schools.

The Joint Sponsors are 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 Joint Sponsors' discussions with the executive Directors and our PRC Legal Advisers as well as the nature, scale, reasons and potential impact of the non-compliances as disclosed in the section headed "Business — Properties" in this prospectus, the Joint Sponsors consider 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 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 "Business — Properties — Owned Properties — Buildings — Rectification Measures and Improvement of Internal Control Measures" in this prospectus;

(d) all the executive Directors have substantial experience in the business management, in particular, Mr. Li and Ms. Zhang Weiping have extensive experience in the business management of private schools in Chongqing and Inner Mongolia;

(e) after conducting relevant litigation searches in both the PRC and Hong Kong on the Directors, as of the Latest Practicable Date, the Joint Sponsors are not aware of any legal proceedings against any of the executive Directors;

(f) the Company has engaged qualified independent engineering quality inspection companies in Chongqing and Inner Mongolia to conduct appraisals regarding the safety of these building structures, and according to the reports issued by such independent engineering quality inspection companies, the buildings with defective titles that the Company retained as of the Latest Practicable Date can be used safely in terms of building structure;

(g) the executive Directors have attended training courses regarding the applicable PRC laws and regulations in relation to the private education industry (including the land and properties used for education purposes) conducted by our PRC Legal Advisors and the executive Directors have undertaken to the Joint Sponsors that they will continue to attend such trainings on a regular basis; and

(h) as advised by the executive Directors, none of the non-compliances were committed intentionally or willfully.

Leased Properties

As of December 31, 2016, we leased 20 properties with a total gross floor area of approximately 29,145.16 sq. m., among which, (i) during the Track Record Period and up to December 31, 2016, Pass College of Chongqing Technology and Business University has paid certain amount of fees to Hechuan District Government annually for the use of the 14 properties with a gross floor area of 11,151.36 sq. m. owned by a public school, which were located on a parcel of land owned by such public school with a gross site area of 51,829.86 sq. m.; (ii) five properties with a gross floor area of approximately 17,617.80 sq. m. were leased by Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) from Inner Mongolia Northern Occupation Technique College, an Independent Third Party. The lease was entered into on July 1, 2016 and expires on June 30, 2017. The rental fee is approximately RMB2.8 million; and (iii) one property with a gross floor area of approximately 376 sq. m. was leased by Minsheng Time from Beijing Meidiya Properties Limited, an Independent Third Party. The lease expires on March 7, 2018. The rental fee is approximately RMB112,800 per month. As of the Latest Practicable Date, we leased 26 properties with a gross floor area of approximately 40,200.59 sq. m., which included six additional properties with a gross floor area of approximately 11,055.43 sq. m. leased by Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) as described above.

For the five properties with a gross floor area of approximately 17,617.80 sq. m. leased by Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) and on property leased by Minsheng Time, our landlord has not provided us the relevant building ownership certificates. According to our PRC Legal Advisors, Jingtian & Gongcheng, in the event such landlord does not have valid building ownership certificates, 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 our landlord to obtain a valid building ownership certificate for such property. Our Directors believe that in the event we are required to vacate the relevant premises and relocate, 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.

With respect to the 14 properties leased by Pass College of Chongqing Technology and Business University from a third-party public school, five were not in use and the remainder were primarily used as classrooms, offices, student dormitories and gymnasium. Since there was no written agreement between Hechuan District Government, as the school sponsor of such public school, the public school itself and us, there is a risk that we may not be able to continue to use such land and properties in accordance with historical practice. In the event Hechuan District Government and the public school cease to allow us to use such properties, we will be forced to relocate from the affected premises. These affected premises had an aggregate gross floor area of 11,151.36 sq. m., which accounted for approximately 7.3% of the gross floor area of all of the properties used by Pass College of Chongqing Technology and Business University as of December 31, 2016.

In addition, for each of year ended December 31, 2013, 2014, 2015 and for the ten months ended October 31, 2015 and 2016, the gross profit of Pass College of Chongqing Technology and Business University was RMB63.6 million, RMB72.5 million, RMB81.9 million, RMB61.4 million and RMB62.1 million, respectively, representing approximately 26.4%, 28.3%, 31.3%, 31.1% and 31.5%, respectively, of our gross profit. As of December 31, 2013, 2014 and 2015 and October 31, 2016, the total assets of Pass College of Chongqing Technology and Business University amounted to RMB354.2 million, RMB432.8 million, RMB528.2 million and RMB618.6 million, respectively, representing approximately 17.2%, 18.8%, 26.3% and 27.8%, respectively, of our total assets, and the total liabilities of Pass College of Chongqing Technology and Business University amounted to RMB94.4 million, RMB117.1 million, RMB136.0 million and RMB158.9 million, respectively, representing approximately 27.7%, 30.6%, 23.0% and 22.3%, respectively, of our total liabilities. However, our Directors are of the view that we may relocate from these affected premises to other vacant facilities within Pass College of Technology and Business University, which will be completed within one week. These vacant facilities at Pass College of Chongqing Technology and Business University primarily consist of unused classrooms, student dormitories and offices in the relevant buildings occupied by the university that were designated with the same intended use, which would allow us to relocate from the affected premises to such unused facilities without significantly disrupting the operations of the school. Therefore, our Directors are of the view that the impact of the relocation on the business and results of operations of Pass College of Chongqing Technology and Business University would not be material.

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 RMB 1,000 to RMB 10,000 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.

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" in this prospectus 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 for certain systemic non-compliance matters 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:

Holder	License/Permit[1]	Granting authority	Grant date	Expiry date
Chongqing College of Humanities, Science and Technology	Private school operating license	Ministry of Education of the PRC	2016	2018
	Registration certificate for private non-enterprise legal entities	Chongqing Civil Affairs Bureau	June 24, 2016	July 13, 2018
Pass College of Chongqing Technology and Business University	Private school operating license	Chongqing Education Commission	December 1, 2016	January 1, 2019
	Registration certificate for private non-enterprise legal entities	Chongqing Civil Affairs Bureau	June 24, 2016	June 29, 2018
Chongqing Vocational College of Applied Technology	Private school operating license	Chongqing Education Commission	May 22, 2015	May 22, 2018
	Registration certificate for private non-enterprise legal entities	Chongqing Civil Affairs Bureau	June 24, 2016	May 22, 2018
Inner Mongolia Fengzhou Vocational College (Qingcheng Branch)	Private school operating license	Inner Mongolia Department of Education	July 22, 2015	July 22, 2018
	Registration certificate for private non-enterprise legal entities	Inner Mongolia Civil Affairs Bureau[3]	August 5, 2015[2]	December 31, 2017[3]

Note:

(1) Each school is required to pass an annual inspection regardless of whether such license bears an expiry date. As of the Latest Practicable Date, each of the four schools we own and operate had passed the latest local annual inspection.

(2) The registration certificate for private non-enterprise legal entities issued by Inner Mongolia Civil Affairs Bureau is a special form of registration of Inner Mongolia Fengzhou Vocational College, which is an independent legal entity, reflecting a segregated management and operation of Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) from Inner Mongolia Fengzhou Vocational College (Zhongshan Branch).

HEALTH AND SAFETY MATTERS

We are dedicated to protecting the health and safety of our students. Each of our schools has adopted and implemented student health and safety measures and procedures to protect its students from bodily harm and other health and safety risks. We provide routine medical services for our students and faculty by operating our own college clinics or outsource such services to qualified third party medical care providers. According to our PRC Legal Advisors, both our own college clinics and third party medical care providers to whom we have outsourced such services held the required licenses. In the event of any serious and emergency medical situations, we will promptly send our students to local hospitals for treatment. For details of the routine medical care services we provide, please refer to the section headed "— Centralized Management System — Campus Services" in this prospectus. With respect to school safety, we promote the security of our schools by employing our own security personnel or by engaging third party security companies to provide the routine security service.

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 other material 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. According to our PRC Legal Advisors, Jingtian & Gongcheng, 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 failed to pay social insurance for our foreign teachers employed by Chongqing College of Humanities, Science and Technology and Pass College of Chongqing Technology and Business University. During the Track Record Period, we failed to pay housing provident contributions for some logistic staff of Chongqing College of Humanities, Science and Technology, Pass College of Chongqing Technology and Business University and Chongqing Vocational College of Applied Technology employed. During the track record period, we failed to pay social insurance and housing provident fund in full for certain employees of our schools as the payment bases of social security of such employees were not determined with reference to the total of their actual wage in accordance with the PRC laws and regulations. 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, 2013, 2014 and 2015 and the ten months ended October 31, 2016 was approximately RMB3.4 million, RMB5.1 million, RMB3.2 million and RMB4.3 million, respectively.	The foreign teachers-related non-compliance occurred because of a misunderstanding by the HR personnel of the relevant school of the social insurance policies and requirements in relation to foreigners. In terms of certain logistic staff employed by our three schools, the non-compliance occurred mainly due to a misunderstanding of the housing provident policies and the high turnover rate and the relatively short labor contract term involving such staff.	Our PRC Legal Advisors have advised us that if we fail to pay the social insurance in accordance with PRC laws and regulations, we may be ordered by the competent PRC government authority 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 from the date of such failure of payment. If we fail to do so within the prescribed period, we may be subject to an additional fine ranging between one to three times of the total outstanding balance. Our PRC Legal Advisors have also advised us that, if we fail to pay the housing provident fund in accordance with PRC laws and regulations, we may be ordered by the competent PRC government authority 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 Ms. Zhang Weiping, our executive Director and Chief Executive Officer, who is in charge of human resources to closely monitor our on-going compliance with social insurance and housing provident fund contribution regulations and oversee the implementation of any necessary measures. As of the Latest Practicable Date, we have made full provision of the balance of social insurance payments and housing provident fund contributions amounting to approximately RMB9.4 million. Our Directors believe such provision we made was sufficient because: (i) with respect to the social insurance, we have received confirmations from relevant government authorities for our schools in Chongqing in August 2016 that we have complied with the applicable social insurance laws and regulations in material aspects while the amount of social insurance and housing funds which Inner Mongolia Higher Vocational College (Qingcheng Branch) failed to pay for its employees had been in a small and immaterial amount; and furthermore, as of the Latest Practicable Date, we have not received any notice from the relevant government authorities ordering us make up underpayments or pay any late fees, nor have we been subject to any fines imposed by them; and (ii) with respect to the housing provident funds, we have begun to make required contributions in relation to logistic staffs of the schools since August 2016. As of the Latest Practicable Date, we have made full housing provident fund contributions for our employees. As of the same date, we have not received any notice from the relevant government authorities ordering us make up underpayments or pay any late fees, nor have we been subject to any fines imposed by them for the shortage in payment of housing provident funds. Based on the aforesaid facts, our Directors believe that the risk of us being ordered to make up the underpayments, pay any late fees or be subject to fines for the social insurance and housing fund-related non-compliance by the relevant government authorities is relatively low. We intend to make social insurance and housing provident fund contributions in accordance with the applicable laws and regulations going forward. 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 Directors are of the view that the maximum amount of outstanding social insurance payments and contributions to housing provident fund did not have a material and adverse impact on our Group. In addition, we have made full 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.

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, our executive Directors are of the view that none of the non-compliance incidents is fundamental to the day-to-day operations of our schools.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

We have engaged an independent consulting firm (the "Internal Control Consultant") in April 2016 to conduct an independent review on the key internal control measures and procedures at (i) the entity level including control environment, risk assessment, control activities, information and communication and monitoring; and (ii) the process level over financial reporting, including revenue and collection, purchase and payment, fixed asset management, treasury management and other major business processes. The Internal Control Consultant provided recommendations in relation to strengthening the internal controls over the aforesaid major business processes to our management for consideration. We have taken the recommendations and have implemented relevant control measures. The Internal Control Consultant performed a follow-up review on our rectified controls in August 2016. Having considered the report prepared by our Internal Control Consultant, the Director confirmed that all of major recommendations provided by the Internal Control Consultant have been followed and corrective actions were taken accordingly to address our internal control deficiencies and weaknesses.

We have designated responsible personnel in our Company who will monitor the on-going compliance by our Company and our schools 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 any potential non-compliance. Our Chairman, Mr. Li Xuechun, and our Deputy Officer of Logistics, Mr. Li Jiandong, are 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 teachers and 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) accept or pay bribes or rebates; (ii) illegally use our assets, embezzlement or misappropriation of our assets; and (iii) forge or alter our accounting records. We will 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 Joint Sponsors concur with the views of our Directors.

Risk Management

Our business is exposed to various risks and we believe that risk management is essential to our growth and success. Key operational risks faced by us include, among other things, changes in general market conditions and perceptions of private higher education, changes in the regulatory environment in the PRC education industry, our ability to offer high quality education to our students, our ability to increase student enrollment and/or raising tuition rates based on the corresponding educational service we provide, our potential expansion into other regions in China or overseas, 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 operating 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, liquidity and currency risks that arise in the ordinary 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.

In addition, during the Track Record Period, we have made investments in available-for-sale investments, such as short-term wealth management products issued by licensed commercial banks. For details of our available-for-sale investments, please refer to the section headed "Financial Information — Current Assets and Current Liabilities — Available-for-sale Investments" in this prospectus. These investments are subject to counterparty risks and market risks that may negatively impact the market value of our investments. For details of such risks, please see "Risk Factors — Risks Relating to Our Business and Our Industry — Our available-for-sale investments and short-term investment deposits may be subject to certain counterparty risks and market risks" of 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, 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 certain banks to ensure we are able to obtain credit to support our business operation and expansion.

CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalization Issue and the Global Offering, Honest Cheer will control the exercise of voting rights of approximately 75% 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 options granted under the Share Option Scheme). Honest Cheer is owned as to 90% by Mr. Li and 10% by Ms. Li Ning, the daughter of Mr. Li. Furthermore, during the Track Record Period, Mr. Li had been the only dominating shareholder of our Company on the following basis: (i) Mr. Li, as a founder of our Group, through his 90% equity interest in Honest Cheer, controlled over 50% equity interest in our Company throughout the Track Record Period; (ii) Mr. Li controlled the composition of a majority of the Board throughout the Track Record Period; (iii) Mr. Li has been appointed a Director of our Company since our incorporation in December 2005 and as the chairman of the Board shortly after January 2006; (iv) throughout the Track Record Period, Mr. Li had been the sole director of the school sponsors of all of our schools in the PRC (i.e. Li'ang Industry and Li'ang Education) and the school chairman of each of our schools; and (v) throughout the Track Record Period, Mr. Li was the only shareholder who could exert substantial influence on the management of our Group because (a) the appointments of the principal and other senior management of each our schools in the PRC were determined by Mr. Li. In this respect, Mr. Li controlled the exercise of power by the Board to appoint all senior management of each of the PRC schools in his own discretion because (i) Mr. Li was entitled to control our Company at both the shareholders level and the Board level as the ultimate controlling shareholder of our Company and by virtue of the number of votes on the Board controlled by him under the Shareholders Agreement dated September 14, 2007 as detailed in the paragraph headed "History and Corporate Structure — Previous Investments by Financial Investors — The Shareholders Agreement — Director appointment rights" in this prospectus; and (ii) the Shareholders Agreement dated September 14, 2007 did not provide any positive or veto right granted to Baring Entities or the GS Entities regarding the appointment of any senior management positions in our Group's schools; and (b) all the major and key issues relating to the operation, management and development of our Group were reported to Mr. Li and ultimately decided by Mr. Li.

Accordingly, Honest Cheer, Mr. Li and Ms. Li Ning are the Controlling Shareholders of our Company and will remain as the Controlling Shareholders of our Company up to and immediately after the Listing.

INFORMATION ON OTHER COMPANIES OWNED BY THE CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, other than the businesses carried out by our Group, our Controlling Shareholders and their associates also had controlling interests in certain other companies (the "Other Companies") as mentioned below. The Other Companies are engaged in businesses in different industries and sectors from our Group. A brief summary of each of these companies is set out below:

Name of Company	Percentage of equity-holding by our Controlling Shareholders	Principal activities engaged as of the Latest Practicable Date	Place of Incorporation
Yangguang Healthcare Group Company Limited (陽光醫療集團有限公司)	100%	Investment holding. No business operations.	Cayman Islands
Yangguang Healthcare Education Company Limited (陽光醫療教育有限公司)	100%	Investment holding. No business operations.	Cayman Islands
Yangguang Healthcare Company Limited (陽光醫療有限公司)	100%	Investment holding. No business operations.	Cayman Islands
Yangguang Healthcare Education (Hong Kong) Company Limited (陽光醫療教育(香港)有限公司)	100%	Investment holding. No business operations.	Hong Kong
Yangguang Healthcare (Hong Kong) Company Limited (陽光醫療(香港)有限公司)	100%	Investment holding. No business operations.	Hong Kong
Chongqing Chengyue Huizhi Industry Co., Ltd. (重慶誠悦匯智實業有限公司)	100%	No business operations.	PRC
UCMG Management Limited (聯康國際有限公司)	100%	Medical administration management	Hong Kong
Union Concordia Development Limited (聯康醫療發展有限公司)	100%	Medical related services and management	Hong Kong
UCMG Management Limited (聯康管理有限公司)	100%	Medical related services and management	Macau Special Administrative Region
Studio City Staff Medical Center (新濠影匯員工醫療中心)	100%	Operation of comprehensive medical clinic	Macau Special Administrative Region
Union Concordia Development Limited (聯康發展有限公司)	100%	Investment services	Macau Special Administrative Region
Healthpac Concordia Medical Center Limited (誠康醫療中心有限公司)	70%[(1)]	Comprehensive medical clinic related services	Macau Special Administrative Region

Name of Company	Percentage of equity-holding by our Controlling Shareholders	Principal activities engaged as of the Latest Practicable Date	Place of Incorporation
Macau Concordia Medical Centre Limited (澳門寶康醫療中心有限公司)	83%[(1)]	Operation of comprehensive medical clinic and rehabilitation center; provision of physiotherapy and orthopedic related services	Macau Special Administrative Region

Note(s):

(1) The remaining equity interest are held by Independent Third Parties as of the Latest Practicable Date.

As set out above, none of the Other Companies are engaged in the business of providing education services.

Other than being an indirect shareholder of each of the Other Companies through her shareholding in Honest Cheer, Ms. Li Ning has not been involved in the operations or management of any of the Other Companies.

Except for their respective interests in our Company, none of our Controlling Shareholders nor any of their respective associates had interests in any other companies as of the Latest Practicable Date that competes or is likely to compete, either directly or indirectly, with our Group's business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

During the Track Record Period, none of the Group's related parties as set out in note 36 to the Accountants' Report in Appendix I to this prospectus had provided any services to, or shared resources with, our Group without consideration, and other than certain loans as disclosed in notes 27 and 36 of the Accountants' Report in Appendix I to this prospectus, which are to be repaid in full prior to the Listing, there were no other transactions between our Group and the such companies.

NON-COMPETITION UNDERTAKING OF THE CONTROLLING SHAREHOLDERS

Our Controlling Shareholders have entered into the Deed of Non-competition on March 6, 2017 in favour of our Company, pursuant to which our Controlling Shareholders have jointly and severally and irrevocably undertaken with our Company (for itself and for the benefit of its subsidiaries) that it or he or she would not, and would procure that its or his or her associates (except any members of our Group) would not, during the restricted period set out below, directly or indirectly, either on its or his or her own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may be in competition with the business of any member of our Group from time to time (the "Restricted Business").

The Non-competition undertaking above does not apply to:

(a) any opportunity to invest, participate, be engaged in and/or operate with a third party any Restricted Business which has first been offered or made available to our Company, and at the request of our Company, the offer should include: (i) terms of offer between our

Company and such third party, or (ii) terms for our Company to engage in the Restricted Business with them and/or their associates, and our Company, after review and approval by our independent non-executive Directors, has declined such opportunity to invest, participate, be engaged in or operate the Restricted Business with such third party or together with them and/or their associates, provided that the principal terms by which our Controlling Shareholder(s) (or his/her/its relevant associate(s)) subsequently invests, participates, engages in or operates the Restricted Business are not more favourable than those disclosed to our Company; or

(b) any interests in the shares of any member of our Group; or

(c) interests in the share of a company other than our Group which shares are listed on a recognized stock exchange provided that:

(i) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or

(ii) the total number of the shares held by our Controlling Shareholders and/or its/his/her respective associates in aggregate does not exceed 5% of the issued shares of that class of that company and such Controlling Shareholders and/or its/his/her respective associates are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company whose shareholdings in that company should be more than the total number of shares held by our Controlling Shareholders and its/his/her respective associates in aggregate; and

(iii) our Controlling Shareholders and/or their respective associates do not have the control over the board of such company.

The "restricted period" stated in the Deed of Non-competition refers to the period during which (i) the Shares of our Company remain listed on the Stock Exchange; (ii) in relation to each Controlling Shareholder, the relevant Controlling Shareholder or any of its/his/her associate still holds directly or indirectly an equity interest in our Company; and (iii) our Controlling Shareholders and/or its/his/her respective associates jointly or severally are entitled to exercise or control the exercise of not less than 30% in aggregate of the voting power at general meetings of our Company.

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/her respective associates after completion of the Global Offering.

Management Independence

Our Board comprises four executive Directors and three independent non-executive Directors. Mr. Li, 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 or her fiduciary duties as a director of our Company which requires, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, we have 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.

We believe that we are capable of carrying on our business independently of our Controlling Shareholders and its or his or her 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. Li, one of our Controlling Shareholders, and companies controlled by Mr. Li, provided certain loans to our Group. See notes 26 and 36 of the "Accountants' Report" in Appendix I to this prospectus for more information. We plan to repay these loans in full prior to the 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 borrowings, guarantees, pledges or 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:

- our independent non-executive Directors will review, on an annual basis, the compliance with the undertaking given by our Controlling Shareholders under the Deed of Non-competition;

- 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 Deed of Non-competition;

- 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 in the annual reports of our Company; and

- our Controlling Shareholders will make an annual declarations on compliance with their undertaking under the Deed of Non-competition in the annual report of our Company.

OUR DIRECTORS AND SENIOR MANAGEMENT

Our Board is responsible for and has general powers over 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 table below sets forth certain information regarding members of our Board:

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Roles and responsibilities	Relationship with other Director(s) and the senior management
Mr. Li Xuechun (李學春)	63	October, 1998	December 13, 2005	Chairman of the Board, executive Director	Strategic development of our Group	Mr. Li is the father-in-law of Mr. Zuo Yichen, the executive Director and Vice President of our Company
Ms. Zhang Weiping (張衛平)	52	April, 2007	July 27, 2008	Executive Director, Chief Executive Officer	Overall management and operation of the Group	None
Mr. Zuo Yichen (左熠晨)	36	August 1, 2016	August 23, 2016	Executive Director, Vice President	Business development and mergers and acquisitions of the Group	Mr. Zuo Yichen is the son-in-law of Mr. Li, the executive Director and chairman of the Board of our Company
Mr. Lam Ngai Lung (林毅龍)	40	May 21, 2012	August 23, 2016	Executive Director, Chief Financial Officer	Financial management and overall corporate governance	None
Mr. Chan Ngai Sang, Kenny (陳毅生)	52	March 2, 2017	March 2, 2017	Independent non-executive Director	Provision of independent opinion and judgment to our Board	None
Mr. Yu Huangcheng (余黃成)	41	March 2, 2017	March 2, 2017	Independent non-executive Director	Provision of independent opinion and judgment to our Board	None
Mr. Wang Wei Hung, Andrew (王惟鴻)	61	March 2, 2017	March 2, 2017	Independent non-executive Director	Provision of independent opinion and judgment to our Board	None

The following table sets forth information regarding senior management of our Company:

Name	Age	Date of joining our Group	Date of Appointment as Senior Management	Position	Roles and responsibilities	Relationship with other Director(s) and the senior management
Mr. Wang Wei (王偉)	50	October, 2005	September, 2016	Financial director of our Company and of Chongqing College of Humanities, Science and Technology	Responsible for the financial management of our schools in Chongqing	None
Mr. Li Jiandong (李建東)	44	January, 2016	September, 2016	Deputy officer of logistics of our Company and or Chongqing College of Humanities, Science and Technology	Responsible for the logistical support of our schools in Chongqing	None

BOARD OF DIRECTORS

Executive Directors

Mr. Li Xuechun (李學春), aged 63, is the founder of our Group. Since October 1998, Mr. Li has served as chairman of the board of directors of Li'ang Industry. He was appointed as a Director of our Company on December 13, 2005 and has been the Chairman of the Board since January 17, 2006. Mr. Li has more than 10 years of experience in the education industry, having served as the Chairman of the Board since 2006. In addition, Mr. Li served as the vice-chairman of the Chinese Association for Non-Government Education* (中國民辦教育協會) from May 2008 to November 2016 and has served as the executive-chairman of Chongqing Association for Non-Government Education* (重慶民辦教育協會) since 2014. Mr. Li is responsible for the strategic development of our Group. Mr. Li graduated from the CPC Central Party School* (中共中央黨校) with a degree in Economic Management in June 1988 through long distance learning courses. He is currently a member of the National Committee of Chinese People's Political Consultative Conference* (中國人民政治協商會議全國委員會) and serves as a representative on its Science Education Culture Health and Sport Commission* (中國人民政治協商會議教科文衛體委員會). Mr. Li was awarded as a National Education Industry Model Worker* (全國優秀教育工作者) by the MOE in September 2014. Mr. Li did not hold any directorship in any listed companies during the last three years.

Ms. Zhang Weiping (張衛平), aged 52, joined the Group in April 2007. Ms. Zhang was appointed as a Director of our Company on July 27, 2008, and served as the Chief Operational Officer of our Group from April, 2007 to August 2016. Ms. Zhang was appointed as the Chief Executive Officer of the Company on August 1, 2016. Since September 2000, Ms. Zhang has held various positions with Chongqing College of Humanities, Science and Technology, including being appointed as professor by Southwestern Normal University Yucai College* (西南師範大學育才學院) (a predecessor of Chongqing College of Humanities, Science and Technology) in 2004. She currently serves as the executive principal and party secretary of the school. Ms. Zhang has more than 15 years of experience in the education industry and is responsible for the overall management and operation of our Group. Ms. Zhang graduated from Southwestern University* (西南大學) (formerly known as Southwestern Normal College* (西南師範學院)) with a bachelor's degree in law in 1988 and a master's degree in law in 1998. Ms. Zhang held various positions with Southwestern University during the period from 1988 to 2007, where she was appointed an associate professor in 2001 before receiving a further promotion to the position of researcher in 2007. Between December 2007 to December 2012, Ms. Zhang was a representative member of Chongqing Municipal People's Congress* (重慶市人民代表大會). She has served as a vice president of the Higher Education Commission of the China Non-Governmental Education Association* (中國民辦教育協會) since 2011. Ms. Zhang was awarded the "Advance Education Workers in Chongqing* (先進教育工作者)" award by Chongqing Municipal Education Commission in September 2007. She was also named as an "Outstanding Party Affairs Worker* (優秀黨務工作者)" by Southwestern University* (西南大學) in June 2006. Ms. Zhang did not hold any directorship in any listed companies during the last three years.

Mr. Zuo Yichen (左熠晨), aged 36, joined the Group in August 2016 as Vice President. Mr. Zuo was appointed as a Director of our Company on August 23, 2016. Mr. Zuo has more than 14 years of experience in banking practice. Prior to joining our Group, Mr. Zuo was employed by the Bank of China from July 2002 to March 2016, and last occupied the position of head office senior manager. Mr. Zuo graduated from Beijing Foreign Studies University* (北京外國語大學) in 2002 with a bachelor of arts degree, majoring in French. Mr. Zuo was a Letter of Guarantee Expert certified by Chamber of Commerce China* (中國國際商會) from June 2012 to May 2014. He obtained the certificate of Certified Treasury Professional (CTP) from the Association for Financial Professionals in June 2014. He has been a Certified Anti-Money Laundering Specialist (CAMS) charterholder since September 2015. Mr. Zuo did not hold any directorship in any listed companies during the last three years.

Mr. Lam Ngai Lung (林毅龍), aged 40, joined the Group in May 2012 as the general manager of our investment department and was subsequently appointed as a Director of our Company on August 23, 2016. Mr. Lam has served as the Chief Financial Officer of our Group since May 22, 2016. Mr. Lam has more than 15 years of experience in the field of accounting, and finance. Prior to joining our Group, He served as an audit assistant with Nexia Charles Mar Fan & Co., a firm of Certified Public Accounts, between September 2000 and November 2003. From November 2003 to October 2006, Mr. Lam was employed by PricewaterhouseCoopers and last occupied the position of senior associate. Between November 2006 and March 2007, Mr. Lam was employed as an assistant manager at TOM Group Limited, a company listed on the Stock Exchange (stock code: 2383) since August 2004 and was primarily responsible for internal operational reviews. From March 2007 to May 2012, Mr. Lam served as an advisory manager at KPMG. Mr. Lam graduated from the Hong Kong University of Science and Technology in November 1999 with a bachelor of science in mathematics degree. In October 2000, He obtained the Postgraduate Certificate in Professional Accounting from the City University of Hong Kong. Mr. Lam has been a member of the Hong Kong Institute of Certified Public Accountants since 2004 and a Chartered Financial Analyst (CFA) charterholder since 2005. He did not hold any directorship in any listed companies during the last three years.

Independent non-executive Directors

Mr. Chan Ngai Sang Kenny ("陳毅生"), aged 52, was appointed as an independent non-executive Director of our Company on March 2, 2017. Mr. Chan is a partner and founder of Kenny Chan & Co., a firm of Certified Public Accounts. Mr. Chan has over 25 years of experience in accounting, taxation, auditing and corporate finance. Mr. Chan holds a bachelor of commerce degree obtained from the University of New South Wales in 1988 and is a member of Chartered Accountants of Hong Kong Institute of Certified Public Accountants. He currently serves as the independent non-executive director of TSC Group Holdings Limited (stock code: 206), Convoy Financial Holdings Limited (stock code: 1019), WLS Holdings Ltd (stock code: 8021), Combest Holdings Limited (stock code: 8190), Sing on Holdings Limited (stock code: 8352) and AMCO United Holding Limited (stock code: 630), each of which is a company listed on the Stock Exchange.

Mr. Yu Huangcheng (余黃成), aged 41, was appointed as an independent non-executive Director of our Company on March 2, 2017. From March 2009 to March 2010, Mr. Yu was employed by the Investment Promotion Bureau of Haidian District* (海澱區投資促進局) and last occupied the position of section chief (科長). Since March 2010, Mr. Yu has served as an investment director at Kunwu Jiuding Capital Holdings Co., Ltd. (昆吾九鼎投資控股股份有限公司), which is a company listed on the Shanghai Stock Exchange (stock code: 600053). Mr. Yu graduated from Macquarie University in Australia with a Master's degree in applied finance in November 2008. Mr. Yu did not hold any directorship in any listed companies during the last three years.

Mr. Wang Wei Hung, Andrew (王惟鴻), aged 61, was appointed as an independent non-executive Director of our Company on March 2, 2017. He was admitted as Solicitor of the High Court in Hong Kong in January 1982 and has over 30 years of experience in the legal practice. Mr. Wang was the Head of Legal and Compliance Department of China Development Bank Corporation Hong Kong Branch between from August 2010 to September 2011. Before joining China Development Bank Corporation Hong Kong, he was a Partner of the Finance & Projects Group of DLA Piper Hong Kong from October 2006 to November 2009. Mr. Wang has also been a Notary Public since 1992. Actively involved in public sector advisory and statutory bodies, amongst the appointments he is the Chairman of Appeal Tribunal Panel (Building Ordinance), and former member of Notaries Public Disciplinary Tribunal Panel. In 2005, he was invited by former President of the United States Bill Clinton to participate in the Clinton Global Initiative Fund held in New York 2005. Mr. Wang has served as an independent non-executive director of Infinity Financial Group (Holdings) Limited (新融宇集團(控股)有限公司), a company listed on the Stock Exchange (stock code: 1152) since October 2011. Mr. Wang graduated from Concordia University, Canada with a bachelor of arts degree in Communications Arts.

SENIOR MANAGEMENT

Mr. Wang Wei (王偉), aged 50, joined the Group in October 2005 and is currently the financial director and head of finance department of Chongqing College of Humanities, Science and Technology. Mr. Wang has over 15 years of experience in finance and accounting and is primarily responsible for the finance and accounting of our Group's schools in Chongqing. Prior to joining our Group, Mr. Wang worked as accountant with Beijing Zhongruicheng Lianhe Accounting Firm Chongqing Branch* (北京中瑞誠聯合會計事務所重慶分所) and Chongqing Tongguan Accounting Firm Co., Ltd.* (重慶通冠會計師事務所有限責任公司). Mr. Wang graduated from Jiangxi Caijing College* (江西財經學院) with a bachelor degree in economics in July 1989.

Mr. Li Jiandong (李建東), aged 44, joined our Group in January 2016 and is currently the deputy officer of logistics of Chongqing College of Humanities, Science and Technology and has been primarily responsible for the logistical support of our schools in Chongqing. Prior to joining our Group, Mr. Li served as the general manager of Shandong Dongying Jinheng Furniture Co., Ltd.* (山東東營金恒家具有限公司), a company primarily engaged in export and trading of furniture, between June 2010 to December 2015. From March 1999 to March 2010, Mr. Li was employed by Shandong Shenghui Timber Co, Ltd.* (山東勝輝木業有限公司) and last occupied the position of deputy general manager.

COMPANY SECRETARY

Ms. Ng Wing Shan (吳詠珊) is the company secretary of our Company and was appointed on September 21, 2016. Ms. Ng is a fellow member of The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Ng is an assistant vice president of SW Corporate Services Group Limited and her major responsibility is assisting listed companies in professional company secretarial work.

BOARD COMMITTEES

Audit Committee

We established an audit committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system of our Group, oversee the audit process, risk management processes and external audit functions. The audit committee consists of three members, namely, Mr. Chan Ngai Sang Kenny, Mr. Yu Huangcheng and Mr. Wang Wei Hung Andrew. The chairman of the audit committee is Mr. Chan Ngai Sang Kenny.

Remuneration Committee

We established a remuneration committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to make recommendations to the Board on our Company's policy and structure concerning the remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy, review and approve performance based remuneration by reference to corporate goals and objectives, to determine the terms of the specific remuneration package of each executive Director and senior management and to ensure none of our Directors determine their own remuneration. The remuneration committee consists of three members, namely Mr. Wang Wei Hung Andrew, Mr. Li Xuechun and Mr. Yu Huangcheng. The chairman of the remuneration committee is Mr. Wang Wei Hung Andrew.

Nomination Committee

We established a nomination committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board on the appointment of members of the Board. The nomination committee consists of three members, namely, Mr. Li Xuechun, Mr. Yu Huangcheng and Mr. Chan Ngai Sang Kenny. The chairman of the nomination committee is Mr. Li Xuechun.

REMUNERATION POLICY

For the three years ended December 31, 2013, 2014 and 2015 and the ten months ended October 31, 2016, the aggregate of the remuneration paid and benefits in kind granted to our Directors by us and our subsidiaries was RMB4.5 million, RMB2.7 million, RMB2.7 million and RMB2.3 million, respectively.

For the three years ended December 31, 2013, 2014 and 2015 and the ten months ended October 31, 2016, the aggregate of the remuneration paid and benefits in kind granted to the five highest paid individuals of our Group was RMB5.5 million, RMB3.7 million, RMB4.3 million and RMB3.1 million, respectively.

During the Track Record Period, no emoluments were paid by our Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as a compensation for loss of office. None of our Directors had waived any remuneration during the Track Record Period.

Based on the arrangements in force, the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for the year ended December 31, 2016 was approximately RMB4.34 million.

Save as disclosed in this prospectus, no other payments had been made, or are payable, by any member of the Group to the Directors during the Track Record Period.

CORPORATE GOVERNANCE CODE

As of the Latest Practicable Date, our Directors consider that the Company has fully complied with the Corporate Governance Code in Appendix 14 of the Listing Rules.

COMPLIANCE ADVISER

Our Company has appointed TC Capital International 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:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(iii) where we propose to use the proceeds of the initial public offering in a manner different from that detailed in this prospectus or where our business activities, developments or results materially deviate from any forecast, estimate, or other information in this prospectus; and

(iv) where the Stock Exchange makes an inquiry of the Company 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:

		As of the Latest Practicable Date		Immediately after the Global Offering and the Capitalization Issue[1]	
Name	**Capacity/Nature of interest**	**Number of Shares**	**Approximate percentage of shareholding in our Company**	**Number of Shares**	**Approximate percentage of shareholding in our Company**
Honest Cheer [2]	Beneficial owner	2,589,451,200	100%	3,000,000,000	75%
Mr. Li [2]	Interest in a controlled corporation	2,589,451,200	100%	3,000,000,000	75%

Note:

(1) Assuming the Over-allotment Option is not exercised.

(2) Mr. Li holds 90% of the issued share capital of Honest Cheer and is its sole director and he is therefore deemed to be interested in the Shares held by Honest Cheer upon the Listing. Ms. Li Ning, daughter of Mr. Li, holds the remaining 10% of the issued share capital of Honest Cheer.

Except for Honest Cheer and Mr. Li as disclosed above, our Directors are not aware of any person who will, immediately following the Capitalization Issue and the Global Offering, have an interest or short position in the 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:		**(US$)**
10,000,000,000	Shares	100,000

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:		**US$**	**Approximate percentage of issued share capital (%)**
2,589,451,200	Shares in issue as of the date of this prospectus	25,894.51	64.74
410,548,800	Shares to be issued under the Capitalization Issue	4,105.49	10.26
1,000,000,000	Shares to be issued under the Global Offering	10,000.00	25.00
4,000,000,000	Shares in total	40,000.00	100.00

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:		**US$**	**Approximate percentage of issued share capital (%)**
2,589,451,200	Shares in issue as of the date of this prospectus	25,894.51	62.40
410,548,800	Shares to be issued under the Capitalization Issue	4,105.49	9.89
1,150,000,000	Shares to be issued under the Global Offering	11,500.00	27.71
4,150,000,000	Shares in total	41,500.00	100.00

Notes:

(1) Assuming a total of 150,000,000 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 Articles regarding alterations of share capital, please refer to paragraph "2. Articles of Association — (a) Shares — (iii) Alteration of Capital" in Appendix V of this prospectus.

THE SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on March 2, 2017. The principal terms of the Share Option Scheme are summarized in the section headed "F. Share Option Scheme" in Appendix VI 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 the 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 a 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 March 2, 2017" in Appendix VI 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 recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements of the 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 VI 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 a 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 March 2, 2017" in Appendix VI to this prospectus.

You should read the following discussion and analysis with our audited consolidated 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 purposes of this section, unless the context otherwise requires, references to 2013, 2014 and 2015 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 consolidated basis.

OVERVIEW

We were the tenth largest private provider of higher education in China in terms of total number of student enrollment as of June 30, 2016, according to the Frost & Sullivan report. As of June 30, 2016, we had a total number of student enrollment of 30,616. We primarily provide private formal higher education in China focusing on nurturing professional talent. During the Track Record Period, we owned and operated four schools, namely, Chongqing College of Humanities, Science and Technology, Pass College of Chongqing Technology and Business University, Chongqing Vocational College of Applied Technology and Inner Mongolia Fengzhou Vocational College (Qingcheng Branch).

We have experienced steady growth in our revenue, gross profit and student enrollment during the Track Record Period. Our revenue increased from RMB384.1 million for the year ended December 31, 2013 to RMB402.5 million for the year ended December 31, 2014, and further to RMB426.3 million for the year ended December 31, 2015. For the ten months ended October 31, 2016, our revenue amounted to RMB346.6 million compared to revenue of RMB329.6 million for the ten months ended October 31, 2015. Our profit for the year increased from RMB185.9 million for the year ended December 31, 2013 to RMB196.3 million for the year ended December 31, 2014, and further to RMB213.5 million for the year ended December 31, 2015. For the ten months ended October 31, 2016, our profit for the period was RMB176.1 million compared to a profit of RMB147.5 million for the ten months ended October 31, 2015. Our overall student enrollment also grew from 29,441 as of June 30, 2013 to 32,685 as of October 31, 2016.

RECENT DEVELOPMENT

On July 8, 2016 and September 1, 2016, we entered into the Laoling School Cooperation Agreement and the Laoling School Supplemental Cooperation Agreement, respectively, with the People's Government of Laoling and the Bureau of Education of Laoling, pursuant to which we agreed to operate Laoling Secondary Vocational and Technical School through an entrustment management arrangement through a newly established school, Minsheng Secondary Vocational School. Through this arrangement, we will be chiefly responsible for the schools' day-to-day operations. Under this arrangement, Laoling Secondary Vocational and Technical School shall pay entrustment management fees to Minsheng Secondary Vocational School within three months from the end of the accounting year. The entrustment management fees shall equal to the legal surplus of school operation for the Laoling Secondary Vocational and Technical School, which will be subject to PRC EIT tax rate of 25%. The entrustment management arrangement is for a period of 50 years from the date of the Laoling School Supplemental Cooperation Agreement, which cannot be terminated early without the consent of both parties. In addition, we can unilaterally terminate the Laoling School Supplemental Cooperation Agreement if the entrustment management arrangement is not approved by the relevant local PRC government authorities. Such arrangement can be implemented only after it is approved by and/or filed with the relevant local PRC government authorities. As advised by our PRC Legal Advisors, the entrustment management arrangement is legal, valid and binding under PRC Laws once approved by the competent authorities. On October 18, 2016, the Education Bureau of Dezhou has approved such entrustment management arrangement. As of the Latest Practicable Date, we have not yet completed the filing of such arrangement with the People's Government of Dezhou. For further details of the new school we established and the entrustment management business model involving Laoling Secondary Vocational and Technical School, please refer to the section headed "Business — Proposed Entrustment Management Arrangement" in this prospectus.

As part of the cooperative arrangement, the People's Government of Laoling agrees to allocate to us, free of charge, approximately 400 acres of land in Laoling to be used for the school campus of Minsheng Secondary Vocational School, 50% of which shall be allocated to such school before the end of 2016 and the remainder before the end of 2017. We expect Minsheng Secondary Vocational School to have a maximum capacity of 6,000 students, and the first batch of new student enrollment is anticipated to enroll at the school in September 2018. In addition to providing policy and funding support, the People's Government of Laoling shall also guarantee to provide a minimum student enrollment of not less than 1,500 students annually for Minsheng Secondary Vocational School. For further details of the entrustment management business model involving Laoling Secondary Vocational and Technical School, please refer to the section headed "Business — Our Schools — Laoling Secondary Vocational and Technical School" in this prospectus. In addition, for risks related to such entrustment management arrangement, please refer to the section headed "Risk Factors — Risks Related to Our Industry and Our Business — Subject to relevant approvals, we will utilize an entrustment management arrangement with respect to Laoling Secondary Vocational and Technical School. We have no prior experience operating a school based on such arrangement" in this prospectus.

In addition, during the Track Record Period, we borrowed loans from our ultimate holding company in connection with the repurchase of our issued ordinary shares from our previous investors, and from certain of our related parties, a substantial portion of which was extended to Hong Kong Nang Yan College of Higher Education. As of October 31, 2016, we had outstanding amounts of RMB121.9 million due to our ultimate holding company and RMB13.7 million due to related parties. To repay such loans, on February 25, 2017, we obtained a term loan facility with a maximum principal amount of US$25.0 million from the Lender. Please see the section headed "Financial Information — Indebtedness" for detailed terms of this loan facility. We expect to make a draw-down of this term loan facility to fully repay the loans from our ultimate holding company and certain related parties before Listing. For details of the financial impact of such term loan, please refer to the section headed "Risk Factors — Risks Relating to Our Business and Our Industry — We have obtained a term loan facility to repay loans we borrowed from our ultimate holding company and certain of our related parties, which will likely increase our finance cost and gearing ratio" in this prospectus.

BASIS OF PRESENTATION

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 January 1, 2016, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Track Record Period and in the period covered by the Interim Comparative Information.

The Financial Information has been prepared under the historical cost convention, except for certain available-for-sale investments, which have 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.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, which primarily include the following:

Demand for Private Higher Education in China

Demand for private formal higher 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 higher 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 RMB30,567 in 2010 to RMB49,351 in 2015, representing a CAGR of approximately 10.1%, and is expected to reach RMB69,527 in 2020. The overall economic growth and the increase in per capita

GDP in China have increased the level of per capita annual living expenditure on education in China, which increased at a CAGR of 8.8% from 2010 to 2015, according to the Frost & Sullivan Report. According to the Frost & Sullivan Report, total student enrollment in private higher education in China increased from approximately 4.8 million in 2010 to approximately 6.1 million in 2015, representing a CAGR of approximately 5.1%, and is expected to reach approximately 8.7 million in 2020.

According to the Frost & Sullivan Report, Chinese parents have historically placed a high value on their children's education, including higher education, and they are willing to incur significant costs so that their children are able to receive education at high-quality institutions. In addition, due to the growth in the PRC economy, and a significant lack of skilled operative works, there has been a growing demand for private higher education, which focuses on the development of professional talent. 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 higher 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 increased from 29,441 as of June 30, 2013 to 32,685 as of October 31, 2016. In addition, we may acquire additional existing schools in the future or operate more schools through entrustment management arrangements, which will likely increase the total number of our student enrollment. According to the Frost & Sullivan Report, the total number of students enrolled at private formal higher education institutions in China is expected to reach approximately 8.7 million in 2020 compared to approximately 6.1 million in 2015, representing a CAGR of approximately 7.4%.

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 (such as our curriculums, the quality of our teachers and the initial employment rate of our graduating students); (ii) our admission quota as approved and adjusted by the relevant government authorities from year to year; and (iii) our capacity for student enrollment. We believe the educational philosophies of our schools, our flexible practical curriculums and our high initial graduate employment rates help us attract students who seek high-quality private education as a pathway to satisfactory employment. 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 provide mandatory and on-the-job training programs for newly hired teachers, as well as continuing training courses for existing teachers and conduct regular teacher performance evaluations 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 commencing each new school year. The tuition fees we charge at Chongqing College of Humanities, Science and Technology, Pass College of Chongqing Technology and Business University and Chongqing Vocational College of Applied Technology are typically based on the level of economic development, the school's operating condition and the personal wealth of the residents of Chongqing. 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 private schools providing formal education must be approved by the relevant governmental pricing authorities and those providing non-formal education must be filed with the relevant governmental pricing authorities. In addition, new tuition fees will only be applicable to newly admitted students and the tuition levels for the existing students remain unchanged.

We generally raise tuition fees involving certain majors at some of our schools every two to three school years to reflect our increased operating costs. According to this policy, we have raised tuition fees at our Pass College of Chongqing Technology and Business University and Chongqing Vocational College of Applied Technologies for the 2014/2015 school year, and at Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) for the 2015/2016 school year. In addition, we have also raised tuition fees at Chongqing College of Humanities, Science and Technology for the 2016/2017 school year. Except for Inner Mongolia Fengzhou Vocational College (Qingcheng Branch), such tuition fee raises have been approved by the relevant government pricing authority. However, our ability to raise tuition fees are subject to applicable PRC laws and regulations. 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 2016/2017 school year, we charged tuition fees ranging between RMB4,500 and RMB18,000 per student per year at our schools. According to the Frost & Sullivan Report, tuition rates at private schools offering premium higher education are generally higher than those of the public schools 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 higher education industry having similar scale and offering similar quality of education.

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, 2013, 2014 and 2015 and for the ten months ended October 31, 2015 and 2016, our cost of sales represented approximately 37.2%, 36.5%, 38.6%, 40.0% and 43.1% of our total revenue, respectively. Our cost of sales primarily consists of staff costs, depreciation and amortization expenses, cost of cooperative education, utilities and student subsidies. Our staff costs mainly comprise teachers' salaries and benefits and constitute approximately 19.7%, 19.4%, 20.1%, 21.0% and 23.3% of our total revenue for the years ended December 31, 2013, 2014 and 2015 and for the ten months ended October 31, 2015 and 2016, respectively. Staff costs increased from RMB75.6 million for the year ended December 31, 2013 to RMB85.7 million for the year ended December 31, 2015, mainly reflecting our continuing efforts 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.

Furthermore, our operating expenses include two major components, selling and distribution expenses and administrative expenses. For the years ended December 31, 2013, 2014 and 2015 and for the ten months ended October 31, 2015 and 2016, the total amount of selling and distribution expenses and administrative expenses as a percentage of our total revenue was approximately 17.3%, 17.2%, 16.4%, 17.0% and 21.5%, 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.

SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. We have also made certain accounting judgments and assumptions in the process of applying our accounting policies. When reviewing our consolidated financial statements, you should consider (i) our selection of significant 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. The following discussion provides supplemental information on our significant accounting policies. Our significant accounting policies, judgments and estimates, which are important for an understanding of our financial condition and results of operations, are set forth in more detail in notes 2.3 and 3 of the Accountants' Report in Appendix I to this prospectus.

Significant Accounting Policies

Revenue Recognition

Revenue is generally comprised of service income, which includes tuition fees and boarding fees from our schools, interest income from financial assets, rental income and dividend income. We recognize revenue when it is probable that the economic benefits will flow to us and when the revenue can be measured reliably, based on the following:

- *Service income*: Tuition fees from our schools are paid by students on or prior to the beginning of each school year. Revenue is recognized after the price is fixed or determinable, and services are provided.

  Tuition fees and boarding fees are generally paid to our schools in advance prior to the beginning of each school year, and are initially recorded as deferred revenue. Tuition fees are recognized proportionately over the relevant school year, which generally commences from September of the current year to June of the following year, except tuition fees are not recognized in February for winter holiday purposes. Boarding fees are recognized proportionately over a 12-month period from September of the current year to August of the following year for non-graduating students. For graduating students, boarding fees are recognized proportionately over a 10-month period from September of the current year to June of the following year. 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 we expect to earn within one year;

- *Interest income*: Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to us and the amount of such income can be measured reliably. Interest income is generally accrued on a time basis, based on the principal amount outstanding and the applicable effective interest rate; and

- *Dividend income*: Dividend income is recognized when the shareholders' right to receive payments has been established.

Investment and Other Financial Assets

We make investments in financial assets, which are classified, at initial recognition, as loans and receivables and available-for-sale financial investments. We measure financial assets initially at fair value plus transaction costs that are attributable to their acquisition. Generally, regular purchases and sales of financial assets are recognized on the date we commit to purchase or sell such assets, as the case may be. Subsequently, measurement of financial assets depends on their classification, namely, loans and receivables or available for sale financial investments.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. After initial measurement, such assets are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized 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 loss arising from impairment is recognized in the statement of profit or loss and other comprehensive income in finance costs for loans and in administrative expenses for receivables.

On the other hand, available-for-sale financial investments are non-derivative financial assets in an unlisted equity investment and banks' wealth management products. Equity investments classified as "available-for-sale" are those that are neither classified as held for trading nor designated as at fair value through profit or loss. Banks' wealth management products are those that are intended to be held for an indefinite period of time, and that may be sold in response to our financial needs or to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealized gains or losses recognized as other comprehensive income in the available-for-sale investments revaluation reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in the statement of profit or loss and other comprehensive income in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from available-for-sale investments revaluation reserve to the statement of profit or loss and other comprehensive income in other gains or losses. Interest and dividends earned while holding the available-for-sale financial investments are reported as interest income and dividend income, respectively, and are recognized in the statement of profit or loss and other comprehensive income as other income.

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 a property, plant and equipment comprises its purchase price and any costs directly attributable to bringing the asset to its working condition and location for its intended use.

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:

Buildings	2.4% to 6.3%
Motor vehicles	9.5% to 23.8%
Furniture and equipment	9.5% to 31.7%
Computer equipment	9.5% to 31.7%

Construction in progress mainly represents buildings under construction. 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.

Government Grants

Government grants are recognized at their fair value if there is a reasonable assurance that they will be obtained from the government and all attaching conditions will be complied with by us. When the grant relates to an expense item, it is generally recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. On the other hand, if the grant relates to an asset, its fair value is then credited to a deferred income account we hold and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and is released to the statement of profit or loss.

Income Tax

Current and deferred tax comprise our income tax. Income tax relating to items recognized outside profit or loss is recognized as such, 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 we operate.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized 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 Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》), private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same tax and other preferential policies as public schools. Private schools for which the school sponsors require reasonable returns are also entitled to preferential tax policies and such policies shall be separately stipulated by the relevant authorities. To date, however, no separate regulations or policies have been promulgated in this regard. The Revisions of the Law For Promoting Private Education of the PRC, which are due to take effect on September 1, 2017 (the "Revisions") provide that private schools, including For-Profit Private Schools and Non-Profit Private Schools, are entitled to preferential policies in accordance with PRC laws and regulations and Non-Profit Private Schools shall enjoy the tax preferential tax policies equivalent to those applicable to public schools. As advised by our PRC Legal Advisors, on the basis that (i) private schools for which the school sponsors require reasonable returns are also entitled to preferential tax policies in accordance with existing PRC laws and regulations, and according to the Revisions, which are due to be effective on September 1, 2017, For-Profit Private Schools are also entitled to preferential tax policies in accordance with PRC laws and regulations; and (ii) there are no specific regulatory provisions in this regard and especially there is no restriction on tax exemption amount and/or preferential tax rate under the existing PRC laws and regulations and under the Revisions due to be effective on September 1, 2017. It does not contravene applicable PRC laws and regulations that we estimate in accordance with the industry practice that the schools owned by us would not generate any EIT payable, which is assessed based on the forecast of their income from the lawful provision of formal educational services.

Value-added Tax

According to the Notice on the Pilot Reform of Business Tax to Value-added Tax (《關於全面推開營業稅改征增值稅試點的通知》) and the Provisions on the Transitional Policies of Value-added Tax on Business Tax (《營業稅改征增值稅試點過渡政策的規定》), the income generated from educational services provided by schools offering formal education are exempted from value-added tax. Such income include tuition fees collected in accordance with applicable laws and regulations, boarding fees, course material fees, exam registration fees and earnings generated from providing catering services for teachers and students by on-campus canteens. As confirmed by our PRC Legal Advisors, each of the schools owned by us is a school that provides formal education. In accordance with applicable PRC laws and regulations, the schools owned by us are not expected to generate any value-added tax payable, which is assessed based on the forecast of their income as illustrated above from the lawful provision of formal educational services.

Significant Accounting Judgments and Estimates

In the process of applying our accounting policies, management has made the following judgments, estimates and assumptions, which affect the amounts recognized in our consolidated financial statements:

Fair Value of Certain Available-for-sale Investments

We make judgment on the fair value of certain available-for-sale investments as they have been valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. This valuation requires us to make estimates about expected future cash flows, credit risk, volatility and discount rates, and hence they are subject to uncertainty.

Taxation

Significant judgment is required in interpreting the relevant tax rules and regulation so as to determine whether we are subject to EIT. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes us to change our judgment regarding the adequacy of our tax liabilities. Such changes to our tax liabilities will impact our tax expense in the period that such determination is made.

RESULTS OF OPERATIONS

The following table presents our selected consolidated statements of profit or loss and other comprehensive income for the years ended December 31, 2013, 2014 and 2015 and the ten months ended October 31, 2015 and 2016:

	Year ended December 31,			Ten months ended October 31,	
	2013	2014	2015	2015	2016
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) *(Unaudited)*	(RMB'000)
Revenue	384,085	402,515	426,317	329,558	346,600
Cost of sales	(142,886)	(146,811)	(164,653)	(131,904)	(149,340)
Gross profit	241,199	255,704	261,664	197,654	197,260
Other income and gains	32,474	45,732	56,921	40,499	58,871
Selling and distribution expenses	(6,713)	(8,891)	(8,297)	(6,699)	(7,549)
Administrative expenses	(59,730)	(60,175)	(61,678)	(49,504)	(66,956)
Other expenses, net	(3,201)	(9,624)	(698)	(609)	(1,479)
Finance costs	—	—	(305)	(93)	(2,160)
Share of loss of an associate	—	(480)	(928)	(655)	(602)
Profit before tax	204,029	222,266	246,679	180,593	177,385
Income tax expense	(18,082)	(25,939)	(33,222)	(33,050)	(1,244)
Profit for the year/period	185,947	196,327	213,457	147,543	176,141

KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

Revenue represents the value of services rendered during the Track Record Period. We derive revenue primarily from tuition fees and boarding fees our schools collect from students. For the years ended December 31, 2013, 2014 and 2015 and the ten months ended October 31, 2015 and 2016, we generated total revenue of RMB384.1 million, RMB402.5 million, RMB426.3 million, RMB329.6 million and RMB346.6 million, respectively.

The table below summarizes the amount of revenue generated from tuition fees and boarding fees charged by our schools for the periods indicated:

	Year ended December 31,			Ten months ended October 31,	
	2013	2014	2015	2015	2016
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Tuition fees					
Chongqing College of Humanities, Science and Technology	234,307	243,786	253,231	196,478	202,490
Pass College of Chongqing Technology and Business University	96,701	109,696	121,825	93,574	100,388
Chongqing Vocational College of Applied Technology	14,867	13,465	12,104	9,591	9,988
Inner Mongolia Fengzhou Vocational College (Qingcheng Branch)	8,919	5,918	7,980	4,777	6,711
Total tuition fees	354,794	372,865	395,140	304,420	319,577
Boarding fees	29,291	29,650	31,177	25,138	27,023
Total revenue	384,085	402,515	426,317	329,558	346,600

Tuition Fees

Tuition fees consist of tuition fees from Chongqing College of Humanities, Science and Technology, Pass College of Chongqing Technology and Business University, Chongqing Vocational College of Applied Technology and Inner Mongolia Fengzhou Vocational College (Qingcheng Branch). We generally raise tuition fees involving certain majors at the schools we own and operate every two to three school years to reflect our increased operating costs. During the Track Record Period, we have raised tuition fees at Pass College of Chongqing Technology and Business University and Chongqing Vocational College of Applied Technologies for the 2014/2015 school year, at Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) for the 2015/2016 school year and at Chongqing College of Humanities, Science and Technology for the 2016/2017 school year. New tuition fees are only applicable to newly enrolled students. Students who have already enrolled at our schools continue to pay the tuition fees in effect at the rates applicable when they first enrolled in our schools.

Boarding Fees

Boarding fees consist of boarding fees from Chongqing College of Humanities, Science and Technology, Pass College of Chongqing Technology and Business University, Chongqing Vocational College of Applied Technology and Inner Mongolia Fengzhou Vocational College (Qingcheng Branch). All of our schools are boarding schools, and boarding fees are separately charged at these schools for students.

We generally require tuition fees and boarding fees for a full school year to be paid by students to our schools prior to the commencement of each school year, and we usually recognize revenue proportionately over the relevant school year, which generally commences from September of the current year to June of the following year, except tuition fees are not recognized in February for winter holiday purposes. Boarding fees are recognized proportionately over a 12-month period from September of the current year to August of the following year for non-graduating students, and over a 10-month period from September of the current year to June of the following year for graduating students. 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, utilities, 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,			Ten months ended October 31,	
	2013	**2014**	**2015**	**2015**	**2016**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**	**(RMB'000)**	**(RMB'000)**
Staff costs	75,575	78,172	85,716	69,328	80,691
Depreciation and amortization	24,579	27,038	28,856	24,595	26,286
Student study and practice fees	3,107	4,490	5,950	4,731	4,257
Student subsidies	3,823	3,562	4,280	1,895	3,247
Utilities	7,169	6,793	6,599	5,177	6,265
Office expenses	4,390	4,666	6,139	5,726	6,406
Travel and transportation expenses	1,243	1,479	1,116	813	900
Rental fees	2,267	1,617	1,617	1,242	2,413
Cost of repairs	5,387	2,185	5,685	4,893	4,407
Cost of cooperative education	11,320	12,475	13,953	11,267	12,200
Other costs	4,026	4,334	4,742	2,237	2,268
Total cost of sales	142,886	146,811	164,653	131,904	149,340

Staff costs consist of salaries and benefits paid to our teachers and teaching staff. For the years ended December 31, 2013, 2014 and 2015 and the ten months ended October 31, 2015 and 2016, staff costs in relation to our teachers and other educational staff were RMB75.6 million, RMB78.2 million, RMB85.7 million, RMB 69.3 million and RMB80.7 million, respectively, representing 52.9%, 53.2%, 52.1%, 52.6% and 54.0% 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 primarily consists of (i) the intangible asset usage fee Pass College of Chongqing Technology and Business University pays to Chongqing Technology and Business University for the use of its name; (ii) the fees Pass College of Chongqing Technology and Business University pays to the local government for the use of certain parcels of land and (iii) the fees Chongqing Vocational College of Applied Technology pays to its school-enterprise collaboration partners as the remuneration for engaging their employees to teach practical training-focused courses. Student study and practice fees mainly include subsidies some of our schools provide to our graduating students who participate in external training programs and internships and the fees these schools pay to our school-enterprise collaboration partners for providing internship and practical training opportunities to our students at various external training and employment bases. In addition, to incentivize our students and reward their academic performance and to provide financial assistance to underprivileged students, we provide student subsidies to qualified students, which mainly consists of scholarships and grants.

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 ten months ended October 31,	
	2013	**2014**	**2015**	**2015**	**2016**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**	**(RMB'000)**	**(RMB'000)**
Sensitivity analysis of tuition fees					
Tuition fees income (decrease)/increase	**Impact on our profit for the year/period**				
(10)%	(35,479)	(37,287)	(39,514)	(30,442)	(31,958)
(5)%	(17,740)	(18,643)	(19,757)	(15,221)	(15,979)
5%	17,740	18,643	19,757	15,221	15,979
10%	35,479	37,287	39,514	30,442	31,958
Sensitivity analysis of staff costs					
Staff costs (decrease)/increase	**Impact on our profit for the year/period**				
(10)%	7,558	7,817	8,572	6,933	8,069
(5)%	3,779	3,909	4,286	3,466	4,035
5%	(3,779)	(3,909)	(4,286)	(3,466)	(4,035)
10%	(7,558)	(7,817)	(8,572)	(6,933)	(8,069)

Other Income and Gains

Other income and gains consist primarily of (i) investment income from available-for-sale investments and investment deposits; (ii) net rental income; (iii) government grants, 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; and (iv) interest income from bank deposits. The government grants are related to the subsidies received from local government for the purposes of compensating the operating expenses arising from the schools' teaching activities and expenditures on teaching facilities. There are no unfulfilled conditions or contingencies relating to such government grants income recognized. During the Track Record Period, these government grants were recurring in nature. Please see "—Significant Accounting Policies, Judgments and Estimates" for further details. The table below summarizes the amount of other income and gains for the periods indicated:

	Year ended December 31,			Ten months ended October 31,	
	2013	**2014**	**2015**	**2015**	**2016**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**	**(RMB'000)** *(Unaudited)*	**(RMB'000)**
Dividend income from an available-for-sale investment	360	480	480	—	—
Investment income from available-for-sale investments and investment deposits	24,150	35,401	36,856	28,319	18,898
Other interest income	4,375	3,310	3,340	2,382	1,410
Net rental income	505	294	1,249	1,178	758
Government grants	2,267	4,035	8,627	7,022	19,869
Exchange gain/(loss), net	(631)	(138)	2,653	16	16,287
Others[(1)]	1,448	2,350	3,716	1,582	1,649
Total	32,474	45,732	56,921	40,499	58,871

Note:

(1) Includes net income from our provision of medical care and meal catering services. For the years ended December 31, 2013, 2014 and 2015 and the ten months ended October 31, 2015 and 2016, gross income attributable to our medical care and meal catering services amounted to RMB2.3 million, RMB3.3 million, RMB3.1 million, RMB1.6 million and RMB4.1 million, respectively. Since we outsourced most of the medical care and meal catering services to Independent Third Parties during the Track Record Period, the gross income we generated from such services was immaterial. As part of our strategy to expand our service offerings, we have begun to internalize certain of our medical care and meal catering services and expect to continue to do so going forward. Our income from medical care and meal catering services is recognized on a net basis when the price is fixed or determinable and services are provided.

Selling and Distribution Expenses

Selling and distribution expenses consist primarily of salaries and other benefits for our staff who are in charge of student recruitment and advertising, advertising expenses and student recruitment expenses. Advertising expenses comprise expenses for producing promotional and advertising materials for the promotion of our schools. Student recruitment expenses mainly relate to expenses we incur in connection with student admissions.

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, environment and health expenses, travel and transportation expenses, rental expenses and other administrative expenses. Other administrative expenses mainly relate to commercial bank transaction fees, consulting fees and costs relating to customized consumables.

Other Expenses, Net

Other expenses consist primarily of expenses relating to donations, which represent cash donations some of our schools made to third-party educational and other institutions, disposal of fixed assets and others. Others mainly include transportation, travel and rental expenses.

Finance Costs

Finance costs mainly represent interest on loans we borrowed from the ultimate holding company and certain of our related parties. The loans we borrowed from the ultimate holding company were primarily used to repurchase our issued ordinary shares from the previous investors, whereas a substantial portion of the loans we borrowed from certain related parties were subsequently extended to Hong Kong Nang Yan College of Higher Education.

Share of Loss of an Associate

Share of loss of an associate represents the loss we incurred in connection with our investment in Beacon International College, in which we maintained a 25.6% equity interest as of the Latest Practicable Date. We incurred losses at Beacon International College during the Track Record Period primarily due to (i) lower revenue generated by the school mainly as a result of insufficient student enrollment because Beacon International College, as a private college in Singapore, was not permitted to offer curriculums for bachelor programs in accordance with the applicable regulations, which resulted in the failure to attract sufficient number of student enrollment by the school; and (ii) the school continued to incur operating expenses and the proportion of fixed operating expenses at Beacon International College, such as staff costs and rental expenses, constituted a significant part of the school's operating expenses, and the lack of student enrollment resulted in reduced revenue generated from the school to cover such operating expenses.

During the Track Record Period, we did not provide impairment loss on the carrying amounts of our investments in Beacon International College because (i) our Group used the equity method in our consolidated financial statements to recognize our share of loss involving Beacon International College and at the same time, reduced the carrying amounts of our investments. As of October 31, 2016, the carrying amount of our investments in Beacon International College was RMB3.0 million, which was less than the initial investments of RMB4.7 million; and (ii) Beacon International College has recently received approval from the Singapore education authority to offer a bachelor program for hospitality management in Singapore in collaboration with Cardiff Metropolitan University. Accordingly, our Directors are of the view that we did not need to provide any impairment loss during the Track Record Period.

Pursuant to the articles of association of Hong Kong Nang Yan College of Higher Education, no portion of the income from the school or the properties owned by the school shall be transferred, directly or indirectly, by way of dividend, bonus or otherwise, to any of the two members of the holding company that owns the school. Accordingly, share of loss of an associate does not include the profit or loss of Hong Kong Nang Yan College of Higher Education. However, during the Track Record Period, Hong Kong Nang Yan College of Higher Education continued to incur losses mainly due to the following reasons: (i) prior to obtaining the relevant operating licenses, the school incurred losses during the preparation period because it was not able to offer any formal curriculums and thus, it generated no revenue while incurring expenses comprising staff costs, consultancy fees and curriculum evaluation fees in connection with its applications for various operating licenses; and (ii) after obtaining the relevant operating licenses in April 2014, Hong Kong Nang Yan College of Higher Education experienced a lack of initial student enrollment because (A) it commenced the first school year in September 2014 and did not have sufficient time to prepare for student recruitment for the first school year, which recruitment process usually commences in October and November of the previous year; (B) it offered majors that lack any notable or special features and that were also commonly offered by other comparable schools, which we believe resulted in a lack of interested potential students; and (C) the proportion of fixed operating expenses at Hong Kong Nang Yan College of Higher Education, such as staff costs and rental expenses, constituted a significant part of the school's operating expenses, and the lack of student enrollment meant that the revenue generated from the school was insufficient to cover such operating expenses.

We did not provide any impairment loss on the loan to Hong Kong Nang Yan College of Higher Education during the Track Record Period mainly because our Directors are of view that after becoming one of two members of the school and having the ability to appoint directors to the board of directors of the school, we have taken certain measures to improve the school's operation. These measures include, but are not limited to, the establishment of cooperation between Hong Kong Nang Yan College of Higher Education and the University of West London to offer eight new courses to students (four of which are for students under masters programs) and making applications to introduce certain specialty majors. Based on the foregoing, the Directors are of the view that these measures will likely improve the student enrollment and operating income of Hong Kong Nang Yan College of Higher Education going forward, and accordingly, the risk of impairment loss of the loan to Hong Kong Nang Yan College of Higher Education is currently considered to be insignificant.

Income Tax Expenses

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 EIT at a rate of 25% on our taxable income. Therefore, each of our PRC school sponsors that is a PRC resident enterprise is subject to an income tax rate of 25% in respect of its income generated from both inside and outside the PRC, including returns it received from the respective schools. According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. The preferential tax treatment policies applicable to private schools requiring reasonable returns are to be separately formulated by the finance authority, taxation authority and other authorities under the State Council. As of the date of this prospectus, no regulations have been promulgated by such authorities in this regard, as advised by our PRC Legal Advisors. In accordance with the historical tax returns we filed with the relevant tax authorities and the tax compliance confirmations we obtained from such authorities, which are competent tax authorities in respect of such confirmations as confirmed by our PRC Legal Advisors, our schools did not pay EIT in respect of income from rendering formal education services during the Track Record Period, and they were not found to be in default in tax payments or in violation of the PRC tax laws. Therefore, the Directors are of the view that our historical tax filings and the fact that we did not pay income tax for our schools in respect of income from formal education service during the Track Record Period were not found in violation of PRC tax laws. In addition, based on our historical tax filings and the confirmations we obtained from the relevant tax authorities, our PRC Legal Advisors are of the view that our schools in the PRC were not required to pay EIT in respect of their income from providing formal education services by the relevant tax authorities during the Track Record Period and up to the respective dates of such confirmations.

Tax expenses we incurred during the Track Record Period primarily comprised of the tax expenses relating to the income of Li'ang Education, Li'ang Industry and Pass Education. The following table sets forth the nature of the income generated by, and corresponding tax expenses for Li'ang Education, Li'ang Industry and Pass Education, respectively, during the Track Record Period:

Entity	EIT	Value-added Tax ("VAT") /Business Tax Payable	Other Taxes Payable
Li'ang Education	15%[(1)]		
- Apartment service fee for Chongqing College of Humanities, Science and Technology		5% business tax before May 2016 and 6% VAT after May 2016	7% of the sum of the business tax and VAT as urban maintenance and construction tax; 3% of the sum of the business tax and VAT as education tax surcharge and 2% of the sum of the business tax and VAT as local education surcharge
- Water service fee for Chongqing College of Humanities, Science and Technology and other third parties		6% VAT before July 2014 and 3% VAT after July 2014	Same as above
- Interest income from wealth management products		Tax exempt before May 2016 and 6% VAT after May 2016	7% of VAT as urban maintenance and construction tax; 3% of VAT as education tax surcharge; and 2% of VAT as local education surcharge
- Interest income from bank deposits		Tax exempt	Tax exempt
Li'ang Industry	25%		
- Sales of military uniforms		3% VAT	7% of VAT as urban maintenance and construction tax; 3% of VAT as education tax surcharge and 2% of VAT as local education surcharge
- Dividend income from Chongqing College of Humanities, Science and Technology		Tax exempt	Tax exempt
- Interest income from wealth management products		Tax exempt before May 2016 and 6% VAT after May 2016	7% of VAT as urban maintenance and construction tax; 3% of VAT as education tax surcharge; and 2% of VAT as local education surcharge
- Interest income from bank deposits		Tax exempt	Tax exempt
Pass Education	15%[(1)]		
- Accommodation income		5% business tax before May 2016 and 6% VAT after May 2016	7% of the sum of the business tax and VAT as urban maintenance and construction tax; 3% of the sum of the business tax and VAT as education tax surcharge and 2% of the sum of the business tax and VAT as local education surcharge
- Apartment service fee for Pass College of Chongqing Technology and Business University		5% business tax before May 2016 and 6% VAT after May 2016	Same as above
- Student excess electricity bill income		17% VAT	7% of VAT as urban maintenance and construction tax; 3% of VAT as education tax surcharge; and 2% of VAT as local education surcharge
- Interest income from bank deposits		Tax exempt	Tax exempt

Note:

(1) According to the "Circular of the State Administration of Taxation, Ministry of Finance, General Administration of Customs on Deepening the Implementation of the Tax Policy Issues in the Strategy of Developing the Western Region" Clause 2 of Caishui [2011] No. 58, the encouraged industries in China's western region are subject to EIT at a reduced rate of 15%. The State Administration of Taxation, Ministry of Finance, General Administration of Customs subsequently issued the "Circular of Deepening the Implementation of the Tax Policy Issues in the Strategy of Developing the Western Region," pursuant to which the encouraged industries in the western region are subject to EIT at a reduced rate of 15% from January 1, 2011 to December 31, 2020. Encouraged industry enterprises refer to the industrial projects included in the "western region encouraged industry directory" as the main business, and its main business income accounted for more than 70% of total corporate income of the enterprise. After the application is made by the enterprise, the competent tax authorities shall, after checking and confirming, permit such enterprise to pay EIT at a reduced rate of 15%.

No income tax expense in relation to formal education service rendered by our schools was recognized for the years ended December 31, 2013, 2014, 2015 for our schools in the PRC. For the first ten months ended October 31, 2016, none of our schools elected to make any dividend distribution to their respective school sponsors, which resulted in minimal income tax expenses incurred by us for the period. As of December 31, 2013, 2014 and 2015 and October 31, 2016, we had tax losses arising in the PRC of approximately RMB14.0 million, RMB13.9 million, RMB6.8 million and RMB6.6 million, respectively, that will expire in one to five years for offsetting against future taxable profits. The tax losses we incurred in the PRC were related to Minsheng Education Management and Chongqing Renwen Hospital. Minsheng Education Management is a holding company and Chongqing Renwen Hospital is newly incorporated in November 2015, therefore they have been loss-making.

Furthermore, the statutory income tax rate for Hong Kong is 16.5%. As of December 31, 2013, 2014 and 2015 and October 31, 2016, we had tax losses arising in Hong Kong of RMB186,000, RMB210,000, RMB241,000 and RMB302,000, respectively, which are available indefinitely for offsetting against future taxable profits of our Company in which the losses arise. The tax losses we incurred in Hong Kong during each year of the Track Record Period were related to tax losses from Minsheng Development (HK) and Hong Kong College of Technology and Business, which are investment holding companies in nature.

In addition, deferred tax assets have not been recognized in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilized. Please see "Risk Factors — Risks Relating to Doing Business in China — The discontinuation of any favorable 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.

Profit for the Year/Period

For the years ended December 31, 2013, 2014 and 2015 and the ten months ended October 31, 2015 and 2016, our profit for the year/period was RMB185.9 million, RMB196.3 million, RMB213.5 million, RMB147.5 million and RMB176.1 million, respectively.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Ten Months Ended October 31, 2016 Compared to Ten Months Ended October 31, 2015

Revenue

Our revenue increased by 5.2% from RMB329.6 million for the ten months ended October 31, 2015 to RMB346.6 million for the ten months ended October 31, 2016. This increase was primarily a result of the revenue from tuition fees increasing by 5.0% from RMB304.4 million for the ten months ended October 31, 2015 to RMB319.6 million for the ten months ended October 31, 2016. The tuition fees we received increased because we increased tuition fees by RMB1,000 for most of the majors offered at Chongqing College of Humanities, Science and Technology and by RMB1,000 for certain of the majors offered at Pass College of Chongqing Technology and Business University for the 2016/2017 school year.

Cost of sales

Cost of sales increased by 13.2% from RMB131.9 million for the ten months ended October 31, 2015 to RMB149.3 million for the ten months ended October 31, 2016. This increase was primarily the result of an increase in staff costs, student subsidies, rental expenses and cost of cooperative education, partially offset by a decrease in cost of repairs. Staff costs increased by 16.4% from RMB69.3 million for the ten months ended October 31, 2015 to RMB80.7 million for the ten months ended October 31, 2016, mainly due to (i) an increase in staff salaries and benefits at Chongqing College of Humanities, Science and Technology and Chongqing Vocational College of Applied Technology to make the compensation package of our teachers more competitive; and (ii) an increase in the number of teachers employed at all of the schools we own and operate in response to the increase in student enrollment. Student subsidies increased by 71.3% from RMB1.9 million for the ten months ended October 31, 2015 to RMB3.2 million for the ten months ended October 31, 2016, primarily because Chongqing College of Humanities, Science and Technology provided financial assistance to underprivileged students during the first ten months of 2016. Rental expenses increased by 94.3% from RMB1.2 million for the ten months ended October 31, 2015 to RMB2.4 million for the ten months ended October 31, 2016, mainly due to increased rental payments we made to the landlord with respect to an agreement entered into by Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) in 2015. Cost of cooperative education increased by 8.3% from RMB11.3 million for the ten months ended October 31, 2015 to RMB12.2 million for the ten months ended October 31, 2016, primarily because (i) Chongqing Vocational College of Applied Technology incurred additional expenses in relation to educational services provided by a school-enterprise collaboration partner in 2016, which resulted in higher costs; and (ii) Pass College of Chongqing Technology and Business University paid additional intangible asset usage fees to Chongqing Technology and Business University for the use of its name for 2015.

Gross Profit

Gross profit decreased slightly from RMB197.7 million for the ten months ended October 31, 2015 to RMB197.3 million for the ten months ended October 31, 2016. However, our gross profit margin decreased from 60.0% for the ten months ended October 31, 2015 to 56.9% for the ten months ended October 31, 2016. This decrease was mainly attributable to a larger increase in cost of sales resulting, in particular, from increased staff costs, rental expenses, student subsidies and cost of collaborative education compared to the increase in our revenue. In general, our gross profit margin for the first ten months of the fiscal year is lower than the gross profit margin for the entire fiscal year primarily because we do not recognize any tuition fees in July and August due to school summer recess while we continue to incur expenses.

Other Income and Gains

Other income and gains increased by 45.4% from RMB40.5 million for the ten months ended October 31, 2015 to RMB58.9 million for the ten months ended October 31, 2016. The increase was primarily due to (i) increased grants by the local government in Chongqing to private schools in the first ten months of 2016; and (ii) a large net foreign currency exchange gain we had in the first ten months of 2016 compared to the first ten months of 2015, mainly because (A) our overseas subsidiary borrowed funds from our PRC subsidiaries in the second half of 2015 to repurchase issued ordinary shares from our previous investors, which continued in the first ten months of 2016 and resulted in large amounts of U.S. dollar-denominated funds, and (B) the U.S. dollar continued to appreciate against the Renminbi during the first ten months of 2016, partially offset by (i) a decrease in investment income from available-for-sale investments and investment deposits as we redeemed certain amounts in connection with the repurchase of our issued ordinary shares from our previous investors; and (ii) a decrease in net rental income for the first ten months of 2016 because the lease for properties rented by an Independent Third Party expired and a new lease has not yet been entered into, which resulted in reduced rental income.

Selling and Distribution Expenses

Selling and distribution expenses increased by 12.7% from RMB6.7 million for the ten months ended October 31, 2015 to RMB7.5 million for the ten months ended October 31, 2016, primarily because we increased our promotional efforts to attract more student enrollment at our schools for the 2016/2017 school year.

Administrative Expenses

Our administrative expenses increased by 35.4% from RMB49.5 million for the ten months ended October 31, 2015 to RMB67.0 million for the ten months ended October 31, 2016, primarily due to (i) an increase in staff costs for our administrative staff at Chongqing College of Humanities, Science and Technology and Pass College of Chongqing Technology and Business University in 2016; and (ii) a substantial increase in other administrative expenses, which primarily consisted of listing expenses, auditor's fees and legal and consulting services fees, as we incurred such expenses in connection with the Global Offering during the first ten months of 2016.

Other Expenses, Net

Other expenses, net increased from RMB0.6 million for the ten months ended October 31, 2015 to RMB1.5 million for the ten months ended October 31, 2016. The increase was primarily attributable to the compensation we provided to a tenant of a property owned by Chongqing College of Humanities, Science and Technology as the school needed to recover the property from the tenant for the construction of a campus hospital within the school. This campus hospital is expected to be legally set up in 2017 and will be operated by our Group. It will provide routine check-up and other basic medical services, which were previously outsourced to third-party medical clinics during the Track Record Period, only to students and staff at Chongqing College of Humanities, Science and Technology. Because such campus hospital will not provide any medical services to the public, its ability to generate additional revenue and profit for our Group is limited. Accordingly, we believe the financial impact from the operation of such hospital on our Group will not be significant.

Finance Costs

Finance costs increased from RMB93,000 for the ten months ended October 31, 2015 to RMB2.2 million for the ten months ended October 31, 2016, primarily because we paid interest on the loans we borrowed from the ultimate holding company in the third and fourth quarters of 2015, which we used to repurchase our issued ordinary shares from the previous investors, and from certain of our related parties in the fourth quarter of 2015 and the first quarter of 2016, a substantial portion of which was subsequently extended to Hong Kong Nang Yan College of Higher Education.

Share of Loss of an Associate

Share of loss of an associate decreased slightly from RMB0.7 million for the ten months ended October 31, 2015 to RMB0.6 million for the ten months ended October 31, 2016, mainly reflecting improved operating results at Beacon International College in 2016.

Profit before Tax

As a result of the foregoing, we recognized a profit of RMB177.4 million before income tax for the ten months ended October 31, 2016, compared to a profit of RMB180.6 million before income tax for the ten months ended October 31, 2015. Our profit before tax as a percentage of revenue was 51.2% for the ten months ended October 31, 2016, while our profit before tax as a percentage of revenue was 54.8% for the ten months ended October 31, 2015.

Income Tax Expense

The income tax expense we incurred for the ten months ended October 31, 2016 was RMB1.2 million, compared to an income tax expense of RMB33.1 million for the ten months ended October 31, 2015. This decrease was primarily due to a distribution of dividend by Chongqing College of Humanities, Science and Technology to its school sponsor, Li'ang Industry, in the first half of 2015, which resulted in Li'ang Industry having to pay the relevant EIT in 2015. For tax risk associated with the dividend distributions from our schools to their respective school sponsors, please see "Risk Factors — Risks Relating to Our Business and Our Industry — Our historical financial and operating results may not be indicative of our future performance" in this prospectus.

Profit for the Period

As a result of the above factors, we recorded a profit of RMB176.1 million for the ten months ended October 31, 2016, as compared to a profit of RMB147.5 million for the ten months ended October 31, 2015.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Revenue

Our revenue increased by 5.9% from RMB402.5 million for the year ended December 31, 2014 to RMB426.3 million for the year ended December 31, 2015. This increase was primarily the result of revenue from tuition fees increasing by 6.0% from RMB372.9 million for the year ended December 31, 2014 to RMB395.1 million for the year ended December 31, 2015. The tuition fees we received increased because (i) we created several new majors for the 2015/2016 school year at (A) Chongqing College of Humanities, Science and Technology, such as architectural design, computer software engineering and mechanical and electrical engineering; (B) Pass College of Chongqing Technology and Business University, such as automobile service engineering; and (C) Chongqing Vocational College of Applied Technology, including architectural engineering, graphics design and visual communication art design. These new majors generally commanded higher tuition fees for newly enrolled students than certain existing majors; and (ii) our student enrollment increased from 29,626 as of December 31, 2014 to 30,616 as of December 31, 2015.

Cost of sales

Cost of sales increased by 12.2% from RMB146.8 million for the year ended December 31, 2014 to RMB164.7 million for the year ended December 31, 2015. This increase was primarily a result of an increase in staff costs, cost of cooperative education, cost of repairs and student study and practice fees. Staff costs increased by 9.7% from RMB78.2 million for the year ended December 31, 2014 to RMB85.7 million for the year ended December 31, 2015, mainly due to an increase in staff salaries and benefits at Chongqing Vocational College of Applied Technology to make the compensation packages of our teachers more competitive. Cost of cooperative education increased 11.8% from RMB12.5 million for the year ended December 31, 2014 to RMB14.0 million for the year ended December 31, 2015, primarily because Chongqing Vocational College of Applied Technology engaged its school-enterprise collaboration partners to provide educational resources, including, but not limited to, the teachers for practical training courses, in December 2015, which resulted in higher costs. In addition, cost of repairs increased by 160.2% from RMB2.2 million for the year ended December 31, 2014 to RMB5.7 million for the year ended December 31, 2015, mainly because we undertook numerous building and equipment repair projects in 2015 at Chongqing College of Humanities, Science and Technology and Pass College of Chongqing Technology and Business University to improve the educational environment for our students. Student study and practice fees also increased by 32.5% from RMB4.5 million for the year ended December 31, 2014 to RMB6.0 million for the year ended December 31, 2015, primarily due to (i) increased number of graduating students in 2015, which resulted in higher subsidies in connection with providing practical training; and (ii) the payments made by Chongqing College of Humanities, Science and Technology to ZTE for providing external training opportunities to students in 2015 in connection with the existing school-enterprise collaboration program.

Gross Profit

Gross profit increased by 2.3% from RMB255.7 million for the year ended December 31, 2014 to RMB261.7 million for the year ended December 31, 2015, which was in line with the growth of our business. Our gross profit margin decreased from 63.5% for the year ended December 31, 2014 to 61.4% for the year ended December 31, 2015. This decrease was mainly attributable to a larger increase in cost of sales resulting, in particular, from increased staff costs and cost of cooperative education compared to the increase in our revenue.

Other Income and Gains

Other income and gains increased by 24.5% from RMB45.7 million for the year ended December 31, 2014 to RMB56.9 million for the year ended December 31, 2015. The increase was primarily due to (i) increased grants by the local government in Chongqing to private schools in the second half of 2015 and (ii) a net foreign currency exchange gain in 2015 compared to net foreign currency exchange loss in 2014, mainly because (A) our overseas subsidiary borrowed funds from our PRC subsidiaries in the second half of 2015 in connection with the repurchase of issued ordinary shares from our previous investors, which resulted in large amounts of U.S. dollar-denominated funds, and (B) U.S. dollar appreciated against the Renminbi during the second half of 2015.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 6.7% from RMB8.9 million for the year ended December 31, 2014 to RMB8.3 million for the year ended December 31, 2015. The decrease was primarily due to a decrease in advertising expenses in 2015 as we scaled back our advertising and promotional activities at Chongqing College of Humanities, Science and Technology and Chongqing Vocational College of Applied Technology, partially offset by an increase in salaries and benefits of some of our marketing staffs as we continued to make their compensation packages more competitive in the marketplace.

Administrative Expenses

Our administrative expenses increased by 2.5% from RMB60.2 million for the year ended December 31, 2014 to RMB61.7 million for the year ended December 31, 2015, which was in line with the growth of our business.

Other Expenses, Net

Other expenses, net decreased by 92.7% from RMB9.6 million for the year ended December 31, 2014 to RMB0.7 million for the year ended December 31, 2015, which was primarily a result of a reduction in donation expenses in 2015.

Finance Costs

Finance costs increased from nil for the year ended December 31, 2014 to RMB305,000 for the year ended December 31, 2015 as we borrowed loans from the ultimate holding company and certain of our related parties in the fourth quarter of 2015 to repurchase our issued ordinary shares from the previous investors.

Share of Loss of an Associate

Share of loss of an associate increased from RMB0.5 million for the year ended December 31, 2014 to RMB0.9 million for year ended December 31, 2015, mainly reflecting increased operating losses at Beacon International College in 2015.

Profit before Tax

As a result of the foregoing, we recognized a profit of RMB246.7 million before income tax for the year ended December 31, 2015, compared to a profit of RMB222.3 million before income tax for the year ended December 31, 2014. Our profit before income tax as a percentage of revenue was 57.9% for the year ended December 31, 2015 compared to 55.2% for the year ended December 31, 2014.

Income Tax Expense

Our tax expense increased from RMB25.9 million for the year ended December 31, 2014 to RMB33.2 million for the year ended December 31, 2015, as a result of the distribution of the returns of our schools in the PRC to their respective school sponsors, which was subject to applicable EIT.

Profit for the Year

As a result of the above factors, we recorded a profit for year of RMB213.5 million for the year ended December 31, 2015, as compared to a profit of RMB196.3 million for the year ended December 31, 2014.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Revenue

Our revenue increased by 4.8% from RMB384.1 million for the year ended December 31, 2013 to RMB402.5 million for the year ended December 31, 2014. This increase was primarily the result of revenue from tuition fees increasing by 5.1% from RMB354.8 million for the year ended December 31, 2013 to RMB372.9 million for the year ended December 31, 2014. The tuition fees we received increased because we raised our tuition fees at Pass College of Chongqing Technology and Business University and Chongqing Vocational College of Applied Technologies for the 2014/2015 school year.

Cost of sales

Cost of sales increased by 2.7% from RMB142.9 million for the year ended December 31, 2013 to RMB146.8 million for the year ended December 31, 2014. This increase was primarily a result of an increase in staff costs, depreciation and amortization, cost of cooperative education and student study and practice fees. Staff costs increased from RMB75.6 million for the year ended December 31, 2013 to RMB78.2 million for the year ended December 31, 2014, mainly due to an increase in staff salaries and benefits at some of our schools. Depreciation and amortization increased from RMB24.6 million for the year ended December 31, 2013 to RMB27.0 million for the year ended December 31, 2014 as a result of additional purchases of educational equipment made by Chongqing College of Humanities, Science and Technology in 2014. Cost of cooperative education increased from RMB11.3 million for the year ended December 31, 2013 to RMB12.5 million for the year ended December 31, 2014, primarily due to an increase in the intangible asset usage fee Pass College of Chongqing Technology and Business University paid to Chongqing Technology and Business University for the use of its name. Student study and practice fees also increased from RMB3.1 million for the year ended December 31, 2013 to RMB4.5 million for the year ended December 31, 2014, primarily because we had more graduating students in 2014 compared to 2013, which led to us providing larger amount of student subsidies in connection with providing practical training.

Gross Profit

Gross profit increased by 6.0% from RMB241.2 million for the year ended December 31, 2013 to RMB255.7 million for the year ended December 31, 2014, which was in line with the growth of our business. Our gross profit margin increased from 62.8% for the year ended December 31, 2013 to 63.5% for the year ended December 31, 2014. This increase was mainly attributable to a larger increase in our revenue compared to the increase in our cost of sales.

Other Income and Gains

Other income and gains increased by 40.8% from RMB32.5 million for the year ended December 31, 2013 to RMB45.7 million for the year ended December 31, 2014. The increase was primarily due to (i) an increase in interest income we received from our available-for-sale investments and investment deposits; and (ii) an increase in government grants.

Selling and Distribution Expenses

Selling and distribution expenses increased by 32.4% from RMB6.7 million for the year ended December 31, 2013 to RMB8.9 million for the year ended December 31, 2014. The increase was primarily due to (i) an increase in student recruitment expenses in 2014; and (ii) an increase in salaries and benefits of some of our marketing staff.

Administrative Expenses

Our administrative expenses remained relatively stable for the year ended December 31, 2013 as compared to the year ended December 31, 2014.

Other Expenses, Net

Other expenses, net increased significantly from RMB3.2 million for the year ended December 31, 2013 to RMB9.6 million for the year ended December 31, 2014, which was primarily due to large amounts of donations Chongqing College of Humanities, Science and Technology and Pass College of Chongqing Technology and Business University made to relevant charities and educational funds in 2014, as the case may be. Chongqing College of Humanities, Science and Technology also donated certain amount of funds to Ya'an Disaster Relief Center to help students who were affected by natural disasters.

Profit before Tax

As a result of the foregoing, we recognized a profit of RMB222.3 million before income tax for the year ended December 31, 2014, compared to a profit of RMB204.0 million before income tax for the year ended December 31, 2013. Our profit before income tax as a percentage of revenue was 55.2% for the year ended December 31, 2014 compared to 53.1% for the year ended December 31, 2013.

Income Tax Expense

Our tax expense increased from RMB18.1 million for the year ended December 31, 2013 to RMB25.9 million for the year ended December 31, 2014, which was a result of the distribution of the returns from our schools in the PRC to their respective school sponsors, which was subject to applicable EIT.

Profit for the Year

As a result of the above factors, we recorded a profit for the year of RMB196.3 million for the year ended December 31, 2014, as compared to a profit of RMB185.9 million for the year ended December 31, 2013.

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 October 31,	As of January 31,
	2013	2014	2015	2016	2017
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) *(Unaudited)*
CURRENT ASSETS					
Inventories	1,003	1,053	1,184	1,244	1,140
Trade receivables (1)	5,716	4,901	2,620	2,074	1,250
Prepayments, deposits and other receivables	7,394	8,712	39,409	46,936	45,587
Available-for-sale investments	498,312	733,257	522,096	611,020	143,559
Investment deposits	224,580	234,370	121,230	280,770	281,900
Loan to an associate(2)	—	—	—	676	720
Cash and bank balances	391,757	375,021	352,218	226,880	631,036
TOTAL CURRENT ASSETS	1,128,762	1,357,314	1,038,757	1,169,600	1,105,192
CURRENT LIABILITIES					
Deferred revenue	216,567	231,150	246,471	310,398	207,921
Other payables and accruals	86,669	84,950	85,445	113,394	79,236
Deferred income-current	2,253	3,455	5,195	7,275	8,138
Loans from the ultimate holding company	—	—	—	121,887	124,205
Loans from related parties	—	—	—	13,678	13,947
Tax payable	3,782	794	17,046	538	862
TOTAL CURRENT LIABILITIES	309,271	320,349	354,157	567,170	434,309
NET CURRENT ASSETS	819,491	1,036,965	684,600	602,430	670,883

Note:

(1) Trade receivables represent the amounts related to students who have applied for the delayed payment of tuition fees and boarding fees. Based on our internal records, as of the Latest Practicable Date, approximately RMB73,440 of our oustanding trade receivables was settled.

(2) Loan to an associate is a US$100,000 loan to Beacon International College, which has a maturity date in March 2018.

As of January 31, 2017, we had net current assets of RMB670.9 million, which primarily consisted of available-for-sale investments, investment deposits and cash and bank balances. Our current assets as of January 31, 2017 decreased to RMB1,105.2 million from RMB1,169.6 million as of October 31, 2016. The decrease in current assets primarily reflected a decrease in available-for-sale investments, which decreased from RMB611.0 million as of October 31, 2016 to RMB143.6 million as of January 31, 2017, and was partially offset by an increase in cash and bank balances, which increased from RMB226.9 million as of October 31, 2016 to RMB631.0 million as of January 31, 2017, as we redeemed a certain amount of available-for-sale investments and deposited the funds at commercial banks as our cash and bank balances. Our current liabilities decreased from RMB567.2 million as of October 31, 2016 to RMB434.3 million as of January 31, 2017, mainly reflecting a decrease of RMB34.2 million in other payables and accruals, and a decrease of RMB102.5 million in deferred revenue.

As of October 31, 2016, we had net current assets of RMB602.4 million, representing a decrease of RMB82.2 million compared to our net current assets as of December 31, 2015, or 12.0%. This decrease was primarily due to a substantial increase in our current liabilities, partially offset by an increase in current assets. The increase in current liabilities included (i) an increase of RMB121.9 million of loans we borrowed from our ultimate holding company in 2016 to repurchase some of our issued ordinary shares from our previous investors, which was reclassified as current liability since the loans are repayable in full in March and June 2017; and (ii) an increase in deferred revenue as our total student enrollment increased for the 2016/2017 school year compared to the 2015/2016 school year and we raised tuition fees for most of the majors offered at Chongqing College of Humanities, Science and Technology and for certain majors offered at Pass College of Chongqing Technology and Business University for the 2016/2017 school year. Our current assets increased primarily due to an increase in available-for-sale investments and investment deposits as we invested a substantial amount of the tuition fees received from students for the 2016/2017 school year in August and September 2016 in short-term wealth management products issued by licensed commercial banks in the PRC to gain higher short-term investment returns compared to fixed rate returns from cash deposits at banks.

As of December 31, 2015, we had net current assets of RMB684.6 million, representing a decrease of RMB352.4 million compared to our net current assets as of December 31, 2014, or 34.0%. This decrease was primarily due to a decrease in current assets and an increase in current liabilities. The decrease in current assets included (i) a decrease in available-for-sale investments of RMB211.2 million; and (ii) a decrease of RMB113.1 million in investment deposits at licensed commercial banks in the PRC, mainly because we redeemed a portion of our available-for-sale investments and investment deposits in order to make payments for the repurchase of our issued ordinary shares to our previous investors, partially offset by an increase in prepayments, deposits and other receivables as we extended a loan of RMB30.0 million to an Independent Third Party in 2015. The increase in current liabilities primarily included (i) an increase of RMB15.3 million in deferred revenue as our total student enrollment increased for the 2015/2016 school year; and (ii) an increase of RMB16.3 million in tax payable as Chongqing College of Humanities, Science and Technology made dividend distributions to its school sponsor, Li'ang Industry, in 2015, which resulted in Li'ang Industry having to pay the relevant EIT during the year.

As of December 31, 2014, we had net current assets of RMB1,037.0 million, representing an increase of RMB217.5 million compared to our net current assets as of December 31, 2013, or 26.5%. This increase was primarily due to an increase in current assets, partially offset by a slight increase in current liabilities. The increase in current assets included an increase in available-for-sale investments of RMB235.0 million as we invested our surplus cash earned from tuition fees in short-term wealth management products issued by licensed PRC banks. The increase in current liabilities mainly included an increase of RMB14.6 million in deferred revenue as our total student enrollment increased for the 2014/2015 school year.

Available-for-sale Investments

During the Track Record Period, we made investments in available-for-sale investments. These available-for-sale investments include investments in short-term wealth management products issued by licensed commercial banks in the PRC. These wealth management products we invested in during the Track Record Period were mainly unlisted funds in the PRC, which primarily consisted of (i) highly liquid assets, including, but not limited to, PRC government bonds, financial bonds, corporate bonds, enterprise bonds, short-term financing instruments, medium-term notes, subordinated bonds and other investment-grade debt instruments, bank deposits, money market funds and currency funds; (ii) credit assets, such as credit-based trust products and financial asset exchange credit instruments; (iii) equity-related assets, including, but not limited to, equity investment trusts; and (iv) various types of asset management plans, or a combination of any of the foregoing.

These wealth management products have different risk levels, ranging from relatively low-risk to medium-risk, depending on the types and percentages of the underlying assets in a particular investment portfolio. According to the underlying contracts for these wealth management products, the investment allocation decisions of these unlisted funds are generally made by the licensed commercial banks on a discretionary basis. We made investments in these wealth management products primarily for the purposes of gaining higher short-term investment returns than the fixed rate returns from cash deposits at banks. The following table sets forth the balance of our available-for-sale investments as of the dates indicated:

	As of December 31,			As of October 31,
	2013	2014	2015	2016
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Current				
Banks' wealth management products, at fair value	498,312	733,257	522,096	611,020

The following table sets forth details of our investments in, and the risk profile, major underlying investments, yield rate, maturity date, redemption clause and potential maximum loss of, the financial products during the Track Record Period:

Issuing bank/product type	# of financial products	Risk classifications[(1)]	Primary underlying investments	Range of maximum/ actual annual yield rate	Range of maturity date	General redemption provisions	Balance as of October 31, 2016[(2)]	Potential maximum loss[(3)]
				(%)			(RMB in millions)	(RMB in millions)
Bank of China								
— Principal-guaranteed with floating income	2	Low	Primarily high credit rating financial products, such as government bonds, treasury notes, state development bonds and agricultural bonds, as well as bond repurchases	4.95	Less than seven months	Not redeemable until the due date	—	—
— Principal-unprotected with floating income	4	Low to Medium	Mainly PRC government bonds, financial bonds, enterprise bonds, short-term financing instruments, medium-term notes, bank deposits, money market funds	3.50-3.90	Less than four months	Not redeemable until the due date	19.4	Investment amount
Industrial and Commercial Bank of China								
— Principal-guaranteed with floating income	4	PR1	Mainly bonds, bank deposits, money market funds, bond funds, collateral repurchases, debt assets, equity assets and other assets and portfolios	2.55-2.70	From less than three months to no specific maturity date	Generally redeemable after 63 to 91 days	245.0	—
— Principal-unprotected with floating income	106	Low to Medium; PR1 to PR3	Primarily bonds, credit-based trust products, other equity investment trusts, asset management plans, bank deposits, money market funds, bond funds and collateral repurchases	2.20-6.00	From less than one month to no specific maturity date	Generally redeemable after a certain period of time ranging from two business days to 180 days while certain other products are not redeemable until due date	182.0	Investment amount

Issuing bank/product type	# of financial products	Risk classifications(1)	Primary underlying investments	Range of maximum/actual annual yield rate	Range of maturity date	General redemption provisions	Balance as of October 31, 2016(2)	Potential maximum loss(3)
				(%)			(RMB in millions)	(RMB in millions)
Shanghai Pudong Development Bank								
— Principal-unprotected with floating income	14	Low	Mainly bank deposits, PRC government bonds, corporate bonds, enterprise bonds, subordinated securities, asset-backed securities, asset-backed notes, trust schemes	3.05-4.85	Most mature in less than five months while two of the products had no specific maturity date	Not redeemable until the due date and redeemable by us daily during trading hours	161.0	Investment amount
China Merchants Bank								
— Principal-guaranteed with floating income	2	PR1	Primarily PRC government bonds, financing bonds, corporate bonds, enterprise bonds, short-term financing instruments, medium term notes, asset backed securities, subordinated bonds and other investment-grade debt instruments	3.70-4.50	From less than two months to less than five years	Not redeemable once established and redeemable by us daily during trading hours	—	—
Total	132						607.4	

Notes:

(1) The underlying risk classification of our investments range from very low risk to medium risk (or with respect to certain financial products, risk categories range from PR1, which represents "cautious," to PR3, which represents "balanced") is based on the internal risk assessment provided by the relevant financial product and banks for internal reference only. Our Directors consider these financial products were of low risks or stable investments.

(2) Balance as of October 31, 2016 did not include any accrued interest.

(3) We would not incur any potential maximum loss for our investments in principal-guaranteed financial products.

Our Treasury and Investment Policy

During the Track Record Period, we managed our surplus cash mainly through investing in short-term financial products issued by certain licensed banks that we believe have relatively low risks and offer better returns than cash deposits at licensed commercial banks in the PRC. Accordingly, we generally adopt treasury and investment measures that govern our investments in such financial assets. These measures include, among other things, the following:

- Investments in available-for-sale investments shall be made when we have surplus cash that is not required for our short-term working capital purposes;

- We mainly purchase financial products issued by the large state-owned licensed banks or listed licensed banks in China, including Bank of China, Industrial and Commercial Bank of China, Shanghai Pudong Development Bank and China Merchants Bank;

- The types of investments shall be generally low-to medium-risk wealth management products issued by licensed banks in the PRC. However, since December 2016, in order to better manage our investment risk and reduce our risk exposure, we began to primarily focus on investing in various low-risk financial products, such as wealth management products that are principal-protected with floating income. We evaluate the risks associated with the underlying financial instruments based on the risk classification provided by the issuing licensed commercial banks;

- Our members of senior management, including our Chairman and Chief Financial Officer, shall consider the criteria of the investments, which include, but are not limited to, liquidity, risk and expected return. Beginning in December 2016, we primarily considered investing in low-risk wealth management products that provide reasonable returns while allowing us to maintain adequate level of liquidity; and

- Investments shall generally be short-term (which refers to a period of not more than one year) and of non-speculative nature in order to maintain our liquidity and financial flexibility.

In order to further reduce risks associated with our available-for-sale investments described above, we have in the past, and may continue in the future, including after the Listing, to seek investments in wealth management products that provide guaranteed principal, which we believe will provide higher investment returns than fixed rate returns from cash deposits at licensed commercial banks. Accordingly, we may update our treasury and investment policy from time to time in accordance with the development of our Group and the macroeconomic environment in the PRC.

Risk Management Policies and Internal Control Measures

To better detect and manage the risks we are exposed to in our operations, we have implemented a comprehensive set of risk management policies, which are set forth below:

- Our audit supervision department established a risk evaluation and management group consisting of our Chairman, the supervisor of our audit supervision department and members of our audit supervision department, finance department, investment department, legal department and other relevant business units;

- Our risk evaluation and management group is chiefly responsible for identifying the risks of our Group, implementing risk evaluation systems and standards, monitoring, analyzing and controlling the risks in our operations, collecting relevant risk analyses from our various departments and schools, and presenting a summary of these risk analyses to our Board;

- Our finance department is mainly responsible for evaluating our Group's financial and operational risks, including the risks involved in our investment in available-for-sale investments, and for providing the relevant risk analyses to our risk evaluation and management group; and

- Once the risks are properly identified and analyzed, appropriate risk management measures shall be implemented, which include avoiding risks, mitigating risks, transforming risks into opportunities and accepting risks.

In order to strictly adhere to our treasury and investment policy, we established a set of internal control procedures relating to our available-for-sale investments during the Track Record Period. The following sets forth the detailed internal control procedures:

- The finance managers of our various business units, subsidiaries and schools present investment recommendations to our Chief Financial Officer and our Board based on the liquidity and financial needs of their respective business units, subsidiaries or schools, including, among other factors, the types of investment products, licensed banks that issue the investment products, estimated earnings, maturity and risk level (commencing in December 2016, we have begun to mainly invest in low-risk financial products, such as wealth management products that are principal-protected with floating income);

- If we determine that we have surplus cash not required for short-term working capital, our Chairman and Chief Financial Officer will, according to the investment recommendations provided by our investment staff, (i) review the various standard financial products issued by the licensed commercial banks by strictly adhering to our investment policies and guidelines; (ii) assess the risks and returns of the relevant financial products; and (iii) make the decision whether to invest and the amount of investment;

- No investment can be made without the express authorization from our Chief Financial Officer and our Chairman;

- Once the investment decisions are made, the exact types of investments and amounts shall be notified to our various business units, subsidiaries and schools, as the case may be;

- All of our business units, subsidiaries and schools must report their investments in available-for-sale investments to their respective finance managers, our Chief Financial Officers and our Chairman. To monitor the maturity date of the available-for-sale investments and to report to the Chief Financial Officer and the Board regarding the actual investment income to be received as of the maturity date based on the initial investment recommendation and whether the actual investment income would be in line with the expected investment income; and

- We may redeem the available-for-sale investments in the event that: (i) the investment is due at maturity; or (ii) we require cash for working capital purposes prior to maturity with the consent of our Chairman. We can redeem available-for-sale investments at any time for those available-for-sale investments that (i) do not have a clearly stated maturity date; or (ii) fall beyond the initial prohibited redemption period prescribed under the relevant investment contracts.

During the Track Record Period, we used surplus cash to purchase financial products that in our view allow us more flexibility in the management of our cash flow and liquidity while providing higher investment returns than commercial bank savings deposit yields. We have not borrowed any bank loans or made other borrowings for the purposes of our investments in financial products during the Track Record Period, and we expect to continue to use only our surplus cash to invest in low-risk, short-term (less than one-year) and non-speculative financial products, and will not borrow any bank loans or make other borrowings for our investments in such financial products.

The following table sets forth the frequency of dealing, the movement and average investment amount of our available-for-sale investments during the Track Record Period on a quarterly basis:

	Frequency of dealing	Carrying amount[(1)]	Average purchase / (redemption) amount[(2)]
		(RMB'000)	(RMB'000)
As of January 1, 2013	N/A	363,650	N/A
Purchase for the quarter ended March 31, 2013	2	120,000	60,000
Redemption for the quarter ended March 31, 2013	9	(228,350)	(25,372)
As of March 31, 2013	N/A	255,300	N/A
Purchase for the quarter ended June 30, 2013	—	—	—
Redemption for the quarter ended June 30, 2013	9	(35,000)	(3,889)
As of June 30, 2013	N/A	220,300	N/A
Purchase for the quarter ended September 30, 2013	9	425,000	47,222
Redemption for the quarter ended September 30, 2013	9	(151,300)	(16,811)

	Frequency of dealing	Carrying amount(1)	Average purchase / (redemption) amount(2)
		(RMB'000)	(RMB'000)
As of September 30, 2013	N/A	494,000	N/A
Purchase for the quarter ended December 31, 2013	7	162,000	23,143
Redemption for the quarter ended December 31, 2013	7	(163,000)	(23,286)
As of December 31, 2013	N/A	493,000	N/A
Purchase for the quarter ended March 31, 2014	12	320,400	26,700
Redemption for the quarter ended March 31, 2014	16	(522,000)	(32,625)
As of March 31, 2014	N/A	291,400	N/A
Purchase for the quarter ended June 30, 2014	5	195,000	39,000
Redemption for the quarter ended June 30, 2014	8	(75,400)	(9,425)
As of June 30, 2014	N/A	411,000	N/A
Purchase for the quarter ended September 30, 2014	12	543,000	45,250
Redemption for the quarter ended September 30, 2014	8	(246,000)	(30,750)
As of September 30, 2014	N/A	708,000	N/A
Purchase for the quarter ended December 31, 2014	9	589,000	65,444
Redemption for the quarter ended December 31, 2014	9	(570,500)	(63,389)
As of December 31, 2014	N/A	726,500	N/A
Purchase for the quarter ended March 31, 2015	11	439,540	39,958
Redemption for the quarter ended March 31, 2015	18	(493,600)	(27,422)
As of March 31, 2015	N/A	672,440	N/A
Purchase for the quarter ended June 30, 2015	5	146,000	29,200
Redemption for the quarter ended June 30, 2015	11	(181,000)	(16,455)
As of June 30, 2015	N/A	637,440	N/A
Purchase for the quarter ended September 30, 2015	11	640,990	58,272
Redemption for the quarter ended September 30, 2015	17	(475,260)	(27,956)
As of September 30, 2015	N/A	803,170	N/A
Purchase for the quarter ended December 31, 2015	4	367,770	91,943
Redemption for the quarter ended December 31, 2015	16	(654,270)	(40,892)
As of December 31, 2015	N/A	516,670	N/A
Purchase for the quarter ended March 31, 2016	3	120,000	40,000
Redemption for the quarter ended March 31, 2016	9	(206,670)	(22,963)
As of March 31, 2016	N/A	430,000	N/A
Purchase for the quarter ended June 30, 2016	12	765,440	63,787
Redemption for the quarter ended June 30, 2016	27	(1,018,600)	(37,726)

	Frequency of dealing	Carrying amount[(1)]	Average purchase / (redemption) amount[(2)]
		(RMB'000)	(RMB'000)
As of June 30, 2016	N/A	176,840	N/A
Purchase for the quarter ended September 30, 2016	16	794,880	49,680
Redemption for the quarter ended September 30, 2016	8	(319,440)	(39,930)
As of September 30, 2016	N/A	652,280	N/A
Purchase for the month ended October 31, 2016	—	—	—
Redemption for the month ended October 31, 2016	1	(44,910)	(44,910)
As of October 31, 2016		607,370	N/A

Notes:

(1) Carrying amount at each year end during the Track Record Period does not include any accrued interests.

(2) Average purchase/(redemption) amount is calculated by dividing the carrying amount by the frequency of dealing.

Investment Deposits

In addition to available-for-sale investments, we also made short-term investments in financial products purchased from licensed commercial banks in the PRC, which are principal-guaranteed. These investment deposits were classified by us as loans and receivables and measured at amortized cost. The principal amounts of these investment deposits were generally guaranteed by such licensed banks. They bore fixed interest rates and had expected interest return rates between 3.00% and 5.05% per annum. The following table sets for the balance of our investment deposits as of the dates indicated:

	As of December 31,			As of October 31,
	2013	2014	2015	2016
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Investment deposits with licensed commercial banks in the PRC, at amortized cost	224,580	234,370	121,230	280,770

Deferred Revenue

Deferred revenue consists of tuition fees and boarding fees we typically collect from our students prior to the commencement of the upcoming school year. It represents the tuition and boarding payments received from students but not earned. Our students are entitled, however, to refund of a portion of their tuition and boarding payments pursuant to our refund policy. For more details of our refund policy, please refer to the section headed "Business — Our Schools — Student Withdrawals and Refund" in this prospectus. The following table sets forth the balance of our deferred revenue as of the dates indicated:

	As of December 31,			As of October 31,
	2013	2014	2015	2016
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Tuition fees	198,184	211,715	225,523	281,869
Boarding fees	18,383	19,435	20,948	28,529
Total	216,567	231,150	246,471	310,398

The amount of deferred revenue as of December 31 generally represents the amount of tuition fees and boarding fees received from all of our students for the entire school year, but has yet to be recognized as revenue for the remainder of the school year (generally from January to June). However, compared with the deferred revenue as of December 31, the deferred revenue as of October 31 had two more months (November and December) of tuition fees and boarding fees received, which have yet to be recognized as revenue. As a result, the deferred revenue as of October 31 is usually higher than that as of December 31.

Other Payables and Accruals

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) payables for management fee; and (iv) accrued bonuses and other employee benefits.

Other payables and accruals remained relatively stable as of December 31, 2013, 2014 and 2015. However, other payables and accruals increased from RMB85.4 million as of December 31, 2015 to RMB113.4 million as of October 31, 2016 primarily resulting from (i) increased miscellaneous expenses received from students as we collected fees relating to the purchases of course materials from our students at the commencement of the new school year in September that will subsequently be paid to third parties by us on behalf of our students in November and December; and (ii) an increase in payables for the purchase of property, plant and equipment due to (A) Chongqing College of Humanities, Science and Technology undergoing a landscape renovation project; and (B) the construction of a student apartment building at Pass College of Chongqing Technology and Business University, partially offset by (i) a decrease in payables for meal catering services as we began to internalize the operation of certain of the canteens, which were previously outsourced to Independent Third Parties; and (ii) a decrease in other tax payable for the year ended December 31, 2016 compared to the year ended December 31, 2015 because of the tax incurred in connection with the repurchase of certain of our issued ordinary shares from our previous investors in 2015, which were paid in 2016. The Directors confirm that we did not have any material defaults in any payables during the Track Record Period.

NON-CURRENT ASSETS

Our non-current assets primarily consist of property, plant and equipment, prepaid land lease payments and goodwill. As of December 31, 2013, 2014 and 2015 and October 31, 2016, we had total non-current assets of RMB931.2 million, RMB943.5 million, RMB970.7 million and RMB1,057.8 million, respectively. Our total non-current assets increased during the Track Record Period mainly due to (i) an increase in property, plant and equipment as Chongqing College of Humanities, Science and Technology purchased certain teaching and office equipment; and (ii) an increase in prepaid land lease payments. In particular, prepaid land lease payments increased from RMB56.0 million as of December 31, 2015 to RMB106.9 million as of October 31, 2016 mainly as a result of a new parcel of land acquired by Pass College of Chongqing Technology and Business University in August 2016. Our goodwill, which was acquired through a business combination in 2006, had remained constant as of the end of each year/period during the Track Record Period.

Goodwill

As of December 31, 2013, 2014 and 2015 and October 31, 2016, our goodwill amounted to RMB303.9 million, RMB303.9 million, RMB303.9 million and RMB303.9 million, respectively. The amount of consideration paid in connection with the business combination was RMB380.1 million and the amount of goodwill recognized as a percentage of total consideration paid was approximately 80.0%. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the identifiable net assets acquired and liabilities assumed. 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. We perform our annual impairment test of goodwill as of December 31. For the purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of our cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether our other assets or liabilities 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 recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period. Goodwill acquired through business combination is allocated to the cash-generating unit of Chongqing College of Humanities, Science and Technology. The recoverable amount of the Chongqing College of Humanities, Science and Technology cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The following table sets forth each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

	As of December 31,			As of October 31,
	2013	2014	2015	2016
Revenue (% annual growth rate)	5%	5%	5%	5%
Gross margin (% of revenue)	60%	60%	60%	60%
Long-term growth rate	2%	2%	2%	2%
Pre-tax discount rate	18.3%	17.6%	16.5%	16.9%

The budgeted revenue is based on the historical data and management's expectation on the future market. The basis used to determine the value assigned to the budgeted gross margin is the average gross margin achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market developments. The long term growth rate is based on the historical data and management's expectation on the future market. The pre-tax discount rate is determined using the capital asset pricing model with reference to the beta coefficient and debt ratio of certain publicly listed companies conducting business in the PRC education industry. Beta coefficient is a measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. The values assigned to the key assumptions on market developments of the cash-generating unit and discount rate are consistent with external information sources. However, there can be no assurance that such assumptions or values will continue to be applicable or applied, or otherwise achieved in future periods.

The following table sets forth the sensitivity analysis of the impact of variations in each of the key underlying assumptions for goodwill impairment testing described above on the recoverable amount of the Chongqing College of Humanities, Science and Technology cash-generating unit as of the dates indicated. We showed potential impact on the recoverable amount as of the end of each year/period by applying a 5% and 10% increase or decrease in revenue and gross profit margin, and 1% and 3% increase or decrease in long-term growth rate and pre-tax discount rate. Although none of the hypothetical fluctuation ratios applied in this sensitivity analysis equals actual historical fluctuations, we believe that the application of the hypothetical fluctuations in each of the key assumptions presents a meaningful analysist of the potential impact of the changes in such assumptions on the recoverable amount of the Chongqing College of Humanities, Science and Technology cash-generating unit.

	As of December 31,			As of October 31,
Revenue	2013	2014	2015	2016
(decrease)/increase	**(RMB'000)**	**(RMB'000)**	**(RMB'000)**	**(RMB'000)**
(10)%	(204,113)	(226,152)	(257,214)	(268,089)
(5)%	(102,056)	(113,076)	(128,607)	(134,044)
5%	102,056	113,076	128,607	134,044
10%	204,113	226,152	257,214	268,089

Gross Profit Margin	As of December 31, 2013	2014	2015	As of October 31, 2016
(decrease)/increase	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
(10)%	(127,789)	(140,825)	(160,337)	(169,007)
(5)%	(63,894)	(70,412)	(80,168)	(84,503)
5%	63,894	70,412	80,168	84,503
10%	127,789	140,825	160,337	169,007

Long-term Growth Rate	As of December 31, 2013	2014	2015	As of October 31, 2016
(decrease)/increase	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
(3)%	(99,517)	(119,865)	(153,916)	(156,405)
(1)%	(37,001)	(44,783)	(57,934)	(58,710)
1%	41,828	50,939	66,529	67,181
3%	144,311	177,170	234,360	235,531

Pre-tax Discount Rate	As of December 31, 2013	2014	2015	As of October 31, 2016
(decrease)/increase	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
(3)%	240,471	291,139	374,242	238,942
(1)%	69,611	83,688	106,272	110,859
1%	(61,501)	(73,557)	(92,566)	(96,892)
3%	(165,216)	(196,827)	(245,979)	(182,301)

In addition, as of December 31, 2013, 2014 and 2015 and October 31, 2016, when each of the key assumptions described above remained unchanged, the recoverable amount exceeded the carrying amount by RMB443.5 million, RMB620.4 million, RMB882.0 million and RMB1,164.2 million, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to fund our working capital requirements and our purchase of property, plant and equipment. We have funded our operations principally with cash generated from our operations. 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, 2013, 2014 and 2015 and October 31, 2016, we had cash and bank balances of RMB391.8 million, RMB375.0 million, RMB352.2 million and RMB226.9 million, respectively.

Cash Flow

The following table sets forth a summary of our cash flows for the periods indicated:

	Year ended December 31,			Ten months ended October 31,	
	2013	2014	2015	2015	2016
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) *(Unaudited)*	(RMB'000)
Net cash from operating activities	222,878	254,624	313,124	281,725	290,507
Net cash from/(used in) investing activities	(93,507)	(303,149)	251,931	(60,170)	(221,275)
Net cash used in financing activities	—	—	(619,495)	(233,701)	(50,417)
Increase/(decrease) in cash and cash equivalents	129,371	(48,525)	(54,440)	(12,146)	18,815
Cash and cash equivalents at beginning of the year/period	426,008	547,487	499,921	499,921	473,448
Effect of foreign exchange rate changes, net	(7,892)	959	27,967	(2,056)	(15,513)
Cash and cash equivalents at the end of the year/period	547,487	499,921	473,448	485,719	476,750

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 each school year.

Net cash from operating activities amounted to RMB290.5 million for the ten months ended October 31, 2016, consisting primarily of RMB178.0 million of cash generated from operations before working capital adjustments and positive net working capital adjustments of RMB128.8 million. Our positive net working capital adjustments primarily consisted of (i) an increase of RMB63.9 million in deferred revenue because compared with the deferred revenue as of December 31, 2015, the deferred revenue as of October 31, 2016 had two more months (November and December) of tuition fees and boarding fees received for the 2016/2017 school year that have yet to be recognized as revenue; (ii) RMB51.2 million government subsidies we received in 2016 for the purposes of compensating us for incurring expenses arising from our operations and improvement of teaching facilities at our schools; and (iii) an increase of RMB21.9 million in other payables and accruals, which primarily consisted of miscellaneous expenses received from students as we collected fees relating to the purchases of course materials from our students at the commencement of the new school year in September that will subsequently be paid to third parties by us on behalf of our students in November and December.

Net cash from operating activities amounted to RMB313.1 million for the year ended December 31, 2015, consisting primarily of RMB241.4 million of cash generated from operations before working capital adjustments and positive net working capital adjustments of RMB85.4 million. Our positive net working capital adjustments primarily consisted of (i) an increase of RMB64.3 million in the current portion of the government subsidies we received in 2015 for the purposes of compensating us for incurring expenses arising from our operations and improvement of teaching facilities at our schools; and (ii) an increase of RMB15.3 million in deferred revenue as we recently created several majors at Chongqing College of Humanities, Science and Technology for the 2015/2016 school year, which commanded higher tuition fees from our newly enrolled students compared to the tuition fees of certain existing majors, and our student enrollment increased in 2015.

Net cash from operating activities amounted to RMB254.6 million for the year ended December 31, 2014, consisting of RMB224.0 million of cash generated from operations before working capital adjustments and positive net working capital adjustments of RMB56.3 million. Our positive net working capital adjustments primarily consisted of (i) an increase of RMB36.3 million in the current portion of the government subsidies we received in 2014 for the purposes of compensating us for incurring expenses arising from our operations and improvement of teaching facilities at our schools; and (ii) an increase of RMB14.6 million in deferred revenue as our student enrollment increased in 2014.

Net cash from operating activities amounted to RMB222.9 million for the year ended December 31, 2013, consisting of RMB212.9 million of cash generated from operations before working capital adjustments and positive net working capital adjustments of RMB22.2 million. Our positive net working capital adjustments primarily consisted of (i) an increase of RMB16.4 million in the current portion of the government subsidies we received in 2013 for the purposes of compensating us for incurring expenses arising from our operations and improvement of teaching facilities at our schools; and (ii) an increase of RMB5.6 million in deferred revenue as student enrollment increased in 2013, partially offset by a decrease of RMB4.9 million in other payables and accruals due to payment for payroll and settlement of the amount of cost of teaching materials we received from, and subsequently paid to third parties on behalf of, our students.

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 RMB221.3 million for the ten months ended October 31, 2016, which was primarily attributable to (i) the payments we made in investment deposits and available-for-sale investments of RMB1,711.2 million; (ii) the purchase of property, plant and equipment of RMB53.0 million as Chongqing College of Humanities, Science and Technology made purchases of certain teaching and office equipment; and (iii) prepaid land lease payments of RMB52.9 million relating to a new parcel of land acquired by Pass College of Chongqing Technology and Business University in August 2016, partially offset by the redemption of investment deposits and available-for-sale investments of RMB1,589.6 million. We made investments in, and redeemed from, investment deposits and available-for-sale investments primarily as a result of our treasury management activities.

Net cash from investing activities amounted to RMB251.9 million for the year ended December 31, 2015, primarily attributable to (i) the redemption of investment deposits and available-for-sale investments of RMB2,139.9 million; and (ii) interest income of RMB38.9 million we received from our investment deposits and available-for-sale investments, partially offset by (i) the payments we made in investment deposits and available-for-sale investments of RMB1,820.6 million; and (ii) the purchases of property, plant and equipment of RMB58.4 million. In 2015, we made a loan in the amount of RMB30.0 million to Chongqing Vocational College of Mechanical and Electrical Engineering, an Independent Third Party, which bore interest at 10% per annum and was repayable in full on August 26, 2016, which was extended for another six months from the initial expiration date as mutually agreed by the parties thereto. According to our PRC Legal Advisors, because such loan was made by us to Chongqing Vocational College of Mechanical and Electrical Engineering on a temporary and one-off basis to support the development of local private vocational education, we did not engage in "lending or lending financing" business under the General Lending Provisions (《貸款通則》), and we did not violate the relevant provisions thereto.

Net cash used in investing activities amounted to RMB303.1 million for the year ended December 31, 2014, primarily attributable to (i) the payments we made in investment deposits and available-for-sale investments of RMB2,010.4 million; and (ii) the purchases of property, plant and equipment of RMB57.0 million, partially offset by (i) the redemption of investment deposits and available-for-sale investments of RMB1,736.3 million; and (ii) interest income of RMB35.6 million we received from our investment deposits and available-for-sale investments.

Net cash used in investing activities amounted to RMB93.5 million for the year ended December 31, 2013, primarily attributable to (i) the payments we made in investment deposits and available-for-sale investments of RMB1,227.4 million; and (ii) the purchases of property, plant and equipment of RMB74.4 million, partially offset by (i) the redemption of investment deposit and available-for-sale investments of RMB1,185.6 million; and (ii) investment income of RMB22.5 million we received from our investment deposits and available-for-sale investments.

Cash Flows from Financing Activities

Our expenditures for financing activities were primarily for the repurchase of our issued ordinary shares and an increase in loans from the ultimate holding company and related parties.

Net cash used in financing activities amounted to RMB50.4 million for the ten months ended October 31, 2016, primarily consisted of RMB59.1 million we used to repurchase our issued ordinary shares from our previous investors, partially offset by a loan of RMB8.6 million we received from related parties in connection with the repurchase of our issued ordinary shares.

Net cash used in financing activities amounted to RMB619.5 million for the year ended December 31, 2015, primarily attributable to the payment of RMB738.8 million we made to our previous investors for the repurchase of our issued ordinary shares, partially offset by RMB119.3 million we received from our ultimate holding company and related parties in connection with the repurchase of our issued ordinary shares.

We did not engage in any financing activities for the years ended December 31, 2013 and 2014. Therefore, net cash used in financing activities for the year ended December 31, 2013 and 2014 amounted to nil and nil, respectively.

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 to expand our school network and business operations.

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.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period primarily related to 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, 2013, 2014 and 2015 and the ten months ended October 31, 2016 were RMB84.2 million, RMB52.1 million, RMB68.2 million and RMB105.9 million, respectively. The following table sets forth our additions of property, plant and equipment and prepaid land lease payments, respectively, for the periods indicated:

	Year ended December 31,			Ten months ended October 31,	
	2013	**2014**	**2015**	**2015**	**2016**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**	**(RMB'000)**	**(RMB'000)**
				(Unaudited)	
Property, plant and equipment	84,230	48,466	51,016	36,262	52,980
Prepaid land lease payments	—	3,641	17,216	—	52,933
Total	84,230	52,107	68,232	36,262	105,913

CONTRACTUAL COMMITMENTS

Capital Commitments

Our capital commitments primarily relate to the acquisition of property, plant and equipment and loan commitments to an associate. The following table sets forth a summary of our capital commitments as of the dates indicated:

	As of December 31,			As of October 31,	As of January 31,
	2013	2014	2015	2016	2017
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) *(Unaudited)*
Contracted but not provided for:					
Equipment	397	3,751	5,129	4,334	5,839
Buildings	2,560	3,152	111	9,406	4,743
Loans committed to an associate	—	—	—	26,168	26,525
Total	2,957	6,903	5,240	39,908	37,107

Operating Lease Commitments

During the Track Record Period, we leased a number of buildings under operating leases. Leases for buildings were generally negotiated for an initial term of one year with an option for renewal after the initial expiration date, at which time all terms will be renegotiated. 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 October 31,	As of January 31,
	2013	2014	2015	2016	2017
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) *(Unaudited)*
Within one year	2,195	170	182	504	377

INDEBTEDNESS

As of December 31, 2013, 2014 and 2015, October 31, 2015 and 2016 and January 31, 2017, being the latest practicable date for the purposes of indebtedness statement, we did not have any outstanding bank loans. As of the Latest Practicable Date, we did not have any unutilized banking facilities. As of January 31, 2017, we had outstanding amount of RMB124.2 million due to our ultimate holding company. These loans are unsecured, bear interest at 2% per annum and are repayable in March and June 2017. We borrowed this amount from our ultimate holding company in connection with the repurchase of our issued ordinary shares from our previous investors beginning in the second half of 2015. We expect to fully repay this loan from our ultimate holding company on or before the Listing. In addition, as of January 31, 2017, we had outstanding amount of RMB13.9 million due to related parties, a substantial portion of which was extended to Hong Kong Nang Yan College of

Higher Education as loans. These loans are unsecured, bear interest at 2% per annum and are repayable in June and July 2017. On February 25, 2017, we entered into a facility letter with the Lender, pursuant to which it agrees to provide us a term loan facility up to a maximum principal amount of US$25.0 million or its equivalent in Hong Kong dollars. This facility has a term of six months from the date of the facility letter and bears an interest of 1.50% per annum over LIBOR (for draw-downs in U.S. dollars) or 1.50% per annum over HIBOR (for drawn-downs in Hong Kong dollars). This term loan facility is subject to customary condition precedents. We expect to make a drawdown of this term loan facility to fully repay the loans we borrowed from our ultimate holding company and certain related parties prior to Listing. For details of the financial impact of such term loan, please refer to the section headed "Risk Factors — Risks Relating to Our Business and Our Industry — We have obtained a term loan facility to repay loans we borrowed from our ultimate holding company and certain of our related parties, which will likely increase in our finance cost and gearing ratio" in this prospectus.

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 other borrowings from our related parties, default in payment of other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Statement of Indebtedness

As of January 31, 2017, 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 October 31, 2016.

CONTINGENT LIABILITIES

As of October 31, 2016, 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 October 31, 2016.

LISTING EXPENSES

We expect to incur a total of RMB65.8 million of listing expenses (assuming an Offer Price of HK$1.38, being the mid-point of the indicative Offer Price range between HK$1.24 and HK$1.52, and assuming that the Over-allotment Option is not exercised) until the completion of the Global Offering, of which RMB11.8 million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income for the year ended December 31, 2016, RMB19.5 million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income for the year ended December 31, 2017, and RMB34.6 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, 2016 and for the year ending December 31, 2017.

FINANCIAL RATIOS

	As of/for the year ended December 31,			As of/for the ten months ended October 31
	2013	2014	2015	2016
Net profit margin[(1)]	48.4%	48.8%	50.1%	50.8%
Return on assets[(2)]	9.2%	9.0%	9.9%	8.3%
Return on equity[(3)]	11.0%	10.8%	12.8%	12.0%
Current ratio[(4)]	365.0%	423.7%	293.3%	206.2%

Notes:

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

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

(3) Return on equity equals 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.

Analysis of Key Financial Ratios

Net Profit Margin

Our net profit margin was relatively stable for the year ended December 31, 2013 as compared to the year ended December 31, 2014. It increased to 50.1% for the year ended December 31, 2015, primarily due to an increase in other income and gain net, as a result of (i) an increase in interest income we received from available for-sale investments; (ii) increased government grants in 2015 as a result of Chongqing local government providing additional subsidies to private schools; and (iii) net foreign exchange gain in 2015 compared to a net foreign exchange loss in 2013 and 2014 due to the appreciation of U.S. dollars against Renminbi.

Our net profit margin increased from 44.8% for the ten months ended October 31, 2015 to 50.8% for the ten months ended October 31, 2016, mainly as a result of a substantial decrease in income tax expense in 2016 due to a distribution of dividends by Chongqing College of Humanities, Science and Technology to its school sponsor, Li'ang Industry, in the first ten months of 2015, which resulted in Li'ang Industry having to pay the relevant EIT in 2015.

Return on Assets and Return on Equity

Our return on assets ratio was relatively stable as of December 31, 2013 as compared to as of December 31, 2014, and our return on equity ratio was relatively stable as of December 31, 2013 as compared to as of December 31, 2014. Return on assets ratio and return on equity ratio increased to 9.9% and 12.8% as of December 31, 2015, respectively, primarily due to a decrease in our total assets and our total equity as we redeemed a portion of our available-for-sale investments and investment deposits in order to make payments to our previous investors to repurchase our issued ordinary shares in the second half of 2015.

In addition, return on assets ratio was 8.3% as of October 31, 2016, and on an annualized basis, was 12.8%, and return on equity ratio was 12.0% as of October 31, 2016, and on an annualized basis, was 14.4%. Both of the annualized return ratios as of October 31, 2016 were higher than the return on assets ratio and return on equity ratio as of December 31, 2015, respectively, primarily due to an increase in our profit for the period, which increased at a faster pace than the increase in our average total assets and average total equity.

Current Ratio

Our current ratio increased from 365.0% as of December 31, 2013 to 423.7% as of December 31, 2014, mainly reflected the increase in our current assets as a result of increase investment of our surplus cash in available-for-sale investments while our current liabilities remained stable. Our current ratio decreased to 293.3% as of December 31, 2015, mainly because we redeemed a portion of our available-for-sale investments and investment deposits to make payments to repurchase our issued ordinary shares from our previous investors. Our current ratio decreased to 206.2% as of October 31, 2016, primarily due to the rate of increase of our current liabilities outpacing the increase of our current assets. Our current liabilities as of October 31, 2016 reflected a substantial increase in deferred revenue mainly because two more months (November and December) of tuition fees and boarding fees received have not been recognized as revenue as of October 31, 2016 compared with the deferred revenue as of December 31, 2015. The increase in current liabilities was also due to loans from the ultimate holding company, which are repayable in March and June 2017, and loans from certain of our related parties, which are repayable in June and July 2017, being reclassified as current liabilities as of October 31, 2016 from non-current liabilities as of December 31, 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 borrowed funds from our overseas related parties. As of December 31, 2013, 2014 and 2015 and October 31, 2016, the balance of these related party transactions amounted to nil, nil, RMB119.3 million and RMB8.6 million, respectively. Please refer to note 36 to the Accountants' Report in Appendix I to this prospectus for details of these and other related party transactions.

Our Directors believe that each of the related party transactions set out in note 36 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 October 31, 2016.

DIVIDENDS

Our Group currently does not have a pre-determined 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 schools, which are primarily incorporated in the PRC. Our schools in the PRC must comply with their respective constitutional documents and the laws and regulations of the PRC in declaring and distributing returns to their respective school sponsors. Such returns are generally subject to a PRC EIT at the rate of 25%. Pursuant to the laws applicable to the PRC's Foreign Investment Enterprises, our schools 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 (including all applicable PRC laws and regulations which our schools are required to comply with). 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 2013, 2014 and 2015, we did not declare or pay any dividends to our shareholders.

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.

PROPERTY INTERESTS AND PROPERTY VALUATION REPORT

LCH (Asia-Pacific) Surveyors Limited, an independent property valuation firm, has valued the properties held by us as of December 31, 2016. The text of its letter, summary of values and valuation certificate are set out in the property valuation report as set forth in Appendix IV to this prospectus.

The following table presents the reconciliation of the net book value of the relevant property interests as of October 31, 2016 to their market value as of December 31, 2016 attributed by LCH (Asia-Pacific) Surveyors Limited as stated in the valuation certificate in the property valuation report as set forth in Appendix IV to this prospectus:

	RMB'000
Buildings and construction in progress included in property, plant and equipment	478,234
Prepaid land lease payments	109,017
Add: additions in buildings and construction in progress	11,747
Less: disposals in buildings and construction in progress	(315)
Less: depreciation and amortisation for the two months ended December 31, 2016	(2,401)
	596,282
Valuation surplus	888,298
Reference value as of December 31, 2016 —CATEGORY A — MARKET VALUE BASIS plus CATEGORY B — NON-MARKET VALUE BASIS(1)	1,484,580

Note:

(1) The reference value of the relevant properties is attributed by LCH (Asia-Pacific) Surveyors Limited as set out in "Category A — Market Value Basis" and "Category B — Non-market Value Basis" to the valuation certificate in the property valuation report set forth in Appendix IV to this prospectus. The reference value is assigned for reference only and on the assumptions that we have obtained all the title documents of the relevant properties and the relevant properties could be freely transfer. For more details of the valuation of the relevant properties, see the property valuation report as set forth in Appendix IV to this prospectus.

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 October 31, 2016 (being the date on which the latest audited consolidated financial information of our Group was prepared) and there is no event since October 31, 2016 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report in Appendix I to this prospectus.

We have prepared unaudited preliminary financial information for our Group as of and for the year ended December 31, 2016, which is set forth in Appendix III to this prospectus.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following our unaudited pro forma adjusted consolidated 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 consolidated net tangible assets as of October 31, 2016 as if it had taken place on that date.

Our unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as of October 31, 2016 or any future date. It is prepared based on our consolidated net tangible assets as of October 31, 2016 as set out in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below:

	Consolidated net tangible assets attributable to owners of our Company as of October 31, 2016[(1)]	Estimated net proceeds from the Global Offering[(2)]	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share[(3)]	
	RMB'000	RMB'000	RMB'000	RMB	HK$[(4)]
Based on the Offer Price of HK$1.24 per Share	1,207,660	1,034,845	2,242,505	0.56	0.64
Based on the Offer Price of HK$1.52 per Share	1,207,660	1,272,950	2,480,610	0.62	0.71

Notes:

(1) The consolidated net tangible assets attributable to owners of our Company as of October 31, 2016 is extracted from the Accountants' Report, which is based on the audited consolidated equity attributable to owners of our Company as of October 31, 2016 of approximately RMB1,514 million less goodwill and other intangible assets.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$1.24 per Share and HK$1.52 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 RMB0.8723 prevailing on October 31, 2016.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 4,000,000,000 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 consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$1.0 to RMB0.8723 prevailing on October 31, 2016.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our Group's principal financial instruments comprise cash and bank balances, investment deposits and available-for-sale investments. Our Group has various other financial assets and liabilities such as trade receivables, other receivables, other payables and accruals, loans from the ultimate holding company and related parties, which arise directly from its operations.

The main risks arising from our Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarized below.

Foreign Currency Risk

All of our Group's turnover and substantially all of our Group's operating expenses are denominated in RMB, which is not a freely convertible currency. The PRC Government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of the PRC. Shortages in the availability of foreign currencies may restrict the ability of our Group's PRC subsidiaries to remit sufficient foreign currencies to pay dividends or other amounts to our Group.

The following table demonstrates the sensitivity as of the end of the reporting period to a reasonably possible change in the USD exchange rate, with all other variables held constant, of our Group's profit before tax and equity.

Effect on profit before tax

	As of December 31,			As of October 31,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Increase in the USD/RMB exchange rate by 3%	5,750	6,529	10,487	13,111
Decrease in the USD/RMB exchange rate by 3%	(5,750)	(6,529)	(10,487)	(13,111)

Effect on equity (including effect on profit before tax)

	As of December 31,			As of October 31,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Increase in the USD/RMB exchange rate by 3%	7,633	7,499	(3,431)	(16,004)
Decrease in the USD/RMB exchange rate by 3%	(7,633)	(7,499)	3,431	16,004

Credit Risk

The credit risk of our Group's other financial assets, which comprise cash and cash equivalents, time deposits, available-for-sale investments and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since our Group transacts mainly 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 internally generated cash flows from operations 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, 2013				
	On demand	**Less than 3 months**	**3 to less than 12 months**	**1 to 5 years**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Financial liabilities included in other payables and accruals……	79,239	—	—	—	79,239

	As of December 31, 2014				
	On demand	**Less than 3 months**	**3 to less than 12 months**	**1 to 5 years**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Financial liabilities included in other payables and accruals…	73,414	—	—	—	73,414

	As of December 31, 2015				
	On demand	**Less than 3 months**	**3 to less than 12 months**	**1 to 5 years**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Financial liabilities included in other payables and accruals	66,312	—	—	—	66,312
Due to the ultimate holding company	—	—	—	118,219	118,219
Due to related parties	—	—	—	4,682	4,682
	66,312	—	—	122,901	189,213

	As of October 31, 2016				
	On demand	**Less than 3 months**	**3 to less than 12 months**	**1 to 5 years**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Financial liabilities included in other payables and accruals	94,382	—	—	—	94,382
Due to the ultimate holding company	—	—	123,144	—	123,144
Due to a fellow subsidiary	—	—	13,857	—	13,857
	94,382	—	137,001	—	231,383

FUTURE PLANS

Please refer to the section headed "Business — Our Business Strategies" in this prospectus for a detailed discussion of our future plans.

OUR DIRECT OWNERSHIP STRUCTURE

Please refer to "Business — Our Business Strategies — Expand our school network coverage by carefully selecting suitable acquisition targets or cooperation partners." for the potential implications of our direct ownership structure on the flexibility of our future expansions.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$1,305.7 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$1.38 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 55.0%, or HK$718.1 million (equivalent to approximately RMB636.5 million), is expected to be used to acquire additional existing schools in the PRC and overseas. As of the date of this prospectus, we have not identified any acquisition target:

- approximately 21.2%, or HK$276.4 million (equivalent to approximately RMB245.0 million), is expected to be used to establish new schools or expand the existing schools we own or operate;

- approximately 14.8%, or HK$193.6 million (equivalent to approximately RMB171.6 million), is expected to be used to repay a term loan from a third-party financial institution, which will be used to repay the loans we borrowed from our ultimate holding company and certain of our related parties and the details of which are set forth in the section headed "Financial Information" in this prospectus.

- approximately 9.0%, or HK$117.5 million (equivalent to approximately RMB104.2 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$136.5 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 indebtness to the ultimate holding company and related parties) 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$1,507.5 million, assuming an Offer Price of HK$1.38 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$157.0 million, respectively. We intend to apply the additional net proceeds to the above uses (except for the repayment of existing indebtness to the ultimate holding company and related parties) 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.

CORNERSTONE INVESTMENTS

We and the Joint Global Coordinators have entered into cornerstone investment agreements with the following investors (the "Cornerstone Investors", each a "Cornerstone Investor"), pursuant to which the Cornerstone Investors have agreed to subscribe at the Offer Price for certain number of our Offer Shares (the "Cornerstone Placing").

Assuming the Offer Price is set at HK$1.24, being the low-end of the indicative Offer Price range set out in this prospectus and the Over-allotment Option is not exercised, the total number of Shares to be allocated to the Cornerstone Investors will be 486,902,000 Shares, representing approximately 48.69% of the Offer Shares and approximately 12.17% of our total issued share capital immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised, and approximately 42.34% of the Offer Shares and approximately 11.73% of our total issued share capital immediately upon completion of the Global Offering, assuming the Over-allotment Option is fully exercised.

Assuming an Offer Price of HK$1.38 (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 471,186,000, representing approximately 47.12% of the Offer Shares and 11.78% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is not exercised, and approximately 40.97% of the Offer Shares and 11.35% 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$1.52 (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 458,366,000, representing approximately 45.84% of the Offer Shares and 11.46% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is not exercised and approximately 39.86% of the Offer Shares and 11.04% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is fully exercised.

The Cornerstone Investments 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 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". Details of the allocations to the Cornerstone Investors will be disclosed in the announcement of results of allocations in the Hong Kong Public Offering to be published on March 21, 2017.

To the best knowledge of our Company, each of the Cornerstone Investors is an Independent Third Party, is independent from each other and makes independent investment decisions. Each of the Cornerstone Investors is independent from our Company, the connected persons of the Company, the existing shareholders of our Company and their respective 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 pursuant to the Cornerstone Investments.

International Finance Corporation

International Finance Corporation ("IFC") has agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of 2,000 Shares), which may be purchased with an aggregate amount of US$25.0 million (the HK$ equivalent of which is to be calculated based on the closing middle point spot rate as quoted by The Hongkong and Shanghai Banking Corporation Limited on the Business Day immediately prior to the Price Determination Date) at the Offer Price (inclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% and certain expenses in connection with the payment of the subscription price). Assuming that the applicable exchange rate is US$1.00 to HK$7.7609, at the Offer Price of HK$1.24, HK$1.38 and HK$1.52 (being the low end, mid-point and high end of the Offer Price range), the number of Shares that IFC will subscribe for will be approximately 154,902,000 Shares, 139,186,000 Shares and 126,366,000 Shares, respectively, representing approximately 3.87%, 3.48% and 3.16%, respectively, of the issued share capital of the Company upon completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised).

IFC is a member of the World Bank Group and is established by its Articles of Agreement among 184 member countries, including the PRC. IFC fosters sustainable economic growth in developing countries by financing private sector investment, mobilizing capital in the international financial markets, and providing advisory services to businesses and governments. Since 1985, IFC has financed more than 200 projects in China to support sustainable private sector development in a wide range of industries including health & education, services, agriculture, manufacturing, banking and financial market, infrastructure, and private equity funds.

Our Company and IFC entered into a policy agreement (the "Policy Agreement") on March 8, 2017 whereby we agree to adopt certain corporate governance and reporting measures, namely (i) not to engage in certain sanctionable practices; (ii) complying with IFC's environmental and social Performance Standards and the World Bank Group Environmental, Health, and Safety General Guidelines, which are international standards adopted by many companies worldwide; (iii) not to enter into any transaction or engage in any activity prohibited by any resolution of the United Nations Security Council under Chapter VII of the United Nations Charter; (iv) maintaining adequate insurance policies; (v) not to conduct business with shell banks and (vi) report to IFC on the Company's compliance with the above requirements. Under the Policy Agreement, IFC will not have any special right after the Listing (as defined in this prospectus) but the Company will have contractual obligations to comply with the requirements of the Policy Agreement including the above requirements. Further details of these corporate governance measures are set out below:

(a) Sanctionable Practices

We will not undertake sanctionable practices (including corrupt, fraudulent, coersive and obstructive practices).

(b) Environmental and Social Policy

We will collect data to monitor our environmental and social status, review and report on our environmental and social policy which covers the status of our compliance with IFC Performance Standards and applicable local environmental, social, labour, safety, security and health legislation and standards and measures taken to remedy any non-compliance. We agree to achieve, as a minimum, the standards set out in IFC's environmental and social policies and Performance Standards, and the World Bank Group Environmental, Health, and Safety General Guidelines. Such requirements define approaches for managing business operations and investment projects and include Performance Standards in areas such as environmental and social management system, labour and working conditions, land acquisition and involuntary resettlement, and life and fire safety. We have agreed to implement an action plan to adopt measures to enable our operations to be conducted in compliance with the IFC Performance Standards. We will also comply with applicable environmental, social, labour, health, security and safety legislations and guidelines and standards in countries where we operate.

(c) UN Security Council Resolutions

We will not enter into any transaction or engage in any activity prohibited by any resolution of the United Nations Security Council under Chapter VII of the United Nations Charter.

(d) Shell Banks

We will not conduct business or enter into any transaction with, or transmit any funds through any banks incorporated in a jurisdiction in which it has no physical presence and which is not controlled, directly or indirectly, by a regulated bank or a regulated financial group.

(e) Insurance

We will insure and keep insured our Company's assets and businesses which can be insured.

Under the Policy Agreement, the Company has also granted IFC with rights to access its operating facilities, books and records except for non-public inside information, and employees, agents, contractors and subcontractors of the Company. Such access rights are primarily intended for IFC's monitoring of the Company's compliance with the undertakings in the Policy Agreement and if any information required to be disclosed to IFC or permitted to be accessed by IFC under the Policy Agreement constitutes non-public inside information, the Company will as soon as reasonably practicable disclose such information to both IFC and the public and/or its shareholders for the purpose of ensuring equal dissemination of information in accordance with, and as required by, applicable laws and regulations. IFC has also acknowledged in the Policy Agreement that, if IFC knows that it is, through its access to the Company's information upon the exercise of its access rights, in possession of any information which constitutes non-public inside information of the Company for the purpose of the relevant requirements under the SFO, IFC will comply with the relevant requirements under the SFO in relation to its dealings in the Shares.

City Legend

City Legend International Limited (華昌國際有限公司) ("City Legend") has agreed to subscribe for 332,000,000 Shares in the International Placing at the Offer Price, representing approximately 8.3% of the Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised).

City Legend is a company incorporated in Hong Kong with limited liability, which is wholly owned by the Overseas Chinese Town (Asia) Holdings Limited ("OCT (Asia)"), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3366). The main business of OCT (Asia) includes comprehensive development business and paper packaging business. It is engaged in the development and operation of tourism theme park, development and sale of residential properties, and development and management of properties. It also manufactures and sells paper cartons and products.

Conditions Precedent

The subscriptions by the Cornerstone Investors are subject to the satisfaction of the following conditions precedent:

(i) the Hong Kong Underwriting Agreement and the International Purchase Agreement having been entered into, and having become effective and unconditional by no later than the respective times and dates specified therein;

(ii) neither of the Hong Kong Underwriting Agreement and the International Purchase Agreement having been terminated;

(iii) the Offer Price having been agreed upon between our Company and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters and the International Underwriters); and

(iv) 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 and that such approval having not been revoked prior to the commencement of dealings in the Shares on the Main Board of the Stock Exchange.

In addition, the subscription obligation of IFC is also subject to the following conditions precedent:

(i) the Offer Price being fixed at a price no more than HK$1.52 per Placing Share excluding the brokerage and the levies;

(ii) the issuance of the international placing circular in connection with the Global Offering, this prospectus and the Application Forms, and such other announcements which may be issued by the Company in connection with the Global Offering (the "**Public Documents**") and such Public Documents having not been subsequently withdrawn, repudiated or supplemented (except for (a) the pricing supplement set forth in the International Purchase Agreement; and (b) any supplement as a result of any decrease in the low end of the Offer Price range);

(iii) no laws shall have been enacted or promulgated by any governmental authority which prohibit the consummation of the transactions contemplated under the Global Offering or hereunder and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of the transactions contemplated under the Global Offering or hereunder; and

(iv) the respective representations, warranties, acknowledgements, undertakings and confirmations of the Joint Global Coordinators and our Company as set out in the cornerstone investment agreement with IFC are (as of the date of the cornerstone investment agreement) and will be (as of the Closing Date (as defined in the cornerstone investment agreement)) true, accurate and not misleading and that there is no material breach of relevant cornerstone investment agreement on the part of the Joint Global Coordinators and our Company.

Restrictions on disposals by the Cornerstone Investors

Each of the Cornerstone Investors has agreed that, without the prior written consent of each of our Company, the Joint Global Coordinators and the Joint Sponsors, it will not at any time during the period of six months following the Listing Date dispose of (as defined in the respective cornerstone investment agreement) any of the Shares to be subscribed by it pursuant to the respective cornerstone investment agreement.

Hong Kong Underwriters (in alphabetical order)

Citigroup Global Markets Asia Limited

Macquarie Capital Limited

Southwest Securities (HK) Brokerage Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on March 9, 2017. 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 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 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 the 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 the 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 the Company or the Controlling Shareholders or the executive Directors 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) the 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 accountants, Jingtian & Gongcheng as the legal advisers to the Company on PRC law, Conyers Dill & Pearman as the legal advisers to the Company on Cayman Islands law in relation to the Global Offering 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, concludes 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 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:

(i) 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

(ii) 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

(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) a 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 the 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 the 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) the issue or requirement to issue by the 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 Cap. 32 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 materialization 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 of our Group's indebtednesses prior to its stated maturity; or,

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), each of our Controlling Shareholders has undertaken to the Stock Exchange that, except pursuant to (i) the Global Offering, (ii) any sale of Shares by the Controlling Shareholders pursuant to any exercise of the Over-allotment Option (if applicable), or (iii) the Stock Borrowing Agreement, he/she/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/she/it will:

(a) when he/she/it pledges or charges any Shares or other securities of our Company beneficially owned by him/it in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan 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/she/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, the Company, Mr. Li and Honest Cheer 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 Joint Sponsors, 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 Joint Global Coordinators (for themselves and on behalf of the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and 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), (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 Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters to procure the Company to comply with the undertakings in this paragraph.

Undertakings by Mr. Li and Honest Cheer

Both Mr. Li and Honest Cheer have undertaken to our Company, each of the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, none of them 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, as applicable), or deposit any Shares or other securities of the Company with a depositary in connection with the issue of depositary receipts, or

ii. enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of 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

iii. enter into any transaction with the same economic effect as any transaction specified in paragraph(a)(i) or (ii) above, or

iv. 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) or (iii) 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 aforesaid 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) or (iii) 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/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) or (iii) above or offer to or agrees to or announce any intention to effect any such transaction, he/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.

Undertakings by Ms. Li Ning

Ms. Li Ning has undertaken to our Company, each of the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, she will not:

(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, as applicable), or deposit any Shares or other securities of the Company with a depositary in connection with the issue of depositary receipts, or

ii. enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of 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

iii. enter into any transaction with the same economic effect as any transaction specified in paragraph(a)(i) or (ii) above, or

iv. 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) or (iii) 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 aforesaid period);

(b) she will not, at any time during the Second Six-Month period, enter into any of the transactions specified in paragraph(a)(i), (ii) or (iii) 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, she 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 she enters into any of the transactions specified in paragraph(a)(i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction and she will take all reasonable steps to ensure that she 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 Friday, April 14, 2017) to require us to allot and issue up to 150,000,000 additional Shares, representing approximately 15% of the initial Offer Shares, at the same price per Offer Share under the International Placing, to cover over-allocations in the International Placing, if any.

Stabilization 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 stabilizing 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 — Stabilization" in this prospectus for details regarding stabilization and "Structure of the Global Offering — Over-allotment Option" for over-allocation.

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 will 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 RMB65.8 million (assuming an Offer Price of HK$1.38, 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 relevant laws and practice of the country of purchase in addition to the Offer Price.

The Joint Sponsors' Independence

The Joint Sponsors 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 100,000,000 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 900,000,000 International Placing Shares (subject to adjustment and the Over-allotment Option as mentioned below) to non-U.S. persons outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S and to persons in the United States or to U.S. persons, in each case, who are both qualified institutional buyers (as defined in Rule 144A) and qualified purchasers (as defined in section 2(a)(51) of the U.S. Investment Company Act and Rule 2a51-1 thereunder, in reliance on Rule 144A or another exemption from the registration requirements under the U.S. Securities Act.

Citigroup Global Markets Asia Limited and Macquarie Capital Limited are the Joint Sponsors and the Joint Global Coordinators of the Global Offering.

Investors may apply for Public Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest 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 100,000,000 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 purposes 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 50,000,000 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 300,000,000, 400,000,000 and 500,000,000 Offer Shares, respectively, representing 30% (in the case of (a)), 40% (in the case of (b)) and 50% (in the case of (c)), 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$1.52 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$1.52 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 900,000,000 Offer Shares under the International Placing (comprising 900,000,000 new Shares being offered by the Company, 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.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, we are expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters.

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 April 14, 2017), to require us to allot and issue up to 150,000,000 additional Offer Shares representing 15% of the initial Offer Shares, at the same price per Offer Share under the International Placing, to 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.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent 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 stabilization 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 stabilizing 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 stabilizing 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 "Information about this Prospectus and the Global Offering — Stabilization and Over-allotment Option" in this prospectus for details regarding stabilization, over-allocation and stock borrowing arrangements in connection with the Global Offering.

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 purposes of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Wednesday, March 15, 2017, and in any event on or before Monday, March 20, 2017, 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$1.52 per Offer Share and is expected to be not less than HK$1.24 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 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Hong Kong Stock Exchange at **www.hkex.news.hk** and our Company at **www.minshengedu.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 Tuesday, March 21, 2017 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$1,305.7 million, assuming an Offer Price of HK$1.38 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$1,507.5 million, assuming an Offer Price of HK$1.38 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 Underwriting 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 Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than April 9, 2017, 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 Monday, March 20, 2017, 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 in the South China Morning Post and the Hong Kong Economic Times 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 — Dispatch/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 March 22, 2017, it is expected that dealings in the Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on March 22, 2017.

The Shares will be traded in board lots of 2,000 Shares each and the stock code of the Shares will be 1569.

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 Coordinator, the White Form eIPO Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for 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 (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 authorized 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 Friday, March 10, 2017 until 12:00 noon on Wednesday, March 15, 2017 from:

(i) any of the following office of the Joint Bookrunners:

Citigroup Global Markets Asia Limited	50/F, Champion Tower 3 Garden Road Central Hong Kong
Macquarie Capital Limited	Level 18 One International Finance Centre 1 Harbour View Street Central Hong Kong

(ii) any of the following branches of the following receiving banks:

Bank of China (Hong Kong) Limited

	Branch Name	Address
Hong Kong Island:	Bank of China Tower Branch	3/F, 1 Garden Road
	Shek Tong Tsui Branch	534 Queen's Road West, Shek Tong Tsui
	Wan Chai (Wu Chung House) Branch	213 Queen's Road East, Wan Chai
	Aberdeen Branch	25 Wu Pak Street, Aberdeen
Kowloon:	Shanghai Street (Mong Kok) Branch	611-617 Shanghai Street, Mong Kok
	Prince Edward Branch	774 Nathan Road, Kowloon
	Tsim Sha Tsui East Branch	Shop 3, LG/F, Hilton Towers, 96 Granville Road, Tsim Sha Tsui East, Kowloon
	Kwun Tong Plaza Branch	G1 Kwun Tong Plaza, 68 Hoi Yuen Road, Kwun Tong
New Territories:	Citywalk Branch	Shop 65, G/F, Citywalk, 1 Yeung Uk Road, Tsuen Wan
	Yuen Long Branch	102-108 Castle Peak Road, Yuen Long
	City One Sha Tin Branch	Shop Nos.24-25, G/F, Fortune City One Plus, No.2 Ngan Shing Street, ShaTin
	Sheung Shui Branch Securities Services Centre	136 San Fung Avenue, Sheung Shui

You can collect a YELLOW Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Friday, March 10, 2017 until 12:00 noon on Wednesday, March 15, 2017 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed WHITE or YELLOW Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED — MINSHENG EDUCATION PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Friday, March 10, 2017 — 9:00 a.m. to 5:00 p.m.
Saturday, March 11, 2017 — 9:00 a.m. to 1:00 p.m.
Monday, March 13, 2017 — 9:00 a.m. to 5:00 p.m.
Tuesday, March 14, 2017 — 9:00 a.m. to 5:00 p.m.
Wednesday, March 15, 2017 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, March 15, 2017, 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 authorize 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 Cap. 32 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 Coordinator, the Joint Sponsor, the Joint Bookrunner, the Joint Lead Manager, 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 banks, the Joint Global Coordinators, the Joint Sponsors, 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 Joint Sponsors, 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);

(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) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any 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 this 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 SERVICE

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 authorize the White Form eIPO Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the White Form eIPO Service.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the White Form eIPO Service Provider at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, March 10, 2017 until 11:30 a.m. on Wednesday, March 15, 2017 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, March 15, 2017 or such later time under the "Effects 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 CAP.32 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 Cap.32 Companies (WUMP) Ordinance (as applied by Section 342E of the Cap.32 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 per each "Minsheng Education Group Company Limited" White Form eIPO application submitted via 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 authorized 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 authorized 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;
- authorize 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 Joint Sponsors, 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 banks, the Joint Global Coordinators, the Joint Sponsors, 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 Cap.32 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 CAP.32 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 authorized 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 authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the WHITE Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 2,000 Public Offer Shares. Instructions for more than 2,000 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:

Friday, March 10, 2017 — 9:00 a.m. to 8:30 p.m.(1)
Saturday, March 11, 2017 — 8:00 a.m. to 1:00 p.m.(1)
Monday, March 13, 2017 — 8:00 a.m. to 8:30 p.m.(1)
Tuesday, March 14, 2017 — 8:00 a.m. to 8:30 p.m.(1)
Wednesday, March 15, 2017 — 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 Friday, March 10, 2017 until 12:00 noon on Wednesday, March 15, 2017 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Wednesday, March 15, 2017, 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 Cap.32 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 Cap.32 Companies (WUMP) Ordinance (as applied by Section 342E of the Cap.32 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 Joint Sponsors, 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 Wednesday, March 15, 2017.

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 2,000 Public Offer Shares. Each application or electronic application instruction in respect of more than 2,000 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 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 Wednesday, March 15, 2017. 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 Wednesday, March 15, 2017 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 Tuesday, March 21, 2017 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and at the Company's website at **www.minshengedu.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.minshengedu.com** and the Stock Exchange's website at www.hkexnews.hk by no later than 9:00 a.m. on Tuesday, March 21, 2017;
- 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 Tuesday, March 21, 2017 to 12:00 midnight on Monday, March 27, 2017;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Tuesday, March 21, 2017 to Friday, March 24, 2017;
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, March 21, 2017 to Thursday, March 23, 2017 at all the receiving bank's designated 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 Cap.32 Companies (WUMP) Ordinance (as applied by Section 342E of the Cap.32 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$1.52 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 Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker 's cashier order will not be cleared.

Any refund of your application monies will be made on or before Tuesday, March 21, 2017.

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 dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Tuesday, March 21, 2017. 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 Wednesday, March 22, 2017 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 Tuesday, March 21, 2017 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be 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 Tuesday, March 21, 2017, 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 Tuesday, March 21, 2017, 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 Tuesday, March 21, 2017, 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 Tuesday, March 21, 2017 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 Tuesday, March 21, 2017, 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 Tuesday, March 21, 2017 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 Tuesday, March 21, 2017, 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 Tuesday, March 21, 2017. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, March 21, 2017, 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 Tuesday, March 21, 2017. 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 and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, March 21, 2017.

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 received from the Company's independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus.

EY 安永

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

10 March 2017

The Directors
Minsheng Education Group Company Limited

Citigroup Global Markets Asia Limited
Macquarie Capital Limited

Dear Sirs,

We set out below our report on the financial information of Minsheng Education Group Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the years ended 31 December 2013, 2014 and 2015, and the ten months ended 31 October 2016 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as at 31 December 2013, 2014 and 2015 and 31 October 2016 and the statements of financial position of the Company as at 31 December 2013, 2014 and 2015 and 31 October 2016, together with the notes thereto (the "Financial Information"), and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the ten months ended 31 October 2015 (the "Interim Comparative Information"), for inclusion in the prospectus of the Company dated 10 March 2017 (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 December 2005.

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 end of the Relevant Periods, the Company had 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 consolidated 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 2013, 2014 and 2015, and the ten months ended 31 October 2016 were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "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 opinion on the Interim Comparative Information.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the financial position of the Group and the Company as at 31 December 2013, 2014 and 2015 and 31 October 2016 and of the financial performance 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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Ten months ended 31 October	
	Notes	2013	2014	2015	2015	2016
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
REVENUE	5	384,085	402,515	426,317	329,558	346,600
Cost of sales		(142,886)	(146,811)	(164,653)	(131,904)	(149,340)
Gross profit		241,199	255,704	261,664	197,654	197,260
Other income and gains	5	32,474	45,732	56,921	40,499	58,871
Selling and distribution expenses		(6,713)	(8,891)	(8,297)	(6,699)	(7,549)
Administrative expenses		(59,730)	(60,175)	(61,678)	(49,504)	(66,956)
Other expenses, net		(3,201)	(9,624)	(698)	(609)	(1,479)
Finance costs	6	—	—	(305)	(93)	(2,160)
Share of loss of an associate		—	(480)	(928)	(655)	(602)
PROFIT BEFORE TAX	7	204,029	222,266	246,679	180,593	177,385
Income tax expense	10	(18,082)	(25,939)	(33,222)	(33,050)	(1,244)
PROFIT FOR THE YEAR/PERIOD		185,947	196,327	213,457	147,543	176,141
OTHER COMPREHENSIVE INCOME						
Other comprehensive income to be reclassified to profit or loss in subsequent periods:						
Available-for-sale investments:						
Change in fair value		5,312	6,757	5,426	8,614	3,650
Reclassification adjustments for gains on maturity included in the consolidated statement of profit or loss		(3,926)	(5,312)	(6,757)	(6,757)	(5,426)
		1,386	1,445	(1,331)	1,857	(1,776)

	Notes	Year ended 31 December 2013	2014	2015	Ten months ended 31 October 2015	2016
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Exchange differences on translation of foreign operations		(7,892)	958	27,924	(1,969)	(19,988)
OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		(6,506)	2,403	26,593	(112)	(21,764)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		179,441	198,730	240,050	147,431	154,377
Profit attributable to:						
Owners of the parent	11	176,721	186,786	203,207	140,355	169,823
Non-controlling interests		9,226	9,541	10,250	7,188	6,318
		185,947	196,327	213,457	147,543	176,141
Total comprehensive income attributable to:						
Owners of the parent		170,149	189,132	229,848	140,132	148,259
Non-controlling interests		9,292	9,598	10,202	7,299	6,118
		179,441	198,730	240,050	147,431	154,377
Earnings per share attributable to ordinary equity holders of the parent:						
Basic and diluted	12	RMB0.04	RMB0.04	RMB0.05	RMB0.03	RMB0.06

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2013	As at 31 December 2014	As at 31 December 2015	As at 31 October 2016
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	13	566,436	571,937	583,567	602,413
Prepaid land lease payments	14	37,442	40,084	55,999	106,851
Goodwill	15	303,937	303,937	303,937	303,937
Other intangible assets	16	1,900	2,524	2,418	2,665
Investments in associates	17	—	3,541	3,290	20,428
Available-for-sale investment	18	6,000	6,000	6,000	6,000
Deposits for acquisition of land use rights		15,500	15,500	15,500	15,500
Total non-current assets		931,215	943,523	970,711	1,057,794
CURRENT ASSETS					
Inventories	19	1,003	1,053	1,184	1,244
Trade receivables	20	5,716	4,901	2,620	2,074
Prepayments, deposits and other receivables	21	7,394	8,712	39,409	46,936
Available-for-sale investments	22	498,312	733,257	522,096	611,020
Investment deposits	23	224,580	234,370	121,230	280,770
Loan to an associate	17	—	—	—	676
Cash and bank balances	23	391,757	375,021	352,218	226,880
Total current assets		1,128,762	1,357,314	1,038,757	1,169,600
CURRENT LIABILITIES					
Deferred revenue	24	216,567	231,150	246,471	310,398
Other payables and accruals	25	86,669	84,950	85,445	113,394
Deferred income - current	29	2,253	3,455	5,195	7,275
Loans from the ultimate holding company	26	—	—	—	121,887
Loans from related parties	27	—	—	—	13,678
Tax payable		3,782	794	17,046	538
Total current liabilities		309,271	320,349	354,157	567,170
NET CURRENT ASSETS		819,491	1,036,965	684,600	602,430

		As at 31 December			As at 31 October
	Notes	2013	2014	2015	2016
		RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		1,750,706	1,980,488	1,655,311	1,660,224
NON-CURRENT LIABILITIES					
Deferred income - non-current	29	31,723	62,775	116,725	145,962
Loans from the ultimate holding company	26	—	—	115,095	—
Loans from related parties	27	—	—	4,550	—
Total non-current liabilities		31,723	62,775	236,370	145,962
Net assets		1,718,983	1,917,713	1,418,941	1,514,262
EQUITY					
Equity attributable to owners of the parent					
Share capital	30	375	375	217	209
Reserves	31	1,650,885	1,840,017	1,331,201	1,514,053
		1,651,260	1,840,392	1,331,418	1,514,262
Non-controlling interests		67,723	77,321	87,523	—
Total equity		1,718,983	1,917,713	1,418,941	1,514,262

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent									
	Share capital	Contributed surplus	Capital reserve	Statutory reserve	Available-for-sale investment revaluation reserve	Retained profits	Exchange fluctuation reserve	Total	Non-controlling interests	Total equity
	RMB'000 (Note 30)	RMB'000	RMB'000 (Note 31(b))	RMB'000 (Note 31(c))	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	375	—	508,836	249,245	3,730	716,988	(64,730)	1,414,444	245,098	1,659,542
Profit for the year	—	—	—	—	—	176,721	—	176,721	9,226	185,947
Other comprehensive income for the year:										
Change in fair value of available-for-sale investments	—	—	—	—	5,050	—	—	5,050	262	5,312
Release of reserve upon maturity of available-for-sale investments	—	—	—	—	(3,730)	—	—	(3,730)	(196)	(3,926)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(7,892)	(7,892)	—	(7,892)
Total comprehensive income for the year	—	—	—	—	1,320	176,721	(7,892)	170,149	9,292	179,441
Acquisition of non-controlling interests	—	66,667	—	—	—	—	—	66,667	(186,667)	(120,000)#
Transfer from retained profits	—	—	—	51,386	—	(51,386)	—	—	—	—
At 31 December 2013	375	66,667*	508,836*	300,631*	5,050*	842,323*	(72,622)*	1,651,260	67,723	1,718,983

On 17 May 2011, Chongqing Li'ang Industry Company Limited ("Li'ang Industry"), an indirectly 95%-owned subsidiary of the Company, entered into an agreement with Southwest University, to acquire Southwest University's 30% equity interest in Chongqing College of Humanities, Science and Technology ("CCHST"). The consideration was settled in cash by Li'ang Industry in May 2011. The transaction was completed on 18 April 2013. CCHST was an indirectly 70%-owned school of the Company before the completion of the transaction and became an indirectly 95%-owned school of the Company upon completion of the transaction.

	Attributable to owners of the parent									
	Share capital	Contributed surplus	Capital reserve	Statutory reserve	Available-for-sale investment revaluation reserve	Retained profits	Exchange fluctuation reserve	Total	Non-controlling interests	Total equity
	RMB'000 (Note 30)	RMB'000	RMB'000 (Note 31(b))	RMB'000 (Note 31(c))	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	375	66,667	508,836	300,631	5,050	842,323	(72,622)	1,651,260	67,723	1,718,983
Profit for the year	—	—	—	—	—	186,786	—	186,786	9,541	196,327
Other comprehensive income for the year:										
Change in fair value of available-for-sale investments	—	—	—	—	6,438	—	—	6,438	319	6,757
Release of reserve upon maturity of available-for-sale investments	—	—	—	—	(5,050)	—	—	(5,050)	(262)	(5,312)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	958	958	—	958
Total comprehensive income for the year	—	—	—	—	1,388	186,786	958	189,132	9,598	198,730
Transfer from retained profits	—	—	—	51,775	—	(51,775)	—	—	—	—
At 31 December 2014	375	66,667*	508,836*	352,406*	6,438*	977,334*	(71,664)*	1,840,392	77,321	1,917,713

	Note	Share capital	Contributed surplus	Capital reserve	Statutory reserve	Available-for-sale investment revaluation reserve	Retained profits	Exchange fluctuation reserve	Total	Non-controlling interests	Total equity
		Attributable to owners of the parent									
		RMB'000 (Note 30)	RMB'000	RMB'000 (Note 31(b))	RMB'000 (Note 31(c))	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015		375	66,667	508,836	352,406	6,438	977,334	(71,664)	1,840,392	77,321	1,917,713
Profit for the year.		—	—	—	—	—	203,207	—	203,207	10,250	213,457
Other comprehensive income for the year:											
Change in fair value of available-for-sale investments . .		—	—	—	—	5,155	—	—	5,155	271	5,426
Release of reserve upon maturity of available-for-sale investments		—	—	—	—	(6,438)	—	—	(6,438)	(319)	(6,757)
Exchange differences on translation of foreign operations .		—	—	—	—	—	—	27,924	27,924	—	27,924
Total comprehensive income for the year . .		—	—	—	—	(1,283)	203,207	27,924	229,848	10,202	240,050
Shares repurchased	30	(158)	—	(508,836)	—	—	(283,137)	53,309	(738,822)	—	(738,822)
Transfer from retained profits		—	—	—	57,479	—	(57,479)	—	—	—	—
At 31 December 2015 . .		217	66,667*	—*	409,885*	5,155*	839,925*	9,569*	1,331,418	87,523	1,418,941

	Note	Attributable to owners of the parent								Non-controlling interests	Total equity
		Share capital	Contributed surplus	Capital reserve	Statutory reserve	Available-for-sale investment revaluation reserve	Retained profits	Exchange fluctuation reserve	Total		
		RMB'000 (Note 30)	RMB'000	RMB'000 (Note 31(b))	RMB'000 (Note 31(c))	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016		217	66,667	—	409,885	5,155	839,925	9,569	1,331,418	87,523	1,418,941
Profit for the period		—	—	—	—	—	169,823	—	169,823	6,318	176,141
Other comprehensive income for the period:											
Change in fair value of available-for-sale investments		—	—	—	—	3,579	—	—	3,579	71	3,650
Release of reserve upon maturity of available-for-sale investments		—	—	—	—	(5,155)	—	—	(5,155)	(271)	(5,426)
Exchange differences on translation of foreign operations		—	—	—	—	—	—	(19,988)	(19,988)	—	(19,988)
Total comprehensive income for the period		—	—	—	—	(1,576)	169,823	(19,988)	148,259	6,118	154,377
Shares repurchased	30	(8)	—	—	—	—	(58,667)	(381)	(59,056)	—	(59,056)
Transfer from retained profits		—	—	—	39,105	—	(39,105)	—	—	—	—
Contribution from shareholder		—	93,641	—	—	—	—	—	93,641	(93,641)	—##
At 31 October 2016		209	160,308*	—*	448,990*	3,579*	911,976*	(10,800)*	1,514,262	—	1,514,262

On 22 September 2016, the shareholders of Li'ang Industry passed resolutions pursuant to which (i) the articles of association of Li'ang Industry was amended to the effect that Chongqing Minsheng Education Management Company Limited, a wholly-owned subsidiary of the Company, should be entitled to 100% of any dividend or distribution to be paid by Li'ang Industry to its shareholders and Mr. Li Xuechun ("Mr. Li"), the Company's controlling shareholder and the minority shareholder of Li'ang Industry, should not be entitled to any such dividend or distribution with effect from 10 August 2016; and (ii) Mr. Li relinquished his right to distribution of assets of Li'ang Industry which may arise upon dissolution of Li'ang Industry with effect from 10 August 2016. As a result, with effect from 10 August 2016, no profit or retained earnings of Li'ang Industry and its subsidiaries would be attributable to Mr. Li and the non-controlling interests in Li'ang Industry and its subsidiaries previously held by Mr. Li was derecognised as at 10 August 2016.

	Attributable to owners of the parent									
	Share capital	Contributed surplus	Capital reserve	Statutory reserve	Available-for-sale investment revaluation reserve	Retained profits	Exchange fluctuation reserve	Total	Non-controlling interests	Total equity
	RMB'000 (unaudited) (Note 30)	RMB'000 (unaudited)	RMB'000 (unaudited) (Note 31(b))	RMB'000 (unaudited) (Note 31(c))	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
At 1 January 2015	375	66,667	508,836	352,406	6,438	977,334	(71,664)	1,840,392	77,321	1,917,713
Profit for the period	—	—	—	—	—	140,355	—	140,355	7,188	147,543
Other comprehensive income for the period:										
Change in fair value of available-for-sale investments	—	—	—	—	8,184	—	—	8,184	430	8,614
Release of reserve upon maturity of available-for-sale investments	—	—	—	—	(6,438)	—	—	(6,438)	(319)	(6,757)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(1,969)	(1,969)	—	(1,969)
Total comprehensive income for the period	—	—	—	—	1,746	140,355	(1,969)	140,132	7,299	147,431
Shares repurchased	(70)	—	(343,905)	—	—	—	65,733	(278,242)	—	(278,242)
Transfer from retained profits	—	—	—	42,431	—	(42,431)	—	—	—	—
At 31 October 2015 (unaudited)	305	66,667*	164,931*	394,837*	8,184*	1,075,258*	(7,900)*	1,702,282	84,620	1,786,902

* These reserve accounts comprise the consolidated reserves of RMB1,650,885,000, RMB1,840,017,000, RMB1,331,201,000 and RMB1,514,053,000 in the consolidated statements of financial position as at 31 December 2013, 2014 and 2015 and 31 October 2016, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December 2013	Year ended 31 December 2014	Year ended 31 December 2015	Ten months ended 31 October 2015	Ten months ended 31 October 2016
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		204,029	222,266	246,679	180,593	177,385
Adjustments for:						
Finance costs	6	—	—	305	93	2,160
Share of loss of an associate		—	480	928	655	602
Dividend income from an available-for-sale investment	5,7	(360)	(480)	(480)	—	—
Investment income from available-for-sale investments and investment deposits	5,7	(24,150)	(35,401)	(36,856)	(28,319)	(18,898)
Other interest income	5,7	(4,375)	(3,310)	(3,340)	(2,382)	(1,410)
Loss on disposal of items of property, plant and equipment, net	7	—	944	86	84	603
Government grants released		(2,267)	(4,035)	(8,627)	(7,022)	(19,869)
Depreciation	7,13	38,113	41,210	39,051	33,363	33,509
Recognition of prepaid land lease payments	7,14	853	926	955	772	1,187
Amortisation of other intangible assets	7,16	499	644	738	602	731
Impairment of trade receivables	7	553	737	1,934	1,135	1,796
Impairment of other receivables	7	40	—	—	—	236
		212,935	223,981	241,373	179,574	178,032
Increase in inventories		(37)	(50)	(131)	(164)	(60)
(Increase)/decrease in trade receivables		3,758	78	347	(9,328)	(1,250)
(Increase)/decrease in prepayments, deposits and other receivables		1,414	(1,478)	(2,369)	(30,745)	(6,869)
Increase/(decrease) in other payables and accruals		(4,893)	6,838	7,896	30,257	21,883

	Notes	Year ended 31 December 2013	2014	2015	Ten months ended 31 October 2015	2016
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Increase in deferred revenue		5,580	14,583	15,321	72,465	63,927
Government grants received		16,414	36,289	64,317	53,754	51,186
Cash generated from operations		235,171	280,241	326,754	295,813	306,849
Interest income received		4,375	3,310	3,340	2,382	1,410
Income tax paid		(16,668)	(28,927)	(16,970)	(16,470)	(17,752)
Net cash flows from operating activities		222,878	254,624	313,124	281,725	290,507
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of items of property, plant and equipment		(74,365)	(57,023)	(58,417)	(52,012)	(46,913)
Proceeds from disposal of items of property, plant and equipment		224	811	249	249	22
Additions to other intangible assets	16	(403)	(1,268)	(632)	(632)	(978)
Additions to prepaid land lease payments	14	—	(3,641)	(17,216)	(894)	(52,933)
Dividend income from an available-for-sale investment		360	480	480	—	—
Advance of a loan to a third party		—	—	(30,000)	—	—
Redemption of investment deposits and available-for-sale investments		1,185,630	1,736,320	2,139,890	1,281,640	1,589,620
Purchase of investment deposits and available-for-sale investments		(1,227,430)	(2,010,440)	(1,820,590)	(1,316,840)	(1,711,220)
Investment income from investment deposits and available-for-sale investments		22,477	35,634	38,874	28,319	18,898
Advance of loans to associates		—	—	—	—	(17,771)

	Notes	Year ended 31 December 2013	2014	2015	Ten months ended 31 October 2015	2016
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Purchase of a shareholding in an associate		—	(4,022)	(707)	—	—
Net cash flows from/(used in) investing activities		(93,507)	(303,149)	251,931	(60,170)	(221,275)
CASH FLOWS FROM FINANCING ACTIVITIES						
Shares repurchased		—	—	(738,822)	(278,242)	(59,056)
New loans from related parties		—	—	4,546	—	8,639
New loans from the ultimate holding company		—	—	114,781	44,541	—
Net cash flows used in financing activities		—	—	(619,495)	(233,701)	(50,417)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		129,371	(48,525)	(54,440)	(12,146)	18,815
Cash and cash equivalents at beginning of year/period		426,008	547,487	499,921	499,921	473,448
Effect of foreign exchange rate changes, net		(7,892)	959	27,967	(2,056)	(15,513)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	23	547,487	499,921	473,448	485,719	476,750
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	23	391,757	375,021	352,218	364,489	226,880
Investment deposits with original maturity of less than three months when acquired	23	155,730	124,900	121,230	121,230	249,870
		547,487	499,921	473,448	485,719	476,750

STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2013	As at 31 December 2014	As at 31 December 2015	As at 31 October 2016
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Investments in subsidiaries	28	1,184	1,184	789	789
Total non-current assets		1,184	1,184	789	789
CURRENT ASSETS					
Due from subsidiaries	28	238,014	243,772	125,091	150,862
Prepayments, deposits and other receivables	21	—	—	—	3,832
Cash and bank balances	23	154,689	148,647	3,255	537
Total current assets		392,703	392,419	128,346	155,231
CURRENT LIABILITIES					
Other payables and accruals	25	—	—	772	6,037
Loans from the ultimate holding company	26	—	—	—	37,859
Due to subsidiaries	28	3,831	3,845	6,741	32,652
Total current liabilities		3,831	3,845	7,513	76,548
NET CURRENT ASSETS		388,872	388,574	120,833	78,683
TOTAL ASSETS LESS CURRENT LIABILITIES		390,056	389,758	121,622	79,472
NON-CURRENT LIABILITIES					
Loans from the ultimate holding company	26	—	—	35,748	—
Due to a subsidiary	28	—	—	88,167	91,929
Total non-current liabilities		—	—	123,915	91,929
Net assets/(liabilities)		390,056	389,758	(2,293)	(12,457)
EQUITY /(DEFICIENCY IN ASSETS)					
Share capital	30	375	375	217	209
Reserves	31	389,681	389,383	(2,510)	(12,666)
Total equity/(deficiency in assets)		390,056	389,758	(2,293)	(12,457)

II. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in the Cayman Islands on 13 December 2005 as an exempted company with limited liability under the laws of the Cayman Islands. The address of the registered office of the Company is PO Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in providing educational services in the People's Republic of China (the "PRC").

As at the end of the Relevant Periods, the Company had direct and indirect interests in the following entities:

Company name	Date and place of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of effective equity interests attributable to the Company		Principal activities
			Direct	Indirect	
Minsheng Education Company Limited (Note (a))	13 December 2005, Cayman Islands	US$50,000	100.00%	—	Investment holding
Minsheng Education Services Company Limited (Note (a))	1 August 2006, Cayman Islands	US$50,000	100.00%	—	Investment holding
Minsheng Education Development Company Limited (Note (a))	7 June 2007, Cayman Islands	US$50,000	100.00%	—	Investment holding
Minsheng Education Development (Hong Kong) Company Limited (Note (a))	19 February 2008, Hong Kong	HK$10,000	—	100.00%	Investment holding
Hong Kong College of Technology and Business Limited (Note (a))	21 August 2014, Hong Kong	HK$1	—	100.00%	Investment holding
Chongqing Minsheng Education Management Company Limited 重慶民升教育管理有限公司* (Note (a))	16 March 2006, the PRC	US$14,500,000	—	100.00%	Provision of education management and services
Chongqing Li'ang Industry Company Limited 重慶利昂實業有限公司* (Note (a))	7 October 1998, the PRC	RMB10,000,000	—	100.00%	Provision of education management and services

Company name	Date and place of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of effective equity interests attributable to the Company		Principal activities
			Direct	Indirect	
Chongqing College of Humanities, Science and Technology 重慶人文科技學院* (Note (b))	6 November 2006, the PRC	RMB55,000,000	—	100.00%	Provision of formal undergraduate and junior college education services
Pass College of Chongqing Technology and Business University 重慶工商大學派斯學院* (Note (c))	1 December 2006, the PRC	RMB5,000,000	—	100.00%	Provision of formal undergraduate and junior college education services
Chongqing Vocational College of Applied Technology 重慶應用技術職業學院* (Note (d))	1 December 2006, the PRC	RMB5,000,000	—	100.00%	Provision of junior college education services
Chongqing Yujinggang Education Investment Company Limited 重慶渝京港教育投資有限公司* (Note (a))	21 January 2015, the PRC	RMB50,000,000	—	100.00%	Investment in education projects
Chongqing Hechuan Renwen Hospital Company Limited 重慶合川人文醫院有限公司* (Note (a))	6 November 2015, the PRC	RMB50,000,000	—	100.00%	Provision of diseases diagnosis and treatment services
Chongqing Xinkang Medical Investment Company Limited 重慶信康醫療投資有限公司* (Note (a))	22 January 2015, the PRC	RMB10,000,000	—	100.00%	Investment in health care programs
Chongqing Bozhi Education Services Company Limited 重慶博智教育服務有限公司* (Note (a))	30 August 2006, the PRC	US$9,000,000	—	100.00%	Provision of education management and services
Chongqing Li'ang Education Services Company Limited 重慶利昂教育服務有限公司* (Note (a))	4 November 2003, the PRC	RMB30,000,000	—	100.00%	Provision of university and college logistics services
Chongqing Pass Education Services Company Limited 重慶派斯教育服務有限公司* (Note (a))	4 November 2003, the PRC	RMB300,000	—	100.00%	Provision of university and college logistics services
Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) 內蒙古豐州職業學院(青城分院)* (Note (e))	15 May 1985, the PRC	RMB4,000,000	—	100.00%	Provision of junior college education services

Company name	Date and place of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of effective equity interests attributable to the Company		Principal activities
			Direct	Indirect	
Chongqing Huizhi Education Services Company Limited 重慶匯智教育服務有限公司* (Note (a))	6 November 2015, the PRC	RMB10,000,000	—	100.00%	Provision of university logistics services
Beijing Minsheng Time Education Technology Company Limited 北京民晟時代教育科技有限公司* (Note (a))	17 September 2014, the PRC	RMB10,000,000	—	100.00%	Provision of education counseling services
Laoling Chengyue Education Investment Management Company Limited 樂陵誠悅教育投資管理有限公司* (Note (a))	7 July 2016, the PRC	RMB50,000,000	—	100.00%	Investment in education and health care programs
Laoling Minsheng Secondary Vocational School 樂陵民生職業中等專業學校*(Note (a))	20 September 2016, the PRC	RMB30,000,000	—	100.00%	Provision of secondary vocational education and technical training

(a) No audited financial statements have been prepared as these companies are either newly incorporated in 2016 or they are incorporated in jurisdictions which do not have any statutory audit requirements. On 15 November 2016, Chongqing Xinkang Medical Investment Company Limited (重慶信康醫療投資有限公司) changed its name and principal activities to Chongqing Zhiyuan Times Education Management Company Limited (重慶致遠時代教育管理有限公司) and provision of university logistics management services.

(b) The statutory financial statements for the years ended 31 December 2013 and 2015 prepared in accordance with relevant accounting principles and financial regulations were audited by Chongqing Tongguan Certified Public Accountants ("重慶通冠會計師事務所"), certified public accountants registered in the PRC. The statutory financial statements for the year ended 31 December 2014 prepared in accordance with relevant accounting principles and financial regulations were audited by Chongqing Jinhan Certified Public Accountants ("重慶金翰會計師事務所"), certified public accountants registered in the PRC.

(c) The statutory financial statements for the years ended 31 December 2013 and 2014 prepared in accordance with relevant accounting principles and financial regulations were audited by Chongqing Diwei Certified Public Accountants Company Limited ("重慶諦威會計師有限公司"), certified public accountants registered in the PRC. The statutory financial statements for the year ended 31 December 2015 prepared in accordance with relevant accounting principles and financial regulations were audited by Chongqing Zhonghe Certified Public Accountants ("重慶中和會計師事務所"), certified public accountants registered in the PRC.

(d) The statutory financial statements for the years ended 31 December 2013, 2014 and 2015 prepared in accordance with relevant accounting principles and financial regulations were audited by Ruihua Certified Public Accountants ("瑞華會計師事務所"), Chongqing Tongguan Certified Public Accountants ("重慶通冠會計師事務所") and Chongqing Yuzi Certified Public Accountants Company Limited ("重慶渝諮會計師事務所有限責任公司"), certified public accountants registered in the PRC, respectively.

(e) The statutory financial statements for the years ended 31 December 2013, 2014 and 2015 prepared in accordance with relevant accounting principles and financial regulations were audited by Inner Mongolia Xinrong Certified Public Accountants ("內蒙古信榮會計師事務所(普通合夥)"), 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 PREPARATION

The Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations issued by the International Accounting Standards Board ("IASB"). All IFRSs effective for the accounting period commencing from 1 January 2016, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Information.

The Financial Information has been prepared under the historical cost convention, except for certain available-for-sale investments, which have 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 consolidation

The consolidated financial statements include the financial statements of the Group for the Relevant Periods. 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 financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. 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 consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 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*[1]
IFRS 15	*Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[1]
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[4]
Amendments to IAS 7	*Disclosure Initiative*[4]
Amendments to IAS 40	*Transfer to Investment Property*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[5]
Amendments to IFRSs	*Annual Improvements to IFRS Standards 2014-2016 Cycle*[6]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after 1 January 2017

5 An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018.

6 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard upon adoption and expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. The Group expects to adopt IFRS 15 on 1 January 2018. Based on the preliminary analysis, the Group anticipates that the adoption of IFRS 15 in the future is unlikely to have significant impact on the recognition of service income from the provision of education and boarding services.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. For lessee accounting, the standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. For lessor accounting, the standard substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group expects to adopt IFRS 16 on 1 January 2019. The total operating lease commitments of the Group in respect of leased premises as at 31 December 2013, 2014 and 2015 and 31 October 2016 are RMB2,195,000, RMB170,000, RMB182,000 and RMB504,000, respectively. With the recognition exemption applicable to short-term leases, the Group does not expect significant impacts on the financial position and financial performance of the Group when adopting IFRS 16.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 investments in associates are stated in the consolidated 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 associates is included in consolidated profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associates, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred.

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.

Business combinations 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 is measured at fair value with changes in fair value recognised in profit or loss. 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 certain available-for-sale investments 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 prepayments), 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 profit or loss 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 reporting period 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 other than goodwill 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/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss 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);

(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); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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 profit or loss 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:

Buildings	2.4% to 6.3%
Motor vehicles	9.5% to 23.8%
Furniture and equipment	9.5% to 31.7%
Computer equipment	9.5% to 31.7%

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 profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress mainly represents buildings under construction, which are stated at cost less any impairment losses, and are 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.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Computer software

Purchased computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful live of 5 to 10 years.

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 lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss 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 and available-for-sale financial investments. 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:

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 administrative expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in an unlisted equity investment and banks' wealth management products. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Banks' wealth management products in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss and other comprehensive income in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss and other comprehensive income in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as investment income and dividend income, respectively and are recognised in the statement of profit or loss and other comprehensive income as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of the unlisted equity investment cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investment is stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

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 consolidated 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 reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An 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 loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount 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 other expenses in the statement of profit or loss and other comprehensive income.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss - is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

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 and loans from the ultimate holding company and related parties.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, loans and 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 profit or loss 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 profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to disposal.

Cash and cash equivalents

For the purpose of the consolidated 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 consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, 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 and associates, 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 and associates, 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 a deferred income account and is released to profit or loss 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 profit or loss.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) service income includes tuition fees and boarding fees of colleges and high schools of the Group.

The tuition fees from the schools of the Group are received in advance at the beginning of each academic year. Revenue is recognised after the price is fixed or determinable, and services are provided.

Tuition and boarding fees received by colleges and high schools are generally 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 schools is generally from September to June of the following year.

(b) 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;

(c) rental income, on a time proportion basis over the lease terms; and

(d) dividend income is recognised when the shareholders' right to receive payment has been established.

Employee benefits

Pension schemes

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 profit or loss as they become payable in accordance with the rules of the central pension scheme.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF 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 profit or loss.

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 Company incorporated in the Cayman Islands uses the US dollar as its functional currency. As the Group mainly operates in Mainland China, RMB is used as the presentation currency of the Company. As at the end of the reporting period, the assets and liabilities of the Company and certain overseas subsidiaries, which uses currencies other than RMB as their functional currencies 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 and other comprehensive income 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 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.

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.

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 goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. As at 31 December 2013, 2014 and 2015 and 31 October 2016, the carrying amount of goodwill was RMB303,937,000. Further details are given in note 15 to the Financial Information.

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 using key assumptions such as budgeted sales amount 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. As at 31 December 2013, 2014 and 2015 and 31 October 2016, the carrying amounts of property, plant and equipment and prepaid land lease payments were RMB603,878,000, RMB612,021,000, RMB639,566,000 and RMB709,264,000 respectively.

Impairment of trade and other receivables

The Group estimates the provisions for impairment of trade and other receivables by assessing their recoverability based on the ageing of its receivable balances, students' family condition, past payment history and status of students such as suspension of schooling, drop out or graduation. This requires the use of estimates and judgements. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amount of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the provisions at the end of each of the Relevant Periods. Further details of the impairment of trade and other receivables are set out in notes 20 and 21 to the Financial Information, respectively.

Fair value of certain available-for-sale investments

Certain available-for-sale investments have been valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. This valuation requires the Group to make estimates about expected future cash flows, credit risk, volatility and discount rates, and hence they are subject to uncertainty. The fair values of such available-for-sale investments at 31 December 2013, 2014 and 2015 and 31 October 2016 was RMB498,312,000, RMB733,257,000, RMB522,096,000 and RMB611,020,000, respectively. Further details are included in note 22 to the Financial Information.

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 judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of the tax liabilities. Such changes to tax liabilities will impact tax expense in the period that such determination is made. Further details of the current and deferred tax are set out in note 10 to the Financial Information.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of education services 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, 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 operating segments 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 over 99% 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 service provided to a single customer contributes 10% or more of the total revenue of the Group during the Relevant Periods.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the value of services rendered during the Relevant Periods.

An analysis of revenue, other income and gains is as follows:

	Year ended 31 December			Ten months ended 31 October	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue					
Tuition fees	354,794	372,865	395,140	304,420	319,577
Boarding fees	29,291	29,650	31,177	25,138	27,023
	384,085	402,515	426,317	329,558	346,600
Other income and gains					
Dividend income from an available-for-sale investment	360	480	480	—	—
Investment income from available-for-sale investments and investment deposits	24,150	35,401	36,856	28,319	18,898
Other interest income	4,375	3,310	3,340	2,382	1,410
Net rental income	505	294	1,249	1,178	758
Government grants (note 29)					
- Related to assets	1,725	2,533	3,996	3,225	4,931
- Related to income	542	1,502	4,631	3,797	14,938
Exchange gain/(loss), net	(631)	(138)	2,653	16	16,287
Others	1,448	2,350	3,716	1,582	1,649
	32,474	45,732	56,921	40,499	58,871

The government grants are related to the subsidies received from local government for the purpose of compensating the operating expenses arising from the schools' teaching activities and expenditures on teaching facilities. There are no unfulfilled conditions or contingencies relating to such government grants income recognised.

6. FINANCE COSTS

	Year ended 31 December			Ten months ended 31 October	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest on loans from the ultimate holding company and related parties	—	—	305	93	2,160

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		Year ended 31 December			Ten months ended 31 October	
	Notes	2013	2014	2015	2015	2016
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Depreciation	13	38,113	41,210	39,051	33,363	33,509
Amortisation of other intangible assets	16	499	644	738	602	731
Minimum lease payments under operating leases		4,706	4,060	3,223	2,589	3,898
Recognition of prepaid land lease payments	14	853	926	955	772	1,187
Auditors' remuneration		135	133	154	154	3,448
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)):						
Wages and salaries		66,843	70,386	79,996	65,178	66,601
Pension scheme contributions (defined contribution schemes)		14,156	16,576	17,318	15,271	18,177
Foreign exchange differences, net		631	138	(2,653)	(16)	(16,287)
Impairment of trade receivables	20	553	737	1,934	1,135	1,796
Impairment of other receivables	21	40	—	—	—	236

		Year ended 31 December			Ten months ended 31 October	
	Notes	2013	2014	2015	2015	2016
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Dividend income from an available-for-sale investment		(360)	(480)	(480)	—	—
Investment income from available-for-sale investments and investment deposits		(24,150)	(35,401)	(36,856)	(28,319)	(18,898)
Other interest income		(4,375)	(3,310)	(3,340)	(2,382)	(1,410)
Loss on disposal of items of property, plant and equipment, net		—	944	86	84	603
Donation expense		424	6,823	230	180	7

8. DIRECTORS' REMUNERATION

The remuneration of each of the Company's Directors is set out below:

	Year ended 31 December			Ten months ended 31 October	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Fees	—	—	—	—	—
Other emoluments:					
Salaries, allowances and benefits in kind	4,431	2,683	2,730	2,328	2,314
Pension scheme contributions	21	14	—	—	5
	4,452	2,697	2,730	2,328	2,319

Executive directors

Year ended 31 December 2013	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000
Mr. Li Xuechun	1,203	13	1,216
Ms. Zhang Weiping	3,228	8	3,236
Mr. Tsang Kwong Yue, Conrad	—	—	—
Ms. Wanlin Liu	—	—	—
	4,431	21	4,452

Year ended 31 December 2014	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000
Mr. Li Xuechun	1,004	7	1,011
Ms. Zhang Weiping	1,679	7	1,686
Mr. Tsang Kwong Yue, Conrad	—	—	—
Ms. Wanlin Liu	—	—	—
	2,683	14	2,697

Year ended 31 December 2015	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000
Mr. Li Xuechun	983	—	983
Ms. Zhang Weiping	1,747	—	1,747
Mr. Tsang Kwong Yue, Conrad (resigned on 6 October 2015)	—	—	—
Ms. Wanlin Liu (resigned on 29 December 2015)	—	—	—
	2,730	—	2,730

Ten months ended 31 October 2015 (Unaudited)	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000
Mr. Li Xuechun	823	—	823
Ms. Zhang Weiping	1,505	—	1,505
Mr. Tsang Kwong Yue, Conrad (resigned on 6 October 2015)	—	—	—
Ms. Wanlin Liu (resigned on 29 December 2015)	—	—	—
	2,328	—	2,328

Ten months ended 31 October 2016	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000
Mr. Li Xuechun	802	—	802
Ms. Zhang Weiping	1,363	—	1,363
Mr. Zuo Yichen (appointed on 23 August 2016)	22	2	24
Mr. Lam Ngai Lung (appointed on 23 August 2016)	127	3	130
	2,314	5	2,319

There was no arrangement under which a Director 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 years ended 31 December 2013, 2014 and 2015, and the ten months ended 31 October 2015 and 2016 include 2, 2, 2, 2 and 3 Directors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining 3, 3, 3, 3 and 2 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			Ten months ended 31 October	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries, allowances and benefits in kind	1,010	998	1,542	1,318	797
Pension scheme contributions	22	14	15	12	21
	1,032	1,012	1,557	1,330	818

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			Ten months ended 31 October	
	2013	2014	2015	2015	2016
				(Unaudited)	
Nil to HK$1,000,000	3	3	3	3	2

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 Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Company, Minsheng Education Company Limited, Minsheng Education Services Company Limited and Minsheng Education Development Company Limited, which were incorporated in the Cayman Islands, are not subject to income tax.

Minsheng Education Development (Hong Kong) Company Limited and Hong Kong College of Technology and Business Limited, which were incorporated in Hong Kong, were subject to profits tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong.

Pursuant to the PRC Income Tax Law and the respective regulations, except for the preferential tax rate of 15% under the Western Development Tax Incentive Scheme available to Chongqing Li'ang Education Services Company Limited and Chongqing Pass Education Services Company Limited, the companies of the Group which operate in Mainland China are subject to Corporate Income Tax ("CIT") at a rate of 25% on their respective taxable income.

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. Private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. The Implementation 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 Group's schools which require reasonable returns did not pay corporate income tax and had enjoyed the preferential corporate income tax exemption treatment since their establishment.

As a result, no income tax expense was recognised for the Group's schools for the years ended 31 December 2013, 2014 and 2015 and the ten months ended 31 October 2016.

The major components of the income tax expense for the Group are as follows:

	Year ended 31 December			**Ten months ended 31 October**	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Current — Mainland China					
Charge for the year/period	18,082	25,939	33,222	33,050	1,244

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries (or jurisdictions) in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates are as follows:

	Year ended 31 December			Ten months ended 31 October	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit before tax	204,029	222,266	246,679	180,593	177,385
Tax at the statutory tax rate	51,007	55,567	62,129	45,985	44,570
Lower tax rate	(300)	(608)	(1,067)	(868)	(694)
Income not subject to tax	(33,162)	(29,463)	(28,184)	(12,432)	(43,487)
Expenses not deductible for tax	142	236	65	55	308
Tax losses not recognised	395	207	279	310	547
	18,082	25,939	33,222	33,050	1,244

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.

At 31 December 2013, 2014 and 2015 and 31 October 2016, 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 unremitted earnings 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. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB489,140,000, RMB613,070,000, RMB748,010,000 and RMB844,010,000, respectively, at 31 December 2013, 2014 and 2015 and 31 October 2016.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

As at 31 December 2013, 2014 and 2015 and 31 October 2016, the Group has tax losses arising in Hong Kong of RMB186,000, RMB210,000 RMB241,000 and RMB302,000, respectively, which are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of RMB13,990,000, RMB13,912,000, RMB6,818,000 and RMB6,575,000, respectively, that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the years ended 31 December 2013, 2014 and 2015 and the ten months ended 31 October 2016 includes losses of RMB3,161,000, RMB1,715,000, RMB302,000 and RMB9,766,000, respectively, which have been dealt with in the financial statements of the Company (note 31(d)).

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent for each of the years ended 31 December 2013, 2014 and 2015, and the ten months ended 31 October 2015 and 2016, and the weighted average number of ordinary shares of 4,651,474,200, 4,651,474,200, 4,252,234,282, 4,472,969,367 (unaudited) and 2,640,805,713 in issue during each of the years ended 31 December 2013, 2014 and 2015, and the ten months ended 31 October 2015 and 2016, respectively.

Pursuant to the written resolutions of the sole shareholder of the Company on 5 July 2016, each share of the Company with a par value of US$0.001 in the authorised share capital was subdivided into 100 shares of par value of US$0.00001 each ("Share Subdivision"), such that immediately following the Share Subdivision, the authorised share capital of the Company became US$50,000 divided into 5,000,000,000 shares of par value of US$0.00001 each.

The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during each of the years ended 31 December 2013, 2014 and 2015, and the ten months ended 31 October 2015 and 2016, respectively, adjusted for the proportionate change in the number of ordinary shares outstanding as if the Share Subdivision had occurred at the beginning of the year ended 31 December 2013.

The Group had no potentially dilutive ordinary shares in issue during each of the years ended 31 December 2013, 2014 and 2015, and the ten months ended 31 October 2015 and 2016.

The calculations of basic and diluted earnings per share are based on:

	Year ended 31 December			Ten months ended 31 October	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Earnings					
Profit attributable to owners of the parent, used in the basic and diluted earnings per share calculation	176,721	186,786	203,207	140,355	169,823

	Number of shares				
	Year ended 31 December			Ten months ended 31 October	
	2013	2014	2015	2015	2016
				(Unaudited)	
Shares					
Weighted average number of ordinary shares in issue during the year/period used in the basic and diluted earnings per share calculation	4,651,474,200	4,651,474,200	4,252,234,282	4,472,969,367	2,640,805,713

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Furniture and equipment	Computer equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2013						
At 1 January 2013:						
Cost	405,560	14,676	189,092	33,297	35,518	678,143
Accumulated depreciation	(53,398)	(7,095)	(74,199)	(22,908)	—	(157,600)
Net carrying amount	352,162	7,581	114,893	10,389	35,518	520,543
At 1 January 2013, net of accumulated depreciation	352,162	7,581	114,893	10,389	35,518	520,543
Additions	15,710	615	15,160	5,085	47,660	84,230
Disposals	(107)	(12)	(31)	(74)	—	(224)
Depreciation provided during the year (note 7)	(11,631)	(1,285)	(22,595)	(2,602)	—	(38,113)
Transfers	77,919	—	40	—	(77,959)	—
At 31 December 2013, net of accumulated depreciation	434,053	6,899	107,467	12,798	5,219	566,436
At 31 December 2013						
Cost	492,574	15,046	204,239	37,901	5,219	754,979
Accumulated depreciation	(58,521)	(8,147)	(96,772)	(25,103)	—	(188,543)
Net carrying amount	434,053	6,899	107,467	12,798	5,219	566,436
31 December 2014						
At 1 January 2014:						
Cost	492,574	15,046	204,239	37,901	5,219	754,979
Accumulated depreciation	(58,521)	(8,147)	(96,772)	(25,103)	—	(188,543)
Net carrying amount	434,053	6,899	107,467	12,798	5,219	566,436
At 1 January 2014, net of accumulated depreciation	434,053	6,899	107,467	12,798	5,219	566,436
Additions	6,527	4,738	20,889	1,655	14,657	48,466
Disposals	(338)	(491)	(924)	(2)	—	(1,755)
Depreciation provided during the year (note 7)	(14,276)	(1,548)	(22,697)	(2,689)	—	(41,210)
Transfers	15,157	—	1,082	—	(16,239)	—
At 31 December 2014, net of accumulated depreciation	441,123	9,598	105,817	11,762	3,637	571,937

	Buildings	Motor vehicles	Furniture and equipment	Computer equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2014						
Cost	513,852	16,584	224,555	39,500	3,637	798,128
Accumulated depreciation	(72,729)	(6,986)	(118,738)	(27,738)	—	(226,191)
Net carrying amount	441,123	9,598	105,817	11,762	3,637	571,937
31 December 2015						
At 1 January 2015:						
Cost	513,852	16,584	224,555	39,500	3,637	798,128
Accumulated depreciation	(72,729)	(6,986)	(118,738)	(27,738)	—	(226,191)
Net carrying amount	441,123	9,598	105,817	11,762	3,637	571,937
At 1 January 2015, net of accumulated depreciation	441,123	9,598	105,817	11,762	3,637	571,937
Additions	1,137	1,671	15,149	1,889	31,170	51,016
Disposals	(130)	(199)	(6)	—	—	(335)
Depreciation provided during the year (note 7)	(14,954)	(1,327)	(19,449)	(3,321)	—	(39,051)
Transfers	18,185	—	—	—	(18,185)	—
At 31 December 2015, net of accumulated depreciation	445,361	9,743	101,511	10,330	16,622	583,567
At 31 December 2015						
Cost	532,707	17,162	239,683	41,384	16,622	847,558
Accumulated depreciation	(87,346)	(7,419)	(138,172)	(31,054)	—	(263,991)
Net carrying amount	445,361	9,743	101,511	10,330	16,622	583,567
31 October 2016						
At 1 January 2016:						
Cost	532,707	17,162	239,683	41,384	16,622	847,558
Accumulated depreciation	(87,346)	(7,419)	(138,172)	(31,054)	—	(263,991)
Net carrying amount	445,361	9,743	101,511	10,330	16,622	583,567
At 1 January 2016, net of accumulated depreciation	445,361	9,743	101,511	10,330	16,622	583,567
Additions	6,508	—	21,389	1,636	23,447	52,980
Disposals	(426)	—	(199)	—	—	(625)

	Buildings	Motor vehicles	Furniture and equipment	Computer equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation provided during the period (note 7)	(13,278)	(1,117)	(16,734)	(2,380)	—	(33,509)
Transfers	11,863	—	—	—	(11,863)	—
At 31 October 2016, net of accumulated depreciation	450,028	8,626	105,967	9,586	28,206	602,413
At 31 October 2016						
Cost	550,234	17,024	260,238	42,172	28,206	897,874
Accumulated depreciation	(100,206)	(8,398)	(154,271)	(32,586)	—	(295,461)
Net carrying amount	450,028	8,626	105,967	9,586	28,206	602,413

The Group's buildings are situated in Mainland China.

Certificates of ownership in respect of certain buildings of the Group located in Chongqing, the PRC with total net carrying amounts of approximately RMB25,509,000, RMB25,490,000, RMB38,740,000 and RMB37,695,000 at 31 December 2013, 2014 and 2015 and 31 October 2016 have not yet been issued by the relevant PRC authorities, respectively. As at the end of the Relevant Periods, the Directors were still in the process of obtaining these certificates.

14. PREPAID LAND LEASE PAYMENTS

		As at 31 December			As at 31 October
	Note	2013	2014	2015	2016
		RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at beginning of year/period		39,148	38,295	41,010	57,271
Addition		—	3,641	17,216	52,933
Recognised during the year/period (note 7)		(853)	(926)	(955)	(1,187)
Carrying amount at end of year/period		38,295	41,010	57,271	109,017
Current portion included in prepayments, deposits and other receivables	21	(853)	(926)	(1,272)	(2,166)
Non-current portion		37,442	40,084	55,999	106,851

These pieces of leasehold lands are located in Mainland China and are held under long term leases.

15. GOODWILL

	As at 31 December			As at 31 October
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At beginning and end of year/period	303,937	303,937	303,937	303,937
Accumulated impairment:				
At beginning and end of year/period	—	—	—	—
Net carrying amount:				
At beginning and end of year/period	303,937	303,937	303,937	303,937

Impairment testing of goodwill

Goodwill acquired through business combination is allocated to the cash-generating unit of Chongqing College of Humanities, Science and Technology.

The recoverable amount of Chongqing College of Humanities, Science and Technology cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

	As at 31 December			As at 31 October
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue (% annual growth rate)	5%	5%	5%	5%
Gross margins (% of revenue)	60%	60%	60%	60%
Long term growth rate	2%	2%	2%	2%
Pre-tax discount rate	18.3%	17.6%	16.5%	16.9%

Budgeted revenue — The budgeted sales amounts are based on the historical data and management's expectation on the future market.

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Long term growth rate — The long term growth rate is based on the historical data and management's expectation on the future market.

Pre-tax discount rate — The pre-tax discount rate reflects specific risks relating to the relevant unit, which is determined using the capital asset pricing model with reference to the beta coefficient and debt ratio of certain publicly listed companies conducting business in the PRC education industry.

The values assigned to the key assumptions on market development of the cash-generating unit and discount rate are consistent with external information sources.

The most key assumption on which management has based its determination of Goodwill's recoverable amount is budgeted sales amounts, which are dependent on the number of students and unit tuition and boarding fees.

The Directors of the Company have estimated the reasonably possible changes in those factors and acknowledged that, even if the most unfavourable possible values were assigned to those factors, the recoverable amount then calculated, after incorporating any consequential effects of such assignments on the other variables used to measure Goodwill's recoverable amount, would still exceed the carrying amount of Goodwill.

16. OTHER INTANGIBLE ASSETS

	Computer software
	RMB'000
31 December 2013	
Cost at 1 January 2013, net of accumulated amortisation	1,996
Addition	403
Amortisation provided during the year (note 7)	(499)
At 31 December 2013	1,900
At 31 December 2013	
Cost	3,159
Accumulated amortisation	(1,259)
Net carrying amount	1,900

	Computer software
	RMB'000
31 December 2014	
Cost at 1 January 2014, net of accumulated amortisation	1,900
Addition	1,268
Amortisation provided during the year (note 7)	(644)
At 31 December 2014	2,524
At 31 December 2014	
Cost	4,427
Accumulated amortisation	(1,903)
Net carrying amount	2,524

	Computer software
	RMB'000
31 December 2015	
Cost at 1 January 2015, net of accumulated amortisation	2,524
Addition	632
Amortisation provided during the year (note 7)	(738)
At 31 December 2015	2,418
At 31 December 2015	
Cost	5,059
Accumulated amortisation	(2,641)
Net carrying amount	2,418

	Computer software
	RMB'000
31 October 2016	
Cost at 1 January 2016, net of accumulated amortisation	2,418
Addition	978
Amortisation provided during the period (note 7)	(731)
At 31 October 2016	2,665
At 31 October 2016	
Cost	6,038
Accumulated amortisation	(3,373)
Net carrying amount	2,665

17. INVESTMENTS IN ASSOCIATES

	As at 31 December			As at 31 October
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Share of net assets	—	3,541	3,290	2,990
Loan to an associate — Hong Kong Nang Yan College of Higher Education Limited	—	—	—	17,438
	—	3,541	3,290	20,428

The loan to an associate (Hong Kong Nang Yan College of Higher Education Limited) is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the Directors, the loan is considered as part of the Group's net investment in this associate.

The loan to an associate (Beacon International College PTE. LTD) included in the Group's current assets totally RMB676,000 as at 31 October 2016 is repayable in full in March 2018 and bears interest at 6% per annum.

Particulars of the associates are as follows:

Name	Particulars of equity/interest held	Place of incorporation/ establishment and business	Percentage of ownership interest attributable to the Group as at the end of the Relevant Periods	Principal activities
Beacon International College PTE. LTD.*	Ordinary shares	Republic of Singapore	25.6%	Commercial schools offering higher education programmes
Hong Kong Nang Yan College of Higher Education Limited*	Membership	Hong Kong	0%**	Education institution providing higher education

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

** The Group's subsidiary, Hong Kong College of Technology and Business Limited ("Hong Kong Technology and Business"), is one of the two members of Hong Kong Nang Yan College of Higher Education Limited ("Hong Kong Nang

Yan"). Pursuant to the Articles of Association of Hong Kong Nang Yan, no portion of the income and property of Hong Kong Nang Yan shall be transferred directly or indirectly, by way of dividend, bonus, or otherwise, to any member of it. Hong Kong Technology and Business is entitled to appoint 2 members on the school management committee of Hong Kong Nang Yan which represented 15% of the voting rights.

The above investments are indirectly held by the Company.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	As at 31 December			As at 31 October
	2013	**2014**	**2015**	**2016**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Share of the associates' loss for the year/period	—	(480)	(928)	(602)
Share of the associates' total comprehensive income	—	(480)	(928)	(602)
Aggregate carrying amount of the Group's investments in the associates	—	3,541	3,290	20,428

18. AVAILABLE-FOR-SALE INVESTMENT

	As at 31 December			As at 31 October
	2013	**2014**	**2015**	**2016**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Unlisted equity investment, at cost	6,000	6,000	6,000	6,000

The above investment represents an equity investment which was designated as an available-for-sale financial asset and has no fixed maturity date or coupon rate.

As at 31 December 2013, 2014 and 2015 and 31 October 2016, the unlisted equity investment was stated at cost less impairment because the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value that the Directors are of the opinion that its fair value cannot be measured reliably. The Group does not intend to dispose of the investment in the near future.

19. INVENTORIES

	As at 31 December			As at 31 October
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	1,003	1,053	1,184	1,244

20. TRADE RECEIVABLES

	As at 31 December			As at 31 October
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	9,596	9,518	2,620	3,870
Impairment	(3,880)	(4,617)	—	(1,796)
	5,716	4,901	2,620	2,074

The Group's students are required to pay tuition fees and boarding fees in advance for the upcoming school year, which normally commences in September. The outstanding receivables represent amounts related to students who have applied for the delayed payment of tuition fees and boarding fees. There is no fixed term for delayed payments. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified students, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the transaction date and net of provisions, is as follows:

	As at 31 December			As at 31 October
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	2,648	1,770	657	1,479
1 to 2 years	2,080	1,471	1,063	263
2 to 3 years	941	1,562	741	126
Over 3 years	47	98	159	206
	5,716	4,901	2,620	2,074

The movements in provision for impairment of trade receivables are as follows:

	As at 31 December			As at 31 October
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	3,327	3,880	4,617	—
Impairment losses recognised (note 7)	553	737	1,934	1,796
Amount written off as uncollectible	—	—	(6,551)	—
	3,880	4,617	—	1,796

The individually impaired trade receivables relate to students that were in financial difficulties or were in default in payments and no receivable is expected to be recovered.

The ageing analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	As at 31 December			As at 31 October
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 1 year past due	4,728	3,241	1,720	1,742
1 to 2 years past due	941	1,562	741	126
2 to 3 years past due	47	98	159	206
	5,716	4,901	2,620	2,074

Receivables that were past due but not impaired relate to a number of independent students who are in temporary financial difficulties. Based on the individual assessment, the Directors are of the opinion that no provision for impairment is necessary in respect of these students' various efforts over fund raising.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	Note	As at 31 December			As at 31 October
		2013	2014	2015	2016
		RMB'000	RMB'000	RMB'000	RMB'000
Prepaid expenses		1,409	1,375	1,800	2,987
Prepaid land lease payments (current portion)	14	853	926	1,272	2,166
Advance to staff		1,320	1,782	1,756	1,954
Advance to third parties		1,029	1,232	2,093	2,569
Loan to a third party*		—	—	30,000	30,000
Interest receivables		2,551	2,318	300	597
Listing expenses		—	—	—	3,832
Other receivables		6,608	7,455	2,708	3,587
		13,770	15,088	39,929	47,692
Less: Impairment of deposits and other receivables		(6,376)	(6,376)	(520)	(756)
		7,394	8,712	39,409	46,936

* The loan to a third party bears interest at 10% per annum and is repayable in full in August 2017 with a guarantee provided by another third party.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Long ageing balances are reviewed regularly by senior management. In view of the fact that the Group's deposits and other receivables relate to a large number of diversified counterparties, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its deposits and other trade receivable balances. Other receivables are non-interest-bearing. The movements in the provision for impairment of deposits and other receivables are as follows:

	As at 31 December			As at 31 October
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	6,336	6,376	6,376	520
Impairment losses recognised (note 7)	40	—	—	236
Amount written off as uncollectible	—	—	(5,856)	—
	6,376	6,376	520	756

The individually impaired other receivables relate to counterparties that were in financial difficulties or were in default in payments and no receivable is expected to be recovered.

Company

	As at 31 December			As at 31 October
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Listing expenses	—	—	—	3,832

None of the above assets that is not individually or collectively considered to be impaired is past due. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

22. AVAILABLE-FOR-SALE INVESTMENTS

	As at 31 December			As at 31 October
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Wealth management products issued by licensed banks, at fair value	498,312	733,257	522,096	611,020

During the Relevant Periods, the gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB5,312,000, RMB6,757,000, RMB5,426,000 and RMB3,650,000, respectively, and RMB3,926,000, RMB5,312,000, RMB6,757,000 and RMB5,426,000 were reclassified from other comprehensive income to profit or loss for the years ended 31 December 2013, 2014 and 2015 and the ten months ended 31 October 2016, respectively.

23. CASH AND BANK BALANCES AND INVESTMENT DEPOSITS

Group

	As at 31 December			As at 31 October
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	391,757	375,021	352,218	226,880
Investment deposits with licensed banks in Mainland China, at amortised cost	224,580	234,370	121,230	280,770
	616,337	609,391	473,448	507,650
Less: Investment deposits with original maturity of more than three months when acquired	(68,850)	(109,470)	—	(30,900)
Cash and cash equivalents	547,487	499,921	473,448	476,750
Cash and bank balances and investment deposits denominated in:				
- RMB	342,234	340,460	448,329	487,622
- HK dollars (HK$)	172,016	175,698	2,360	205
- US dollars (US$)	102,087	93,233	22,759	19,823

Company

	As at 31 December			As at 31 October
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	154,689	148,647	3,255	537
Cash and cash equivalents	154,689	148,647	3,255	537
Denominated in:				
- RMB	90,302	102,464	8	1
- HK$	10,729	112	87	62
- US$	53,658	46,071	3,160	474

Investment deposits as at 31 December 2013, 2014 and 2015 and 31 October 2016 represented investments in wealth management products purchased from licensed banks in Mainland China, with aggregate amounts of RMB224,580,000, RMB234,370,000, RMB121,230,000 and RMB280,770,000, respectively. The investment deposits were classified by the Group as loans and receivables and measured at amortised cost. The principals of the investment deposits were guaranteed by the licensed banks in Mainland China. The investment deposits bore fixed interest return rates and had expected interest return rates in the range of 2.40% to 5.05% per annum.

As at 31 December 2013, 2014 and 2015 and 31 October 2016, the Group's cash and bank balances and investment deposits denominated in RMB amounted to RMB342,234,000, RMB340,460,000, RMB448,329,000 and RMB487,622,000, respectively. 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. The bank balances are deposited with creditworthy banks with no recent history of default.

In accordance with the relevant laws and regulations imposed by the relevant PRC government authorities or the terms and conditions set out in the relevant government grant agreements, proceeds from government grants are required to be deposited into designated bank accounts and restricted to be used in the relevant project. As at 31 December 2013, 2014 and 2015 and 31 October 2016, such balances were RMB17,603,000, RMB42,785,000, RMB91,859,000 and RMB106,048,000, respectively.

24. DEFERRED REVENUE

	As at 31 December			As at 31 October
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Tuition fees	198,184	211,715	225,523	281,869
Boarding fees	18,383	19,435	20,948	28,529
	216,567	231,150	246,471	310,398

The students are entitled to the refund of payments in relation to the proportionate service not yet provided.

25. OTHER PAYABLES AND ACCRUALS

Group

	As at 31 December			As at 31 October
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued bonuses and other employee benefits	6,655	10,192	12,039	11,273
Payables for catering service	3,297	3,272	2,927	2,147
Payables for purchase of property, plant and equipment	30,374	21,817	14,416	20,483
Payables for management fee	10,522	11,585	12,210	10,205
Miscellaneous expenses received from students (note (i))	21,319	21,983	20,304	45,873
Other tax payable	775	1,344	7,094	1,702
Payables for listing expenses	—	—	—	6,037
Other payables	13,727	14,757	16,455	15,674
	86,669	84,950	85,445	113,394

Company

	As at 31 December			As at 31 October
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Payables for listing expenses	—	—	—	6,037
Other payables	—	—	772	—
	—	—	772	6,037

Other payables are non-interest-bearing and repayable on demand.

Note (i): The amount represents the miscellaneous expenses received from students which will be paid out on behalf of students.

26. LOANS FROM THE ULTIMATE HOLDING COMPANY

Loans from the ultimate holding company are unsecured, bear interest at 2% per annum and are repayable in full in March and June 2017.

27. LOANS FROM RELATED PARTIES

Loans from related parties represent amounts borrowed from other subsidiaries of the ultimate holding company. Loans from related parties are unsecured, bear interest at 2% per annum and are repayable in full in June 2017 and July 2017.

28. INVESTMENTS IN SUBSIDIARIES AND BALANCES WITH SUBSIDIARIES

Company

	As at 31 December			As at 31 October
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted shares, at cost	1,184	1,184	789	789

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment except for a balance due to one subsidiary of RMB88,167,000 as at 31 December 2015 and RMB91,929,000 as at 31 October 2016 (31 December 2013 and 2014: nil), which is repayable in full in August 2020 and bears interest at 0.5% per annum.

29. DEFERRED INCOME

	As at 31 December			As at 31 October
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Government grants				
At beginning of year/period	19,829	33,976	66,230	121,920
Grants received	16,414	36,289	64,317	51,186
Charged to profit or loss	(2,267)	(4,035)	(8,627)	(19,869)
At end of year/period	33,976	66,230	121,920	153,237
Current	2,253	3,455	5,195	7,275
Non-current	31,723	62,775	116,725	145,962
	33,976	66,230	121,920	153,237

These government grants are related to the subsidies received from the local government for the purpose of compensating the operating expenses arising from the Group's schools' teaching activities and expenditures on teaching facilities. 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 profit or loss and the grants related to an asset would be released to profit or loss over the expected useful life of the relevant asset.

30. SHARE CAPITAL

Shares

	As at 31 December			As at 31 October
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Authorised:				
50,000,000 ordinary shares of US$0.001 each as at 31 December 2013, 2014 and 2015, 5,000,000,000 ordinary shares of US$0.00001 each as at 31 October 2016	403	403	403	403
Issued and fully paid:				
46,514,742 ordinary shares as at 31 December 2013 and 2014, 26,867,377 ordinary shares as at 31 December 2015, 2,589,451,200 ordinary shares as at 31 October 2016	375	375	217	209

A summary of movements in the Company's share capital is as follows:

	As at 31 December			As at 31 October
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	375	375	375	217
Shares repurchased (note (i))	—	—	(158)	(8)
At end of year/period	375	375	217	209

(i) During the year ended 31 December 2015, the Group repurchased the Company's shares of 19,647,365 issued to previous investors through the Company and a wholly-owned subsidiary for a total consideration of US$115,830,000 (approximately RMB738,822,000). The repurchased shares were cancelled during the year ended 31 December 2015 and the total amount paid for the repurchase of the shares of RMB738,822,000 has been charged to share capital, capital reserve and retained profits of the Group.

During the ten months ended 31 October 2016, the Group repurchased the Company's shares of 972,865 issued to previous investors through a wholly-owned subsidiary for a total consideration of US$8,906,000 (approximately RMB59,056,000). The repurchased shares were cancelled during the period ended 31 October 2016 and the total amount paid for the repurchase of the shares of RMB59,056,000 has been charged to share capital and retained profits of the Group.

31. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for each of the Relevant Periods are presented in the consolidated statements of changes in equity on pages I-7 to I-11 of this report.

(b) Capital reserve

The capital reserve of the Group represents the capital contribution premium from its then shareholders.

(c) Statutory reserve

Pursuant to the relevant laws in the PRC, the Company's subsidiaries in Mainland China 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) the 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 require reasonable returns, they are required to make appropriation 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 school facilities or procurement or upgrade of educational equipment.

(d) Company

	Capital reserve	Accumulated losses	Exchange fluctuation	Total reserves
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	508,836	(11,687)	(64,730)	432,419
Loss for the year	—	(3,161)	—	(3,161)
Other comprehensive income for the year:				
Exchange differences on translation	—	—	(39,577)	(39,577)
Total comprehensive income for the year	—	(3,161)	(39,577)	(42,738)
At 31 December 2013 and 1 January 2014	508,836	(14,848)	(104,307)	389,681
Loss for the year	—	(1,715)	—	(1,715)
Other comprehensive income for the year:				
Exchange differences on translation	—	—	1,417	1,417
Total comprehensive income for the year	—	(1,715)	1,417	(298)
At 31 December 2014 and 1 January 2015	508,836	(16,563)	(102,890)	389,383
Loss for the year	—	(302)	—	(302)
Other comprehensive income for the year:				
Exchange differences on translation	—	—	55,839	55,839
Total comprehensive income for the year	—	(302)	55,839	55,537
Repurchase of issued ordinary shares	(508,836)	(8,747)	45,732	(471,851)
Difference arising from a loan from a subsidiary with lower interest rate than market interest rate	—	24,421	—	24,421
At 31 December 2015 and 1 January 2016	—	(1,191)	(1,319)	(2,510)
Loss for the period	—	(9,766)	—	(9,766)
Other comprehensive income for the period:				
Exchange differences on translation	—	—	(398)	(398)
Total comprehensive income for the period	—	(9,766)	(398)	(10,164)
Repurchase of issued ordinary shares	—	6	2	8
At 31 October 2016	—	(10,951)	(1,715)	(12,666)

32 PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

Percentage of equity interest held by non-controlling interests:

	As at 31 December			As at 31 October
	2013	2014	2015	2016
Chongqing College of Humanities, Science and Technology	5%	5%	5%	0%
Pass College of Chongqing Technology and Business University	5%	5%	5%	0%

Profit for the year/period allocated to non-controlling interests:

	Year ended 31 December			Ten months ended 31 October
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Chongqing College of Humanities, Science and Technology	7,123	7,784	8,340	4,858
Pass College of Chongqing Technology and Business University	2,559	2,956	3,595	1,721

Accumulated balances of non-controlling interests at the reporting dates:

	As at 31 December			As at 31 October
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Chongqing College of Humanities, Science and Technology	47,267	50,420	52,425	—
Pass College of Chongqing Technology and Business University	12,692	15,697	19,337	—

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

Ten months ended 31 October 2016	Chongqing College of Humanities, Science and Technology	Pass College of Chongqing Technology and Business University
	RMB'000	RMB'000
Revenue	219,284	108,839
Total expenses	129,820	67,394
Profit for the period	124,347	53,870
Total comprehensive income for the period	122,764	53,688
Current assets	830,586	353,478
Non-current assets	672,724	265,093
Current liabilities	245,232	131,471
Non-current liabilities	82,090	48,680
Net cash flows from operating activities	183,873	136,708
Net cash flows used in investing activities	(260,970)	(178,508)
Net decrease in cash and cash equivalents	(77,097)	(41,800)

Year ended 31 December 2015	Chongqing College of Humanities, Science and Technology	Pass College of Chongqing Technology and Business University
	RMB'000	RMB'000
Revenue	271,779	131,322
Total expenses	146,637	70,983
Profit for the year	166,799	71,890
Total comprehensive income for the year	167,002	70,798
Current assets	702,031	315,766
Non-current assets	604,380	212,420
Current liabilities	192,308	107,770
Non-current liabilities	65,595	35,685
Net cash flows from operating activities	181,384	125,706
Net cash flows from/(used in) investing activities	82,751	(66,419)
Net cash flows used in financing activities	(126,890)	—
Net increase in cash and cash equivalents	137,245	59,287

Year ended 31 December 2014	Chongqing College of Humanities, Science and Technology	Pass College of Chongqing Technology and Business University
	RMB'000	RMB'000
Revenue	261,751	118,374
Total expenses	137,722	65,648
Profit for the year	155,689	59,117
Total comprehensive income for the year	155,784	60,090
Current assets	831,015	231,085
Non-current assets	402,854	201,725
Current liabilities	193,355	101,472
Non-current liabilities	32,119	17,404
Net cash flows from operating activities	258,680	88,215
Net cash flows used in investing activities	(148,044)	(106,749)
Net cash flows used in financing activities	(97,050)	—
Net increase/(decrease) in cash and cash equivalents	13,586	(18,534)

Year ended 31 December 2013	Chongqing College of Humanities, Science and Technology	Pass College of Chongqing Technology and Business University
	RMB'000	RMB'000
Revenue	252,350	103,314
Total expenses	135,902	58,244
Profit for the year	142,458	51,179
Total comprehensive income for the year	143,805	51,172
Current assets	746,172	161,647
Non-current assets	402,282	192,530
Current liabilities	187,932	92,573
Non-current liabilities	15,192	7,760
Net cash flows from operating activities	218,594	152,622
Net cash flows used in investing activities	(183,682)	(106,434)
Net cash flows used in financing activities	(53,370)	—
Net increase/(decrease) in cash and cash equivalents	(18,458)	46,188

33. CONTINGENT LIABILITIES

As at 31 December 2013, 2014, 2015 and 31 October 2016, neither the Group nor the Company had any significant contingent liabilities.

34. OPERATING LEASE ARRANGEMENTS

(a) As lessor

Group

The Group leases certain buildings under operating lease arrangements, with leases negotiated for terms ranging from one to five years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of each of the Relevant Periods, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 31 December			As at 31 October
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	359	428	554	1,366
In the second to fifth years, inclusive	238	124	557	651
	597	552	1,111	2,017

Company

At the end of each of the Relevant Periods, the Company did not have future minimum lease receivables under non-cancellable operating leases with its tenants.

(b) As lessee

Group

The Group leases certain of its buildings under operating lease arrangements. Leases for buildings were negotiated for initial terms within one year. 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 31 October
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	2,195	170	182	504

Company

The Company leases certain of its buildings under operating lease arrangements. Leases for buildings were negotiated for initial terms of half year. At the end of each of the Relevant Periods, the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December			As at 31 October
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	—	—	—	23

35. COMMITMENTS

Group

In addition to the operating lease commitments detailed in note 34(b) above, the Group had the following capital commitments at the end of the reporting period:

	As at 31 December			As at 31 October
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:				
Equipment	397	3,751	5,129	4,334
Buildings	2,560	3,152	111	9,406
Loans committed to an associate	—	—	—	26,168
	2,957	6,903	5,240	39,908

At the end of each of the Relevant Periods, the Group did not have significant capital commitments that are authorised but not contracted for.

Company

At the end of each of the Relevant Periods, the Company did not have significant capital commitments.

36. RELATED PARTY TRANSACTIONS

(a) Name and relationship of related parties

Name	Relationship
Honest Cheer Investments Limited	the ultimate holding company
UCMG Management Limited	fellow subsidiary
Yangguang Healthcare Group Company Limited	fellow subsidiary
Yangguang Healthcare Education Company Limited	fellow subsidiary
Yangguang Healthcare Education (Hong Kong) Company Limited	fellow subsidiary
Yangguang Healthcare Company Limited	fellow subsidiary
Yangguang Healthcare (Hong Kong) Company Limited	fellow subsidiary
Beacon International College PTE. LTD.	associate

(b) In addition to the transactions detailed elsewhere in the Financial Information, the Group had the following transactions with related parties during the year/period:

	Notes	Year ended 31 December			Ten months ended 31 October	
		2013	2014	2015	2015	2016
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Loans from:						
Honest Cheer Investments Limited	(i)	—	—	114,781	44,541	—
UCMG Management Limited	(ii)	—	—	—	—	8,639
Yangguang Healthcare Group Company Limited	(iii)	—	—	455	—	—
Yangguang Healthcare Education Company Limited	(iii)	—	—	455	—	—
Yangguang Healthcare Education (Hong Kong) Company Limited	(iii)	—	—	455	—	—
Yangguang Healthcare Company Limited	(iii)	—	—	2,726	—	—
Yangguang Healthcare (Hong Kong) Company Limited	(iii)	—	—	455	—	—
		—	—	119,327	44,541	8,639
Interest expenses to:						
Honest Cheer Investments Limited	(i)	—	—	302	93	1,946
UCMG Management Limited	(ii)	—	—	—	—	137
Yangguang Healthcare Group Company Limited	(iii)	—	—	—	—	8
Yangguang Healthcare Education Company Limited	(iii)	—	—	—	—	8
Yangguang Healthcare Education (Hong Kong) Company Limited	(iii)	—	—	—	—	8
Yangguang Healthcare Company Limited	(iii)	—	—	3	—	46
Yangguang Healthcare (Hong Kong) Company Limited	(iii)	—	—	—	—	8
		—	—	305	93	2,161

	Notes	Year ended 31 December			Ten months ended 31 October	
		2013	2014	2015	2015	2016
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Loan to:						
Beacon International College PTE. LTD.	(iv)	—	—	—	—	676
Interest income from:						
Beacon International College PTE. LTD.	(iv)	—	—	—	—	6

(i) In 2015, the Group borrowed loans from Honest Cheer Investments Limited with an amount of RMB45,455,000 which bore interest at 2% per annum and were repayable in full in March 2017, and loans with an amount of RMB69,326,000 which bore interest at 2% per annum and were repayable in full in June 2017.

(ii) In 2016, the Group borrowed loans from UCMG Management Limited with an amount of RMB8,639,000 which bore interest at 2% per annum and were repayable in full in July 2017.

(iii) In 2015, the Group borrowed loans from Yangguang Healthcare Group Company Limited, Yangguang Healthcare Education Company Limited, Yangguang Healthcare Education (Hong Kong) Company Limited, Yangguang Healthcare Company Limited and Yangguang Healthcare (Hong Kong) Company Limited with amounts of RMB455,000, RMB455,000, RMB455,000, RMB2,726,000 and RMB455,000, respectively, which bore interest at 2% per annum and were repayable in full in June 2017.

(iv) The interest income of RMB6,000 in 2016 from Beacon International College PTE. LTD. arose from the loan to Beacon International College PTE. LTD. of RMB676,000.

(c) Outstanding balances with related parties

Group

As disclosed in the consolidated statements of financial position, the Group had outstanding balances due to related parties at the end of each of the Relevant Periods.

Current portion of loans from the ultimate holding company:

	As at 31 December			As at 31 October
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Honest Cheer Investments Limited	—	—	—	121,887

Non-current portion of loans from the ultimate holding company:

	As at 31 December			As at 31 October
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Honest Cheer Investments Limited	—	—	115,095	—

Current portion of loans from related parties:

	As at 31 December			As at 31 October
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
UCMG Management Limited	—	—	—	8,859
Yangguang Healthcare Group Company Limited	—	—	—	482
Yangguang Healthcare Education Company Limited	—	—	—	482
Yangguang Healthcare Education (Hong Kong) Company Limited	—	—	—	482
Yangguang Healthcare Company Limited	—	—	—	2,891
Yangguang Healthcare (Hong Kong) Company Limited	—	—	—	482
	—	—	—	13,678

Non-current portion of loans from related parties:

	As at 31 December			As at 31 October
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
UCMG Management Limited	—	—	—	—
Yangguang Healthcare Group Company Limited	—	—	455	—
Yangguang Healthcare Education Company Limited	—	—	455	—
Yangguang Healthcare Education (Hong Kong) Company Limited	—	—	455	—
Yangguang Healthcare Company Limited	—	—	2,730	—
Yangguang Healthcare (Hong Kong) Company Limited	—	—	455	—
	—	—	4,550	—

Current portion of loans to related parties:

	As at 31 December		As at 31 October	
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Beacon International College PTE. LTD.	—	—	—	676

Company

As disclosed in the statements of financial position, the Company had outstanding balances due to related parties at the end of each of the Relevant Periods.

Current portion of loans from the ultimate holding company:

	As at 31 December			As at 31 October
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Honest Cheer Investments Limited	—	—	—	37,859

Non-current portion of loans from the ultimate holding company:

	As at 31 December			As at 31 October
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Honest Cheer Investments Limited	—	—	35,748	—

(d) Compensation of key management personnel of the Group:

	Year ended 31 December			Ten months ended 31 October	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries, allowances and benefits in kind	5,232	3,547	3,704	3,138	2,900
Pension scheme contributions	43	38	26	20	23
	5,275	3,585	3,730	3,158	2,923

Further details of Directors' and the chief executive's emoluments are included in note 8 to the Financial Information.

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Group

	As at 31 December			As at 31 October
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale investments	504,312	739,257	528,096	617,020

Financial assets — loans and receivables	As at 31 December 2013	As at 31 December 2014	As at 31 December 2015	As at 31 October 2016
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	5,716	4,901	2,620	2,074
Financial assets included in prepayments, deposits and other receivables	3,703	4,317	32,488	33,427
Investment deposits	224,580	234,370	121,230	280,770
Loan to an associate	—	—	—	676
Cash and bank balances	391,757	375,021	352,218	226,880
	625,756	618,609	508,556	543,827

Financial liabilities at amortised cost	As at 31 December 2013	As at 31 December 2014	As at 31 December 2015	As at 31 October 2016
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities included in other payables and accruals	79,239	73,414	66,312	94,382
Loans from the ultimate holding company - current	—	—	—	121,887
Loans from the ultimate holding company - non-current	—	—	115,095	—
Loans from related parties - current	—	—	—	13,678
Loans from related parties- non-current	—	—	4,550	—
	79,239	73,414	185,957	229,947

Company

Financial assets — loans and receivables	As at 31 December 2013	As at 31 December 2014	As at 31 December 2015	As at 31 October 2016
	RMB'000	RMB'000	RMB'000	RMB'000
Due from subsidiaries	238,014	243,772	125,091	150,862
Cash and bank balances	154,689	148,647	3,255	537
	392,703	392,419	128,346	151,399

Financial liabilities at amortised cost	As at 31 December 2013	2014	2015	As at 31 October 2016
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities included in other payables and accruals	—	—	772	6,037
Loans from the ultimate holding company - current	—	—	—	37,859
Loans from the ultimate holding company - non-current	—	—	35,748	—
Due to subsidiaries - current	3,831	3,845	6,741	32,652
Due to a subsidiary - non-current	—	—	88,167	91,929
	3,831	3,845	131,428	168,477

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Group

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 2013 Carrying amounts	2013 Fair values
	RMB'000	RMB'000
Wealth management products	498,312	498,312

	As at 31 December 2014 Carrying amounts	2014 Fair values
	RMB'000	RMB'000
Wealth management products	733,257	733,257

	As at 31 December	
	2015	2015
	Carrying amounts	Fair values
	RMB'000	RMB'000
Wealth management products	522,096	522,096

	As at 31 October	
	2016	2016
	Carrying amounts	Fair values
	RMB'000	RMB'000
Wealth management products	611,020	611,020

Management has assessed that the fair values of cash and bank balances, investment deposits, loan to an associate, financial assets included in prepayments, deposits and other receivables, trade receivables, financial liabilities included in other payables and accruals, loans from the ultimate holding company and loans from related parties 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 following methods and assumptions were used to estimate the fair values:

The fair values of unlisted available-for-sale investments in banks' wealth management products have been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the Directors to make estimates about the expected future cash flows including expected future interest return on maturity of the wealth management products. The Directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of each of the Relevant Periods.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis at the end of each of the Relevant Periods:

31 December 2013

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted wealth management products	Discounted cash flow method	Interest return rate	4.20% to 5.80%	0.5% increase/(decrease) in interest return rate would result in increase/(decrease) in fair value by RMB554,000.

31 December 2014

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted wealth management products	Discounted cash flow method	Interest return rate	3.60% to 5.05%	0.5% increase/(decrease) in interest return rate would result in increase/(decrease) in fair value by RMB702,000.

31 December 2015

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted wealth management products	Discounted cash flow method	Interest return rate	2.20% to 5.50%	0.5% increase/(decrease) in interest return rate would result in increase/(decrease) in fair value by RMB572,000.

31 October 2016

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted wealth management products	Discounted cash flow method	Interest return rate	2.40% to 4.25%	0.5% increase/(decrease) in interest return rate would result in increase/(decrease) in fair value by RMB573,000.

Company

Management has assessed that the fair values of cash and bank balances, amounts due from/to subsidiaries (current), financial liabilities included in other payables and accruals and loans from the ultimate holding company approximate to their carrying amounts largely due to the short term maturities of these instruments. The fair values of the amounts due to subsidiaries 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 fair values of the amounts due to subsidiaries approximate to their carrying amounts.

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.

Fair value hierarchy

Group

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	Total
	(Level 1)	(Level 2)	(Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Wealth management products.	—	—	498,312	498,312

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	Total
	(Level 1)	(Level 2)	(Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Wealth management products.	—	—	733,257	733,257

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	Total
	(Level 1)	(Level 2)	(Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Wealth management products.	—	—	522,096	522,096

As at 31 October 2016

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	Total
	(Level 1)	(Level 2)	(Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Wealth management products.	—	—	611,020	611,020

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

The Group did not have any financial liability measured at fair value at the end of each of the Relevant Periods.

Company

The Company did not have any financial asset or liability measured at fair value at the end of each of the Relevant Periods.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and bank balances, investment deposits and available-for-sale investments. The Group has various other financial assets and liabilities such as trade receivables, other receivables, other payables and accruals, loans from the ultimate holding company and loans from related parties, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency 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.

Foreign currency risk

All of the Group's turnover and substantially all of the Group's operating expenses are denominated in RMB, which is not a freely convertible currency. The PRC Government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of Mainland China. Shortages in the availability of foreign currencies may restrict the ability of the Group's PRC subsidiaries to remit sufficient foreign currencies to pay dividends or other amounts to the Group.

The following table demonstrates the sensitivity as at the end of the reporting period to a reasonably possible change in the US$ exchange rate, with all other variables held constant, of the Group's profit before tax and equity.

Effect on profit before tax

	As at 31 December			As at 31 October
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Increase in the US$ rate by 3%	5,750	6,529	10,487	13,111
Decrease in the US$ rate by 3%	(5,750)	(6,529)	(10,487)	(13,111)

Effect on equity (including effect on profit before tax)

	As at 31 December			As at 31 October
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Increase in the US$ rate by 3%	7,633	7,499	(3,431)	(16,004)
Decrease in the US$ rate by 3%	(7,633)	(7,499)	3,431	16,004

Credit risk

The credit risk of the Group's financial assets, which comprise bank balances, investment deposits, available-for-sale investments, trade receivables, deposits and other receivables and loan to an associate, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group transacts mainly with recognised and creditworthy third parties including credit worthy banks, 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 internally generated cash flows from operations 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:

Group

	As at 31 December 2013				
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities included in other payables and accruals.	79,239	—	—	—	79,239

	As at 31 December 2014				
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities included in other payables and accruals.	73,414	—	—	—	73,414

	As at 31 December 2015				
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities included in other payables and accruals	66,312	—	—	—	66,312
Loans from the ultimate holding company	—	—	—	118,219	118,219
Loans from related parties	—	—	—	4,682	4,682
	66,312	—	—	122,901	189,213

	As at 31 October 2016				
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities included in other payables and accruals	94,382	—	—	—	94,382
Loans from the ultimate holding company	—	—	123,144	—	123,144
Loans from related parties	—	—	13,857	—	13,857
	94,382	—	137,001	—	231,383

Company

	As at 31 December 2013				
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Due to subsidiaries - current	3,831	—	—	—	3,831

	As at 31 December 2014				
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Due to subsidiaries - current	3,845	—	—	—	3,845

	As at 31 December 2015				
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities included in other payables and accruals	772	—	—	—	772
Loans from the ultimate holding company	—	—	—	36,785	36,785
Due to subsidiaries - current	6,741	—	—	—	6,741
Due to a subsidiary - non-current	—	—	—	114,313	114,313
	7,513	—	—	151,098	158,611

	As at 31 October 2016				
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities included in other payables and accruals	6,037	—	—	—	6,037
Loans from the ultimate holding company	—	—	38,318	—	38,318
Due to subsidiaries - current	32,652	—	—	—	32,652
Due to a subsidiary - non-current	—	—	—	114,313	114,313
	38,689	—	38,318	114,313	191,320

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 Directors 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 raising new debts as well as redemption of existing debts. The Group's overall strategy remains unchanged during the Relevant Periods.

The Group monitors capital using a debt-to-asset ratio which is total liabilities divided by total assets. Capital represents equity attributable to owners of the parent. The debt-to-asset ratios as at the end of each of the Relevant Periods are as follows:

	As at 31 December			As at 31 October
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Total liabilities	340,994	383,124	590,527	713,132
Total assets	2,059,977	2,300,837	2,009,468	2,227,394
Debt-to-asset ratios	17%	17%	29%	32%

The Group did not have any unutilised banking facilities at the end of each of the Relevant Periods.

40. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to 31 October 2016.

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 CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated 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 consolidated net tangible assets as of 31 October 2016 as if it had taken place on 31 October 2016.

The unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as of 31 October 2016 or any future date. It is prepared based on our consolidated net tangible assets as of 31 October 2016 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 consolidated net tangible assets does not form part of the Accountants' Report as set out in Appendix I to this prospectus.

	Consolidated net tangible assets attributable to owners of the Company as of 31 October 2016	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted consolidated net tangible assets**	**Unaudited pro forma adjusted consolidated 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$1.24 per Share.	1,207,660	1,034,845	2,242,505	0.56	0.64
Based on an Offer Price of HK$1.52 per Share.	1,207,660	1,272,950	2,480,610	0.62	0.71

Notes:

(1) The consolidated net tangible assets attributable to owners of the Company as of 31 October 2016 is extracted from the Accountants' Report, which is based on the audited consolidated equity attributable to owners of the Company as of 31 October 2016 of approximately RMB1,514 million less goodwill and other intangible assets.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$1.24 per Share or HK$1.52 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 RMB0.8723 prevailing on 31 October 2016.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 4,000,000,000 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 consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$1.0 to RMB0.8723 prevailing on 31 October 2016.

B. INDEPENDENT REPORTING ACCOUNTANTS' 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

10 March 2017

To the Directors of Minsheng Education Group Company Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Minsheng Education Group 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 consolidated net tangible assets as at 31 October 2016 and related notes as set out on pages II-1 of the prospectus dated 10 March 2017 issued by the Company (the "Prospectus") (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 at 31 October 2016 as if the transaction had taken place at 31 October 2016. 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 31 October 2016, 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 ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' 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 accountants 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 AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the 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 the 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 accountants' judgment, having regard to the reporting accountants' 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 preliminary financial information of our Group as of and for the year ended December 31, 2016 ("2016 Preliminary Financial Information"), together with comparative financial information as of and for the year ended December 31, 2015 and a discussion of changes in our Group's financial condition and results of operations between the two periods. The 2016 Preliminary Financial Information was not audited. Investors should bear in mind that the 2016 Preliminary Financial Information in this Appendix may be subject to adjustments.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
	Notes	2015	2016
		RMB'000 (Audited)	RMB'000 (Unaudited)
REVENUE	4	426,317	444,997
Cost of sales		(164,653)	(186,391)
Gross profit		261,664	258,606
Other income and gains	4	56,921	97,753
Selling and distribution expenses		(8,297)	(11,693)
Administrative expenses		(61,678)	(86,301)
Other expenses, net		(698)	(3,745)
Finance costs	5	(305)	(2,595)
Share of loss of an associate		(928)	(667)
PROFIT BEFORE TAX	6	246,679	251,358
Income tax expense	7	(33,222)	(1,609)
PROFIT FOR THE YEAR		213,457	249,749
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent period			
Available-for-sale investments:			
Change in fair value		5,426	182
Reclassification adjustments for gains on maturity included in the consolidated statement of profit or loss		(6,757)	(5,426)
		(1,331)	(5,244)
Exchange differences on translation of foreign operations		27,924	(33,478)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		26,593	(38,722)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		240,050	211,027

	Notes	Year ended 31 December 2015	Year ended 31 December 2016
		RMB'000 (Audited)	RMB'000 (Unaudited)
Profit attributable to:			
Owners of the parent		203,207	243,431
Non-controlling interests		10,250	6,318
		213,457	249,749
Total comprehensive income attributable to:			
Owners of the parent		229,848	204,909
Non-controlling interests		10,202	6,118
		240,050	211,027
Earnings per share attributable to ordinary equity holders of the parent:			
Basic and diluted	8	RMB0.05	RMB0.09

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2015	2016
		RMB'000 (Audited)	RMB'000 (Unaudited)
NON-CURRENT ASSETS			
Property, plant and equipment		583,567	611,716
Prepaid land lease payments		55,999	106,431
Goodwill		303,937	303,937
Other intangible assets		2,418	2,682
Investments in associates		3,290	20,886
Available-for-sale investment		6,000	6,000
Deposits for acquisition of land use rights		15,500	15,500
Total non-current assets		970,711	1,067,152
CURRENT ASSETS			
Inventories		1,184	1,260
Trade receivables	9	2,620	873
Prepayments, deposits and other receivables	10	39,409	45,774
Available-for-sale investments		522,096	143,182
Investment deposits		121,230	362,600
Loan to an associate		—	707
Cash and bank balances		352,218	602,322
Total current assets		1,038,757	1,156,718
CURRENT LIABILITIES			
Deferred revenue	11	246,471	263,163
Other payables and accruals	12	85,445	110,729
Deferred income - current		5,195	7,488
Loans from the ultimate holding company		—	125,413
Loans from related parties		—	14,073
Tax payable		17,046	77
Total current liabilities		354,157	520,943
NET CURRENT ASSETS		684,600	635,775
TOTAL ASSETS LESS CURRENT LIABILITIES		1,655,311	1,702,927

	Notes	As at 31 December 2015	As at 31 December 2016
		RMB'000 (Audited)	RMB'000 (Unaudited)
NON-CURRENT LIABILITIES			
Deferred income - non-current		116,725	132,015
Loans from the ultimate holding company		115,095	—
Loans from related parties		4,550	—
Total non-current liabilities		236,370	132,015
Net assets		1,418,941	1,570,912
EQUITY			
Equity attributable to owners of the parent			
Share capital		217	209
Reserves		1,331,201	1,570,703
		1,331,418	1,570,912
Non-controlling interests		87,523	—
Total equity		1,418,941	1,570,912

NOTES TO THE 2016 PRELIMINARY FINANCIAL INFORMATION

1 BASIS OF PREPARATION

The 2016 Preliminary Financial Information does not constitute the consolidated financial statements of Minsheng Education Group Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016 but is extracted from those financial statements.

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations issued by the International Accounting Standards Board ("IASB"). The accounting policies adopted in the preparation of the consolidated financial statements for the year ended 31 December 2016 are consistent with those set out in the Group's consolidated financial information for the year ended 31 December 2013, 2014 and 2015 and for the ten months ended 31 October 2016.

2 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 2016 Preliminary Financial Information.

IFRS 9	*Financial Instruments*[1]
IFRS 15	*Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[1]
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[4]
Amendments to IAS 7	*Disclosure Initiative*[4]
Amendments to IAS 40	*Transfers of Investment Property*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[5]
Amendments to IFRSs	*Annual Improvements to IFRS Standards 2014-2016 Cycle*[6]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after 1 January 2017

5 An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018.

6 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard upon adoption and expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. The Group expects to adopt IFRS 15 on 1 January 2018. Based on the preliminary analysis, the Group anticipates that the adoption of IFRS 15 in the future is unlikely to have significant impact on the recognition of service income from the provision of education and boarding services.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. For lessee accounting, the standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. For lessor accounting, the standard substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group expects to adopt IFRS 16 on 1 January 2019. With the recognition exemption applicable to short-term leases, the Group does not expect significant impacts on the financial position and financial performance of the Group when adopting IFRS 16.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of education services in the People's Republic of China (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, who are the chief operating decision makers, for the purposes 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 operating segments is presented.

Geographical information

During the reporting period, the Group operated within one geographical segment because all of its revenue was generated in the PRC and over 99% 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 service provided to a single customer contributes 10% or more of the total revenue of the Group during the reporting period.

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the value of services rendered during the reporting periods.

An analysis of revenue, other income and gains is as follows:

	Year ended 31 December	
	2015	**2016**
	RMB'000	**RMB'000**
	(Audited)	**(Unaudited)**
Revenue		
Tuition fees	395,140	412,526
Boarding fees	31,177	32,471
	426,317	444,997
Other income and gains		
Dividend income from an available-for-sale investment	480	360
Investment income from available-for-sale investments and investment deposits	36,856	25,372
Other interest income	3,340	1,500
Net rental income	1,249	1,194
Government grants		
- Related to assets	3,996	6,331
- Related to income	4,631	33,356
Exchange gain, net	2,653	27,097
Others	3,716	2,543
	56,921	97,753

These government grants are related to the subsidies received from local government for the purposes of compensating the operating expenses arising from the schools' teaching activities and expenditures on teaching facilities. There are no unfulfilled conditions or contingencies relating to such government grants income recognised.

5. FINANCE COSTS

	Year ended 31 December	
	2015	2016
	RMB'000	RMB'000
	(Audited)	(Unaudited)
Interest on loans from the ultimate holding company and related parties	305	2,595

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Year ended 31 December	
	2015	2016
	RMB'000	RMB'000
	(Audited)	(Unaudited)
Depreciation	39,051	38,861
Amortisation of other intangible assets	738	868
Minimum lease payments under operating leases	3,223	4,711
Recognition of prepaid land lease payments	955	1,578
Auditors' remuneration	154	4,994
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	79,996	88,583
Pension scheme contributions (defined contribution schemes)	17,318	22,477
Foreign exchange differences, net	(2,653)	(27,097)
Impairment of trade receivables (note 9)	1,934	1,841
Impairment of other receivables	—	(565)
Dividend income from an available-for-sale investment	(480)	(360)
Investment income from available-for-sale investments and investment deposits	(36,856)	(25,372)
Other interest income	(3,340)	(1,500)
Loss on disposal of items of property, plant and equipment, net	86	2,121
Donation expense	230	691

7. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Company, Minsheng Education Company Limited, Minsheng Education Services Company Limited and Minsheng Education Development Company Limited, which were incorporated in the Cayman Islands, is not subject to income tax.

Minsheng Education Development (Hong Kong) Company Limited and Hong Kong College of Technology and Business Limited, which were incorporated in Hong Kong, were subject to profits tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong.

Pursuant to the PRC Income Tax Law and the respective regulations, except for the preferential tax rate of 15% under the Western Development Tax Incentive Scheme available to Chongqing Li'ang Education Services Company Limited and Chongqing Pass Education Services Company Limited, the companies of the Group which operate in Mainland China are subject to Corporate Income Tax ("CIT") at a rate of 25% on their respective taxable income.

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. Private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. The Implementation 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 reporting period and up to the date of issuance of the 2016 Preliminary Financial Information, 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, the Group's schools which require reasonable returns did not pay corporate income tax and had enjoyed the preferential corporate income tax exemption treatment since their establishment.

As a result, no income tax expense was recognised for the Group's schools for the year ended 31 December 2016.

The major components of the income tax expense for the Group are as follows:

	Year ended 31 December	
	2015	2016
	RMB'000 (Audited)	RMB'000 (Unaudited)
Current — Mainland China		
Charge for the year	33,222	1,609

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent for the year ended 31 December 2016, and the weighted average number of ordinary shares of 2,632,246,628 (2015: 4,252,234,282) in issue during each of the years ended 31 December 2016.

Pursuant to the written resolutions of the sole shareholder of the Company on 5 July 2016, each share of the Company with a par value of US$0.001 in the authorised share capital was subdivided into 100 shares of par value of US$0.00001 each ("Share Subdivision"), such that immediately following the Share Subdivision, the authorised share capital of the Company became US$50,000 divided into 5,000,000,000 shares of par value of US$0.00001 each. Pursuant to the written resolutions of the sole shareholder of our Company on March 2, 2017, the authorised share capital of our Company was increased to US$100,000 divided into 10,000,000,000 Shares of par value of US$0.00001 each.

The weighted average number of ordinary shares used in the calculation is the weighted average number of ordinary shares in issue during the years ended 31 December 2016 and 2015 adjusted retrospectively for the Share Subdivision.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2016 and 2015.

9. TRADE RECEIVABLES

	As at 31 December	
	2015	**2016**
	RMB'000	**RMB'000**
	(Audited)	**(Unaudited)**
Trade receivables	2,620	873
Impairment	—	—
	2,620	873

The Group's students are required to pay tuition fees and boarding fees in advance for the upcoming school year, which normally commences in September. The outstanding receivables represent amounts related to students who have applied for the delayed payment of tuition fees and boarding fees. There is no fixed term for delayed payments. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified students, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the transaction date and net of provisions, is as follows:

	As at 31 December	
	2015	2016
	RMB'000	RMB'000
	(Audited)	(Unaudited)
Within 1 year	657	211
1 to 2 years	1,063	190
2 to 3 years	741	265
Over 3 years	159	207
	2,620	873

The movements in provision for impairment of trade receivables are as follows:

	As at 31 December	
	2015	2016
	RMB'000	RMB'000
	(Audited)	(Unaudited)
At beginning of year	4,617	—
Impairment losses recognised (note 6)	1,934	1,841
Amount written off as uncollectible	(6,551)	(1,841)
	—	—

The individually impaired trade receivables relate to students that were in financial difficulties or were in default in payments and no receivable is expected to be recovered.

The ageing analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	As at 31 December	
	2015	2016
	RMB'000	RMB'000
	(Audited)	(Unaudited)
Less than 1 year past due	1,720	401
1 to 2 years past due	741	265
2 to 3 years past due	159	207
	2,620	873

Receivables that were past due but not impaired relate to a number of independent students who are in temporary financial difficulties. Based on the individual assessment, the Directors are of the opinion that no provision for impairment is necessary in respect of these students' various efforts over fund raising.

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2015	2016
	RMB'000 (Audited)	RMB'000 (Unaudited)
Prepaid expenses	1,800	2,252
Prepaid land lease payments (current portion)	1,272	2,195
Advance to staff	1,756	1,259
Advance to third parties	2,093	2,960
Loan to a third party*	30,000	30,000
Interest receivables	300	417
Listing expenses	—	3,920
Other receivables	2,708	3,507
	39,929	46,510
Less: Impairment of deposits and other receivables	(520)	(736)
	39,409	45,774

* The loan to a third party bears interest at 10% per annum and is repayable in full in August 2017 with a guarantee provided by another third party.

11. DEFERRED REVENUE

	As at 31 December	
	2015	2016
	RMB'000 (Audited)	RMB'000 (Unaudited)
Tuition fees	225,523	237,072
Boarding fees	20,948	26,091
	246,471	263,163

The students are entitled to the refund of payments in relation to the proportionate service not yet provided.

12. OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2015	2016
	RMB'000	RMB'000
	(Audited)	(Unaudited)
Accrued bonuses and other employee benefits	12,039	19,522
Payables for catering service	2,927	2,221
Payables for purchase of property, plant and equipment	14,416	30,321
Payables for management fee	12,210	12,246
Miscellaneous expenses received from students (note (i))	20,304	22,277
Other tax payable	7,094	2,771
Payables for listing expenses	—	6,135
Other payables	16,455	15,236
	85,445	110,729

Other payables are non-interest-bearing and repayable on demand.

Note (i): The amount represents the miscellaneous expenses received from students which will be paid out on behalf of students.

BUSINESS OVERVIEW

We are a provider of private higher education in China dedicated to nurturing professional talent. As of the Latest Practicable Date, we owned and operated four schools, namely, Chongqing College of Humanities, Science and Technology, Pass College of Chongqing Technology and Business University, Chongqing Vocational College of Applied Technology and Inner Mongolia Fengzhou Vocational College (Qingcheng Branch). Through these schools, we offer our students a comprehensive range of diverse majors and courses. Our collaborative relationships and cooperative education programs with local business and government agencies provide students with improved practical training and career prospects. In our endeavors to further bolster our education quality and reputation, and to create more overseas exchange opportunities for our students in the PRC, we also invested in two overseas schools. As of December 31, 2016, we owned approximately 25.6% equity interest in Beacon International College and were one of two members of Hong Kong Nang Yan College of Higher Educational which is a company limited by guarantee established under the laws of Hong Kong.

In order to better coordinate our efforts to provide high-quality educational services to our students at all of our schools in China, we also employ a comprehensive educational approach and centralized management system. Due to the effectiveness and efficiency of our standardized comprehensive educational approach and consistent centralized management system, we have made notable achievements for our students and our schools. Our total student enrollment increased from 30,616 as of December 31, 2015 to 32,635 as of December 31, 2016. For the years ended December 31, 2015 and 2016, our revenue has increased from RMB426.3 million to RMB445.0 million and profit for the year increased from RMB213.5 million to RMB249.7 million.

Going forward, we intend to further expand our school network coverage. We aim to achieve such goal by carefully selecting suitable acquisition targets and/or establishing new schools, including by cooperation with other school sponsors to establish new schools. Meanwhile, we intend to expand the scale of our business operations in the existing schools and diversify our revenue primarily through optimizing major offerings, offering undergraduate studies to graduates of junior college programs and offering postgraduate programs, including master's degrees. We aim to continue to improve our school-enterprise collaboration business model. 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 talented students. Furthermore, to improve our competitiveness, we intend to further advance our brand, reputation and school network internationally and continue to improve the overall quality of our teaching staff as a means to improve the quality of our education services.

Since December 31, 2016 and up to the Latest Practicable Date, our business generally experienced continued growth and, to the best of our knowledge, there is no change to the overall economic and market condition in China or in the PRC private higher education industry in which we operate that may have a material adverse effect to our business operations and financial position.

RESULTS OF OPERATIONS

The following table sets forth a summary, for the periods indicated, of our consolidated results of operations.

	Year ended December 31,	
	2015	2016
	(RMB'000)	(RMB'000)
Revenue	426,317	444,997
Cost of sales	(164,653)	(186,391)
Gross profit	261,664	258,606
Other income and gains	56,921	97,753
Selling and distribution expenses	(8,297)	(11,693)
Administrative expenses	(61,678)	(86,301)
Other expenses, net	(698)	(3,745)
Finance costs	(305)	(2,595)
Share of loss of an associate	(928)	(667)
Profit before tax	246,679	251,358
Income tax expense	(33,222)	(1,609)
Profit for the year	213,457	249,749

Revenue

The table below presents a summary of the amount of revenue generated from tuition fees and boarding fees charged by our schools for the periods indicated:

	Year ended December 31,	
	2015	2016
	(RMB'000)	(RMB'000)
Tuition fees		
Chongqing College of Humanities, Science and Technology	253,231	259,077
Pass College of Chongqing Technology and Business University	121,825	128,913
Chongqing Vocational College of Applied Technology	12,104	13,844
Inner Mongolia Fengzhou Vocational College (Qingcheng Branch)	7,980	10,692
Total tuition fees	395,140	412,526
Boarding fees	31,177	32,471
Total revenue	426,317	444,997

Our revenue increased by 4.4% from RMB426.3 million in 2015 to RMB445.0 million in 2016. This increase was primarily due to an increase of tuition fees from RMB395.1 million for the year ended December 31, 2015 to RMB412.5 million for the year ended December 31, 2016, primarily because (i) our total student enrollment increased as of December 31, 2016 compared to December 31, 2015; (ii) we increased tuition fees by RMB1,000 for most of the majors offered at Chongqing College of Humanities, Science and Technology and by RMB1,000 for certain majors offered at Pass College of Chongqing Technology and Business University for the 2016/2017 school year; and (iii) in 2016, we granted direct subsistence allowance in cash of RMB6.3 million to our students, which was treated as a deduction from the gross revenue.

Cost of Sales

The following table sets forth the components of our cost of sales for the periods indicated:

	Year ended December 31,	
	2015	2016
	(RMB'000)	(RMB'000)
Staff Costs	85,716	100,005
Depreciation and amortization	28,856	31,689
Student study and practice fees	5,950	6,707
Student subsidies	4,280	3,930
Utilities	6,599	7,611
Office expenses	6,139	7,947
Travel and transportation expenses	1,116	1,121
Rental fees	1,617	2,988
Cost of repairs	5,685	6,001
Cost of cooperative education	13,953	14,530
Other costs	4,742	3,862
Total cost of sales	164,653	186,391

Our cost of sales increased by 13.2% from RMB164.7 million in 2015 to RMB186.4 million in 2016. This increase was primarily due to an increase in staff costs, office expenses and rental fees. Staff costs increased by 16.7% from RMB85.7 million for the year ended December 31, 2015 to RMB100.0 million for the year ended December 31, 2016, mainly due to (i) an increase in staff salaries and benefits at Chongqing College of Humanities, Science and Technology and Pass College of Chongqing Technology and Business University to make the compensation package of our teachers more competitive; and (ii) an increase in the number of teachers employed at all of the schools we own and operate in response to the increase in student enrollment. Office expenses increased by 29.5% from RMB6.1 million for the year ended December 31, 2015 to RMB7.9 million for the year ended December 31, 2016, mainly as a result of our offering of research funds to our teaching staffs at Chongqing College of Humanities, Science and Technology who obtained certain notable teaching and research achievements, such as publishing papers in academic journals. Rental expenses increased by

84.8% from RMB1.6 million for the year ended December 31, 2015 to RMB3.0 million for the year ended December 31, 2016, mainly due to increased rental payments we made to the landlord with respect to an agreement entered into by Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) in 2015.

Gross Profit

Our gross profit decreased by 1.2% from RMB261.7 million in 2015 to RMB258.6 million in 2016, and our gross profit margin decreased from 61.4% for the year ended December 31, 2015 to 58.1% for the year ended December 31, 2016, due primarily to a large increase in cost of sales resulting, in particular, from increased staff costs, office expenses and rental expenses compared to the increase in our revenue.

Other Income and Gains

The table below summarizes the amount of other income and gains for the periods indicated:

	Year ended December 31,	
	2015	2016
	(RMB'000)	(RMB'000)
Dividend income from an available-for-sale investment	480	360
Investment income from available-for-sale investments and investment deposits	36,856	25,372
Other interest income	3,340	1,500
Net rental income	1,249	1,194
Government grants	8,627	39,687
Exchange gain, net	2,653	27,097
Others[1]	3,716	2,543
Total	56,921	97,753

Note:

(1) Includes net income from our provision of medical care and meal catering services. For the years ended December 31, 2015 and 2016, gross income attributable to our medical care and meal catering services amounted to RMB3.1 million and RMB6.3 million, respectively. However, our net income from the provision of medical care and meal catering services decreased for the year ended December 31, 2016 compared to the year ended December 31, 2015 primarily due to the canteen renovation project undertaken by Pass College of Chongqing Technology and Business University in 2016, which resulted in increased costs of operations. Since we outsourced most of the medical care and meal catering services to Independent Third Parties during the Track Record Period, the gross income we generated from such services was immaterial. As part of our strategy to expand our service offerings, we have begun to internalize certain of our medical care and meal catering services and expect to continue to do so going forward. Our income from medical care and meal catering services are recognized on a net basis when the price is fixed or determinable and services are provided.

Other income and gains increased by 71.7% from RMB56.9 million in 2015 to RMB97.8 million in 2016. This increase was primarily due to (i) increased grants by the local government in Chongqing to our three schools in 2016, which was due to our increased use of subsidies for daily expenses, resulting in the transfer of government subsidies from deferred income to the consolidated income statement; and (ii) a large net foreign currency exchange gain we had in 2016 compared to 2015, mainly because (A) our overseas subsidiary borrowed funds from our PRC subsidiaries in the second half of 2015 to repurchase issued ordinary shares from our previous investors, which continued in 2016 and resulted in large amounts of U.S. dollar-denominated funds, and (B) U.S. dollar continued to appreciate against the Renminbi during 2016, partially offset by (i) a decrease in investment income from available-for-sale investments and investment deposits as we redeemed certain amounts in connection with the repurchase of our issued ordinary shares from our previous investors; (ii) a decrease in other interest income as a result of the deposit interest rate cut in October 2015; and (iii) a decrease in net rental income in 2016 because the lease for properties rented by an Independent Third Party expired and a new lease has not yet been entered into, which resulted in reduced rental income.

Selling and Distribution Expenses

Selling and distribution expenses increased by 40.9% from RMB8.3 million in 2015 to RMB11.7 million in 2016, primarily because we increased our promotional efforts to attract more student enrollment at our schools for the 2016/2017 school year.

Administrative Expenses

Administrative expenses increased by 39.9% from RMB61.7 million in 2015 to RMB86.3 million in 2016, due primarily to (i) an increase in staff costs for our administrative staff at Chongqing College of Humanities, Science and Technology and Pass College of Chongqing Technology and Business University in 2016; and (ii) a substantial increase in listing expenses, auditor's fees and legal and consulting services fees incurred in connection with the Global Offering in 2016.

Other Expenses, Net

Our other expenses, net increased substantially from RMB0.7 million in 2015 to RMB3.7 million in 2016. This increase was primarily attributable to (i) an increase of loss on disposal of items of property, plant and equipment in 2016 compared to 2015 as a result of Chongqing College of Humanities, Science and Technology's disposal of its old front gate and some of the fixed assets in 2016; (ii) a voluntary donation from Chongqing College of Humanities, Science and Technology in support of Chongqing's public welfare initiative; and (iii) the compensation we provided to a tenant of a property owned by Chongqing College of Humanities, Science and Technology as the school needed to recover the property from the tenant for the construction of a campus hospital within the school. This campus hospital is expected to be legally set up in 2017. It will provide routine check-up and other basic medical services, which were previously outsourced to third-party medical clinics during the Track Record Period, to students and staff at Chongqing College of Humanities, Science and Technology only, and will be operated by our Group. As such campus hospital will not provide any medical services to the public, its ability to generate additional revenue and profit for our Group is limited. Accordingly, we believe the financial impact from the operation of such hospital on our Group will not be significant.

Finance Costs

Finance costs increased substantially from RMB0.3 million in 2015 to RMB2.6 million in 2016, mainly due to the increased interest we paid for the loans we borrowed from (i) the ultimate holding company in the third and fourth quarters of 2015 to repurchase some of our issued ordinary shares from our previous investors; and (ii) certain of our related parties in the first quarter of 2016, which were subsequently extended to Hong Kong Nang Yan College of Higher Education.

Share of Loss of an Associate

Share of loss of an associate decreased by 28.1% from RMB0.9 million in 2015 to RMB0.7 million in 2016. This decrease was primarily due to improved operating results at Beacon International College in 2016.

Profit before Tax

As a result of the foregoing, we recognized a profit of RMB251.4 million before income tax for the year ended December 31, 2016, compared to a profit of RMB246.7 million before income tax for the year ended December 31, 2015. Our profit before tax as a percentage of revenue was 56.5% for the year ended December 31, 2016, while our profit before tax as a percentage of revenue was 57.9% for the year ended December 31, 2015.

Income Tax Expenses

The income tax expense we incurred for the year ended December 31, 2016 was RMB1.6 million, compared to an income tax expense of RMB33.2 million for the year ended December 31, 2015. This decrease was primarily due to a distribution of dividend by Chongqing College of Humanities, Science and Technology to its school sponsor, Li'ang Industry, in the first half of 2015, which resulted in Li'ang Industry having to pay the relevant EIT in 2015. For tax risk associated with the dividend distributions from our schools to their respective school sponsors, please see "Risk Factors — Risks Relating to Our Business and Our Industry — Our historical financial and operating results may not be indicative of our future performance" in this prospectus.

Profit for the Year

As a result of the above factors, we recorded a profit of RMB249.7 million for the year ended December 31, 2016, as compared to a profit of RMB213.5 million for the year ended December 31, 2015.

FINANCIAL AND LIQUIDITY POSITION

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,	
	2015	2016
	(RMB'000)	(RMB'000)
CURRENT ASSETS		
Inventories	1,184	1,260
Trade receivables	2,620	873
Prepayments, deposits and other receivables	39,409	45,774
Available-for-sale investments	522,096	143,182
Investment deposits	121,230	362,600
Loan to an associate[(1)]	—	707
Cash and bank balances	352,218	602,322
TOTAL CURRENT ASSETS	1,038,757	1,156,718
CURRENT LIABILITIES		
Deferred revenue	246,471	263,163
Other payables and accruals	85,445	110,729
Deferred income-current	5,195	7,488
Loans from the ultimate holding company	—	125,413
Loans from related parties	—	14,073
Tax payable	17,046	77
TOTAL CURRENT LIABILITIES	354,157	520,943
NET CURRENT ASSETS	684,600	635,775

Note:

(1) Loan to an associate is a US$100,000 loan to Beacon International College, which has a maturity date in March 2017.

As of December 31, 2016, we had net current assets of RMB635.8 million, which primarily consisted of available-for-sale investments, investment deposits and cash and bank balances. Our current assets as of December 31, 2016 increased to RMB1,156.7 million from RMB1,038.8 million as of December 31, 2015. The increase in current assets primarily reflected (i) an increase in cash and bank balances, which increased from RMB352.2 million as of December 31, 2015 to RMB602.3 million as of December 31, 2016; and (ii) an increase of RMB241.4 million in investment deposits from RMB121.2 million as of December 31, 2015 to RMB362.6 million as of December 31, 2016 as we made additional investments in investment deposits as part of our liquidity management measures, and was partially offset by a decrease in available-for-sale investments, which decreased from RMB522.1 million as of December 31, 2015 to RMB143.2 million as of December 31, 2016, as we redeemed a certain amount of available-for-sale investments and deposited the funds at commercial banks as our cash and bank balances. Our current liabilities increased from RMB354.2 million as of December 31, 2015 to RMB520.9 million as of December 31, 2016, mainly reflecting (i) an increase of RMB125.4 million of loans we borrowed from the ultimate holding company in 2016 to repurchase some of our issued ordinary shares from our previous investors, which were reclassified as current liabilities from non-current liabilities as they are repayable in full in March and June 2017; (ii) an increase of RMB25.3 million in other payable and accruals and (iii) an increase of RMB16.7 million in deferred revenue as our total student enrollment increased for the 2016/2017 school year compared to the 2015/2016 school year and we raised tuition fees for most of the majors offered at Chongqing College of Humanities, Science and Technology and for certain majors offered at Pass College of Chongqing Technology and Business University for the 2016/2017 school year.

Available-for-sale Investments

Available-for-sale investments include investments in short-term wealth management products issued by licensed commercial banks in the PRC. These wealth management products we invested in during the Track Record Period were mainly unlisted funds in the PRC, which primarily consisted of (i) highly liquid assets, including, but not limited to, PRC government bonds, financial bonds, corporate bonds, enterprise bonds, short-term financing instruments, medium-term notes, subordinated bonds and other investment-grade debt instruments, bank deposits, money market funds and currency funds; (ii) credit assets, such as credit-based trust products and financial asset exchange credit instruments; (iii) equity-related assets, including, but not limited to, structured securities investment priority trusts and other equity investment trusts; and (iv) various types of asset management plans, or a combination of any of the foregoing.

These wealth management products have different risk levels, ranging from relatively low-risk to medium-risk, depending on the types and percentages of the underlying assets in a particular investment portfolio. According to the underlying contracts for these wealth management products, the investment allocation decisions of these unlisted funds are generally made by the licensed commercial banks on a discretionary basis. We made investments in these wealth management products primarily for the purposes of gaining higher short-term investment return than the fixed rate returns from cash deposits at banks. The following table sets forth the balance of our available-for-sale investments as of the dates indicated:

	As of December 31,	
	2015	2016
	(RMB'000)	(RMB'000)
Current		
Banks' wealth management products, at fair value	522,096	143,182

Available-for-sale investments decreased by 72.6% from RMB522.1 million in 2015 to RMB143.2 million in 2016. It decreased primarily because we redeemed a certain amount of available-for-sale investment and deposited the funds at commercial banks as our cash and bank balances.

Investment Deposits

In addition to available-for-sale investments, we also made short-term investments in financial products purchased from licensed commercial banks in the PRC, which are principal-guaranteed. These investment deposits were classified by us as loans and receivables and measured at amortized cost. The principal amounts of these investment deposits were generally guaranteed by such licensed banks. They bore fixed interest rates and had expected interest return rates between 2.40% and 5.05% per annum. The following table sets forth the balance of our investment deposits as of the dates indicated:

	As of December 31,	
	2015	2016
	(RMB'000)	(RMB'000)
Investment deposits with licensed commercial banks in the PRC, at amortized cost	121,230	362,600

Investment deposits increased by 199.1% from RMB121.2 million in 2015 to RMB362.6 million in 2016, primarily because we made additional investment deposits as part of our liquidity management measures.

Deferred Revenue

Deferred revenue consists of tuition fees and boarding fees we typically collect from our students prior to the commencement of the upcoming school year. It represents the tuition and boarding payments received from students but not earned. Our students are entitled, however, to refund of a portion of their tuition and boarding payments pursuant to our refund policy. For more details of our refund policy, please refer to the section headed "Business — Our Schools — Student Withdrawals and Refund" in this prospectus. The following table sets forth the balance of our deferred revenue as of the dates indicated:

	Year ended December 31,	
	2015	2016
	(RMB'000)	(RMB'000)
Tuition fees	225,523	237,072
Boarding fees	20,948	26,091
Total	246,471	263,163

The amount of deferred revenue as of December 31 generally represents the amount of tuition fees and boarding fees received from all of our students for the entire school year, but has yet to be recognized as revenue for the remainder of the school year (generally from January to June).

Deferred revenue increased by 6.8% from RMB246.5 million in 2015 to RMB263.2 million in 2016, primarily attributable to increased tuition fees and boarding fees we received for the 2016/2017 school year.

Other Payables and Accruals

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) payables for management fee; and (iv) accrued bonuses and other employee benefits. The Directors confirm that we did not have any material defaults in any payables during the Track Record Period.

Other payables and accruals increased by 29.6% from RMB85.4 million in 2015 to RMB110.7 million in 2016, due primarily to (i) an increase of RMB17.8 million in payables for the purchase of property, plant and equipment as a result of the payments made for (A) Chongqing College of Humanities, Science and Technology's landscape renovation project; and (B) additional office equipment for certain of our schools; and (ii) an increase of RMB7.5 million in accrued bonuses and other employee benefits due to increased number of teaching staff, our raising teachers' salary standards and our offering of bonuses to our teaching personnel for Chongqing College of Humanities, Science and Technology and Pass College of Chongqing Technology and Business University as part of our efforts to retain our qualified teaching staff and strengthen the qualities of our education services, partially offset by (i) a decrease in payables for meal catering services as we began to internalize certain of our meal catering services, which were previously outsourced to Independent Third Parties; and (ii) a decrease in other tax payable for the year ended December 31, 2016 compared to the year ended December 31, 2015 because of the tax incurred during the repurchase of certain of our issued ordinary shares from our previous investors in 2015, which were paid in 2016.

CAPITAL EXPENDITURES AND CONTRACTUAL COMMITMENTS

Capital Expenditures

Our capital expenditures primarily relate to maintaining and upgrading the existing school premises and purchasing additional educational facilities and equipment for our schools. Our capital expenditures consist of the additions of property, plant and equipment and prepaid land lease payments. The following table sets forth our additions of property, plant and equipment and prepaid land lease payments, respectively, for the periods indicated:

	Year ended December 31,	
	2015	2016
	(RMB'000)	(RMB'000)
Property, plant and equipment	51,016	69,443
Prepaid land lease payments	17,216	52,933
Total	68,232	122,376

Our capital expenditures increased from RMB68.2 million in 2015 to RMB122.4 million in 2016, due primarily to prepaid land lease payments we made in connection with the parcel of land Pass College of Chongqing Technology and Business University acquired in August 2016.

Capital Commitments

Our capital commitments primarily relate to the acquisition of property, plant and equipment and loan commitments to an associate. The following table sets forth a summary of our capital commitments as of the dates indicated:

	Year ended December 31,	
	2015	2016
	(RMB'000)	(RMB'000)
Contracted but not provided for:		
Equipment	5,129	6,121
Buildings	111	7,248
Loans committed to an associate	—	26,877
Total	5,240	40,246

Capital commitments increased from RMB5.2 million in 2015 to RMB40.2 million in 2016. This increase was primarily due to (i) an increase in the amount of loans we have committed to provide to Hong Kong Nang Yan College of Higher Education; and (ii) an increase in the amount we have committed to the renovation construction projects involving certain of our school buildings.

Operating Lease Commitments

We lease certain buildings under operating lease arrangements. Leases for buildings are generally negotiated for an initial term of one year with an option for renewal after the initial expiration date, at which time all terms will be renegotiated. The table below sets forth our future minimum lease payments payable under non-cancellable operating leases as of the dates indicated:

	Year ended December 31,	
	2015	2016
	(RMB'000)	(RMB'000)
Within one year	182	536

Our operating lease commitments increased from RMB0.2 million in 2015 to RMB0.5 million in 2016, primarily attributable to the rental payment commitments relating to the lease entered into by Inner Mongolia Fengzhou Vocational College (Qingcheng Branch).

INDEBTEDNESS

As of December 31, 2016, we did not have any outstanding bank loans. As of the Latest Practicable Date, we did not have any unutilized banking facilities. As of December 31, 2016, we had RMB125.4 million outstanding amount due to our ultimate holding company. These loans were unsecured and are repayable in March and June 2017. We borrowed this amount from our ultimate holding company in connection with the repurchase of our issued ordinary shares from our previous investors beginning in the second half of 2015. We expect to fully repay this loan from our ultimate holding company on or before the Listing. In addition, as of December 31, 2016, we had RMB14.1 million outstanding amount due to related parties, which was mainly used as loans to Hong Kong Nang Yan College of Higher Education. These loans were unsecured and were repayable in June and July 2017. On February 25, 2017, we obtained a term loan facility from Bank of China (Hong Kong) Limited with a maximum principal amount of US$25.0 million or its equivalent in Hong Kong dollars. This facility has a term of six months from the date of the facility letter and bears an interest of 1.50% per annum over LIBOR (for draw-downs in U.S. dollars) or 1.50% per annum over HIBOR (for draw-downs in Hong Kong dollars). We expect to make a draw-down of this term loan facility to fully repay the loans we borrowed from our ultimate holding company and certain of our related parties.

CONTINGENT LIABILITIES

As of December 31, 2016, 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 December 31, 2016.

KEY FINANCIAL RATIOS

	As of/for the year ended December 31,	
	2015	2016
Net profit margin[(1)]	50.1%	56.1%
Return on assets[(2)]	9.9%	11.8%
Return on equity[(3)]	12.8%	16.7%
Current ratio[(4)]	293.3%	222.0%

Notes:

(1) Net profit margin equals our profit for the year divided by revenue for the year.

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

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

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

Net Profit Margin

Our net profit margin increased from 50.1% for the year ended December 31, 2015 to 56.1% for the year ended December 31, 2016, mainly as a result of a substantial decrease in income tax expense in 2016 due to a distribution of dividends by Chongqing College of Humanities, Science and Technology to its school sponsor, Li'ang Industry, in 2015, which resulted in Li'ang Industry having to pay the relevant EIT in 2015.

Return on Assets and Return on Equity

Our return on assets ratio was 11.8% as of December 31, 2016, and return on equity ratio was 16.7% as of December 31, 2016. Both of the return ratios as of December 31, 2016 were higher than the return ratios as of December 31, 2015 primarily due to an increase in our profit for the year, which increased at a faster pace than the increase in our average total assets and average total equity.

Current Ratio

Our current ratio decreased to 222.0% as of December 31, 2016 from 293.3% as of December 31, 2015, primarily due to the rate of increase of our current liabilities outpacing the increase of our current assets. Our current liabilities as of December 31, 2016 mainly reflected the reclassification from non-current liabilities to current liabilities of the loans we borrowed from the ultimate holding company to repurchase our issued ordinary shares from our previous investors in 2016 as they are repayable in full in March and June 2017.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Please see "Financial Information — Quantitative and Qualitative Disclosures about Market Risk" in this prospectus for further information.

CODE ON CORPORATE GOVERNANCE PRACTICES

As we were not yet listed on the Hong Kong Stock Exchange during the year ended December 31, 2016, the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules (the "Corporate Governance Code") was not applicable to us during such period under review. After the Listing, we will comply with all the code provisions set forth in the Corporate Governance Code.

REVIEW OF OUR PRELIMINARY FINANCIAL INFORMATION

We established an audit committee in compliance with the Corporate Governance Code. The members of the audit committee have discussed with our management, and reviewed, the 2016 Preliminary Financial Information as set out in the appendix.

The figures in respect of our Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2016 as set out in the 2016 Preliminary Financial Information above have been agreed to by the Reporting Accountants to the amounts set out in our Group's draft consolidated financial statements for the year. The work performed by the Reporting Accountants in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Reporting Accountants on the 2016 Preliminary Financial Information.

PURCHASE, SALES OR REDEMPTION OF OUR COMPANY'S SHARES

As we were not yet listed on the Hong Kong Stock Exchange during the year ended December 31, 2016, this disclosure requirement is not applicable to us.

The following is the text of a letter, summary of values and valuation certificate prepared for the purpose of incorporation in this prospectus received from LCH (Asia-Pacific) Surveyors Limited, an independent professional surveyor, in connection with its valuations as at 31 December 2016 of the properties interests held by the Group.

利駿行測量師有限公司
LCH (Asia-Pacific) Surveyors Limited
PROFESSIONAL SURVEYOR
PLANT AND MACHINERY VALUER
BUSINESS & FINANCIAL ASSETS VALUER

The readers are reminded that the report which follows has been prepared in accordance with the reporting guidelines set by the International Valuation Standards 2013 ("IVS") and published by the International Valuation Standards Council which followed by the HKIS Valuation Standards 2012 Edition (the "HKIS Standards") and published by The Hong Kong Institute of Surveyors (the "HKIS"). The standards entitle the valuer to make assumptions which may on further investigation, for instance by the readers' legal representative, prove to be inaccurate. Any exception is clearly stated below. Headings are inserted for convenient reference only and have no effect in limiting or extending the language of the paragraphs to which they refer. Translations of terms in English or in Chinese are for reader's identification purpose only and have no legal status or implication in this report. This report was prepared and signed off in English format, translation of this report in language other than English shall only be used as a reference and should not be regarded as a substitute for this report. Piecemeal reference to this report is considered to be inappropriate and no responsibility is assumed from our part for such piecemeal reference. It is emphasised that the findings and conclusions presented below are based on the documents and facts known to us at the Latest Practicable Date of this Document. If additional documents and facts are made available, we reserve the right to amend this report and its conclusions.

17th Floor
Champion Building
287 – 291 Des Voeux Road
Central
Hong Kong

10 March 2017

The Board of Directors
Minsheng Education Group Company Limited
Room 1102, 11/F
The Lee Gardens One
33 Hysan Avenue
Causeway Bay
Hong Kong

Dear Sirs,

In accordance with the instructions given by the present management of Minsheng Education Group Company Limited (hereinafter referred to as the "Instructing Party") to us to conduct a valuation of certain *real properties* (same as the word *properties* in this report) in which Minsheng Education Group Company Limited (hereinafter referred to as the "Company") and its subsidiaries (collectively, together with the Company hereinafter referred to as the "Group") have interests in the mainland of the People's Republic of China (hereinafter referred to as the "PRC" or "China") and to report properties that to be acquired by the Group or rented by the Group in the PRC, we confirm that we have conducted inspections, made relevant enquiries and obtained such further information as we consider necessary to support our findings and our conclusion of values of the properties of the Group as at 31 December 2016 (hereinafter referred to as the "Valuation Date") for the Instructing Party's internal management reference purpose.

We understand that the use of our work product (regardless of form of presentation) will form part of the Instructing Party's due diligence but we have not been engaged to make specific sales or purchase recommendations, or to give opinion for any financing arrangement. We further understand that the use of our work product will not supplant other due diligence which the Instructing Party should conduct in reaching its business decision regarding the properties valued. Our work is designed solely to provide information that will give the Instructing Party a reference in its due diligence process, and our work should not be the only factor to be referenced by the Instructing Party. Our findings and conclusion of values of the property interests are documented in a narrative valuation report and submitted to the Instructing Party at today's date.

At the request of the Instructing Party, we prepared this summary report (including this letter, summary of values and the valuation certificate) to summarise our findings and conclusion of values as documented in the valuation report for the purpose of inclusion in this prospectus at today's date (the "Document") for the Company's shareholders' reference. Terms herein used without definition shall have the same meanings as in the valuation report, and the assumptions and caveats adopted in the valuation report also apply to this summary report.

According to the IVS which the HKIS Standards also follows, there are two valuation bases, namely, market value basis and valuation bases other than market value. In this engagement, having considered the inherent characteristics of each property, we have classified the properties valued into two categories of basis of valuation, namely, Category A — Market Value Basis and Category B — Non-market Value Basis (Investment Value).

VALUATIONS OF PROPERTIES IN GROUPS I AND II OF CATEGORY A

Basis of Valuation and Assumptions

The term "Market Value" is defined by the IVS and the HKIS Standards 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".

Unless otherwise stated, our valuations of the properties have been made on the assumptions, that, as at the Valuation Date:

1. the legally interested party in each of the properties sells its relevant property interest in the market in its existing states without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to increase the value of the property interest;

2. each of the properties has obtained relevant government's approvals for the sale of the property and is able to be disposed of and transferred free of all encumbrances (including but not limited to the cost of transaction) in the market; and

3. the properties can be freely disposed and transferred free of all encumbrances at the Valuation Date for their existing uses in the market to both local and overseas purchasers without payment of any premium to the government.

Should any of the above not be the case, it will have adverse impact to our valuations.

Approach to Value

There are three generally accepted approaches in arriving at the market value of a property on an absolute title basis i.e. free to assign, transfer, let and mortgage, namely, the Sales Comparison Approach (or known as the Market Approach), the Cost Approach and the Income Approach.

Property Nos. 1 and 2 in Group I

In valuing the properties, having considered the general and inherent characteristics of the properties, we have adopted the depreciated replacement cost ("DRC") approach which is an application of the Cost Approach in valuing specialised properties like the properties. The use of this approach requires an estimate of the market value of the land use rights for its existing use, and an estimate of the new replacement cost of the buildings and other site works from which deductions are then made to allow for age, condition, and functional obsolescence taken into account of the site formation cost and those public utilities connection charges to the properties. The land use rights of the properties have been determined from market-based evidences by analysing similar sales or offerings of comparable properties.

The valuation of each of the properties is on the assumption that the property could be used to support the operation of the occupier's business.

By using this approach, the land should be assumed to have the benefit of planning permission for the replacement of the existing buildings and it is always necessary when valuing the land, to have regard to the manner in which the land is developed by the existing buildings and site works, and the extent to which these realise the full potential value of the land. When considering a notional replacement site, it should normally be regarded as having the same physical and location characteristics as the actual site, other than characteristics of the actual site which are not relevant, or are of no value, to the existing use. In considering the buildings, the gross replacement cost of the buildings should take into consideration everything which is necessary to complete the construction from a new green field site to provide buildings as they are, at the Valuation Date, fit for and capable of being occupied and used for the current use. These costs to be estimated are not to erect buildings in the future but have the buildings available for occupation at the Valuation Date, the work having commenced at the appropriate time.

We need to state that our opinion of value of each of the properties does not necessarily intend to represent the amount that might be realised from disposition of land use rights or various building(s) of the property on piecemeal basis in the open market.

Property Nos. 3 and 4 in Group I

In valuing the properties, we have adopted the Sales Comparison Approach on the assumption that each of the properties was sold with the benefit of vacant possession. This comparison method considers the sales, listing or offerings of similar or substitute properties and related market data to establish a value estimate by processes involving comparison. The underlying assumption of this approach is that an investor will pay no more for a property than he or she would have to pay for a similar property of comparable utility.

We have not carried out a valuation on a redevelopment basis and the study of possible alternative development options and the related economics do not come within the scope of our work.

Property No. 5 in Group II

The property is subject to a Contract for the Grant of State-owned Construction Land Use Rights and did not have the relevant title certificate as at the Valuation Date. We have assigned no commercial value to the property due to restriction of its transferability as at the Valuation Date.

REPORTING OF RENTED PROPERTY INTEREST IN GROUP III OF CATEGORY A

Property Nos. 6, 7 and 8

The properties are subject to various leasehold arrangements, and we have assigned no commercial value to such property interests mainly due to the short-term nature of the tenancy agreement or prohibition against assignment or sub-letting or lack of substantial rents.

ASSESSMENTS OF INVESTMENT VALUE OF PROPERTIES IN CATEGORY B WITH RESTRICTED TITLES

In assessing the properties in this category, we have attributed no commercial value to the properties as transferability of the properties is subject to approval from relevant government authorities or payment of additional land premium. However, at the instruction of the Instructing Party, for the Company's internal management reference purpose, we reported the value to the owner of the properties in their existing states in the report.

According to the IVS, it considered that investment value is an entity-specific basis of value, and the value reflects the circumstances and financial objectives of the entity to which the valuation is being prepared, and regarded as a going concern value. Under the context of investment value, an investor includes an owner-occupier.

The investment value also reflects the benefits received by an entity from holding the property (such as rental income) and therefore, does not necessarily involve a hypothetical exchange. Thus, a property which has no commercial value due to restrictions (say, additional premium or administrative procedures are required) to dispose the property on stand- alone basis in the open market does not necessarily represent it has no value contribution to its holding company.

Through a transaction of the shares of the holding company (a part of or the whole of) of which the property forms part of the company's assets in the balance sheet, the property could contribute to the business enterprise value of the company, and that is a value to the owner.

In other words, through exchange of the shares of the holding company on going concern basis, the property could be exchanged as part of the assets of the company. Differences between the value of a property and its stand-alone market value provide the motivation for buyers and sellers to enter the marketplace by eliminating the restrictions, say, to pay the premium or to comply with the development covenants imposed by the local government.

Unless otherwise stated, the investment values of the properties have been made on the assumptions, that, as at the Valuation Date:

1. the legally interested party in each of the properties maintained its title to use of the property till the expiration of the granted land use term, and that the granted terms and conditions would remain unchanged during the residual land use term; and

2. the local authorities would continue the existing practice to approve the legally interested party in each of the properties to use the property.

We need to state that the reported values of the properties are not intended to represent the amounts that might be realised from disposition of the properties on piecemeal basis or as a unique basis in the open market. Reader or interested party in the properties is reminded to seek their own legal opinion on the transferability of the properties before entering any commercial decision with regard to the properties.

Should any of the above not be the case, it will have adverse impact to the values reported.

MATTERS THAT MIGHT AFFECT THE VALUES REPORTED

For the sake of valuation, we have adopted the areas as appeared in the copies of the documents as provided, and no further verification work has been conducted. Should it be established subsequently that the adopted areas were not the latest approved, we reserve the right to revise our report and the valuations accordingly.

No allowance has been made in our valuations for any charges, mortgages, outstanding premium or amounts owing on the properties valued nor any expenses or taxation which may be incurred in affecting a sale of each of the properties in Groups I and II of Category A. Unless otherwise stated, it is assumed that the properties in Groups I and II of Category A are free from all encumbrances, restrictions, and outgoings of an onerous nature which could affect their values.

In our valuations, we have assumed that the properties in Groups I and II of Category A are able to be sold and purchased in the market without any legal impediment (especially from the regulators). Should this not be the case, it will affect the reported values significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed.

As at the Latest Practicable Date of this Document, we are unable to identify any adverse news against the properties which may affect the reported findings or values in our work product. Thus, we are not in the position to report and comment on its impact (if any) to the properties. However, should it be established subsequently that such news did exist at the Valuation Date, we reserve the right to adjust the findings or values reported herein.

ESTABLISHMENT OF TITLES

In the course of our work, the Instructing Party or the appointed personnel of the Company is required to provide us the necessary documents to support that the legally interested party in each of the properties has free and uninterrupted rights to assign, to mortgage, to let or to use the properties at its existing use (in this instance, an absolute title) for the whole of the unexpired terms as granted, and that the Group has the right to occupy or to use the properties. Our procedures to value, as agreed with the Instructing Party, did not require us to conduct legal due diligence on the legality and formality on the way that the legally interested party obtained the properties from the relevant authorities. We agreed with the Instructing Party that this should be the responsibility of the legal advisor to the Instructing Party. Thus, no responsibility or liability is assumed from our part to the origin and continuity of the titles to the properties.

We have been provided with copies of the title documents of the properties. We have not examined the original documents to verify the ownership and encumbrances or to ascertain the existence of any amendments, which may not appear on the copies handed to us. All documents disclosed (if any) are for reference only and no responsibility is assumed for any legal matters concerning the legal title and the rights (if any) to the properties valued. Any responsibility for our misinterpretation of the documents cannot be accepted.

The land registration system of China forbids us to search the original documents of the properties that are filed in the relevant authorities, and to verify legal titles or to verify any material encumbrances or amendment which may not appear on the copies handed to us. We need to state that we are not legal professionals and are not qualified to ascertain the titles and to report any encumbrances that may be registered against the properties. However, we have complied with the requirements as stated in Chapter 5 and Practice Note No. 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and relied solely on the copies of document and the copy of the PRC legal opinions provided by the Instructing Party with regard to the legal title of the properties. We are given to understand that the PRC legal opinion was prepared by the Company's PRC legal adviser, Jingtian & Gongcheng. No responsibility or liability from our part is assumed in relation to those legal opinions.

In our report, we have assumed that the legally interested party in each of the properties has obtained all the approval and/or endorsement from the relevant authorities, and that there would have no legal impediment (especially from the regulators) for the legally interested party to continue its titles in the property. Should this not be the case, it will affect our values in this report significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability from our part is assumed.

INSPECTIONS AND INVESTIGATIONS OF THE PROPERTIES

The properties were inspected by Mr Kenneth Ching Chuen Yin, a graduate surveyor, and Sr Elsa Ng Hung Mui in August 2016. We have inspected the exterior, and where possible, the interior of the properties in respect of which we have been provided with such information as we have requested for the purpose of our valuations. We have not inspected those parts of the properties which were covered, unexposed or inaccessible and such parts have been assumed to be in reasonable condition. We cannot express an opinion about or advise upon the condition of uninspected parts and the attached summary of value and valuation certificate should not be taken as making any implied representation or statement about such parts. No building survey, structural survey, investigation or examination has been made, but in the course of our inspections we did not note any serious defects in the properties valued. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out to the services (if any) and we are unable to identify those services either covered, unexposed or inaccessible.

We have not carried out on-site measurements to verify the correctness of the areas of the properties, but have assumed that the areas shown on the documents and official plans handed to us are correct. All dimensions, measurements and areas are approximations.

Our engagement and the agreed procedures to value the properties did not include an independent land survey to verify the legal boundaries of the properties. We need to state that we are not in the land survey profession, therefore, we are not in the position to verify or ascertain the correctness of the legal boundaries of the properties that appeared on the documents handed to us. No responsibility from our part is assumed. The Instructing Party or interested party in the properties should conduct their own legal boundaries due diligence work.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous materials and techniques have been used in the construction of the properties, or have since been incorporated into the properties, and we are therefore unable to report that the properties are free from risk in this respect. For the purpose of this engagement, we have assumed that such investigations would not disclose the presence of any such materials to any significant extent.

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the properties and which may draw attention to any contamination or the possibility of any such contamination. In undertaking our work, we have assumed that no contaminative or potentially contaminative uses have ever been carried out in the properties. We have not carried out any investigation into past or present uses, either of the properties or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the properties from these uses or sites, and have therefore assumed that none exists. However, should it be established subsequently that contamination, seepage or pollution exists at the properties or on any neighbouring land, or that the premises have been or are being put to a contaminative use, this might reduce the values now reported.

If the Instructing Party or other interested party is proposing to purchase each of the properties and wants to satisfy themselves as to its condition, then they should obtain a qualified surveyor's detailed inspection and report of their own before deciding whether or not to enter into an agreement for sale and purchase.

SOURCES OF INFORMATION AND ITS VERIFICATION

In the course of our works, we have provided with copies of the documents regarding the properties, and these copies have been referenced without further verifying with the relevant bodies and/ or authorities. Our agreed procedures to value did not require us to conduct any searches or inspect the original documents to verify ownership or to verify any amendment which may not appear on the copies handed to us. We need to state that we are not legal professionals, therefore, we are not in the position to advise and comment on the legality and effectiveness of the documents provided by the appointed personnel of the Instructing Party or the Company.

We have relied solely on the information provided by the appointed personnel of the Instructing Party or the Company without further verification and have fully accepted advice given to us on such matters as planning approvals or statutory notices, locations, titles, easements, tenure, letting, occupation, site and floor areas and all other relevant matters.

Information furnished by others, upon which all or portions of our work product are based, is believed to be reliable but has not been verified in all cases. Our agreed procedures to value or work do not constitute an audit, review, or compilation of the information provided. Thus, no warranty is made nor liability assumed for the accuracy of any data, advice, opinions, or estimates identified as being furnished by others which have been used in formulating our work product.

Our valuations have been made only based on the advice and information made available to us. While a limited scope of general inquiries have been made to the local property market practitioners, we are not in a position to verify and ascertain the correctness of the advice given by the relevant personnel. No responsibility or liability is assumed.

When we adopted the work products from other professions, external data providers and the appointed personnel of the Instructing Party or the Company in our valuations, the assumptions and caveats that adopted by them in arriving at their figures also applied in our valuations. The procedures we have taken do not provide all the evidence that would be required in an audit and, as we have not performed an audit, accordingly, we do not express an audit opinion.

The scope of valuation has been determined by reference to the property list provided by the Instructing Party. All items on the list have been included in our report. The Instructing Party has confirmed to us that the Group has no property interest other than those specified on the list supplied to us and included in this report.

We are unable to accept any responsibility for the information that has not been supplied to us by the appointed personnel of the Instructing Party or the Company. Also, we have sought and received confirmation from the appointed personnel of the Instructing Party or the Company that no material factors have been omitted from the information supplied. Our analysis and valuation are based upon full disclosure between us and the appointed personnel of the Instructing Party or the Company of material and latent facts that may affect the valuations.

We have had no reason to doubt the truth and accuracy of the information provided to us by the appointed personnel of the Instructing Party or the Company. We consider that we have been provided with sufficient information to reach an informed view, and have had no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary amounts are in Renminbi Yuan ("RMB").

LIMITING CONDITIONS IN THIS SUMMARY REPORT

Our findings or conclusion of values of the properties in this summary report are valid only for the stated purpose and only for the Valuation Date, and for the sole use of the Instructing Party. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this summary report, and we accept no responsibility whatsoever to any other person.

Unless otherwise stated, our valuations have been made on the assumption that no unauthorised alteration, extension or addition has been made in the properties, and that the inspection and the use of this report do not purport to be a building survey of the properties.

No responsibility is taken for changes in market conditions and local government policy and no obligation is assumed to revise this summary report to reflect events or conditions, which occur or make known to us subsequent to the date hereof.

Neither the whole nor any part of this summary report or any reference made hereto may be included in any published documents, circular or statement, or published in any way, without our written approval of the form and context in which it may appear. Nonetheless, we consent to the publication of this summary report in this Document to the Company's shareholders' reference.

Our liability for loss or damage shall be limited to such sum as we ought reasonably to pay having regard to our responsibility for the same on the basis that all other consultants and specialists, where appointed, shall be deemed to have provided to the Instructing Party contractual undertakings in respect of their services and shall be deemed to have paid to the Instructing Party such contribution as may be appropriate having regard to the extent of their responsibility for such loss or damage.

Our liability for any loss or damage arising out of the action or proceedings aforesaid shall, notwithstanding the preceding provisions, in any event be limited to a sum not exceeding the charges paid to us for the portion of services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, loss of profits, opportunity cost etc.), even if it has been advised of their possible existence. For the avoidance of doubt our liability shall never exceed the lower of the sum calculated in accordance with the preceding provisions and the sum provided for in this clause.

It is agreed that the Instructing Party and the Company are required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our engagement except to the extent that any such losses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence, misconduct, wilful default or fraud of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

STATEMENTS

Our report (including this summary report) is prepared in line with the requirements contained in Chapter 5 and Practice Note 12 of the Listing Rules as well as the reporting guidelines contained in the IVS and the HKIS Standards. The valuations have been undertaken by us, acting as external valuer, qualified for the purpose of the valuations.

We retain a copy of this report together with the data provided by the Instructing Party for the purpose of this assignment, and these data and documents will, according to the Laws of Hong Kong, be kept for a period of 6 years from the date it provided to us and to be destroyed thereafter. We considered these records confidential, and we do not permit access to them by anyone, with the exception for law enforcement authorities or court order, without the Instructing Party's authorisation and prior arrangement made with us. Moreover, we will add the Company's information into our client list for our future reference.

The analysis or valuation of the properties depends solely on the assumptions made in this report and not all of which can be easily quantified or ascertained exactly. Should some or all of the assumptions prove to be inaccurate at a later date, it will affect the reported findings or conclusion of values significantly.

We hereby certify that the fee for this service is not contingent upon our conclusion of values and we have no significant interest in the properties, the Group or the values reported.

The summary of values and the valuation certificate are attached.

Yours faithfully,
For and on behalf of
LCH (Asia-Pacific) Surveyors Limited

Elsa Ng Hung Mui *B.Sc. M.Sc. R.P.S. (GP)*
Executive Director

Contributing Valuer:
Kenneth Ching Chuen Yin *BSc*

Sr Elsa Ng Hung Mui has been conducting valuation of real properties in Hong Kong, Macau and mainland China since 1994. She is a Fellow of The HKIS and a valuer on the List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuation in Connection with Takeovers and Mergers published by The HKIS.

SUMMARY OF VALUES

CATEGORY A — MARKET VALUE BASIS

Group I — Properties held and occupied by the Group in the PRC

	Property	Amount of valuation in its existing state as at 31 December 2016	Interest of the Group	Amount of valuation in its existing state attributable to the Group as at 31 December 2016
		RMB		RMB
1.	A college known as Pass Institute of Chongqing Technology and Business University located at No. 593 Jiao Tong Street He Yang Ban Hechuan District Chongqing The People's Republic of China 401520	274,100,000	100 per cent.	274,100,000
2.	A college known as Chongqing Minsheng Vocational and Technical College located at No. 60 Si Yuan Road He Ban Chu Hechuan District Chongqing The People's Republic of China 401520	137,400,000	100 per cent.	137,400,000
3.	A 3-storey terraced house located at No. 53-2 of Ya Dian Yang Guang Olympic Garden No. 8 Qi Xia Street Jinyu Avenue Bei Bu Xin District Chongqing The People's Republic of China 401122	No Commercial Value	100 per cent.	No Commercial Value

	Property	Amount of valuation in its existing state as at 31 December 2016	Interest of the Group	Amount of valuation in its existing state attributable to the Group as at 31 December 2016
		RMB		RMB
4.	A residential unit known as 24-5 on Level 24 No. 62 of No. 139 Ke Yuan San Street Jiu Long Po District Chongqing The People's Republic of China 400041	880,000	100 per cent.	880,000

Sub-Total: RMB412,380,000

CATEGORY A — MARKET VALUE BASIS

Group II — Property to be acquired by the Group in the PRC

	Property	Amount of valuation in its existing state as at 31 December 2016	Interest of the Group	Amount of valuation in its existing state attributable to the Group as at 31 December 2016
5.	A parcel of land located at North of Chongqing Minsheng Vocational and Technical College He Yang Cheng Street Hechuan District Chongqing The People's Republic of China 401520	No Commercial Value	100 per cent.	No Commercial Value

Sub-Total: NIL

CATEGORY A — MARKET VALUE BASIS

Group III — Properties occupied by the Group under various operating leases in the PRC

	Property	Amount of valuation in its existing state attributable to the Group as at 31 December 2016
6.	Room Nos. 0301, 0302 and 0303 on Level 3 Full Tower No. 9, East Third Ring Road Chaoyang District Beijing The People's Republic of China 100020	No Commercial Value
7.	A complex located at Pass Institute of Chongqing Technology and Business University No. 593 Jiao Tong Street He Yang Ban Hechuan District Chongqing The People's Republic of China 401520	No Commercial Value
8.	A complex located at Inner Mongolia North Career Technical College Hohhot City Inner Mongolia The People's Republic of China 010010	No Commercial Value
		Sub-Total: NIL
		Grand Total*: RMB 412,380,000

* **RENMINBI FOUR HUNDRED TWELVE MILLION THREE HUNDRED AND EIGHTY THOUSAND YUAN ONLY**

CATEGORY B — NON-MARKET VALUE BASIS

Properties held and occupied by the Group in the PRC

	Property	Amount of valuation in its existing state as at 31 December 2016	Interest of the Group	Amount of valuation in its existing state attributable to the Group as at 31 December 2016
		RMB		RMB
1.	A college known as Chongqing College of Humanities, Science and Technology located at No. 256 Ban Shi Chu Xue Yuan Street Cao Jie Road Hechuan District Chongqing The People's Republic of China 401524	1,069,400,000	100 per cent.	1,069,400,000
2.	A college known as Fengzhou Vocational College Lot No. 1-08-11-2 and located at the western side of Da Tai She Road Hohhot City Inner Mongolia The People's Republic of China 010010	2,800,000	100 per cent.	2,800,000

Total*: RMB 1,072,200,000

* **RENMINBI ONE THOUSAND SEVENTY TWO MILLION AND TWO HUNDRED THOUSAND YUAN ONLY**

VALUATION CERTIFICATE

CATEGORY A — MARKET VALUE BASIS

Group I — Properties held and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Amount of valuation in its existing state attributable to the Group as at 31 December 2016
1.	A college known as Pass Institute of Chongqing Technology and Business University located at No. 593 Jiao Tong Street He Yang Ban Hechuan District Chongqing The People's Republic of China 401520	The property comprises 8 parcels of adjoining land having a total site area of 306,202.99 sq. m. with 19 major buildings and 3 ancillary buildings and structures erected thereon. *(See Note 1)* The 19 various buildings and structures including single to 11 storeys composite buildings with proper title documents for teaching and other supporting purposes. Total gross floor area of the buildings is 141,482.77 sq. m. They were completed in about 2006. *(See Notes 2 and 3)* Besides, there are 3 various buildings/ structures without Building Ownership Certificate erecting on the land having a total gross floor area of approximately 379.6 sq. m. *(See Note 4)* The surrounding of the property is mainly residential buildings. The property is subject to a right to use the land for a term with the latest till 2066 for education usage.	As inspected and confirmed by the Instructing Party and the appointed personnel of the Company, majority of the property was occupied by the Group for school, dormitory, office, restaurant, sport court and stadium, hall and exhibition purposes as at the Valuation Date.	RMB274,100,000 (100 per cent. to the Group)

Notes:

1. The rights to possess the land is held by the State and the rights to use the land has been granted to 重慶工商大學派斯學院 (translated as Pass Institute of Chongqing Technology and Business University and hereinafter referred to as "Pass Institute") via the following ways:

   (i) A parcel of land having a site area of 808 sq. m.

   Pursuant to a State-owned Land Use Rights Certificate known as 204 Fang Di Zheng 2013 Zi Di 27410 Hao (204房地證2013字第27410號) issued by 重慶市合川區國土資源和房屋管理局 (translated as Chongqing Hechuan Land Resources and Real Estate Management Bureau and hereinafter referred to as "Hechuan Land Bureau") and dated 26 September 2013, the legally interested party in the land having a site area of 808 sq. m. is Pass Institute at a consideration of RMB160,000 for a term of use till 1 December 2051 for education usage. The consideration has been fully paid.

(ii) A parcel of land having a site area of 19,973 sq. m.

Pursuant to a Contract for the Grant of State-owned Land Use Rights (國有土地出讓合同) dated 28 July 2004 and made between Hechuan Land Bureau and Pass Institute, a parcel of land having a site area of 19,973 sq. m. was granted to Pass Institute at a consideration of RMB2,408,731 for a term of 50 years for education usage. The consideration has been fully paid.

Pursuant to a State-owned Land Use Rights Certificate known as 204 Fang Di Zheng 2006 Zi Di 07766 Hao (204房地證2006字第07766號) dated 24 July 2006 and issued by Hechuan Land Bureau, the legally interested party in the land having a site area of 19,973 sq. m. is Pass Institute for a term of use till 2054 for education usage.

(iii) A parcel of land having a site area of 20,000 sq. m.

Pursuant to a Contract for the Grant of State-owned Land Use Rights (國有土地出讓合同) dated 28 July 2004 and made between Hechuan Land Bureau and Pass Institute, a parcel of land having a site area of 20,000 sq. m. was granted to Pass Institute at a consideration of RMB2,411,987 for a term of 50 years for education usage. The consideration has been fully paid.

Pursuant to a State-owned Land Use Rights Certificate known as 204 Fang Di Zheng 2006 Zi Di 07767 Hao (204房地證2006字第07767號) dated 24 July 2006 and issued by Hechuan Land Bureau, the legally interested party in the having a site area of 20,000 sq. m. is Pass Institute for a term of use till 2054 for education usage.

(iv) Two parcels of land having a total site area of 85,421 sq. m.

Pursuant to a Contract for the Grant of State-owned Construction Land Use Rights (國有建設用地使用權出讓合同) known as Yu Di (2016) (Hechuan) 43 Hao (渝地(2016) (合川) 43號) dated 29 June 2016 and made between Hechuan Land Bureau and Pass Institute, the land use rights of two parcels of land having a site area of 85,421 sq. m. was granted to Pass Institute for a term of 50 years for education usage at a consideration of RMB52,887,776.

Pursuant to a State-owned Land Use Rights Certificates known as Yu (2016) He Chuan Qu Bu Dong Chan Quan Di 000597000 Hao and Yu (2016) He Chuan Qu Bu Dong Chan Quan Di 000596903 Hao (渝（2016）合川區不動產權第000597000號及渝（2016）合川區不動產權第000596903號) dated 16 August 2016 and issued by Hechuan Land Bureau, the legally interested party in the land having a site area of 85,421 sq. m. is Pass Institute for a term of use till 29 June 2066 for education usage.

(v) A parcel of land having a site area of 48,267 sq. m.

Pursuant to a Contract for the Grant of State-owned Land Use Rights (國有土地出讓合同) dated 5 August 2008 and made between Hechuan Land Bureau and Pass Institute, a parcel of land having a site area of 48,267 sq. m. (in which 3,946 sq. m. is administratively allocated land for road usage) was granted to Pass Institute at a consideration of RMB10,756,300 for a term of 50 years for education usage. The consideration has been fully paid.

Pursuant to a State-owned Land Use Rights Certificate known as 204 Fang Di Zheng 2009 Zi Di 13220 Hao (204房地證2009字第13220號) dated 15 September 2009 and issued by Hechuan Land Bureau, the legally interested party in the land having a site area of approximately 48,267 sq. m. (in which 3,946 sq. m. is administratively allocated land for road usage) is Pass Institute for a term of use till 2058 for education usage.

(vi) A parcel of land having a site area of 51,733.99 sq. m.

Pursuant to a Contract for the Grant of State-owned Land Use Rights (國有土地出讓合同) dated 30 December 2009 and made between Hechuan Land Bureau and Pass Institute, a parcel of land having a site area of 51,733.99 sq. m. (in which 4,120.99 sq. m. is administratively allocated land for road usage) was granted to Pass Institute at a consideration of RMB13,694,546 for a term of 50 years for education usage. The consideration has been fully paid.

Pursuant to a State-owned Land Use Rights Certificate known as 204 Fang Di Zheng 2010 Zi Di 01002 Hao (204房地證2010字第01002號) dated 21 January 2010 and issued by Hechuan Land Bureau, the legally interested party in the land having a site area of 51,733.99 sq. m. (in which 4,120.99 sq. m. is administratively allocated land for road usage) is Pass Institute for a term of use till 2060 for education usage.

(vii) A parcel of land having a site area of 80,000 sq. m.

Pursuant to a State-owned Land Use Rights Certificate known as 204 Fang Di Zheng 2014 Zi Di 30362 Hao (204房地證2014字第30362號) dated 1 November 2014 and issued by Hechuan Land Bureau, the legally interested party in the administratively allocated land having a site area of approximately 80,000 sq. m. is Pass Institute without a specified term for education usage.

2. Pursuant to 10 various Construction Completion Notice (竣工驗收備案證) dated in between 2009 to 2015 and issued by Chongqing City Hechuan Bureau of Urban and Rural Development (重慶市合川區城鄉建設委員會), the legally interested party in 10 various major buildings having a total gross floor area of 101,091.03 sq. m. is Pass Institute. The area breakdown of each of the buildings are listed as follows:

		Gross Floor Area
		(sq. m.)
1.	Dormitory	18,943.00
2.	Comprehensive building	4,041.00
3.	Library	5,788.07
4.	Teaching building	30,647.52
5.	Student canteen	2,942.70
6.	Dormitory	6,241.94
7.	Staff residential buildings	7,122.54
8.	Dormitory	5,619.49
9.	Dormitory	9,416.32
10.	Dormitory	10,328.45
Total		101,091.03

3. Pursuant to 9 various Realty Title Certificates (房地產權證) dated 26 June 2007 or 26 September 2013 and issued by Hechuan Land Bureau, the legally interested party in 9 various major buildings having a total gross floor area of 40,391.74 sq. m. is Pass Institute. The area breakdown of each of the buildings are listed as follows:

		Gross Floor Area
		(sq. m.)
1.	Residential	4,965.98
2.	Teaching building	7,208.25
3.	Dormitory	8,504.87
4.	Teaching building	6,880.48
5.	Teaching building	874.73
6.	Integrated	1,260.00
7.	Teaching building	2,943.29
8.	Non - residential	1,736.10
9.	Dormitory	6,018.04
Total		40,391.74

4. According to the on-site inspection in August 2016, 3 various buildings having a total gross floor area of approximately 379.6 sq. m. without Building Ownership Certificates were erected on the land in Note 1(ii), 1(v) and 1(vi), and on land governed by a certificate known as 204 Fang De Zhang 2007 Zi Di 08214 Hao (204房地證2007字第08214號). In our valuation, we have not taken into account of the values of these buildings. The area breakdown of each of the buildings are listed as follows:

		Gross Floor Area (sq. m.)
1.	Power distribution room	115.95
2.	Power distribution room	143.59
3.	Playground ancillary facilities	120.06
Total		379.60

5. Portion of the property having a gross floor area of approximately 297 sq. m. was leased to various tenants under 3 various tenancy agreements from 15 July 2016 till 14 January 2017 at a total semi-annual rental of RMB62,500 for supermarket purpose.

6. According to the legal opinion as prepared by the Company's PRC legal adviser, Jingtian & Gongcheng (北京市競天公誠律師事務所), the following opinions are noted:

   (i) Pass Institute is the legally interested party in the property, and the property is not subject to any mortgage. Its rights in the property are protected by the relevant laws in China;

   (ii) The land in Notes 1(i), (ii), (iii) and (iv) and portion of 1(v) and 1(vi), Pass Institute has the rights to occupy, to use, to transfer, to lease and to mortgage; and

   (iii) The land in Notes 1(vii) and remaining portion of 1(v) and (vi), Pass Institute has the rights to use and occupy the administratively allocated land or the buildings on the land where Pass Institute is restricted to transfer, lease and mortgage.

7. In our valuation, we have not taken into account the value of the land parcel mentioned in Note 1 (v), (vi) and (vii) having a total site area of 88,066.99 due to its limitation on transferability.

8. In valuing the subject land, we have referenced to transactions of comparable with the same land use as the property in the same district. The prices of land ranged from RMB521 to RMB748 per square metre. Adjustments have been made to size, market trend, plot ratio and residual land use term factors. The adopted unit land price to the property is RMB653 per square metre.

	Property	Description and tenure	Particulars of occupancy	Amount of valuation in its existing state attributable to the Group as at 31 December 2016
2.	A college known as Chongqing Minsheng Vocational and Technical College located at No. 60 Si Yuan Road He Ban Chu Hechuan District Chongqing The People's Republic of China 401520	The property comprises two parcels of land having a total site area of 100,558 sq. m. with 4 major buildings and structures erected thereon. *(See Note 1)* The 4 major buildings and structures including 4 to 7 storeys composite buildings for teaching and other supporting purposes. Total gross floor area of the buildings is 61,331.58 sq. m. *(See Note 2)*. They were completed in about 2014. Besides, there is a building under construction. Upon completion, the building will be for dormitory purpose, and the planned gross floor area to be 9,760.9 sq. m.*(See note 3)* The surrounding of the property is mainly residential buildings. The property is subject to a right to use the land for a term till 2058 for education usage.	As inspected and confirmed by the Instructing Party and the appointed personnel of the Company, the property was occupied by the Group for school, dormitory, office and restaurant purposes as at the Valuation Date.	RMB137,400,000 (100 per cent. to the Group)

Notes:

1. The rights to possess the land is held by the State and the rights to use the land has been granted to 重慶應用技術職業學院 (translated as Chongqing Minsheng Vocational and Technical College and hereinafter referred to as "Technical College") via the following ways:

   (i) Pursuant to a Contract for the Grant of State-owned Land Use Rights (國有土地出讓合同) dated 5 August 2008 and made between 重慶市合川區國土資源和房屋管理局 (translated as Chongqing Hechuan Land Resources and Real Estate Management Bureau and hereinafter referred to as "Hechuan Land Bureau") and Technical College, a parcel of land having a site area of 112,002 sq. m. (in which 11,976 sq. m. is administratively allocated land) was granted to Technical College at a consideration of RMB21,281,030 for a term of 50 years for education usage. The consideration has been fully paid.

   (ii) Pursuant to two various State-owned Land Use Rights Certificates known as 204 Fang Di Zheng 2014 Zi Di 26049 Hao and 204 Fang Di Zheng 2014 Zi Di 26054 Hao (204房地證2014字第26049號及204房地證2014字第26054號) dated 11 September 2014 and issued by Hechuan Land Bureau, the legally interested party in the land having a total site area of 100,558 sq. m. (in which 11,976 sq. m. is administratively allocated land) is Technical College for a term of use till 1 December 2058 for education usage.

2. Pursuant to 4 various Building Ownership Certificates and issued by Hechuan Land Bureau, the legally interested party in 4 various major buildings having a total gross floor area of 61,331.58 sq. m. is Technical College.

3. Pursuant to a Construction Permit for Construction Work (建設工程施工許可證) dated 30 September 2015, Technical College is permitted to construct a building which will be for dormitory purpose and has a gross floor area of approximately 9,760.9 sq. m. upon completion on the land.

4. According to the legal opinion as prepared by the Company's PRC legal adviser, Jingtian & Gongcheng (北京市競天公誠律師事務所), the following opinions are noted:

   (i) Technical College is the legally interested party in the property, and the property is not subject to any mortgages. Its rights in the property are protected by the relevant laws in China; and

   (ii) Technical College has the rights to occupy, to use, to transfer, to lease and to re-mortgage the subject land except the administratively allocated land or the buildings on the land where Technical Institute only has the rights to use and occupy.

5. In our valuation, we have taken into account those construction in progress items and the cost incurred. According to the information provided, as at the Valuation Date, the cost incurred was approximately RMB2,000,000.

6. In valuing the subject land, we have referenced to transactions of comparable with the same land use as the property in the same district. The prices of land ranged from RMB521 to RMB748 per square metre. Adjustments have been made to size, market trend, plot ratio and residual land use term factors. The adopted unit land price to the property is RMB653 per square metre.

	Property	Description and tenure	Particulars of occupancy	Amount of valuation in existing state attributable to the Group as at 31 December 2016
				RMB
3.	A 3-storey terraced house located at No. 53-2 of Ya Dian Yang Guang Olympic Garden No. 8 Qi Xia Street Jinyu Avenue Bei Bu Xin District Chongqing The People's Republic of China 401122	The property comprises a 3-storey terraced house which has a gross floor area of 175.22 sq. m. and was completed in about 2005. The property is located at a residential district. The property is subject to a right to use the land for a term of use till 29 August 2053 for residential usage. *(See Note 1)*	As inspected and confirmed by the Instructing Party and the appointed personnel of the Company, the property was vacant as at the Valuation Date.	No Commercial Value (100 per cent. to the Group) *(See Note 5)*

Notes:

1. Pursuant to an Agreement for Sale and Purchase of Real Estate, a parcel of land having a site area of approximately 633.80 sq. m. with a building having a gross floor area of 175.22 sq. m. erected thereon was purchased by 重慶民升 教育管理有限公司 (translated as Minsheng Education Management Limited Company and hereinafter referred to as "Minsheng Company") for a term of use till 29 August 2053 for residential usage. As advised, the property was acquired around 2005 at a consideration of RMB902,000.

2. Minsheng Company is an indirect wholly owned subsidiary of the Company.

3. As advised, Minsheng Company is in the process of applying the Building Ownership Certificate.

4. According to the legal opinion as prepared by the Company's PRC legal adviser, Jingtian & Gongcheng (北京市競天公誠律師事務所), the following opinions are noted:

   (i) The property is not subject to any mortgages; and

   (ii) Minsheng Company will be the legally interested party in the property upon obtaining a Building Ownership Certificate.

5. In our valuation, we have assigned no commercial value to the property due to no proper title documents. However, for information purpose, should proper title documents be obtained, the market value of the property was RMB2,000,000 as at the Valuation Date.

	Property	Description and tenure	Particulars of occupancy	Amount of valuation in existing state attributable to the Group as at 31 December 2016
4.	A residential unit known as 24-5 on Level 24 No. 62 of No. 139 Ke Yuan San Street Jiu Long Po District Chongqing The People's Republic of China 400041	The property is a residential unit on Level 24 of a 30-storey residential building (including a basement level) which was completed in around 2013. The property has a gross floor area of 137.67 sq. m. and a saleable area of 113.29. The property is situated at a residential district. The property is subject to a right to use the land for a term till 28 June 2047 for residential usage.	As inspected and confirmed by the Instructing Party and the appointed personnel of the Company, the property was vacant as at the Valuation Date.	RMB880,000 (100 per cent. to the Group)

Notes:

1. Pursuant to a Realty Title Certificate known as 114 Fang Di Zheng 2013 Zi Di 015138 Hao (114房地證2013字第015138號) dated 9 October 2013 and issued by 重慶市合川區國土資源和房屋管理局 (translated as Chongqing Hechuan Land Resources and Real Estate Management Bureau and hereinafter referred to as "Hechuan Land Bureau"), the legally interested party in the property having a gross floor area of 137.67 sq. m. is Li Ang Shi Ye. (i.e. Chongqing Li'ang Industry Co. Ltd. which is the parent company of the 3 schools in Chongqing and is a subsidiary of the Company). As advised, the consideration of the property was RMB876,468.01.

2. According to the legal opinion as prepared by the Company's PRC legal adviser, Jingtian & Gongcheng (北京市競天公誠律師事務所), the following opinions are noted:-

   (i) Li Ang Shi Ye is the legally interested party in the property. Its rights in the property are protected by the relevant laws in China; and

   (ii) Li Ang Shi Ye has the rights to use the property.

3. In valuing the property, we have referenced to transactions or listings of residential premises in the same district. The prices of residential premises ranged from RMB6,000 to RMB6,700 per square metre. Adjustments have been made to building age, market trend, altitude, size and nature of transaction factors. The adopted unit price to the property is RMB6,400 per square metre.

Group II — Property to be acquired by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Amount of valuation in its existing state attributable to the Group as at 31 December 2016 RMB
5.	A parcel of land located at North of Chongqing Minsheng Vocational and Technical College He Yang Cheng Street Hechuan District Chongqing The People's Republic of China 401520	The property comprises a parcel of land having a site area of 33,019 sq. m. *(see Note 1)*. The land is subject to a right to use for a term of 50 years for education usage.	As inspected and confirmed by the Instructing Party and the appointed personnel of the Company, the property was vacant as at the Valuation Date.	No Commercial Value

Notes:

1. Pursuant to a Contract for the Grant of State-owned Construction Land Use Rights (國有建設用地使用權出讓合同) known as Yu Di (2015) (Hechuan) 55 Hao (渝地(2015) (合川) 55號) dated 6 November 2015 and made between 重慶市合川區國土資源和房屋管理局 (translated as Chongqing Hechuan Land Resources and Real Estate Management Bureau and hereinafter referred to as "Hechuan Land Bureau") and 重慶應用技術職業學院 (translated as Chongqing Minsheng Vocational and Technical College and hereinafter referred to as "Technical College"), the land use rights of a parcel of land having a site area of 33,019 sq. m. was granted to Technical College for a term of 50 years for education usage at a consideration of RMB17,216,107. The consideration has been fully paid.

2. As advised by the appointed personnel of the Company, the land is in the process of obtaining the relevant State-owned Land Use Rights Certificate.

3. According to the legal opinion as prepared by the Company's PRC legal adviser, Jingtian & Gongcheng (北京市競天公誠律師事務所), the Contract for the Grant of State-owned Construction Land Use Rights is legally binding.

Group III — Properties occupied by the Group under various operating leases in the PRC

	Property	Description and tenure	Amount of valuation in its existing state attributable to the Group as at 31 December 2016 RMB
6.	Room Nos 0301, 0302 and 0303 on Level 3 Full Tower No. 9, East Third Ring Road Chaoyang District Beijing The People's Republic of China 100020	The property comprises three adjoining office units on Level 3 of a 2005 completed 32 storeys office building. According to the information made available to us, the property has a total gross floor area of approximately 376 sq. m. The property is rented to the lessee from 8 March 2016 to 7 March 2017 for office usage at an annual rental of RMB 112,800. The property locates in the CBD of Beijing. The property is occupied by the Group for office usage as at the Valuation Date.	No Commercial Value

Notes:

1. The lessor of the property is 北京美迪亞置業有限公司 (translated as Beijing Meidiya Properties Limited).

2. The lessee of the property is 北京民晟時代教育科技有限公司 (Translated as Beijing Minsheng Time Education Technology Co., Ltd.)

3. According to the legal opinion as prepared by the Company's PRC legal adviser, Jingtian & Gongcheng (北京市競天公誠律師事務所), no title documents available and there may have risk that the tenancy agreement is not binding to the lessor and lessee.

	Property	Description and tenure	Amount of valuation in its existing state attributable to the Group as at 31 December 2016 RMB
7.	A complex located at Pass Institute of Chongqing Technology and Business University No. 593 Jiao Tong Street He Yang Ban Hechuan District Chongqing The People's Republic of China 401520	The complex comprises various dormitory, teaching areas, administration building, laboratory teaching building, school infirmary, gymroom, guard room, shops and vacant rooms. According to the information made available to us, the property has a total gross floor area of approximately 11,151.36 sq. m. The property is rented to the lessee from 2013 to 2016 for education usage at a certain amount of fees payable to Hechuan District People's Government annually. The surrounding of the property is mainly residential buildings. The property is occupied by the Group for education usage as at the Valuation Date.	No Commercial Value

Notes:

1. The lessor of the property is 合川師範學校 (translated as Hechuan Normal College), which is owned by Hechuan District People's Government according to the legal opinion as prepared by the Company's PRC legal adviser, Jingtian & Gongcheng (北京市競天公誠律師事務所).

2. The lessee of the property is 重慶工商大學派斯學院 (translated as Pass Institute of Chongqing Technology and Business University).

3. According to the legal opinion as prepared by the Company's PRC legal adviser, Jingtian & Gongcheng (北京市競天公誠律師事務所), Pass Institute of Chongqing Technology and Business University using the property did not contravene with the PRC laws.

	Property	Description and tenure	Amount of valuation in its existing state attributable to the Group as at 31 December 2016 RMB
8.	A complex located at Inner Mongolia North Career Technical College Hohhot City Inner Mongolia The People's Republic of China 010010	The complex comprises various dormitory, teaching areas, administration building and office premises. *(See Note 3)* According to the information made available to us, the buildings have a total gross floor area of approximately 17,617.80 sq. m. The property is rented to the lessee for a term of 1 year commencing from 1 July 2016 to 30 June 2017 for education usage at an annual rental of RMB2,784,750. The property is located at the urban area of Hohhot City. The property is occupied by the Group for education usage as at the Valuation Date.	No Commercial Value

Notes:

1. The lessor of the property is 內蒙古北方職業技術學院 (translated as Inner Mongolia North Career Technical College), an independent party to the Company.

2. The lessee of the property is 內蒙古豐州職業學院(青城分院)(translated as Inner Mongolia Fengzhou Vocational College).

3. The property comprises 7#Dormitory, 8#Dormitory, Teaching Areas, Level 3 and Level 4 of the Administration Building and Level 2 of the Office Building.

4. According to the legal opinion as prepared by the Company's PRC legal adviser, Jingtian & Gongcheng (北京市競天公誠律師事務所), no title documents available and there may have risk that the tenancy agreement is not binding to the lessor and lessee.

CATEGORY B — NON-MARKET VALUE BASIS

Properties held and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Amount of valuation in its existing state attributable to the Group as at 31 December 2016
1.	A college known as Chongqing College of Humanities Science and Technology located at No. 256 Ban Shi Chu Xue Yuan Street Cao Jie Road Hechuan District Chongqing The People's Republic of China 401524	The property comprises 20 various parcels of adjoining land having a total site area of 1,050,366 sq. m. with 164 major buildings and structures erected thereon. *(See Note 1)* The 126 various buildings and structures including single to 13 storeys composite buildings with proper title documents for teaching and other purposes. Total gross floor area of the buildings is approximately 398,043.53 sq. m. *(see Note 2)*. They were completed in about 1999. Besides, there are 38 various buildings/ structures without title certificates erecting on the land having a total gross floor area of approximately 4,489.07 sq. m. *(See Note 3)*. The surrounding of the property is mainly residential buildings. The property is subject to a right to use the land without a specified term for education usage.	As inspected and confirmed by the Instructing Party and the appointed personnel of the Company, the property was occupied by the Group for school, dormitory, office, restaurant, hospital, sport court and stadium, supermarket, post office, salon, hall and exhibition purposes as at the Valuation Date.	RMB1,069,400,000 (100 per cent. to the Group) *(this is not a commercial value, see Note 6 below)*

Notes:

1. The rights to possess the land is held by the State and the rights to use the land has been transferred to 重慶人文科技學院 (translated as Chongqing College of Humanities, Science and Technology and hereinafter referred to as "College of Humanities") via the following ways:

   (i) Pursuant to 20 various State-owned Land Use Rights Certificates dated 10 or 11 September 2013 and 28 November 2013 and issued by 重慶市合川區國土資源和房屋管理局 (translated as Chongqing Hechuan Land Resources and Real Estate Management Bureau and hereinafter referred to as "Hechuan Land Bureau"), the legally interested party in 20 various parcels of administratively allocated land having a total site area of 1,050,366 sq. m. is College of Humanities for education usage without a specified term.

2. Pursuant to 126 various Realty Title Certificates, and issued by Hechuan Land Bureau, the legally interested party in 126 various major buildings having a total gross floor area of 398,043.53 sq. m. is College of Humanities. The area breakdown of each of the buildings are listed as follows:

		Gross Floor Area over 1,000 sq. m.
		(sq. m.)
1	Non-residential	1,594.00
2	Non-residential	2,197.00
3	Residential	3,173.00
4	Non-residential	1,686.00
5	Residential	1,464.00
6	Non-residential	1,930.00
7	Residential	1,158.00
8	Residential	1,158.00
9	Non-residential	1,384.00
10	Residential	1,967.00
11	Residential	1,725.00
12	Residential	1,706.00
13	Residential	1,596.00
14	Residential	2,562.00
15	Residential	1,368.00
16	Residential	1,476.00
17	Residential	2,265.00
18	Residential	2,150.00
19	Residential	1,086.00
20	Residential	1,374.00
21	Residential	1,476.00
22	Residential	1,086.00
23	Residential	1,154.00
24	Residential	1,416.00
25	Residential	1,086.00
26	Residential	1,711.00
27	Non-residential	1,006.20
28	Non-residential	3,115.69
29	Residential	2,167.00
30	Non-residential	4,047.00
31	Non-residential	1,430.00
32	Non-residential	1,005.00
33	Non-residential	1,121.00
34	Non-residential	1,845.00
35	Non-residential	1,137.00
36	Non-residential	2,904.00
37	Non-residential	1,740.00
38	Residential	4,780.00
39	Non-residential	1,817.00
40	Non-residential	1,265.00
41	Non-residential	1,005.59
42	Non-residential	1,741.45
43	Non-residential	1,520.10
44	Non-residential	1,578.00

		Gross Floor Area over 1,000 sq. m.
		(sq. m.)
45	Residential	1,878.00
46	Residential	4,473.00
47	Residential	1,625.00
48	Residential	1,625.00
49	Residential	1,169.00
50	Residential	1,594.00
51	Residential	2,270.00
52	Residential	1,258.00
53	Non-residential	2,156.74
54	Non-residential	3,225.63
55	Non-residential	3,249.82
56	Non-residential	3,212.27
57	Residential	9,313.79
58	Residential	4,219.95
59	Art Teaching Building	4,430.83
60	Visual Arts Building	3,168.50
61	Teaching Building	9,665.22
62	Music Building	5,797.02
63	Laboratory Teaching Building	10,254.69
64	Art Building, Foreign Language Building	6,001.07
65	Teaching Building	5,157.24
66	Non-residential	10,258.38
67	Non-residential	7,527.24
68	Non-residential	8,362.88
69	Non-residential	10,710.00
70	Non-residential	7,896.67
71	Residential	29,246.04
72	Residential	9,106.86
73	Residential	9,106.86
74	Residential	7,844.22
75	Residential	7,844.22
76	Residential	7,844.22
77	Residential	9,106.86
78	Residential	9,106.86
79	Residential	9,106.86
80	Residential	5,722.99
81	Residential	6,914.04
82	Residential	6,914.04
83	Residential	20,742.12
84	Residential	9,106.86
85	Non-residential	23,636.13
Total		380,022.15
Plus total gross floor area of remaining 41 buildings or structures below 1,000 sq. m.		18,021.38
Grand Total		398,043.53

3. According to the on-site inspection in August 2016, 38 various buildings having a total gross floor area of approximately 4,489.07 sq. m. without Building Ownership Certificates were erected on the subject land. In our valuation, we have not taken into account of the values of these buildings without certain planning, construction approval, completion and acceptance procedures and building certificates. The area breakdown of each of the buildings are listed as follows:

		Gross Floor Area (sq. m.)
1	Living Ancillary Facilities	44
2	School Infirmary	30
3	School Infirmary	30
4	Vacant Room	35.17
5	Living Ancillary Facilities	21.79
6	Water Plant Ancillary Building	420
7	Living Ancillary Facilities	69.04
8	Living Ancillary Facilities	15.5
9	Living Ancillary Facilities	51.9
10	Power Distribution Room	34
11	Power Distribution Room	147
12	Power Distribution Room	110
13	Gym Room	587.07
14	Logistics Services Commercial Building	133.82
15	Gas station	42.18
16	Functional Room	412
17	Boiler Room	86.79
18	Logistics Services Commercial Building	9
19	Canteen Ancillary Facilities	41.04
20	Power Generation Room	9.11
21	Teaching Facilities	400.74
22	Vacant Room	183.8
23	Vacant Room	162
24	Vacant Room	130.12
25	Vacant Room	223
26	Vacant Room	59.26
27	Vacant Room	197.43
28	Vacant Room	198.19
29	Vacant Room	66.75
30	Vacant Room	159.06
31	Gate Sentry	12
32	Gate Sentry	10
33	Gate Sentry	15
34	Gate Sentry	10
35	Classroom	200
36	Living Ancillary Facilities	58.9
37	Living Ancillary Facilities	31.45
38	Living Ancillary Facilities	41.96
Total		4,489.07

4. A portion of the property having a gross floor area of approximately 3,040.01 sq. m. was leased to various tenants under a total of 43 various tenancy agreements from 1 August 2015 with the latest expiry date on 10 August 2020 at a total annual rental of RMB 1,459,720.4 for various purposes including supermarket, restaurant, bakery and fruit shop purposes.

5. Pursuant to 2 various Planning Permit for Using Construction Usage Land (建設用地規劃許可證) known as De Zi Di 500382201500034 Hao (地字第500382201500034號) and De Zi Di 500382201500035 Hao (地字第500382201500035號) dated 7 July 2015 and issued by Chongqing Hechuan Planning Bureau (重慶市合川區規劃局), College of Humanities was permitted to construct 2 various buildings on the subject land.

   As advised by the appointed personnel of the Company, the above mentioned buildings have not incurred any construction cost as at the Valuation Date.

6. We have attributed no commercial value i.e. market value to the property as the transferability of the property is restricted or additional procedures are required before the property becomes a stated-owned transferrable land. However, for the Company's internal reference purpose, we were advised to assess and report the investment value of the property (land and building) in its existing state to the Group.

7. According to the legal opinion as prepared by the Company's PRC legal adviser, Jingtian & Gongcheng (北京市競天公誠律師事務所), the following opinions are noted:-

   (i) College of Humanities is the legally interested party in the property, and the property is not subject to any mortgages. Its right in the property are protected by the relevant laws in China;

   (ii) There are 43 various tenancy agreements made between College of Humanities and various independent third parties in the property. According to the legal opinions, College of Humanities has no rights to lease any part of the buildings erected thereon; and

   (iii) College of Humanities has the right to use the property but has no rights to transfer, lease and mortgage the administratively allocated land and the buildings erected on the land.

8. In our valuation, we have not taken into account of any income from the tenancy agreements as mentioned at Note 7(ii) above.

9. In valuing the subject land, we have referenced to transactions of comparable with the same land use as the property in the same district. The prices of land ranged from RMB521 to RMB748 per square metre. Adjustments have been made to size, market trend, plot ratio and residual land lease term factors. The adopted unit land price to the property is RMB653 per square metre.

	Property	Description and tenure	Particulars of occupancy	Amount of valuation in its existing state attributable to the Group as at 31 December 2016
2.	A college known as Fengzhou Vocational College Lot No. 1-08-11-2 and located at the western side of Da Tai She Road Hohhot City Inner Mongolia The People's Republic of China 010010	The property comprises a parcel of land having a site area of 4,560.35 sq. m. with 9 various buildings erected thereon. *(See Notes 1, 2 and 3)* The buildings were completed in about 1988. The major building is a 4-storey composite building for education purposes. Total gross floor area of the building is 1,892.58 sq. m. *(See Note 2)* Besides, there are 8 various buildings/structures without Building Ownership Certificate erecting on the land having a total gross floor area of approximately 3,931.44 sq. m. *(See Note 3)* The surrounding of the property is mainly residential buildings. The property is subject to a right to use the land without a specified term for education usage.	As inspected and confirmed by the Instructing Party and the appointed personnel of the Company, the property was occupied by the Group for school purpose as at the Valuation Date.	RMB2,800,000 (100 per cent. to the Group) *(this is not a commercial value, see Note 4)*

Notes:

1. The rights to possess the land is held by the State and the rights to use the land has been transferred to 內蒙古青城大學 currently named as 內蒙古豐州職業學院(青城分院)(translated as Inner Mongolia Fengzhou Vocational College and hereinafter referred to as "Fengzhou College") via the following ways:

   Pursuant to a State-owned Land Use Rights Certificate known as Hu Guo Yong (2000) Zi Di 355 Hao (呼國用(2000)字第355號) dated September 2000 and issued by the Hohhot Land Management Bureau (呼和浩特市土地管理局), Fengzhou College has the right to use the land having a site area of 4,560.35 sq. m. without a specified term for education usage.

2. Pursuant to a Building Ownership Certificates known as Hu Zi Di 0171 Hao (呼字第0171號) dated 15 December 1988 and issued by Hohhot Real Estate Management Bureau (呼和浩特市房地產管理局), the legally interested party in the building having a total gross floor area of 1,892.58 sq. m. is Fengzhou College.

3. According to the on-site inspection in August 2016, 8 various buildings having a total gross floor area of approximately 3,931.44 sq. m. without Building Ownership Certificates were erected on the land.

4. We have attributed no commercial value i.e. market value to the property as the transferability of the property is restricted or additional procedures are required before the property becomes a stated-owned transferrable land. However, for the Company's internal reference purpose, we were advised to assess and report the investment value of the property (land and building) in its existing state to the Group.

5. According to the legal opinion as prepared by the Company's PRC legal adviser, Jingtian & Gongcheng (北京市競天公誠律師事務所), the following opinions are noted:-

   (i) Fengzhou College is the legally interested party in the property, and the property is not subject to any mortgages. Its rights in the property are protected by the relevant laws in China; and

   (ii) Fengzhou College has the right to use the property. Fengzhou College is restricted to transfer, to lease and to mortgage the property.

6. In valuing the subject land, we have referenced to transactions of comparable with the same land use as the property in the same city. The prices of land ranged from RMB500 to RMB720 per square metre. Adjustments have been made to size, market trend, plot ratio and residual land use term factors. The adopted unit land price to the property is RMB608 per square metre.

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 13 December 2005 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Company's constitutional documents consist of its Third Amended and Restated Memorandum of Association (the "Memorandum") and its Third Amended and Restated Articles of Association (the "Articles").

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 conditionally adopted on March 2, 2017 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to 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.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares 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; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) 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 Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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. 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 of that share.

The board may, in its absolute discretion, at any 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.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it 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 any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of 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 Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls 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.

(b) Directors

(i) Appointment, retirement 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.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power 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.

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 members of the Company may by ordinary resolution appoint another in his place. 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 if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) 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 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 must, 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.

(ii) 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 (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is 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 determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of Stock Exchange 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 are 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 is 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.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

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.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets 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.

(v) Remuneration

The ordinary remuneration of the Directors is to 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 are also 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 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 and such other benefits 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.

(vi) 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.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) 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 upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the 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. 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.

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 must 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 is materially interested, but this prohibition does 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.

(c) 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.

(d) Alterations to constitutional documents and the Company's name

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.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, 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.

Under the Companies Law, 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 of which notice has been duly given held in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, 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 authorised 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 Stock Exchange, 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.

(iii) Annual general meetings

The Company must hold an annual general meeting of the Company every year 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 the Stock Exchange.

(iv) Notices of meetings and business to be conducted

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 must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must 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, amongst others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address, by advertisement in newspapers in accordance with the requirements of the Stock Exchange or placing it on the Company's website or the website of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an 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.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is 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 is 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.

(f) 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 must 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 must 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 Stock Exchange, 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.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. 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 which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

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.

(h) Inspection of corporate records

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 office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of 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 Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution 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 is 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 is 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.

(k) 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 Islands 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) Company 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 of 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.

(c) Financial assistance to purchase shares of a company or its holding company

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

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 is to 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 is not be treated as a member for any purpose and must 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 must not be voted, directly or indirectly, at any meeting of the company and must 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.

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

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. With the exception of the foregoing, there are 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.

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.

(f) Protection of minorities and shareholders' suits

The 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) Disposal of assets

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 must 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.

An exempted company must 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.

(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 3 January 2006.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments 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 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.

(n) Register of members

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 must 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.

(o) Register of Directors and Officers

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.

(p) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) 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 purposes of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act 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.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how 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. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(q) 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.

(r) Take-overs

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.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, 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 VII 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 December 13, 2005. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on July 29, 2016 and our Company's principal place of business in Hong Kong is at Room 1102, 11/F., The Lee Gardens One, 33 Hysan Avenue, Causeway Bay, Hong Kong. Mr. Lam Ngai Lung of Room 1102, 11/F., The Lee Gardens One, 33 Hysan Avenue, Causeway Bay, a Hong Kong resident, has been appointed as the authorised 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 V of this prospectus.

2. Changes in share capital of our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on December 13, 2005. As at the date of incorporation, our authorised share capital was US$50,000 divided into 50,000,000 shares of par value US$0.001 each. The following sets out the changes in our Company's issued share capital that took place within the two years immediately preceding the date of this prospectus:

(i) On September 25, 2015, our Company repurchased the entire equity interest held by Baring Private Equity Asia III Holding (3A) Limited in our Company, being 14,666,343 Shares, for a total consideration of US$74.00 million.

(ii) On December 28, 2015, GS Capital Partners VI Parallel, L.P. ("GS VI Parallel"), GS Capital Partners VI Fund, L.P. ("GS VI"), GS Capital Partners VI Offshore Fund, L.P. ("GS VI Offshore") and GS Capital Partners VI Gmbh & Co. KG ("GS VI Gmbh") respectively transferred 639,360 Shares, 2,325,095 Shares, 1,933,932 Shares and 82,635 Shares to Minsheng Services for an aggregate consideration of US$41.83 million. On the same date, Minsheng Services surrendered all the aforementioned transferred Shares to our Company. As such, the aforementioned Shares were deemed to be cancelled as of December 28, 2015.

(iii) On June 10, 2016, GS VI Parallel, GS VI, GS VI Offshore and GS VI Gmbh transferred their remaining equity interest in our Company, namely 124,875 Shares, 454,125 Shares, 377,725 Shares and 16,140 Shares to Minsheng Services for an aggregate consideration of US$8.17 million, pursuant to the terms of the Share Transfer Agreement. On the same date, Minsheng Services surrendered all the aforementioned transferred Shares to our Company. As such, the aforementioned Shares were deemed to be cancelled as of June 10, 2016.

(iv) On July 5, 2016, each Share of par value of US$0.001 in the authorised share capital of our Company was subdivided into 100 Shares of par value of US$0.00001 each ("Share Subdivision"), such that immediately following the Share Subdivision, the authorised share capital of our Company became US$50,000 divided into 5,000,000,000 Shares of par value US$0.00001 each.

(v) On March 2, 2017, the authorised share capital of our Company was increased to US$100,000 divided into 10,000,000,000 Shares of par value of US$0.00001 each.

(vi) Immediately following completion of the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is not exercised, the authorised share capital of our Company will be US$100,000 divided into 10,000,000,000 Shares, of which 4,000,000,000 Shares will be issued fully paid or credited as fully paid, and 6,000,000,000 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 March 2, 2017" in this Appendix, our Directors do not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meetings, 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

The following alterations in the share capital or registered capital of our subsidiaries took place within the two years immediately preceding the date of this prospectus:

(i) Huizhi Education

On November 6, 2015, Huizhi Education was incorporated as a limited liability company in the PRC with a registered capital of RMB10.00 million.

(ii) Yujinggang Education

On October 27, 2015, Chongqing College of Humanities, Science and Technology acquired the entire equity interest in Yujinggang Education from Mr. Li. On November 27, 2015, Yujinggang Education passed a shareholder's resolution to increase its registered share capital from RMB10.00 million to RMB 50.00 million.

(iii) Chongqing Renwen Hospital

On November 6, 2015, Chongqing Renwen Hospital was incorporated as a limited liability company in the PRC with a registered capital of RMB10.00 million. On November 27, 2015, Chongqing Renwen Hospital passed a shareholder's resolution to increase its registered share capital from RMB10.00 million to RMB 50.00 million.

(iv) Zhiyuan Times

On October 29, 2015, Chongqing College of Humanities, Science and Technology acquired the entire equity interest in Zhiyuan Times from Mr. Li Xuerang.

(v) Laoling Chengyue

On July 7, 2016, Laoling Chengyue was incorporated as a limited liability company in the PRC with a registered capital of RMB50.00 million.

(vi) Minsheng Secondary Vocational School

On September 20, 2016, Minsheng Secondary Vocational School was established as a secondary vocational college in the PRC with an initial capital of RMB30.00 million.

Save as disclosed above, there has been no alteration in the share capital or registered capital of our subsidiaries within the two years preceding the date of this prospectus.

4. Written resolutions of our sole Shareholder passed on March 2, 2017

Pursuant to the written resolutions of our sole Shareholder, which were passed on March 2, 2017:

(a) our Company approved and adopted the Memorandum of Association with immediate effect;

(b) the authorised share capital of our Company was increased from US$50,000 divided into 5,000,000,000 Shares of US$0.00001 each to US$100,000 divided into 10,000,000,000 Shares of US$0.00001 each by the creation of 5,000,000,000 Shares of US$0.00001 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 Coordinator (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 US$4,105.49 be capitalized and applied in paying up in full at par value 410,548,800 Shares for allotment and issue to our sole Shareholder (i.e. Honest Cheer) whose name was 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 authorised 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 authorised, 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 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 purposes 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 a 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)(v) 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 March 2, 2017 by our sole Shareholder, 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 and 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 sole Shareholder passed on March 2, 2017" 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 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 REORGANIZATION

No reorganization has been carried out in respect of the Group for the purposes of the Listing.

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 share repurchase agreement dated September 25, 2015 between our Company and Baring Private Equity Asia III Holding (3A) Limited, pursuant to which our Company agreed to repurchase 14,666,343 shares of our Company held by Baring Private Equity Asia III Holding (3A) Limited for the consideration of US$74.0 million (subject to any adjustments thereunder);

(b) a share transfer agreement dated September 25, 2015 between our Company, Minsheng Services, GS Capital Partners VI Parallel, L.P., GS Capital Partners VI Fund, L.P., GS Capital Partners VI Offshore Fund, L.P. and GS Capital Partners VI GmbH & Co. KG, pursuant to which GS Capital Partners VI Parallel, L.P., GS Capital Partners VI Fund, L.P., GS Capital Partners VI Offshore Fund, L.P. and GS Capital Partners VI GmbH & Co. KG agreed to transfer, and Minsheng Services agreed to purchase, an aggregate of 5,953,887 shares of our Company for the aggregate consideration of US$50.0 million;

(c) a share transfer agreement dated October 29, 2015, between Mr. Li Xuerang and Chongqing College of Humanities, Science and Technology, pursuant to which Mr. Li Xuerang agreed to sell, and Chongqing College of Humanities, Science and Technology agreed to purchase, 100% of the equity interest in Zhiyuan Times (formerly known as Chongqing Xinkang Medical Investment Co., Ltd.) at nil consideration;

(d) a share transfer agreement dated October 27, 2015, between Mr. Li and Chongqing College of Humanities, Science and Technology, pursuant to which Mr. Li agreed to sell, and Chongqing College of Humanities, Science and Technology agreed to purchase, 100% of the equity interest in Yujinggang Education at nil consideration;

(e) the Deed of Indemnity;

(f) a cornerstone investment agreement (the "IFC Cornerstone Investment Agreement") dated March 8, 2017 entered into by and among International Finance Corporation, Citigroup Global Markets Asia Limited, Macquarie Capital Limited and our Company, pursuant to which International Finance Corporation agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of 2,000 Shares) which may be purchased with an aggregate amount of US$30.0 million (subject to adjustment) at the Offer Price (inclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% and certain expenses in connection with the payment of the subscription price);

(g) a policy agreement dated March 8, 2017 between International Finance Corporation and our Company, pursuant to which our Company agreed to adopt certain corporate governance and reporting measures prescribed by International Finance Corporation;

(h) an amendment agreement to cornerstone investment agreement dated March 9, 2017 entered into by and among International Finance Corporation, Citigroup Global Markets Asia Limited, Macquarie Capital Limited and our Company, pursuant to which certain terms of the IFC Cornerstone Investment Agreement were amended;

(i) a cornerstone investment agreement dated March 6, 2017 entered into by and among City Legend International Limited (華昌國際有限公司), Citigroup Global Markets Asia Limited, Macquarie Capital Limited and our Company, pursuant to which City Legend International Limited (華昌國際有限公司) agreed to subscribe for 332,000,000 Shares at the Offer Price;

(j) an agreement regarding the construction project of Laoling Secondary Vocational and Technical School dated July 8, 2016 between Laoling City People's Government and Laoling Chengyue, regarding the construction and management of Laoling Secondary Vocational and Technical School;

(k) a supplemental cooperation agreement regarding Laoling Secondary Vocational and Technical School dated September 1, 2016 between Laoling City People's Government, Laoling City Education Bureau, Laoling Chengyue, Laoling Secondary Vocational and Technical School, and Minsheng Secondary Vocational School, regarding the entrustment management arrangement concerning Laoling Secondary Vocational and Technical School;

(l) a deed of non-competition dated March 6, 2017 executed by Honest Cheer, Mr. Li and Ms. Li Ning in favour of our Company regarding certain non-competition undertakings provided by them; and

(m) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of our Group

Trademarks

As at the date of this prospectus, 11 applications has 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	303947518	October 31, 2016
2.		Inner Mongolia Fengzhou Vocational College (Qingcheng Branch)	PRC	41	21202448	September 5, 2016
3.		Inner Mongolia Fengzhou Vocational College (Qingcheng Branch)	PRC	41	21202449	September 5, 2016
4.		Minsheng Secondary Vocational School	PRC	41	21274534	September 12, 2016
5.		Chongqing Vocational College of Applied Technology	PRC	41	21202434	September 5, 2016
6.		Chongqing Vocational College of Applied Technology	PRC	41	21202445	September 5, 2016
7.		Pass College of Chongqing Technology and Business University	PRC	41	21202447	September 5, 2016
8.		Pass College of Chongqing Technology and Business University	PRC	41	21202446	September 5, 2016

Note: International classification of goods and services

Domain Names

As at the Latest Practicable Date, we have registered the following domain name:

Registrant	Domain name	Date of registration	Expiration date
Inner Mongolia Fengzhou Vocational College (Qingcheng Branch)*	fzxyedu.cn	September 8, 2016	September 8, 2017
Chongqing Vocational College of Applied Technology	重慶應用技術職業學院.中國	January 13, 2015	January 13, 2018
Chongqing Vocational College of Applied Technology	cqyyzy.com	March 31, 2014	March 31, 2018

Patents

a. As at the Latest Practicable Date, our Group had the following registered patents:

Number	Owner of the Patent	Name of the Patent	Patent No.	Useful Life	Patent Category
1	Chongqing College of Humanities, Science and Technology	Function testing device frame for a production line of new smart meters	ZL201620030052.8	By January 12, 2026	Utility model
2	Chongqing College of Humanities, Science and Technology	Home-use storing device for remote recharge function of smart IC card meters	ZL201620030441.0	By January 12, 2026	Utility model
3	Chongqing College of Humanities, Science and Technology	Power consumption testing platform for controllers of smart meters	ZL201620032338.X	By January 12, 2026	Utility model
4	Chongqing College of Humanities, Science and Technology and Chongqing Communication College of People's Liberation Army	Instantaneous speed measuring instrument for diesels	ZL201620030198.2	By January 12, 2026	Utility model
5	Chongqing College of Humanities, Science and Technology	Intelligent card verifier for multi-functional IC card	ZL201620032408.1	By January 12, 2026	Utility model
6	Chongqing College of Humanities, Science and Technology	Multi-functional convenient payment system of smart meters in the Internet of Things	ZL201620031479.X	By January 12, 2026	Utility model

Number	Owner of the Patent	Name of the Patent	Patent No.	Useful Life	Patent Category
7	Chongqing College of Humanities, Science and Technology and Chongqing Communication College of People's Liberation Army	Multi-functional power module of small engines	ZL201620028502.X	By January 12, 2026	Utility model
8	Chongqing College of Humanities, Science and Technology and Chongqing Communication College of People's Liberation Army	Automatic testing platform for electrical performance of a generator system	ZL201620028503.4	By January 12, 2026	Utility model
9	Chongqing College of Humanities, Science and Technology and Chongqing Communication College of People's Liberation Army	A portable insulation monitoring device for 240V Direct Current (DC) power supply system for communication purpose	ZL201620031969.X	By January 12, 2026	Utility model
10	Pass College of Chongqing Technology and Business University	Connection ports for computer network	ZL201520398588.0	By June 10, 2025	Utility model
11	Chongqing Vocational College of Applied Technology	A remote monitoring radiator for wireless computer	ZL201521122524.4	By December 30, 2025	Utility model
12	Chongqing Vocational College of Applied Technology	An intelligent computer screen with eye-care functions	ZL201521122528.2	By December 30, 2025	Utility model
13	Chongqing Vocational College of Applied Technology	Electric facial-cleansing brush	ZL201520988788.1	By December 2, 2025	Utility model
14	Chongqing Vocational College of Applied Technology	A type of intelligent stove	ZL201520989941.2	By December 2, 2025	Utility model
15	Chongqing Vocational College of Applied Technology	A type of intelligent energy-saving and environment-friendly temperature control system	ZL201620339223.5	By April 20, 2026	Utility model
16	Chongqing Vocational College of Applied Technology	A type of multi-functional computer keyboard	ZL201620403558.9	By May 5, 2026	Utility model
17	Chongqing Vocational College of Applied Technology	A type of quick installing and fixing setting for pneumatic tightening computer motherboard	ZL201620403556.X	By May 5, 2026	Utility model

Number	Owner of the Patent	Name of the Patent	Patent No.	Useful Life	Patent Category
18	Chongqing Vocational College of Applied Technology	A new type of new computer display screen	ZL201620403554.0	By May 5, 2026	Utility model

b. As at the Latest Practicable Date, our Group had applied for registration of the following patents:

Number	Patent Applicant	Application Date	Name of the Patent	Patent Application No.
1	Chongqing College of Humanities, Science and Technology	January 13, 2016	A type of upgraded convenient device for control program of gas meteres	201620032439.7
2	Chongqing College of Humanities, Science and Technology	July 15, 2016	Multi - phenotypic mobile recharge comprehensive charging system for smart meters	201610557737.2
3	Chongqing College of Humanities, Science and Technology	July 14, 2016	Intelligent IC card measuring instrument with hard encryption function	201620740597.8
4	Chongqing College of Humanities, Science and Technology	July 14, 2016	A type of short message-type Internet of Things measurement instrument system for solving SMS congestion	201610555073.6
5	Chongqing College of Humanities, Science and Technology	July 14, 2016	Intelligent IC card measuring instrument with hard encryption function	201620740597.8
6	Chongqing College of Humanities, Science and Technology	July 15, 2016	Intelligent electronic counting and membrane type gas meter	201620749840.2
7	Chongqing College of Humanities, Science and Technology	July 15, 2016	Wireless spread spectrum intelligent home-use measurement instruments, remote gas meter system	201620746541.3
8	Chongqing College of Humanities, Science and Technology	July 15, 2016	Meter and metering system with wireless close meter reading function for Internet of Things	201620749360.6
9	Chongqing College of Humanities, Science and Technology	July 15, 2016	Remote smart meters mobile recharge platform	201620748468.3
10	Chongqing College of Humanities, Science and Technology	July 14, 2016	SMS-type meter for Internet of Things	201620743096.5

Number	Patent Applicant	Application Date	Name of the Patent	Patent Application No.
11	Chongqing College of Humanities, Science and Technology	July 14, 2016	Flow type meters for Internet of Things	201620741792.2
12	Chongqing College of Humanities, Science and Technology	July 14, 2016	Low power wireless IC smart card metering instrument	201620743118.8
13	Chongqing College of Humanities, Science and Technology	July 15, 2016	Function testing device frame for a production line of smart wireless meters	201620752069.4
14	Chongqing College of Humanities, Science and Technology	July 15, 2016	Home-use remote charging device for smart IC card meters	201620749833.2
15	Chongqing College of Humanities, Science and Technology	July 15, 2016	Automatic diagnosis device for small leakage of intelligent gas meter	201620752495.8

3. Further information about our PRC establishments

Minsheng Education Management

(i)	nature of the company:	limited liability company (wholly-foreign owned enterprise)
(ii)	incorporation date:	March 16, 2006
(iii)	term of business operation:	From March 16,2006 to March 15, 2056
(iv)	total amount of investment:	US$36 million
(v)	registered capital:	US$14.5 million
(vi)	attributable equity interest of the company:	100%
(vii)	scope of business:	Education management and services; manufactures and sales on clothing and bedding (for business required certificate or approval from authorities, the company should apply for such certificate or approval before its operation)

Chongqing Bozhi

(i)	nature of the company:	limited liability company (wholly-foreign owned enterprise)
(ii)	incorporation date:	August 30, 2006
(iii)	term of business operation:	From August 30, 2006 to August 30, 2056
(iv)	total amount of investment:	US$18 million
(v)	registered capital:	US$9 million
(vi)	attributable equity interest of the company:	100%
(vii)	scope of business:	Education management and services; manufactures and sales on education devices; provide logistics service to universities and colleges

Li'ang Industry

(i)	nature of the company:	limited liability company
(ii)	incorporation date:	October 7, 1998
(iii)	term of business operation:	From October 7, 1998 to May 18, 2044
(iv)	registered capital:	RMB 10 million
(v)	attributable equity interest of the company:	95%
(vi)	scope of business:	Education management and services; manufactures and sales on clothing and bedding; invest management on water supply companies by using self-owned capital; sales on education devices; manufactures and sales on furniture (company should apply for the approval from State Council before its operation for those required businesses; company should not conduct businesses forbidden by relevant rules and regulations)

Li'ang Education

(i)	nature of the company:	limited liability company
(ii)	incorporation date:	November 4, 2003
(iii)	term of business operation:	From November 4, 2003 to November 3, 2033
(iv)	registered capital:	RMB 30 million
(v)	attributable equity interest of the company:	95%
(vi)	scope of business:	Operation on apartments of students and teachers in universities and colleges; manufactures and sales on Chinese food (salads and pot-stewed food excluded); sales on pre-packed food, bulk food, dairy products (baby formulated milk powder excluded); provide logistics service to universities and colleges

Pass Education

(i)	nature of the company:	limited liability company
(ii)	incorporation date:	November 4, 2003
(iii)	term of business operation:	From November 4, 2003 to November 3, 2033
(iv)	registered capital:	RMB 300,000
(v)	attributable equity interest of the company:	100%
(vi)	scope of business:	Operation on apartments of students and teachers in universities and colleges; sales on pre-packed food and bulk food (pursuant to the certificate); provide logistics service to universities and colleges

Huizhi Education

(i)	nature of the company:	limited liability company
(ii)	incorporation date:	November 6, 2015
(iii)	term of business operation:	From November 6, 2015 to November 6, 2065
(iv)	registered capital:	RMB 10 million
(v)	attributable equity interest of the company:	95%
(vi)	scope of business:	Catering services; retail of publications (for those required certificate or approval from authorities, the company should apply for such certificate or approval before its operation); provide logistics service to universities and colleges; Operation on apartments of students and teachers in universities and colleges; cleaning services; gardening-related services; gardening management and maintenance sales on devices and education devices, furniture, bedding, clothing and textile productions; house finishing (certificate required) (for those required certificate or approval from authorities, the company should apply for such certificate or approval before its operation)

Minsheng Time

(i)	nature of the company:	limited liability company
(ii)	incorporation date:	September 17, 2014
(iii)	term of business operation:	From September 17, 2014 to September 16, 2064
(iv)	registered capital:	RMB 10 million
(v)	attributable equity interest of the company:	95%
(vi)	scope of business:	Marketing services on technologies; education consulting services (excluded overseas studies consultant and agent services);sales on daily necessities, clothing and textile productions; project investment; consulting on company management (for those required certificate or approval from authorities, the company should apply for such certificate or approval before its operation; company is forbidden to operate any business forbidden or restricted in Beijing)

Yujinggang Education

(i)	nature of the company:	limited liability company
(ii)	incorporation date:	January 21, 2015
(iii)	term of business operation:	From January 21, 2015 to January 21, 2065
(iv)	registered capital:	RMB 50 million
(v)	attributable equity interest of the company:	95%
(vi)	scope of business:	Investment in education projects by using self-owned capital (excluded any financial sectors which required certificates or approval, including but not limited to banking, securities and insurance); development on education network technologies; manufactures and sales on closing, bedding and furniture; sales on education devices and type I and II medical devices (for those required certificate or approval from authorities, the company should apply for such certificate or approval before its operation)

Chongqing Renwen Hospital

(i)	nature of the company:	limited liability company
(ii)	incorporation date:	November 6, 2015
(iii)	term of business operation:	From November 6, 2015 to November 6, 2065
(iv)	registered capital:	RMB 50 million
(v)	attributable equity interest of the company:	95%
(vi)	scope of business:	Diagnosis and treatment on disease (for those required approval from authorities, the company should apply for such approval before its operation)

Zhiyuan Times

(i)	nature of the company:	limited liability company
(ii)	incorporation date:	January 22, 2015
(iii)	term of business operation:	From January 22, 2015 to January 21, 2065
(iv)	registered capital:	RMB 10 million
(v)	attributable equity interest of the company:	95%
(vi)	scope of business:	Provision of logistics management services to schools; information technology promotion services; sales of daily necessities, clothing and textile products; corporate management consulting

Chongqing College of Humanities, Science and Technology

(i)	nature of the company:	private non- enterprise unit
(ii)	establishment date:	November 6, 2006
(iii)	registered capital:	RMB 55 million
(iv)	attributable interest of the company:	95%
(v)	scope of business:	Provide undergraduate and college education services

Pass College of Chongqing Technology and Business University

(i)	nature of the company:	private non- enterprise unit
(ii)	establishment date:	December 1, 2006
(iii)	registered capital:	RMB 5 million
(iv)	attributable interest of the company:	95%
(v)	scope of business:	Provide undergraduate and college education services

Chongqing Vocational College of Applied Technology

(i)	nature of the company:	private non- enterprise unit
(ii)	establishment date:	December 1, 2006
(iii)	registered capital:	RMB 5 million
(iv)	attributable interest of the company:	95%
(v)	scope of business:	Provide college education services

Inner Mongolia Fengzhou Vocational College (Qingcheng Branch)

(i)	nature of the company:	private non- enterprise unit
(ii)	establishment date:	November 30, 2008
(iii)	registered capital:	RMB 4 million
(iv)	attributable interest of the company:	95%
(v)	scope of business:	Provide general higher education services, non-academic education services, secondary vocational education services and education services for adults

Laoling Chengyue

(i)	nature of the company:	limited liability company
(ii)	incorporation date:	July 7, 2016
(iii)	term of business operation:	From July 7, 2016 to long-term
(iv)	registered capital:	RMB 50 million
(v)	attributable equity interest of the company:	95%
(vi)	scope of business:	Investment in education and health care programs by using self-owned capital; development on education network technologies; sales on closing, bedding, furniture, education devices and type I and II medical devices (for those required certificate or approval from authorities, the company should apply for such certificate or approval before its operation)

Minsheng Secondary Vocational School

(i)	nature of the company:	Private non-enterprise unit
(ii)	establishment date:	September 20,2016
(iii)	registered capital:	RMB30 million
(vi)	attributable interest of the company:	95%
(v)	scope of business:	Provide middle level vocational education and technical training

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 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.

Pursuant to their respective service agreements with the Company, the remuneration for each of the Directors as at the Latest Practicable Date and after the Listing (where applicable) are as follows:

Directors	Remuneration per year as at the Latest Practicable Date	Remuneration per year immediately after the Listing
Mr. Li Xuechun	RMB960,000	RMB3,019,350
Ms. Zhang Weiping	US$300,000	US$800,000
Mr. Zuo Yichen	US$200,000	US$300,000
Mr. Lam Ngai Lung	US$100,000	US$200,000
Mr. Chan Ngai Sang Kenny	nil	HK$240,000
Mr. Yu Huangcheng	nil	HK$240,000
Mr. Wang Wei Hung Andrew	nil	HK$240,000

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 December 31, 2013, 2014 and 2015 and the ten months ended October 31, 2016, the aggregate of the remuneration paid and benefits in kind granted to our Directors by us and our subsidiaries was RMB4.5 million, RMB2.7 million, RMB2.7 million and RMB2.3 million, respectively.

Save as disclosed in this prospectus, no other emoluments have been paid or are payable, in respect of the three years ended December 31, 2013, 2014 and 2015 and the ten months ended October 31, 2016 by us to our Directors.

Based on the arrangements in force, the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for the year ended December 31, 2016 was approximately RMB4.34 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 as of the Latest Practicable Date and following the Capitalization Issue and the Global Offering

As of the Latest Practicable Date and 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:

(i) Long positions in our Company

		As of the Latest Practicable Date		Immediately after the Global Offering and the Capitalization Issue(1)	
Name	**Capacity/Nature of interest**	**Number of Shares**	**Approximate percentage of shareholding in our Company**	**Number of Shares**	**Approximate percentage of shareholding in our Company**
Mr. Li (2) . . .	Interest in a controlled corporation	2,589,451,200	100%	3,000,000,000	75%

Note:

(1) Assuming the Over-allotment Option is not exercised.

(2) Mr. Li holds 90% of the issued share capital of Honest Cheer and is its sole director and he is therefore deemed to be interested in the Shares held by Honest Cheer upon the Listing. Ms. Li Ning, daughter of Mr. Li, holds the remaining 10% of the issued share capital of Honest Cheer.

(b) Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO

As of the Latest Practicable Date and 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:

(i) Interests and short positions in our Shares and underlying Shares of our Company:

Long position

		As of the Latest Practicable Date		Immediately after the Global Offering and the Capitalization Issue(1)	
Name	**Capacity/Nature of interest**	**Number of Shares**	**Approximate percentage of shareholding in our Company**	**Number of Shares**	**Approximate percentage of shareholding in our Company**
Honest Cheer (2) . .	Beneficial owner	2,589,451,200	100%	3,000,000,000	75%
Mr. Li (2).	Interest in a controlled corporation	2,589,451,200	100%	3,000,000,000	75%

Note:

(1) Assuming the Over-allotment Option is not exercised.

(2) Mr. Li holds 90% of the issued share capital of Honest Cheer and is its sole director and he is therefore deemed to be interested in the Shares held by Honest Cheer upon the Listing. Ms. Li Ning, daughter of Mr. Li, holds the remaining 10% of the issued share capital of Honest Cheer.

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 sole Shareholder passed on March 2, 2017 and adopted by a resolution of the Board on March 2, 2017 (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;

(g) an associate of any of the persons referred to in paragraphs (a) to (f) above; and

(h) any person involved in the business affairs of our Company whom the Board determines to be appropriate to participate in the Share Options Scheme (the persons 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 400,000,000 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 purposes 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 purposes 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 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 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 authorised 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 purposes 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 capitalization 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 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 400,000,000 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 400,000,000 Shares which may be issued pursuant to the exercise of Options under the Share Option Scheme.

G. OTHER INFORMATION

1. Deed of Indemnity

Mr. Li and Honest Cheer 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. Li and Honest Cheer 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 liability, 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 2013, 2014 and 2015 and the ten months ended October 31, 2016 (the "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 October 31, 2016 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 our Controlling Shareholders (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. Li and Honest Cheer 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$8,000 and have been paid by us.

4. Promoter

There are no promoters of our Company.

5. Sponsors

The Joint Sponsors 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. Each Joint 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 Joint Sponsors, pursuant to which our Company agreed to pay the Joint Sponsors an aggregate fee of US$1.00 million to act as joint sponsors 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 October 31, 2016 (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 (in alphabetical order):

Name	Qualification
Citigroup Global Markets Asia Limited	A licensed corporation holding a license under the SFO for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities under the SFO
Conyers Dill & Pearman	Cayman Islands legal advisors to our Company
Ernst & Young	Certified Public Accountants
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
Jingtian & Gongcheng	PRC legal advisors to our Company
Macquarie Capital 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
LCH (Asia-Pacific) Surveyors 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 VI 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 VI to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Luk & Partners at Unit 2001, Level 20, One International Finance Centre, 1 Harbour View Street 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 and consolidated affiliated entities now comprising our Group for each of the years ended 31 December 2013, 2014 and 2015 and ten months ended October 31, 2016;

(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 letter, summary of values and valuation certificates relating to our property interests prepared by LCH (Asia-Pacific) Surveyors Limited, the texts of which are set out in Appendix IV to this prospectus;

(6) the material contracts referred to in the paragraph headed "C. Further Information about Our Business — 1. Summary of the material contracts" of Appendix VI to this prospectus;

(7) 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 VI to this prospectus;

(8) the written consents referred to in the paragraph headed "G. Other Information — 10. Consents of experts" of Appendix VI to this prospectus;

(9) 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;

(10) the letter of advice prepared by Conyers Dill & Pearman summarizing certain aspects of Companies Law referred to in Appendix V to this prospectus;

(11) the industry report prepared by Frost & Sullivan;

(12) the Cayman Companies Law;

(13) the rules of the Share Option Scheme.

民生教育集团有限公司
Minsheng Education Group Company Limited